

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

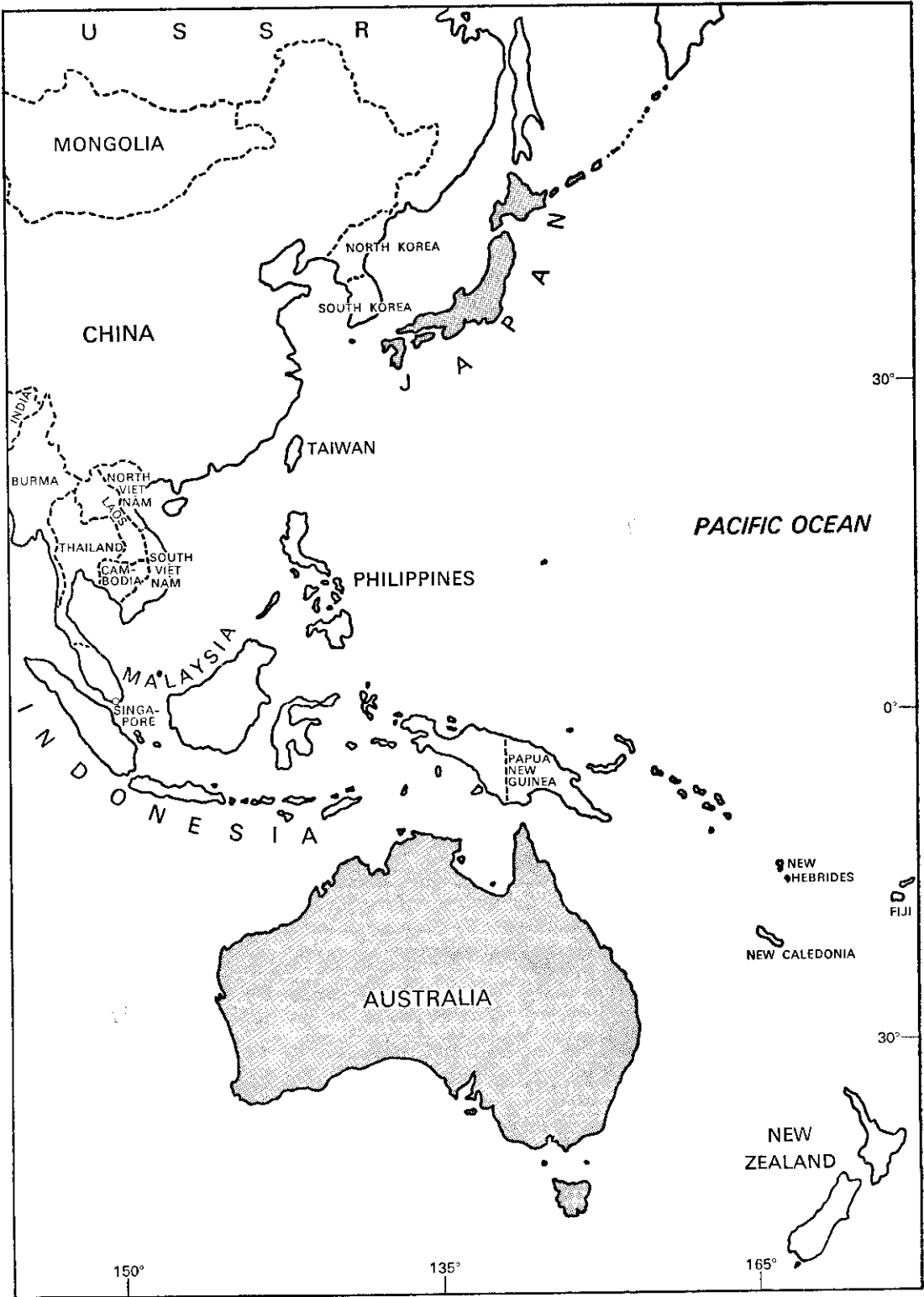
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Senate Standing Committee
on
Foreign Affairs and Defence

Report on
JAPAN

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Part 1

Introduction

Contemporary Japan

Chapter 1 Introduction

The Work of the Committee

The Standing Committee on Foreign Affairs and Defence was established by Resolution of the Senate on 6 October 1971 and on the following day it received its first reference for investigation and report. This reference was 'Japan'. The reference was unique for two reasons—firstly, it is customary to spell out in greater detail the terms of reference of the subject to be investigated and, secondly, it was not the previous practice for a committee of the Senate to be directed to inquire into relations with another country. This simple, one-word reference left the Committee free to determine the scope of the inquiry and the course it would pursue.

At its first meeting Senator J. P. Sim was unanimously elected Chairman and procedural arrangements for the conduct of the inquiry were determined. The Committee considered that the Senate would not wish the inquiry to be limited to Australia-Japan relations in the fields of foreign affairs and defence only, but that consideration also should be given to trade and cultural relations and, importantly, to the steps which could be taken to increase mutual understanding between the two countries. The Committee also believed that it was important to examine Japan in the context of its relations with Asia and, to a lesser extent, with the rest of the world.

The Committee adopted a general rule that evidence would be taken in public hearing except where the national interest dictated otherwise. This decision enabled the public to be informed of the nature of the evidence coming forward and stimulated persons who might otherwise have been unaware of the inquiry to offer information of value. At first, some Commonwealth Ministers showed a reluctance to authorise officers of their Departments to give evidence in public hearing. This reluctance apparently stemmed from the sensitive nature of some of the areas of the inquiry, but the Committee itself recognised that there could be occasions when the public interest would dictate that some evidence should be tendered during *in camera* sessions. However, it was the view of the Committee that the public interest and the interests of the witnesses themselves could be adequately protected by the procedures of the Senate—a responsibility which the Committee fully accepted. Following assurances that the Committee would observe these procedures, the Departments concerned were authorised by their Ministers to give evidence in public and the end result was that all Departments with an interest in Japan co-operated fully with the Committee and provided most valuable information both in public and private session. The Committee records the high regard it has for the calibre of the

senior officers of major Departments who appeared before it and considers that in their exposure to public examination they reflected great credit on themselves and their Departments.

Public hearings commenced on 22 November 1971 and since that time the Committee has had thirty days of sittings, principally in public hearing, and has received evidence from seventy-eight witnesses, including a number of Japanese citizens visiting Australia. In addition, the Committee was fortunate to receive a number of written submissions from interested parties in both Australia and Japan and studied a wide range of published material. A list of witnesses and others from whom written submissions were received appears at the end of this report. To the many persons who gave of their time and knowledge to assist the Committee in its task, we express our sincere appreciation.

The Committee especially appreciated the interest and assistance of:

- the Japanese Embassy, and in particular that of Mr Satoshi Kinase, Counsellor of the Embassy, who attended many of its meetings;
- the Vice-Chancellor of the Australian National University for his concurrence in Mr David Sissons, Fellow in International Relations, serving as Specialist Adviser to the Committee during the course of its taking of evidence; and
- the Department of Foreign Affairs for making available the services, over consecutive periods, of Mr J. A. Benson and Mr T. D. Wilson as liaison officers.

Because of the significance of the iron ore trade with Japan, inspections were made of some of the mining areas and associated port facilities in Western Australia. In conjunction with these inspections, visits were made to a number of Defence establishments. The courtesies extended to members on all of these inspections were greatly appreciated.

In its report, the Committee has attempted to reflect the profound changes which have occurred since the end of World War II in the factors influencing Australia-Japan relations. Australia's former dependence on the British market has undergone significant change and this has been accelerated by Britain's entry into the European Economic Community. The result has been a need for Australia to seek alternatives to its long established markets. The circumstance was fortuitous that search for diversification in Australian export outlets coincided with the so-called 'economic miracle of Japan' and the widespread discovery of mineral wealth in Australia. As a result, Japan has become Australia's major trading partner and its largest market during the past decade. However, this is not a one-way advantage, for natural resources are the life-blood of Japan's industry and the ability of Australia to provide such a large share of essential resources has been a benefit mutually shared.

Apart from the knowledge gained by those engaged in trade between Australia and Japan—and even here there are limitations—it is obvious that not enough is known in either country of the people and culture of the other. The need to foster mutual understanding emerged as a vital

issue in this inquiry and, therefore, has been given considerable attention in the report.

The report deals with two countries whose peoples have very great differences in attitudes, culture and environmental background. These circumstances alone make the presentation of clearly defined recommended courses of action difficult—difficult because of their complexity and because, quite properly, a Committee of the Australian Senate can only make recommendations for implementation by Australia. Members of the Committee, however, appreciate the keen interest already shown by the Government of Japan in the inquiry and hope that the report may help the people of Japan towards a better understanding of Australia and Australians. Areas of our present relationships in which difficulties have arisen are discussed frankly in the report, and where this has been done the sole purpose has been the clearing of obstacles to greater understanding.

Background to Modern Japan

Geographical Context

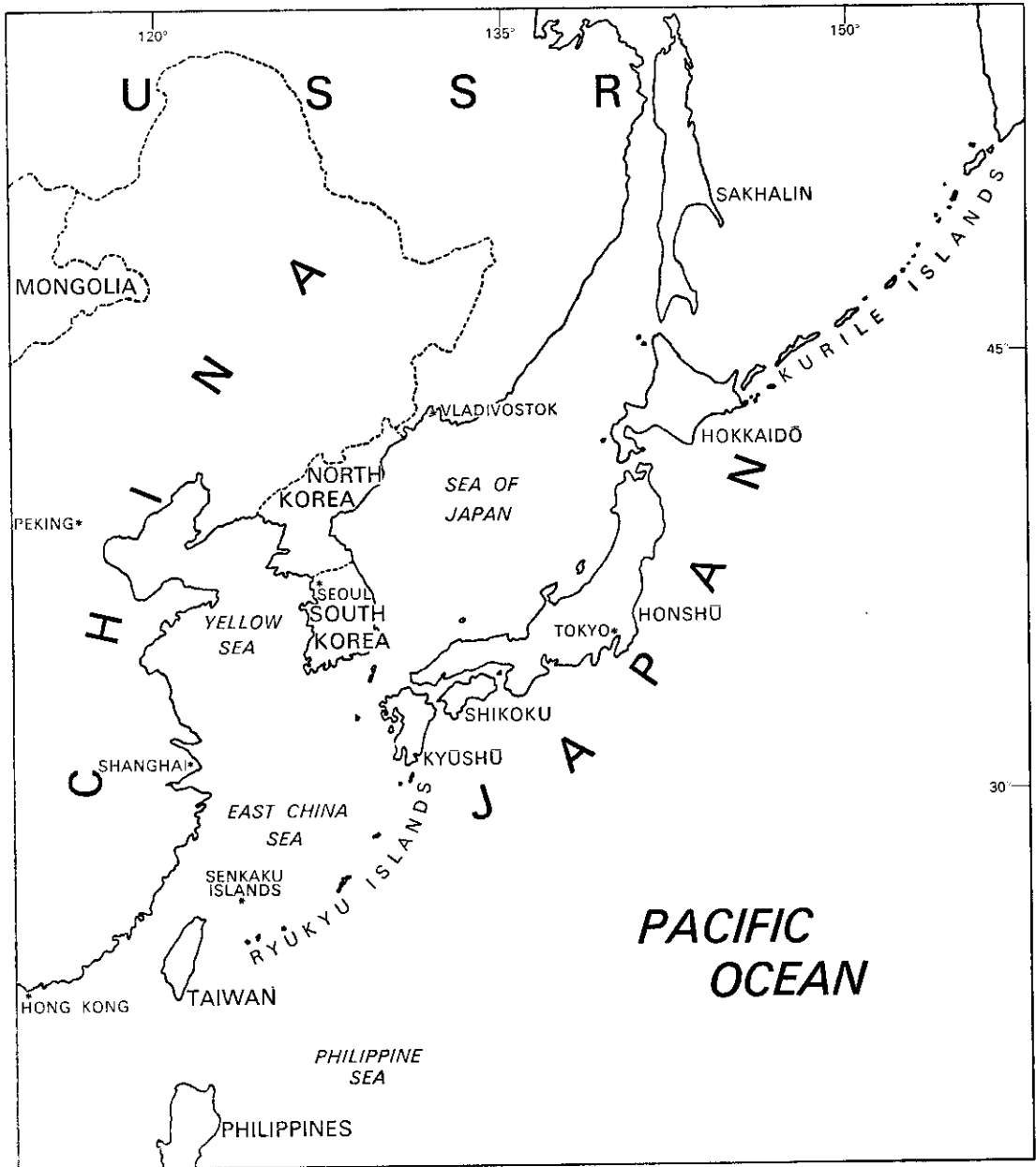
The Japanese archipelago consists of four main islands—Hokkaido, Honshu, Shikoku and Kyushu—and over 3,000 lesser islands.

With a population of 105 million people and a total land area of approximately 146,000 square miles (about one-twentieth the area of Australia), Japan has a population density of the order of 700 per square mile, which is one of the highest in the world. Over the course of the last century, Japan has transformed itself from a predominantly rural society into an urbanised, industrial nation, with a level of economic development exceeded only by the United States and the Soviet Union. Modern Japan has seen a massive movement of people out of the countryside into the cities and the encroachment of urban areas on the countryside. Today about three-quarters of the population live in urban areas and this concentration has brought problems to Japan not uncommon in Western nations, such as inadequate housing, traffic congestion and pollution.

Most of Japan is steeply sloping and mountainous, with a temperate climate similar to that of the east coast of the United States. Because of the topography, considerable areas of the country are only sparsely populated, and the pattern of human occupancy is strongly attracted to the coastal plains. Other than forests, Japan has been poorly endowed with natural resources and has relied for its industrialisation on the ability to import raw materials such as crude oil and iron ore. Trade has been the key to Japan's economic success.

Japan's precise position on the globe is not always fully appreciated. Tokyo is approximately as far north of the equator as Canberra is south, and the 135° line of longitude is common to both Japan and Central Australia. More particularly, however, there is sometimes confusion as to Japan's proximity to the U.S.S.R., the Korean peninsula, the People's Republic of China and to Taiwan.

To the north, the Japanese islands lie adjacent to the Russian mainland. Japan's most northern island, Hokkaido, is next to Sakhalin Island



(formerly partly owned by Japan and now fully under Russian control) and close to the controversial Kurile Islands, the sovereignty over which Japan is keen to regain from the U.S.S.R. Sakhalin and the Kuriles are strategically significant in the question of free northern access to the Sea of Japan, a matter of particular significance to the major Russian eastern seaport of Vladivostok.

In the south, the Japanese island of Kyushu lies about 100 miles from the Korean peninsula, forming the southern waterway to the Sea of Japan. The Chinese mainland is some 500 miles to the west of Japan and Taiwan is situated less than 1,000 miles to the south-west.

Historical Context

The historical origins of the Japanese people and the development of their culture and traditions are complex matters beyond the scope of this inquiry. The relative isolation of an island people, the disciplines imposed by the rugged terrain and limited natural resources, the impact of the cultures of neighbouring China and Korea—these and other factors merged to forge the essential Japanese character.

From early in the seventeenth century, Japan endeavoured to the greatest extent possible to close itself off from the outside world, although it has been suggested that some scientific knowledge was absorbed from the West. However, as a result of growing pressure, the country's shores were opened to outside commerce and influence about 120 years ago. With the Meiji Restoration of 1868, the feudal rule of the Shogunate came to an end and the country set about the task of modernisation. Within a comparatively few decades Japan incorporated many of the economic, political and social developments which had been evolved in the West over a period of several centuries. Victories in the Sino-Japanese War of 1894-95 and in the Russo-Japanese War of 1904-05 attested to the country's growing military capability, and with its rapid industrial growth during World War I Japan began to be regarded as an emerging world power.

As the inter-War period developed, the Government came increasingly under the influence of the military and the country pursued an expansionist policy which brought it into conflict with the Western powers and eventually resulted in the Pacific War of 1941-45. Japan's commercial and industrial base was destroyed by the War, and its overseas territories were lost. Defeat in war was followed by an Allied Occupation and ever since Japan has been closely associated with the West, especially the United States.

Under the Occupation, the concepts of democracy and anti-militarism were emphasised. Public office was denied to those who had been prominent in the War at both national and local levels, and the Constitution provided for a civilian Cabinet. The educational system was reformed, women were given the right to vote and political freedom was extended to all shades of opinion. In addition, there were changes

of profound social and political importance, such as the reform of land ownership, labour conditions and the legal aspects of the traditional family system.

Throughout the post-1945 era Japan's military budget has been small and the Japanese have concentrated on the rebuilding and expansion of their domestic economy. In this task the country has been outstandingly successful, and the policies and decisions of contemporary Japan have profound implications for a great number of other countries, not least of all Australia. It is with this situation—the Japan of today and tomorrow—that the Committee's inquiry has been principally concerned.

Chapter 2 Contemporary Japan

Modern Society

The aftermath of World War II brought great influences for change in Japanese society. Economic growth has been exceedingly rapid and the resulting stresses have led to significant changes in many of the previous patterns of life. Above all, however, it has been the intelligent utilisation of the opportunities available to the nation which has characterised post-War Japan. Shortly before his death the former Prime Minister, Mr Yoshida, summed up these factors when he said: 'It was the diligence, initiative and creative ability of the Japanese people that enabled them to exploit the advantages offered The economic rehabilitation and advance of Japan was due less to political factors than to hard toil and good fortune'.

The decade of the 1960s witnessed an increase in Japan's industrial production of 221 per cent and during 1968 the economy surpassed that of West Germany to become the world's third largest, ranking after the United States and the Soviet Union. Family incomes have increased substantially as a consequence of the growth to an apparently affluent society—if this is judged by material possessions. This affluence has been accompanied by inflation resulting in price increases on such items as food and land, which are so important to family groups. As mentioned in Chapter I, economic growth has been associated with increasing pollution and environmental contamination—to the extent that pollution of the atmosphere now exceeds maximum tolerance levels in more than half of Japan's sixty-six biggest cities. Population pressure on the limited available land has created considerable social problems for Japan. Half of the urban population lives in the metropolitan areas of Tokyo, Osaka and Nagoya and recent figures give the population of the Tokyo metropolis alone as 11,400,000 people.

The Japanese Government has adopted a family planning programme which has achieved a reduction in average family size from 4.52 persons in 1960 to 3.72 persons in 1970. However, population increases still present the authorities with a formidable problem. Recent population projections suggest that Japan's population may reach 124 million by 1985, 130 million by 2000 and 140 million by 2025. Life expectancy is higher than in Australia and is almost comparable with Sweden, which has the highest figures in the world. In Japan, life expectancy at birth for men and women respectively is 69.33 years and 74.71 years, while in Australia the figures are 67.92 years and 74.18 years.

Housing

The human and financial resources devoted to what has been termed Japan's 'economic miracle' have meant that equal emphasis has not been placed on other aspects of the country's social and economic structure.

For example, a housing shortage developed in Japan as a result of war-time destruction, industrialisation and the increase in population. Despite three different policy measures at various times since the end of the War, the shortage has not been overtaken. In the early post-War years subsidies were provided to local authorities to encourage the construction of rental housing for low income earners and in 1950 a Housing Loan Corporation was established to advance long-term loans at low interest rates to individuals wishing to build their own homes. Further measures were considered necessary and in 1955 the Japan Housing Corporation was established to construct multi-storey apartment buildings on a large scale in areas where the shortage was most critical. Despite the construction of a huge total of 13 million dwelling units in the past twenty years, the housing supply has been unable to meet the demand, particularly in city areas. Government estimates forecast a need to construct 30 million units in the next twenty years.

Education and Family Life

The impact of change has not been limited to physical factors, as is evidenced by the effect of modern Japanese society on traditional features of Japanese family life. Although Japan has a long history of official education, including the introduction of a national education system in 1886, two new and important measures were introduced in 1947—the Fundamental Law of Education and the School Education Law. The principal purpose of these laws was to establish equality of educational opportunity and to prohibit discrimination in education. Education is compulsory over a period of nine years of schooling, between the ages of six and fifteen years, and available figures indicate a high rate of conformity with this requirement—in 1968, for example, 99.9 per cent of children between these ages were enrolled in classes.

Evidence was submitted to the Committee on the effects on Japanese society of some erosion in traditional family loyalties. This trend has been more marked in urban areas, where there are indications that the lessening of family ties has given way to the evolution of groups of a social and political nature, which continue to give expression to the fundamental Japanese desire to 'belong'. On the other hand, other evidence suggests that some young Japanese are rejecting many Western influences (especially post-War American influences) and showing a tendency to return to their country's traditional values. Many young people in Japan exhibit a similar antipathy towards contemporary society as is found in most Western countries. The Japanese have shown an ability to absorb much of what is good from the West while periodically rejecting that which is considered bad. Their desire to retain what is good in Japanese culture and values remains a source of strength and unity. Witnesses appearing before the Committee could not predict with certainty that those changes of attitude which have occurred would necessarily be permanent. The reason given for this was the feeling that the Japanese are nationally introspective and that therefore their more fundamental attitudes are unlikely to alter significantly.

Those changes which are occurring in the traditional patterns of

family life have been considered of such importance by the Economic Planning Agency as to warrant investigation and the issue of a White Paper. The factors responsible for these changes have been seen as the country's high rate of economic growth during the sixties; the spread of higher education; the emphasis on the individual rather than the family as the social unit; and the equality granted to women by law. The change in the role of Japanese women has particular significance in considering the present day family. Japanese women gained the right to vote in the first post-War election. They now have equal legal rights in contracting marriage and have equality with their husbands in owning or inheriting property and in the upbringing of their children. The employment of married women has increased to a point where at least half their number is working. Although the average income per family has risen steadily in the past few years to a figure of \$A2,800, the strong pressure of inflation is given as the reason for the high proportion of married women in employment.

The development of large apartment projects with limited space per home unit has been an important factor in the breakdown of the past custom of elderly relatives forming part of the family unit. An unfortunate consequence of this is that Japan is following a Western trend in that the aged are often lonely and impecunious.

Social Welfare

Japan has a long history of social welfare which is associated with the close affinity existing between employee and employer. It has been a traditional part of Japan's society for workers to have a strong sense of loyalty to their employers and to remain in the service of the one firm throughout their working lives. In return, the employer has accepted a very high degree of responsibility for the welfare of employees and their families. Since 1927 a medical insurance scheme has been in operation in which employees of private and government enterprises, farmers and self-employed persons can all participate. This scheme covers those who do not share in the rather paternalistic welfare systems of industrial organisations. There is evidence of change in the traditional welfare system as a result of the movement of population from rural areas to cities in search of industrial employment, and the recently evolved tendency for individuals to change their employment in search of higher wages.

The evidence suggests that some Japanese attitudes are changing and people are seeking satisfaction in fields other than material affluence. They feel that greater emphasis should be placed on improving the social infrastructure, particularly in areas relating to the quality of life of the community and social welfare. There are clear signs also that the Government is responding to these developing pressures.

Employment

Employment opportunities have improved to the extent that labour shortages have emerged, particularly in the skilled worker field. Prior to the 1971 down-turn in the Japanese economy, it was reported that

*Japanese
People*

there existed something like five job opportunities for each skilled tradesman. This, of course, has stimulated demands for wage increases, which up to now have not been as great as might have been expected in a rapidly industrialising society. It has been one of the features of the growth of Japan's economy that until recent years productivity increased at a faster rate than wage levels.

The development of trade unions has been rapid in the post-War years, although their influence is still weak by comparison with their counterparts in Western countries. In the past there was little stimulation to trade union growth in view of the traditional lifetime relationship which existed between employee and employer, but the changes in these traditions have provided opportunities for their expansion. Figures provided to the Committee show that out of the Japanese work force of 52 million, 11.2 million are trade unionists. Japanese trade unions are generally based on a single enterprise and embrace workers of several different occupations within that enterprise, rather than embracing workers of the same occupation on an industry-wide basis.

The section of the Committee's report dealing with Japanese society would be incomplete without a reference to some of the more common qualities and attitudes of Japanese people. To a Western person the Japanese are exceedingly complex and no doubt the Japanese feel the same way about Westerners. The Committee was fortunate to receive evidence from a number of persons with long and close association with Japan and many of its people. Some of their comments clearly illustrate the gap between the two cultures and the effort and tolerance required to bridge this gap in even the most elementary way.

One witness said:

. . . They are a very active, most diligent, highly dedicated and united people, extremely proud of their achievements, particularly in their post-War recovery. They are also a most sensitive and emotional people, prone to violence under stress.

Perhaps the biggest problem for Japan is the attitude of the Japanese themselves to the outside world. They are an extremely insular people, convinced of their uniqueness and of their spiritual superiority as a nation. While they have an elaborate code of traditional behaviour for purely Japanese relations within Japan, they have no code of behaviour to follow in relations with foreigners and for situations alien to Japan. While a very sensitive people as Japanese, they seem to display a singular lack of sensitivity for other peoples. This is no doubt the result of over 200 years isolation from the outside world.

Another area in which we have to be careful in our dealings with Japan is in our acceptance of them as a people. Although they never suffered the humiliation of colonisation they have for generations experienced difficulties in gaining acceptance as equals by the countries of the West. From the moment they came out of isolation their ambition was to make up as soon as possible the material gap between themselves and the Western countries. To this day the slogan has been to 'catch up with the advanced countries of the West' and to be accepted by them in every way as equals.

What may appear to be quite insignificant things can have a profound effect on the Japanese if they see them as a rejection of a Japanese desire to be accepted . . .

Another, referring to an aspect of the well-known Japanese politeness, explained the Japanese attitude in this way:

Japanese will try to give you the answer they think you want . . . To their mentality it is not lying. The fact is that as far as possible you do not do anything to hurt another's feelings. What they are trying to do is to give you an answer and keep up your good spirits. They have a saying that foreigners—and I am a foreigner in Japan of course—'speak too clearly'. We tend to say what we mean and we say it too bluntly . . . Finally, in discussing the Japanese concept of obligation, the same witness said:

With Japan you are dealing with a country with a population which is completely different from Australia's. I think this is a fundamental point . . . For example, the idea of being kind to your neighbour, helping him, to us is automatic I think. Even though we often fail to live up to it, at least we feel we should. If you see someone in trouble, you race round and try to do what you can to help him. Well, that would conflict with a Japanese principle of not being under an obligation to somebody. You must pay your debts . . . in Japan.

I had a case a couple of years ago: I picked up an open canvas bag that someone had dropped, and it had something like \$200 to \$300 in it, in Japanese money. I knew it belonged to the local milkman who had been round collecting his monthly bills. Now the Japanese law on that is that you take it to the nearest police box, hand it in, and the finder is entitled to 10 per cent of the findings as a reward. So it only took me a couple of minutes to go down to the police box, which was about 100 yards down the street, and I whipped it in to the cop and told him where I picked the bag up. He said: 'Wait', and he got the milkman on the phone and the milkman came round—it was only the delivery man, not the owner of the business—and proceeded to give me \$25 reward in front of the cop. I refused it. I felt the delivery man could not afford it out of his wages. To me it was just Christian charity and the right thing to do. But the cop insisted I take it. So I took it and just folded it up and slipped it into the bloke's top pocket and parted company. I had done the wrong thing, because I had left this poor bloke under an obligation to me. That was my instinctive reaction, but I have now been in Japan long enough to know what I really should have done. I should have taken half the money and given him the other half—everything would have been settled then . . . Even though you have lived with them for 20 years, if you still make a snap judgment as an Australian you are going to make the wrong judgment. What happened after that was that I used to see this milkman once or twice a week and every time he saw me he stopped and tried to persuade me to have a bottle of milk at his expense, drink it by the roadside, just to pay back his debt. He was permanently under an obligation to me.

In Chapter VI the Committee deals in greater detail with the related aspect of improving mutual understanding between the people of Australia and Japan.

Political System

One of the post-War Occupation's most significant influences on Japan was the framing in 1946 of a new Constitution which provided a system of responsible government in which the relationship between Cabinet, Parliament and the electorate took a form readily understood by those familiar with the British system of government. It also aimed at the elimination of the armed forces as an independent force in politics.

Constitution

A copy of this Constitution appears as Appendix I, but, briefly, its principal features were to declare the sovereignty of the people symbolised in the person of the Emperor as a constitutional monarch; to

guarantee fundamental human rights to the individual; to renounce war and re-form the Parliament into a House of Representatives and a House of Councillors, all members of which are elected by universal adult suffrage. It is also of interest to note that the rights and duties of the people set out in the Constitution bear a great resemblance to the United Nations Declaration of Human Rights. As an extension of the strongly pacifist aspects of the Constitution, Ministers of State are required to be civilians. The Constitution has gained the acceptance and respect of the Japanese people and there appears little public support for its change, despite the fact that revision of certain aspects is a long-term aim of the governing Liberal-Democratic Party. Opposition parties have maintained a firm stand against any revision. The constitutional requirement for an amendment is a two-thirds majority of both Houses of the Diet plus a majority of the people in a referendum.

The Diet

The Parliament established under the new Constitution (the Diet) comprises two Houses elected by secret ballot under universal adult suffrage. Women were granted a vote at the first post-War election in 1946. The Lower House, the House of Representatives, now contains 491 members and in the Upper House, the House of Councillors, there are 252 members. In anticipation of Okinawa's reversion to Japanese control in May 1972, the numbers of Representatives and Councillors were increased by five and two members respectively in November 1970. Members of the House of Representatives are elected for a four-year term and the House of Councillors for a six-year term with half of the Councillors retiring every three years.

Following the recent Japanese elections, the composition of the Diet is now (January 1973) as follows:

	<i>House of Representatives</i>	<i>House of Councillors</i>
Liberal-Democratic Party	284	136
Socialist Party	118	62
Communist Party	39	10
Komeito	29	23
Democratic Socialist Party	20	12
Independents	1	6
Vacancies	3
	<hr/> 491	<hr/> 252

With the exception of the Komeito, the general philosophy of each of the parties is apparent from its name. The Komeito is an off-shoot of a Buddhist group, Soka Gakkai, whose close-knit, hierarchical organisation and simple values appeal to many who have lost their traditional roots in the villages and are seeking a secure life in the over-crowded cities. The Komeito advocates 'clean politics' and the elimination of corruption, and has placed emphasis on such social problems as rising prices, pollution, the housing shortage and traffic congestion. The party lost a number of seats at the recent elections.

Of interest to the Australian Senate is the emphasis placed on com-

mittees in the operations of the Diet. There are many standing and special committees set up by each House with power to examine and debate legislation and every Diet member must serve on at least one committee but on no more than three.

Governing Party

Throughout the post-War years Japan has been governed by Conservative elements with the exception of a brief period in 1947-48 when coalitions between Socialists and Democrats held office. In 1955 the Conservative groups combined to form the Liberal-Democratic Party and this party has retained office since that time. The multi-member constituency system promotes campaigning by members of the same party against each other. This has been one of the factors which has brought about a conglomerate of party factions within the Liberal-Democratic Party, each with its individual leader. It has been said that the governing party contains ten to twelve factions, rather like parties within parties.

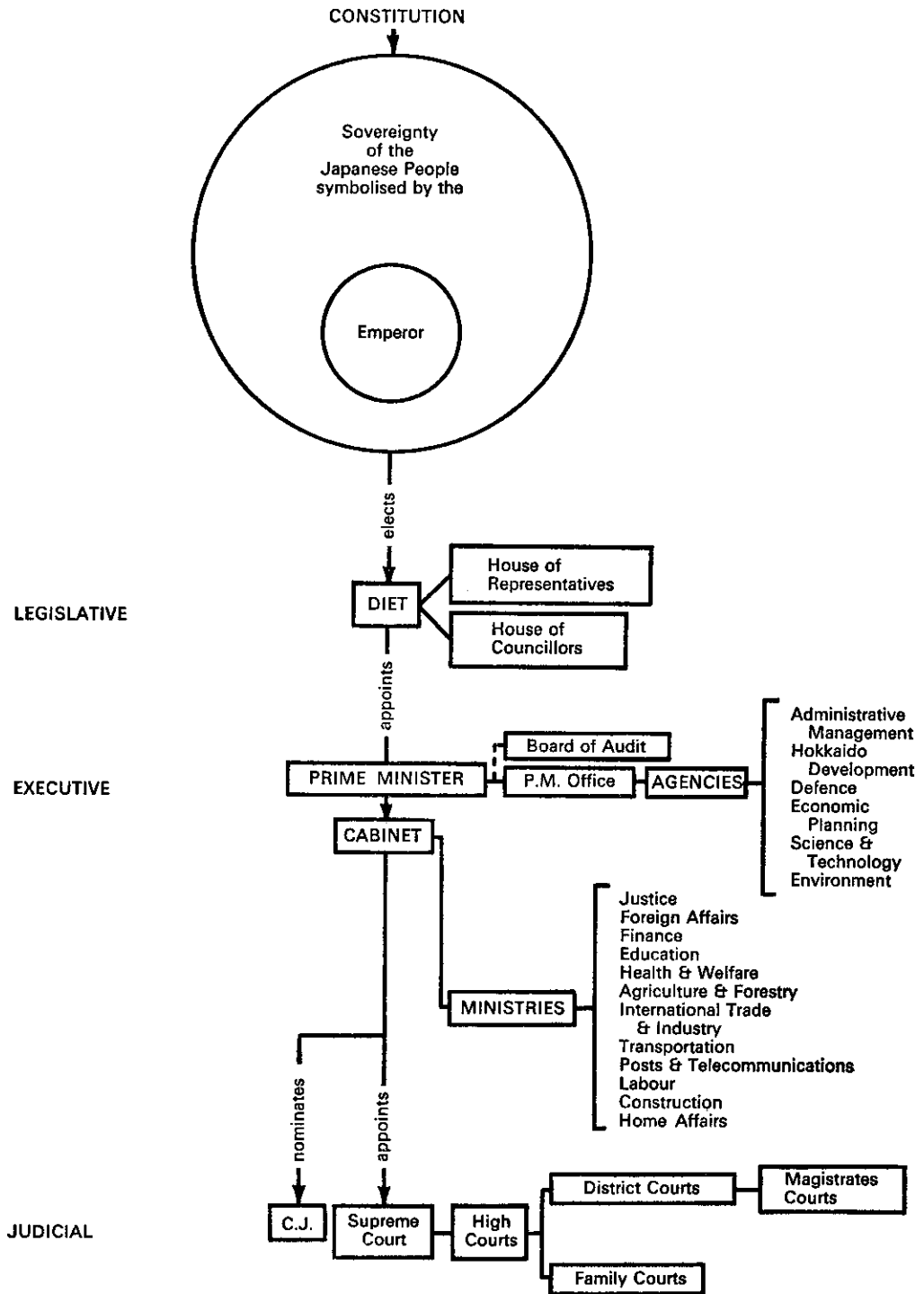
As a result of growing urbanisation and the current demands of the Japanese population, the Government is expected to come under increasing pressure within the next few years for improvements in those factors generally included within the term 'quality of life', and it has indicated that emphasis will be placed on them in the legislative programme. Given the strong position of the Liberal-Democratic Party and the inability of the Opposition parties to co-operate with each other and to put forward alternative policies attractive to the electors, it is difficult to see any real threat to the governing party in the near future.

Decision-making

In discussing the Japanese political system, it is relevant to note two features of the decision-making process which are common to both government and business. These features appear unique to Japan and have been given much of the credit for the country's economic recovery after World War II. The first is the reaching of decisions by 'consensus' in which patient research is a prelude to the consideration of a problem by all interested parties. This consideration is not confined to the policy makers, and before reaching a consensus the parties concerned will have viewed the problem from all angles and made compromises where necessary to reach a corporate decision offering the greatest benefit to the particular company or group concerned. It is, in all probability, the Japanese attribute of loyalty to the 'group' which makes this practice so effective. Secondly, there is the highly developed practice of close association between government, the bureaucracy and industry, in which all contribute their knowledge and expertise to the formulation of policy. One witness, when asked to explain a reference to this system of government-business co-operation in decision making, said:

But starting from the standpoint that Japan is a free enterprise economy, I think it can be said that among the capitalist economies Japan is the one which exhibits the highest degree of co-ordination between government and business. This does not mean that there is in any sense authoritarian control or direction by government to business; it means rather that there is a very close set of inter-connections between government and business in many fields. One form which these relationships take is the interchangeability of personnel between government and business. You very often find in Japan

Government of Japan



(Courtesy of Professor Joyce Ackroyd)

that senior officials, from the economic ministries in particular, will move after retirement or before retirement into business as company directors, business consultants or advisers on particular aspects of economic affairs. The role of the Japanese Ministry for International Trade and Industry, MITI as it is usually called for short, is quite a key one in this respect. MITI has a number of officers who are actually stationed in the offices and headquarters of the bigger companies to advise them on particular matters. In return, MITI is advised by a whole series of special councils and associations which are made up of business representatives or sometimes have a mixed composition involving representatives of business, officials, and sometimes representatives of research and academic institutions. The Japan Foreign Trade Council is an advisory body which works directly with MITI but has a primarily business composition. There is also the Industrial Structure Council which has a similar advisory role. These various bodies working with MITI, with officials, in this kind of cross-fertilisation process, produce a form of consensus on investment and production targets—matters of that kind. There is also obvious scope for co-ordination of research through the close consultation that goes on between business and the economic ministries. The whole process again is facilitated by the peculiar structure of Japanese industry, which is very closely co-ordinated at all levels, horizontally as well as vertically; by the role of the banks and the relationship of the Government to banking in Japan; and by the existence of many central associations within Japanese business, of which the most important is the Federation of Economic Organisations or Keidanren. There are others, such as the Federation of Employers, the Japan Committee for Economic Development and so on. Finally, there is the special role of the Economic Planning Agency in Japan, which prepares economic plans and is in close and constant touch with both business on the one side and other government departments on the other, and which gets its guidelines from an **Economic Deliberation Council** which is made up of a very wide cross-section of businessmen, representatives of finance, labour, the universities, the Press and government departments. I can only give this kind of illustrative answer to your question, Mr Chairman, because a complete and comprehensive answer would probably require years of research and a university thesis at the end of it.

Associated with this close co-operation there is also the use of 'administrative guidance'. This is a legal term in Government ordinances, requiring private enterprise to accept 'administrative guidance' in the implementation of economic policy.

The Committee was informed of the strong influence of the bureaucracy in the Liberal-Democratic Party itself. Former senior public servants comprise about one-quarter of the parliamentary party and occupy an even larger proportion of senior positions. All of the post-War predecessors of the Prime Minister, Mr Tanaka, were drawn from the ranks of the bureaucracy. The Liberal-Democratic Party is said to rely heavily on three sources for support—on the bureaucracy for policy advice and implementation, on business interests for funds and on the rural areas for electoral support. In speaking of the influence of the rural vote in support of the Liberal-Democratic Party, another witness went so far as to use a term not unknown in Australia—'the gerrymander'—in referring to the disproportionate weight of electoral support which the Liberal-Democratic Party receives from rural areas.

The Cabinet System

As mentioned earlier, the Constitution has excluded the influence previously wielded by military leaders by requiring that all Ministers of the Government be civilians. The Cabinet system and its lines of control are clearly illustrated by the accompanying diagram. It is interesting to note the use made of agencies for particular areas of

administration. The civilian control of Defence, for example, is safeguarded by the Defence Agency being responsible through its Director-General (who holds the rank of Cabinet Minister) to the Prime Minister, who in turn is responsible to the Diet.

Foreign Policy

From the signing of the Peace Treaty in San Francisco in 1951 until quite recently, Japan's foreign policy has been cautious and restrained and generally in harmony with the policies of the United States. Reasons suggested to the Committee for this restraint include:

- reaction to their defeat in World War II and the resultant uncertainty and lack of confidence among the leadership;
- the realisation that the early resumption by Japan of an active role in international affairs could produce unfavourable reactions in those countries still hostile to Japan as a result of the War;
- Japan's preoccupation with restoration and development of industrial power;
- the factionalism within the Liberal-Democratic Party preventing a cohesive foreign policy; and
- the comfort Japan found in the shelter of the United States defence umbrella provided by the Treaty of Mutual Security.

The protection afforded as a result of the Mutual Security Treaty enabled more of Japan's financial resources to be directed, with great advantage, towards industrial development. The great United States military bases served the dual purpose of providing security for Japan as well as forming part of the United States' strategic pattern. It is worth recording that in published material available to the Committee the area at one stage occupied by these bases was one per cent of Japan's total land area and the cost of maintaining United States forces in Japan was officially estimated recently at approximately \$US490 million per annum.

United States of America

It was to be expected that the close relationship which had developed between Japan and the United States in the post-War period would, in time, undergo change. Early indications of change were the Japanese proposals that the United States should scale down its bases on Japanese territory and the persistence with which negotiations were pursued for the reversion of Okinawa to Japanese control. The strong efforts made by Japan concerning Okinawa resulted in the island once again becoming Japanese territory on 15 May 1972, but with the United States retaining large base areas. These bases extend over more than 12.5 per cent of Okinawa's land area.

In considering the recent evolution of Japan's foreign policy, it is relevant to recall the country's geographical location. In the words of the Prime Minister, Mr Tanaka:

The fact that this country is situated at the meeting-point of East and West, or, to be more exact, of the United States, the Soviet Union and Mainland

China, constitutes a vitally important factor in formulating the foreign policy of this nation.

Even before any change was apparent in the country's relations with the United States, Japan had taken tentative steps to participate more actively in Asian affairs. For example, in 1963 it offered mediation in the Indonesian-Malaysian dispute; in 1966 it was quick to provide substantial financial assistance to the new Suharto Government in Indonesia; and in 1970 it took a prominent part in the Jakarta Conference on Cambodia. However, it was the announcement in July 1971 of President Nixon's proposed visit to the People's Republic of China that really stimulated Japan to reappraise its foreign policy. The Japanese reaction to this announcement was one of shock. Various witnesses have also claimed it to have been one of anger that no advance consultation should have taken place about an action which constituted such a fundamental change of policy. It is clear that the Japanese also believed that the status of their relationship with the United States assured their right to prior consultation on such issues. While this question is open to debate, the Committee can appreciate that any premature disclosures might have prejudiced the successful conduct of the negotiations leading to the President's visit. However, the point being made in the context of this report is that the incident was one of the factors provoking a reappraisal of Japan's foreign policy.

*People's
Republic
of China*

Relations between Japan and the mainland of China have traditionally been close, and, despite the absence of diplomatic relations in recent years, trade has continued at a substantial level. During the past few years, small but active lobbies in Japanese trading and business circles have favoured closer relations with the People's Republic of China. However, it was the United States' new China policy, together with these strong domestic pressures and business hopes for increased trade and investment opportunities, which persuaded the new Japanese Government under Mr Tanaka to move purposefully towards the establishment of normal relationships with Peking, culminating in the September 1972 meetings between the leaders of the two countries. The statement jointly issued by the two leaders on 29 September 1972 has been included as Appendix II of this report but, briefly, the major agreements announced were:

- the state of war which technically still existed between the two countries was effectively terminated;
- the establishment of diplomatic relations from that day; and
- recognition by Japan of the People's Republic of China as the sole legal Government of China.

The terms of the joint statement clearly indicate a strong desire on the part of both countries to reach an amicable agreement and must strengthen the leadership position of the new Japanese Prime Minister.

Soviet Union

There are also signs of progressive improvements in the relations between Japan and the Soviet Union. Some impetus has been given to this by the Russian reaction to President Nixon's visit to Peking

and the apparent hostility between Russia and China. Progress has been made in trade, aviation and cultural relationships, but disagreements over the control of some small northern islands seized from Japan by the Soviet Union in 1945 are stated as significant obstacles to both countries agreeing on the terms of a peace treaty. A joint declaration of termination of the state of war and the re-establishment of diplomatic relations was signed in 1956, but failure to resolve territorial issues and fishing rights have been obstacles to complete restoration of normal relations. Trading relations have increased to the extent that in 1971 Japan's exports to the Soviet Union were valued at \$US377 million and imports at \$US496 million. A trade agreement signed in 1971 envisaged a substantial increase in two-way trade over the succeeding five years. There have been continuing suggestions of the joint development of Siberian natural resources but with little practical result so far. During 1972, relations between the two countries appear to have improved as a result of the visit to Japan of the Soviet Foreign Minister, Mr Gromyko, and the subsequent visit to Moscow of Japan's Foreign Minister, Mr Ohira. For the first time it appears that the Soviet Union is prepared to discuss the future of the northern Kurile Islands, and evidence suggests that a satisfactory solution of this issue will be important in any long-term settlement between the two countries. Despite the thawing of relations, it must be remembered that many problems remain, not least of which are the historical memories on both sides of past differences.

*East and
South East
Asia*

To the non-communist countries of East and South East Asia, Japan's foreign policy has been directed towards the restoration and building up of economic relations and, more recently, to the promotion of regional co-operation. It has taken an important part in the Asian Development Bank.

In pre-War times Asia was Japan's major trading outlet, but the area now takes second place to the United States and in proportionate terms Japan's trade with Asia is only half as important as it was pre-War. There is still evidence in Asian countries of residual bitterness persisting from wartime experiences and this, coupled with the economic aggressiveness shown by Japanese businessmen during the period of economic revival, has provided the basis of criticism of Japan's actions. However, Japanese authorities are aware of these obstacles to better relations and efforts are being made to improve the country's image.

*Papua
New Guinea*

Japan has shown increasing interest in Papua New Guinea and it may be reasonably expected that relations between the two countries will become closer on the latter's achievement of independence. Although formal relationships can exist only through Australia at present, there is a growing association of Japan and Papua New Guinea through regional organisations such as the Economic Commission for Asia and the Far East and the Asian Development Bank. Trade has

been steadily increasing with the balance substantially in Japan's favour, but this situation will change markedly with the development of the Bougainville copper mines. A closer association between the two countries would ideally fit within the framework of Japan's 'resources diplomacy'—a programme aimed at assuring continuity of supply of raw materials so essential for Japan's prosperity. At the present time it is participating in a limited way in Papua New Guinea development projects of fisheries, timber, mining, oil and gas exploration and palm oil.

Aid

Japan has taken an increasing interest in the provision of aid to developing countries and in 1970 this reached a stage where the country's contribution ranked second to the United States among members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, who provide 90 per cent of free world aid. Nevertheless, criticism has been voiced that Japan's aid is too closely tied to commercial ends, to the promotion of Japanese exports and to the exploitation of raw material sources for Japanese industry. Further, the terms of repayment and interest are sometimes said to be unnecessarily stringent. By contrast, Australian aid has been welcomed and applauded for its 'no strings attached' basis—in most instances it is extended as a gift whether it be in the form of finance, goods or technical services. Japan has announced the intention of increasing its already substantial levels of aid and of improving its terms, for example by emphasising untied aid. With this, there is some recognition of the desirability of reducing the commercial orientation of aid programmes. There has been an instance of Australian technical services joining with a Japanese firm to extend engineering aid and it has been suggested that the Japanese may welcome an extension of joint aid programmes. While the Committee would wholeheartedly support both countries participating in aid programmes financed on a multilateral basis, there appear to be sound reasons for not favouring aid programmes jointly financed by the two countries. Apart from the danger of two affluent countries being regarded as a 'rich man's club', it might also seem unfortunate in the eyes of some developing countries for Australia to be associated with Japan's less generous image as an aid donor.

Although Japan has been facing something of a dilemma in recent years, and has appeared indecisive in determining a foreign policy course, the Committee believes that the recent success of negotiations with China will be an important factor contributing to more positive and confident attitudes being adopted in the future. The bonds between the United States and Japan have been under strain and have suffered some setbacks, but it is expected that a strong, although modified, relationship will continue with Japan demanding greater equality with the United States. Although the Committee believes it will not be the easy unquestioning relationship of the past twenty-five years, it can

nevertheless be expected to remain firm and to operate to the mutual advantage of both countries. It should also be remembered that Japan's confidence in taking new foreign policy initiatives derives in part from the security afforded by its relationship with the United States.

The Committee believes that Japan can be expected to place great emphasis on her own national interests in the development of future foreign policies. Because of the vital place of industry in the Japanese economy, the evidence before the Committee suggests that the principal diplomatic objectives will be:

- the safeguarding of Japan's continued access to sources of raw materials;
- the continued expansion of trade;
- the maintenance of global stability; and
- the improvement of the Japanese image in other countries and recognition of its status as an important world power.

Defence Policy

Any examination of Japan's present military role needs to take into account three factors. The first is the Japanese Constitution adopted in 1946, the Preamble of which gives an indication of attitude with a general statement that ' . . . never again shall we be visited with the horrors of war through the action of government . . .'; and which contains a renunciation of war in Article 9. This Article reads:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.

The second factor is the Peace Treaty signed between the Allied Powers and Japan in San Francisco in 1951, which states in Article 5, section (c):

The Allied Powers for their part recognize that Japan as a sovereign nation possesses the inherent right of individual or collective self-defense referred to in Article 51 of the Charter of the United Nations and that Japan may voluntarily enter into collective security arrangements.

The third factor is the strong attitude of pacifism evident throughout Japanese society today. The evidence suggests that the strength of Japanese feeling for peace stems from reaction to the destruction suffered in World War II, and particularly to the horrors of nuclear devastation which only Japan has experienced.

As mentioned previously, consistent with the strong reaction against earlier militarism, Article 66 of the Japanese Constitution requires the Prime Minister and other Ministers of State to be civilians. The National Defence Agency, although not given the title of a ministerial department, does have an equivalent status and is directly responsible to the Prime Minister.

The establishment of armed forces of any type has been strongly

debated in Japan, generally on the basis that Article 9 of the Constitution prohibits defence preparedness. However, when considered against Article 5 of the Peace Treaty, which is a document subsequently agreed between Japan and the Allied Powers, it is clear that a right exists for a form of organisation purely defensive in its role. In 1950 the occupying powers required Japan to establish a para-military National Police Reserve of 75,000 men and since 1954 there has been a progressive increase in size of the Japan Self-Defence Forces, the title of which is designed to indicate their non-offensive character. It has been consistently and firmly established that these forces will not exceed the role of maintaining internal security and the protection of Japanese territory in a defensive way. Examples of this policy have been Japan's consistent attitude against joining regional defence arrangements and refusal to commit forces outside the confines of the Japanese homeland. Official and public reaction is so sensitive on this question that even following the reversion of Okinawa to Japanese control, there has been only a very limited transfer of members of the Self-Defence Forces to that territory.

Security Arrangements

From the end of the Occupation period Japan has received defence protection from the United States under a mutual security treaty. Evidence placed before the Committee indicates that, contrary to popular belief, the idea of a security treaty did not originate from the American side. Japanese leaders of the day advocated such an arrangement, but initially without any encouraging response from the United States. It was not until the outbreak of the Korean War in 1950 that the United States saw virtue in the formalisation of a treaty of security between the two countries.

Such an agreement was entered into in 1951. In 1960 the treaty was reviewed and a new Treaty of Mutual Co-operation and Security was concluded. This treaty continued to give Japan the comforting protection of the United States nuclear umbrella and to provide United States forces with bases in Japan. It was to remain in force for ten years and in 1970 was extended for a further indefinite period with either party being obliged to give one year's notice of a wish to terminate it.

The original treaty and its periodic renewals have not received universal support in Japan. Originally, much criticism arose from the secrecy surrounding the negotiations for the treaty of 1951. Each occasion of renewal has been marked by political crisis in one form or another, but at the same time it is proper to point out that there has been very little support for completely abandoning the security treaty as the foundation of Japan's defence policy. Some criticisms have been founded on anti-militarist attitudes and support for Japanese neutrality. It is therefore in this atmosphere that Japanese authorities have rejected proposals for regional defence arrangements or participation in other United States military strategies.

Self-Defence Forces

The basic role of the Self-Defence Forces is stated to be one of deterring aggression against Japan itself. Under the United States-Japan Treaty of Mutual Co-operation and Security, the assistance of the United States would only be called on if an attack proved to be beyond the capability of the Japanese forces.

The legal framework for the establishment of the Self-Defence Forces is provided under the 1954 Defence Agency Establishment Law, the Self-Defence Forces Law and the 1956 law relating to the structure of the National Defence Council. Reference was made earlier to the principle of civilian control of the defence forces—a principle which was assured under this legislation. It is worthy of note that, while civilian control of the defence forces is familiar enough in Western countries, it was a genuine innovation for Japan. In pre-War times the Imperial Army and Navy were virtually autonomous entities wielding great influence in both domestic and foreign policy.

In the evidence presented to the Committee, emphasis was placed on the defensive role of the Self-Defence Forces and on the overwhelming support for this limited role amongst the Japanese people. Official attitudes have not changed with the development of the Self-Defence Forces, as is clearly indicated in two quotations—the first is found in a resolution unanimously carried by the Japanese House of Councillors in June 1954, and the second is a statement by the former Prime Minister, Mr Sato, in February 1970. The resolution of the House of Councillors stated:

On the occasion of the establishment of the Self-Defence Forces this House, in view of the provisions of the present Constitution and the ardent love of the Japanese people for peace, strongly affirms that the Forces will not be sent overseas.

Prime Minister Sato's statement in February 1970 was:

The duty of the Self-Defence Forces is to protect Japan from aggression. The provisions of the Constitution make overseas service impossible.

This attitude is again reflected in the name given to the forces. Rather than titles such as Navy, Army and Air Forces, the Japanese have established their Maritime Self-Defence Force, Ground Self-Defence Force and Air Self-Defence Force.

Defence planning has been based on a series of five-year 'Defence Buildup Plans' commencing in 1957. Under these plans the forces' capacity and equipment have been progressively increased to a stage where at present Japan maintains a total of 233,000 men under arms, all voluntarily enlisted. On a comparative basis, Japanese forces are approximately half the numbers of British, French, West German or Italian forces, and about equal to those of Czechoslovakia. While only one per cent of the Japanese male population of military age was actually under arms in 1969-70, the comparable figures for several other countries were 3.8 per cent in Britain, 4.7 per cent in France, 3.6 per cent in Italy and 3.5 per cent in Australia.

While a great deal of information was presented to the Committee on the cost of the Defence Buildup Plans, the Committee believes that a table provided by one witness is the most informative. This does

not give actual costs of each programme but is rather a table expressed in constant uninflated prices:

Table A: Japan's Defence Spending

(at constant 1967 prices)

Period 1957-61	.	.	.	\$A2,252 million
Period 1962-66	.	.	.	\$A3,872 million
Period 1967-71	.	.	.	\$A5,774 million
Period 1972-76	.	.	.	\$A11,811 million

N.B. Fourth Defence Buildup Plan figures do not take account of yen revaluation.

It will be noted that the table indicates an approximate doubling in real costs of expenditure of each defence plan over its predecessor. It is relevant to ask how much of the escalating costs of the successive defence programmes have been due to real expansion. One important factor has been that the generous United States military aid extended to Japan showed a substantial decline between 1958 and 1965, indicating that expansion of the defence forces was not the only reason for the increase in defence costs. Between 1958 and 1960 approximately 31 per cent of Japan's equipment requirements were provided free of charge by the United States. From 1960 to 1965 this figure was reduced to 7.5 per cent, and today such free military aid has been almost completely phased out.

It should, of course, be remembered that the actual costs of defence have risen much more rapidly than the table above suggests, due to the influence of inflation. This has been a major issue in the defence budgets of all countries and it was estimated in the fifth annual report of the United States Arms Control and Disarmament Agency that 60 per cent of the increase in the world's defence spending in 1970 was directly attributable to inflation.

Even before the Nixon Doctrine was expressed as a statement of policy by President Nixon in July 1969, the United States had been endeavouring to persuade Japan—and indeed, many of its other allies—to adopt one of its important principles, namely the acceptance of greater responsibility for their own defence. Again, this would be a contributing factor in the increase in Japanese defence budgets.

It is worthy of note that annual expenditure on the Self-Defence Forces has been consistently less than one per cent of gross national product and, despite modernisation and increased equipment which will be provided under the current Defence Buildup Plan, Japan's armed forces are stated to be inadequate to cope with a major attack on its territory.

The Future

Despite the strong evidence of pacifism in the attitudes expressed by the Japanese people in the post-War period, reservations about Japan's future policies are still prevalent amongst the country's neighbours. Japanese official circles are aware of these reservations, and this is reflected in the statement made by the former Minister and Director-General of the National Defence Agency, Mr Nakasone, on the

occasion of announcing a Defence White Paper in October 1970:

I have . . . proposed a defense concept as a 'non-nuclear middle class nation'. According to the Western way of thinking, there exists a certain preconceived idea that economically great powers will inevitably become militarily great powers, but we challenge that way of thinking and hereby declare that the nation of Japan will become a great power in an economic sense but never in a military sense.

The fact that Japan is within a minute's range of guided weapons from Soviet and Chinese installations has given cause for argument on the likelihood of the country seeking nuclear weaponry. These fears have been increased by what many people see as Japan's vulnerable strategic position adjacent to two major powers, and bearing in mind such territorial disputes as the sovereignty of the Kurile and Senkaku Islands. The question of the Kuriles was discussed earlier, while the latter are a small group lying approximately 100 miles north-east of Taiwan. They are claimed by Japan, by the Republic of China on Taiwan and by the People's Republic of China. This issue could become more contentious in the event of reported oil deposits in the offshore areas adjacent to the islands being confirmed.

If for any reason Japan decided to develop nuclear armaments, there is little doubt that it could accomplish the task in a very short space of time. One expert witness estimated that Japan could make one bomb and test it within six months, and that the country had the capability to develop a nuclear arsenal in two or three years. On the other hand, the Committee notes that other witnesses were less willing to place an estimate on the time it would take Japan to develop nuclear weapons, but some regarded the figure of six months as unrealistic. Of the considerations of cost, technology and military capability, Japan is already able to meet the first two criteria. The country has made significant advances in the peaceful development of atomic energy for power generation, and it is clear that it intends to reduce current dependence on coal and oil supplies. The advantage is apparent when it is appreciated that one ton of uranium is the equivalent for power generation purposes of two million tons of coal. Atomic stations, either planned or already in operation, will have an output of over six million kilowatts by the end of 1975. Figures published in Japan have given the demand for supplies of uranium oxide up to the turn of the century as 48,000 tons by 1980, 200,000 tons by 1990 and 420,000 tons by 2000.

In addition to this advancing nuclear technology, Japan is developing the technology which could be applied to delivery systems. While the country has already launched its own satellites, it still lacks the sophisticated techniques perfected by the United States and the Soviet Union in, for example, the area of guidance systems. It lacks, too, the numbers of submarines to provide dispersed launching platforms so essential to a country uniquely vulnerable because of small size and concentrated industries.

In any consideration of the likelihood of Japan 'going nuclear', it is necessary to weigh carefully the many arguments advanced against it taking this step. There is no doubt that major public and political

opinion is at present convinced that there is no current need or desirability for Japan to have a nuclear capability. Credence must be given to the strength of the Japanese Constitution, the public utterances of its leaders and the protection afforded by the United States nuclear deterrent under the mutual security treaty. There is overwhelming evidence against such a step being taken in the immediate future and, as one witness stated, the Japanese people have a 'nuclear allergy'. Finally, of course, there is a strong belief in Japan that the country is under no threat.

The Committee accepts that Japan has no immediate plans for developing nuclear weapons, but it also recognises that it has the capacity to do so should circumstances encourage public and official opinion to change. While it believes that the majority of Japanese people do not wish to hold nuclear weapons, this situation could alter if outside influences develop to deny Japan the opportunity for continued economic prosperity, or if the country is given cause to seriously doubt the credibility of the United States nuclear umbrella. The recent United States-China talks have given some real cause for concern on this matter.

In summary, by today's world standards Japan has limited military capability, but it must be accepted that its huge industrial capacity provides it with enormous defence potential.

Economy and Trade

Economic Growth

In the post-War period, major emphasis has been given in Japan to the development and expansion of manufacturing industries, particularly those with high productivity and export potential. Emphasis has also been placed on securing guaranteed supplies of the raw materials on which the country's industrialisation has depended. Priority was given to the rehabilitation and expansion of the iron, steel and shipbuilding industries and to developing heavy and light new industries. The resulting success may be measured by economic growth which, despite some fluctuations, has averaged about 10 per cent per annum in real terms since 1950.

Japanese authorities expected this 10 per cent growth rate to continue, but during the 1971 slow down of the economy the rate was reduced to less than 6 per cent. Japanese predictions envisaged a quick recovery and although improvement is now evident, there is doubt whether the peak levels will recur because of changes of emphasis in national objectives and world trade. As discussed earlier, the Committee believes that the Japanese may be content to allow their rate of economic growth to moderate in order to concentrate greater efforts on achieving new targets in matters relating to social standards and improvements in the country's quality of life.

Japan's gross national product in 1970 was \$US196,000 million. To give perspective to this figure, it may be compared with the United States' GNP for the same year (\$US974,000 million) and with the Australian figure of \$US33,500 million for the financial year 1969-70. On another basis, the extraordinary growth of Japan's national income,

as compared with three other major industrial nations, is shown in Table B, which has been drawn from the United Nations Statistical Yearbook for 1971.

Table B: National Income (in \$US millions)

	1960	1963	1967	1968	1969	1970
Japan	39,245	60,463	104,888	124,362	144,064	171,385
West Germany	65,850	86,702	110,425	120,650	136,954	166,112
United Kingdom	66,858	79,521	101,585	95,062	101,376	111,010
United States	462,306	540,505	728,886	782,035	838,224	875,379

The record of Japan's economic achievement over the past two decades has been attributed in evidence to the following six basic factors:

- the high level of investment in productive activities;
- a low level of government expenditure, particularly on defence;
- a high degree of government direction and control of the economy;
- a highly motivated and highly educated labour force;
- a traditional eagerness and ability to absorb new technology from abroad; and
- a unique system of government-business co-operation in decision making.

Japan's post-War economic expansion required a large-scale mobilisation of capital, and the bulk of this finance was obtained from domestic sources. This was only possible because of the relatively low rates of consumption in the Japanese economy, associated with high levels of savings and investment. It is only in recent years that Japan has begun to remove the barriers which have hitherto limited foreign investment in new enterprises within the country.

Similarly, until recent times Japan did not favour the investment of domestic funds in overseas enterprises, but this is now changing rapidly. In 1969 the level of Japanese investment overseas was reported to be \$US2,700 million and it continues to rise quickly. The Japanese Ministry of International Trade and Industry estimates that by 1974 it will have increased to \$US11,500 million. It has been the favourable trend in the balance of payments which has given Japan more scope for flexibility in its use of capital overseas, and investment abroad is also attractive as part of a recently emerged concept in Japan known as 'resources diplomacy'. This concept is discussed in the last section of this chapter.

In discussing Japan's post-War economic growth, it is often presumed that large scale corporations and industries (such as Mitsubishi or Nippon) completely dominate the economic landscape. While this is true of such capital intensive industries as iron and steel and chemicals, it should be noted that small and medium sized enterprises play a significant role in other sectors of the economy. Although productivity in these enterprises tends to be lower than in large companies, the small and medium sized firms accounted for approximately half the output in manufacturing industry in 1969 and were responsible for about 40 per cent of total exports. Of the 640,000 factories in Japan

in 1969, less than 1 per cent of them employed over 300 workers, while 74 per cent had nine employees or less.

Overseas Trade

Since Japan's shores were opened to trade and commerce, the country has progressively and consistently improved its position as a trading nation. During the closing decades of the last century, Japan for the most part imported manufactured goods and exported tea and raw materials. Raw cotton was the principal import during the early part of this century, and the main exports were silk and cotton textiles. By the 1930s, this situation had given way to a trade pattern dominated by mineral imports and the export of machinery. Today, manufactured products constitute over 90 per cent of Japan's exports, while raw materials account for nearly three-quarters of its imports.

Contrary to popular misconception, and despite the enormity of its trading in absolute terms, Japan is a country less dependent proportionately on foreign trade than are countries such as Australia, Britain and West Germany. That is to say, the size of Japan's trade is smaller relative to its gross national product than are the comparable figures for these other countries. To illustrate this point, Japan's exports have a value amounting to slightly less than 10 per cent of its GNP, while the equivalent figure for Australia is 14 per cent and in the case of Britain and West Germany it is 18 per cent. For imports the Japanese figure is slightly less than 10 per cent as compared with 15 per cent for Australia and 16 per cent for Britain and West Germany. This statement does not deny the essential role that foreign trade plays in the Japanese economy, but rather points very clearly to the size and importance of the Japanese domestic market of 105 million people. It should also, however, be remembered that Japan is peculiarly dependent on sea transport for the supply of raw materials.

In absolute terms, Japan is already the fourth largest trading nation in the world, after the United States, West Germany and Britain; and it is expected that its ranking will improve. Between 1960 and 1970 exports grew annually at a rate of about 17 per cent and imports at about 12 per cent. As Table C shows, Japan's exports and imports in 1971 were worth over \$A22,000 million and \$A18,000 million respectively. This value of trade accounts for approximately 7 per cent of total world trade. The biggest supplier of goods to Japan is the United States which provides about 25 per cent of the country's imports, with Australia in second place supplying 9 per cent of the imports. It is also of interest to note the high level of imports from Middle East countries, reflecting Japan's heavy dependence on this area for oil supplies.

The United States also dominates Japan's export trade, making it by far the country's major trading partner. This is a position which the United States has occupied for almost the whole period since the opening of Japan to Western trade and influence at the middle of the last century. The close trading relationship between the United States

Table C: Japan's Exports and Imports by Country, 1971

<i>Exports</i>			<i>Imports</i>		
	\$A'000,000	Per cent		\$A'000,000	Per cent
U.S.A.	6,999	31.2	U.S.A.	4,666	25.3
Liberia	927	4.1	Australia	1,637	8.9
Taiwan	861	3.8	Iran	1,275	6.9
Canada	816	3.7	Canada	939	5.1
Korea, Rep. of	799	3.6	Indonesia	798	4.4
Hong Kong	736	3.3	West Germany	569	3.1
Australia	670	3.0	Saudi Arabia	555	3.0
West Germany	612	2.7	Philippines	482	2.6
China, Mainland	539	2.4	U.S.S.R.	464	2.5
Britain	534	2.4	Britain	390	2.1
Singapore	475	2.1	Kuwait	389	2.1
Ryukyu	445	2.0	India	352	1.9
Philippines	433	1.9	China, Mainland	301	1.6
Others	7,559	33.8	Others	5,629	30.5
Total Exports 1971	22,405	100.0	Total Imports 1971	18,446	100.0
<i>Regional Summary of Exports</i>			<i>Regional Summary of Imports</i>		
North America	7,816	34.9	North America	5,605	30.4
Central and South East Asia	5,379	24.0	Central and South East Asia	3,194	17.3
Western Europe	3,137	14.0	Middle East	2,750	14.9
Africa	1,927	8.6	Western Europe	1,918	10.4
Others	4,146	18.5	Oceania	1,915	10.4
Total	22,405	100.0	Total	18,446	100.0

Source: Adapted from Department of Trade and Industry publication *Overseas Trading*, August 1972.

and Japan was intensified by the predominant role played by the former in the Allied Occupation after World War II.

Table D shows Japan's exports and imports by commodity in 1971. As would be expected from comments earlier in the report, machinery and other manufactured products dominate the export scene. Amongst the most important items are electrical machinery, transport equipment, textiles, chemicals and iron and steel. On the import side, mineral fuels, metals, foodstuffs and certain manufactured goods are the major items. It should be noted that the post-War advent of large ships, especially for the bulk carriage of such materials as iron ore and coal, has been of particular importance to Japan in radically improving the economics of transporting raw materials from distant parts of the globe.

In this discussion of Japan's global trading relationships, brief mention should be made of the restrictions the country imposes on trade. Japan was described in evidence before the Committee as a moderate to high tariff economy, with processed goods attracting a greater degree of protection than unprocessed materials. In addition, Japan imposes certain non-tariff barriers, such as import licensing, which are designed to protect particular industries, mainly in the agricultural sector. Finally, the system of administrative guidance

Table D: Japan's Exports and Imports by Commodity, 1971

<i>Exports</i>			<i>Imports</i>		
	\$A'000,000	Per cent		\$A'000,000	Per cent
Transport equipment	4,907	21.9	Crude Oil	2,841	15.4
Iron and Steel	3,316	14.8	Coal	941	5.1
Electrical machinery	2,689	12.0	Iron Ore	1,254	6.8
Non-electric machinery	2,285	10.2	Lumber	1,383	7.5
Textiles	1,927	8.6	Other Crude Materials		
Chemicals	1,389	6.2	and Fuels	3,947	21.4
Precision Instruments	739	3.3	Non-electric machinery	1,199	6.5
Other Manufactured			Chemicals	941	5.1
Products	3,876	17.3	Non-ferrous metals	664	3.6
Foodstuffs	605	2.7	Non-metal Manu-		
Crude Materials and			factures	609	3.3
Fuels	448	2.0	Other Manufactured		
Other	224	1.0	Products	1,734	9.4
			Foodstuffs	2,601	14.1
			Other	332	1.8
Total Exports 1971	22,405	100.0	Total Imports 1971	18,446	100.0
<i>Summary of Exports</i>			<i>Summary of Imports</i>		
Machinery and			Crude Materials		
Instruments	10,620	47.4	and Fuels	10,367	56.2
Other Manufactures	10,508	46.9	Manufactured Pro-		
Non-manufactured			ducts	5,146	27.9
Products	1,277	5.7	Foodstuffs and		
			Other Products	2,933	15.9
Total	22,405	100.0	Total	18,446	100.0

Source: Adapted from Department of Trade and Industry publication *Overseas Trading*, August 1972.

between government and business, to which reference has already been made, is sometimes used to regulate imports. It should be noted, however, that of recent years Japan has been pursuing a policy of trade liberalisation. Not only have tariffs been reduced on a number of items, but also some non-tariff barriers have been removed. This process is likely to continue, as Japan's ability to continue to expand its level of exports will probably be increasingly linked with improved opportunities for other nations to sell more to Japan. In this situation, it is important that clear understandings be reached between Japan and its trading partners to preserve the basic interests of each. Where inevitable difficulties arise, machinery for discussion and understanding of the problems must be available and this Committee believes that these discussions can be best handled by negotiations within a multilateral framework.

Agriculture

The land reforms of 1946 had a great influence on the structure of Japan's agricultural economy. The tenure of ownership of rural land changed greatly in favour of those whose families had for generations been tenant farmers. The following table, drawn from the Statistical

Handbook of Japan, indicates the substantial changes which occurred over the period 1946-65:

Table E: Farm Households by Nature of Tenure
(*000 households)

<i>Year</i>	<i>Owner</i>	<i>Owner-tenant</i>	<i>Tenant</i>
1946 . . .	1,869	2,188	1,637
1950 . . .	3,822	2,001	312
1955 . . .	4,200	1,593	239
1960 . . .	4,552	1,309	178
1965 . . .	4,538	1,014	100

During the decade 1960-70, the farming population declined from 34 million to 26 million, a decline largely due to the movement to the cities arising from Japan's industrial development. Nevertheless, rural production during that decade rose at the rate of 2.2 per cent per annum, principally as a result of improved production methods.

As in most Asian countries, rice production is the main agricultural pursuit and occupies more than half of the agricultural land. Japan is now producing in excess of its own rice requirements. Livestock raising is the second largest agricultural occupation, but the limits of pasture land preclude large increases by grazing means. The increases in meat production which are taking place in Japan are largely as a result of the expansion of intensive feeding methods for cattle, which are usually fed on imported grains. The prospect of increasing agricultural production is hampered by the fact that only 15 per cent of Japan's total land area is arable, and even this percentage is being eroded by the continuing encroachment of urban development into rural areas.

A policy objective of the Government has been to improve agricultural conditions by raising standards of living in farming areas to a position comparable with those of the big cities, and also to reduce the disparity between productivity in agriculture and that in other sectors of the economy. Legislative backing for this policy exists in the Agricultural Basic Law of 1961 which, among other things, sets out the means by which these policy objectives are being pursued. These include price support and stabilisation schemes, attempts to prevent encroachment of development into rural land and efforts to boost productivity. Low interest loans are being provided for the amalgamation and relaxation of the limits on farm size. It is interesting to note that Ministry of Agriculture figures issued in 1970 gave as the average farm size per farmer an area of 2.3 acres.

Other changes have been brought about by departures from the traditional dietary pattern. This has been most marked since the middle 1950s and is a direct result of increasing individual incomes and

greater urbanisation. The most notable changes in this pattern have been:

- a gradual decline in the consumption of rice;
- increased consumption of wheat as a bread grain; and
- substantially increased demands for meat, milk, fats and oils, eggs, fish, fruit, vegetables and sugar.

It is clear that the Government will continue to encourage the expansion of local production in those industries where the application of intensive methods will be most productive. Examples are the livestock, dairy produce, pig meats and poultry industries. As noted earlier, it is from the rural areas that the governing Liberal-Democratic Party draws its main electoral support, which it may be expected to nurture.

Industrialisation, population expansion and changes in taste have brought about an expanded market for foodstuffs. Despite the high degree of protection for domestic agriculture, Japan cannot hope to meet this expanded demand from internal production alone and a movement towards increased imports of agricultural products can be expected. In these circumstances it is important for Australia that it have a fair opportunity to share in the improved access to the Japanese domestic market, rather than Japan negotiating a bilateral agreement with some other trading bloc (such as the E.E.C.) which is seeking a market on which to dump surplus (but highly subsidised) agricultural production.

Balance of Payments and Currency

Japan's international reserves were steady during the early 1960s and then began to increase in the latter part of the decade. The year 1971, however, saw an unprecedented rise in the country's holdings of gold and official reserves, which climbed from less than \$US5,000 million at the beginning of the year to over \$US15,000 million at the end. In August 1971 a gathering international crisis was brought to a head by the measures announced by President Nixon. The United States economy was running a deficit at that time which could no longer be sustained (in 1971 the deficit rose as high as \$US30 billion) while the position of the Japanese yen remained strong, Japan having the largest trade surplus in the world. Japan was particularly affected by President Nixon's imposition of a 10 per cent surcharge on dutiable imports into the United States not subject to mandatory quotas. An estimated 29 per cent of total Japanese exports were subject to the surcharge compared with 10 per cent for the United Kingdom and less than 5 per cent for Australia. The Japanese appear to have been caught unawares by the drastic steps taken by the United States to counter its deteriorating economic situation, although warning had been given that remedial action would become essential unless the position improved. At the time of the economic measures the Japanese were still deeply offended by the failure of the United States to consult them prior to announcing, in July 1971, the proposed visit to Peking of President Nixon. These two major policy decisions by the United States became known in Japan as the 'twin Nixon shocks'.

In the period following President Nixon's announcement, the yen gradually appreciated against the US dollar until the Smithsonian Agreement in Washington in December 1971. As part of this agreement, the United States dollar was devalued by nearly 8 per cent and the Japanese agreed to appreciate the yen in terms of the new US dollar value by approximately 17 per cent. The following table indicates the realignment of major currencies at that time:

Table F: Realignment of Major Currencies December 1971

	<i>Appreciation against U.S. dollar</i>	<i>Appreciation against gold parity</i>
	Per cent	Per cent
Italy	7½	-1
Sweden	7½	-1
United Kingdom	8½	nil
France	8½	nil
Belgium	11½	3
Netherlands	11½	3
West Germany	13½	4½
Switzerland	14	5
Japan	17	7½

Compared with the Australian dollar, the yen was appreciated by 9½ per cent in the market.

The yen has remained strong on the international money market and Japan's balance of payments continues in substantial surplus. As a result, it has been suggested in a number of quarters that Japan may have to consider a further revaluation.

*Resources
Policy*

Of recent years there has been a discernible shift in Japan's resources policy, and the emergence of a new concept sometimes known as 'resources diplomacy'. The main impetus to this changing policy has been Japan's awareness of its vulnerability to disruption of industry by the denial or interruption of the supply of raw materials. The degree to which Japan is vulnerable was uncomfortably demonstrated in January 1971 when supplies of crude oil were temporarily affected by complicated price increase negotiations between oil companies and the producing countries which constitute the Organisation of Petroleum Exporting Countries. The majority of OPEC members are Middle East oil producers and it is from the Persian Gulf that Japan currently draws 90 per cent of its oil supplies. Although Indonesia has been a member of OPEC for some years, it is understandable that Japan is showing keen interest in that country as a supplementary source of oil. On a broader scale, it has been estimated that Japan accounted for approximately 10 per cent of the world's total mineral imports in 1966 but that by 1980 the comparable figure may well have risen to over 30 per cent. Figures presented to the Committee show that, even assuming a comparatively modest rate of growth for the Japanese

economy, the country's consumption of many minerals will double during the present decade.

Several elements can be discerned in the resources diplomacy concept. Firstly, it is based on a decision by the Japanese authorities to participate in investment projects overseas designed to supply raw materials for export. Japan has indicated a preference for joint ventures with local equity sharing to a major degree in the projects concerned. Joint ventures lessen the fear of economic domination on the part of the country in which the project is located, and also enable the Japanese to spread their available capital over a greater number of projects.

Japan's interest in joint ventures extends not only to extractive industries. Against a background of domestic labour shortages, rapidly rising wage costs, land shortages, pollution problems and high power costs, there is evidence that the country will place greater emphasis on processing of raw materials overseas. During the early stages of their industrialisation the Japanese were more interested in importing unprocessed raw materials because the 'value added' in processing provided an important part of the country's economic growth. As mentioned earlier, tariff policy has been one means by which Japan has hitherto discouraged the importing of processed or partly processed goods. Nowadays, however, Japan could afford to import a much greater proportion of its raw materials in a processed or semi-processed form but, while intentions have been expressed of doing so, it is not expected that the new policy will be evident for some time. This is said to be because of the substantial adjustments which will have to be made to the country's domestic economy.

The third element in Japan's present resources policy is a continued effort to diversify raw material sources. This effort stems from fears of the country's vulnerability to disruption of raw material imports and its concern that a substantial proportion of the world's known mineral resources are located in a few countries and controlled by comparatively few multinational companies. It is believed that the Japanese are anxious to avoid depending on any one country for more than 40 per cent of their supplies of any one particular resource.

Finally, Japan's dependence on overseas supplies of resources has led it to encourage greater international regulation and rationalisation in the use and consumption of natural resources. An extreme example of this kind of thinking is the as yet unofficial proposal for a 'World Natural Resources Charter', based on the concept that scarce natural resources are the common possession of all peoples regardless of the countries within which they happen to be located.

Closely related to resources policy is the high degree of co-ordination between government and business in Japan. This was discussed earlier in the report, but the following simple example which was given to the Committee in evidence serves to illustrate the ease with which government and business co-operate:—

I can remember on one occasion in Japan when the Government announced

in the Press that too many station waggons were being built, and the production of station waggons was immediately reduced. There was no compulsion; this was co-operation between government and industry.

It has been suggested that this close association places Japanese buyers in an advantageous position in conducting negotiations for the supply of resources from overseas. This is because the association enables the Japanese to pursue a common buying policy, while the overseas suppliers compete with one another for sales. Arising from this situation, some concern has been expressed to the Committee about Japan's recently avowed interest in participating in investment in raw material projects overseas. Basically, this concern relates to the possibility of domestic Japanese companies extending preferences to the overseas suppliers in which Japanese capital is involved. This point will be taken up in greater detail later in the report.

The years ahead are expected to see Japan's demand for raw materials continue to increase, and greater efforts will be made to secure a stable and diversified supply of natural resources. The position may well arise that a percentage of these raw materials may not be imported directly into Japan but to industries relocated in less developed countries but nevertheless controlled in whole or part by Japanese industrialists. In Japan itself the future direction of the country's economic emphasis is likely to be away from heavy industries consuming vast quantities of raw materials towards the so-called 'knowledge-intensive' industries, requiring sophisticated technology and resource-saving methods as their principal inputs. The ultimate objectives of this restructuring of industry will be a reduction in the country's relative dependence on raw material imports and a reduction in pollution, but these can only be regarded as very long-term goals.

Part II

Australia-Japan Relations



'Neighbours on longitude 135°'—a reproduction of the symbol first used by the Australian Organisation participating in the Japanese World Exposition, 'Expo 70', held in Osaka during 1970.

For Australia, the changing pattern of international affairs following World War II compelled a reappraisal of its foreign relationships, with far reaching consequences. The former comparatively uncomplicated cultural and trading ties with Britain and, to a lesser extent, Europe which made Australia an outpost of Europe in the Pacific area were no longer tenable. Australia itself was changing with its population growing and its former reliance on primary production being supplemented by industrial growth. The Pacific War had emphasised Australia's need to participate more actively in the Pacific and Asian regions and as a consequence a more mature approach developed to international relationships, particularly with those nations more closely located geographically and which have vastly different backgrounds and cultures. There followed a more active participation and co-operation in the affairs of the Pacific and Asian area in trade, defence and aid programmes, with the result that it can be said with confidence that Australia has gained a status of respect and friendly relations with its regional neighbours. While this can be regarded with satisfaction, the Committee believes that for the future emphasis must be given to further stimulation of mutual understanding between ourselves and the widely differing cultures of Asian countries. This aspect of mutual understanding is discussed in a later chapter.

Australia-Japan relations have been influenced by three factors in the post-War era. The first is the fortunate circumstance of the recovery from the animosities engendered by wartime experiences, a situation not yet fully achieved by some nations where greater conflict occurred on their own soil. The second was the ability of Australia to fulfil a considerable part of Japan's needs for raw materials during the course of rapid industrial development and finally, as a consequence of trading relationships, an appreciation of the need to bridge the cultural gap and to bring about a growing phase of mutual understanding between the people of the two countries.

The Japanese market now provides an outlet for more than a quarter of Australian exports, but this fact alone does not mean that the market dominates the Australian export trade. It is true, however, that in some commodities, such as iron ore and coal, a measure of reliance has developed, but overall the degree varies greatly between items. On this point of dependence the Committee was told: 'In those items where there is a high degree of dependence, Japan's industry itself is often significantly dependent on Australia'. The two tables which comprise Appendix III show Japan's significance as a trading partner for Australia for selected commodity items. Iron ore, coal and wool clearly lead the long list of commodities. An assessment of the evidence placed before the Committee on this subject casts doubt on the general statement frequently made that Australia is the dependent party in the trading relations between Australia and Japan. It is true that the so-called 'economic miracle of Japan' has provided an alternative market for some of Australia's products previously sold to Britain prior to that country joining the EEC and has stimulated vastly

increased mineral production. Nevertheless, what frequently is overlooked is that Japan's rapid industrial growth has demanded, more and more, assured and ready sources of raw materials and that Australia ideally meets criteria which are important to Japan. In brief, these requirements are:

- an adequate and continuing source of raw materials
- a minimum of extraction and transport problems, and
- a politically and economically stable area from which supplies are drawn.

Already reference has been made to the emphasis which Japan has placed on raw material sources by the development of what has been known as its 'resources diplomacy'. It is, therefore, more accurate to say that the interests of the two countries are complementary. Since the Australia-Japan Agreement on Commerce was signed in 1957 there has been a rapid and mutually advantageous growth in trade relationships. Japan's economy maintained an ever-increasing growth rate until the early 1970s and it appears to the Committee that there was an attitude in Japan that the 'bonanza' would continue indefinitely. However, the last year or so has been a period of change which undoubtedly will affect Japan's outlook and attitudes towards foreign and internal policies which, taken together, can impact on relationships with Australia.

It is the Committee's belief that what will follow will be a moderating of Japan's growth rate and of what has previously been an overriding emphasis on industrialisation. This does not mean that a decline in trade will be a necessary consequence, but suggests that there will be a lessening of forced growth. Greater opportunity will be presented for the relations between Australia and Japan to take on more meaningful and rewarding aspects in the field of human relationships—something which does not always accompany commercially oriented associations. The Committee believes that, with sincere effort on the part of both countries, a substantial measure of co-operation can be achieved. Australia's participation in the great Japanese exposition 'Expo 70' in Osaka in 1970 was a valuable effort in this direction. The spectacular architecture of the Australian pavilion and the portrayal of many facets of the Australian way of life were brought before over 11 million visitors to the pavilion, to many a first contact with Australia.

The chapters which follow discuss economic and political relations and record the results of the Committee's search for the means of achieving greater understanding between the two countries.

Chapter 3 Trade Relations

It is appropriate that in this report considerable emphasis should be placed on the trading relations between the two countries. Nevertheless, to give a sense of perspective the Committee considered it useful to include the illustration appearing on the opposite page of Japan's trading on a global basis.

Japan is now Australia's largest export market absorbing 27.8 per cent of goods exported in 1971-72 at a value of \$A1,360 million. The balance of trade between the two countries is greatly in Australia's favour, approximately in the ratio of two as to one. Imports from Japan for the same year were valued at \$A629 million, or 15.7 per cent of all Australian imports, placing Japan as the third largest supplier of goods to Australia after the United States and Britain.

It is a matter of historical interest that the first trading between Australia and Japan occurred in 1859 when Alexander Marks, a Melbourne merchant, established a business in Yokohama—this was the year Yokohama was opened to foreign trade. The Committee received as part of the submission made to it by the Department of Trade and Industry an excellent historical summary of trading relations between Australia and Japan which warrants publishing in full and therefore appears as Appendix IV to this report.

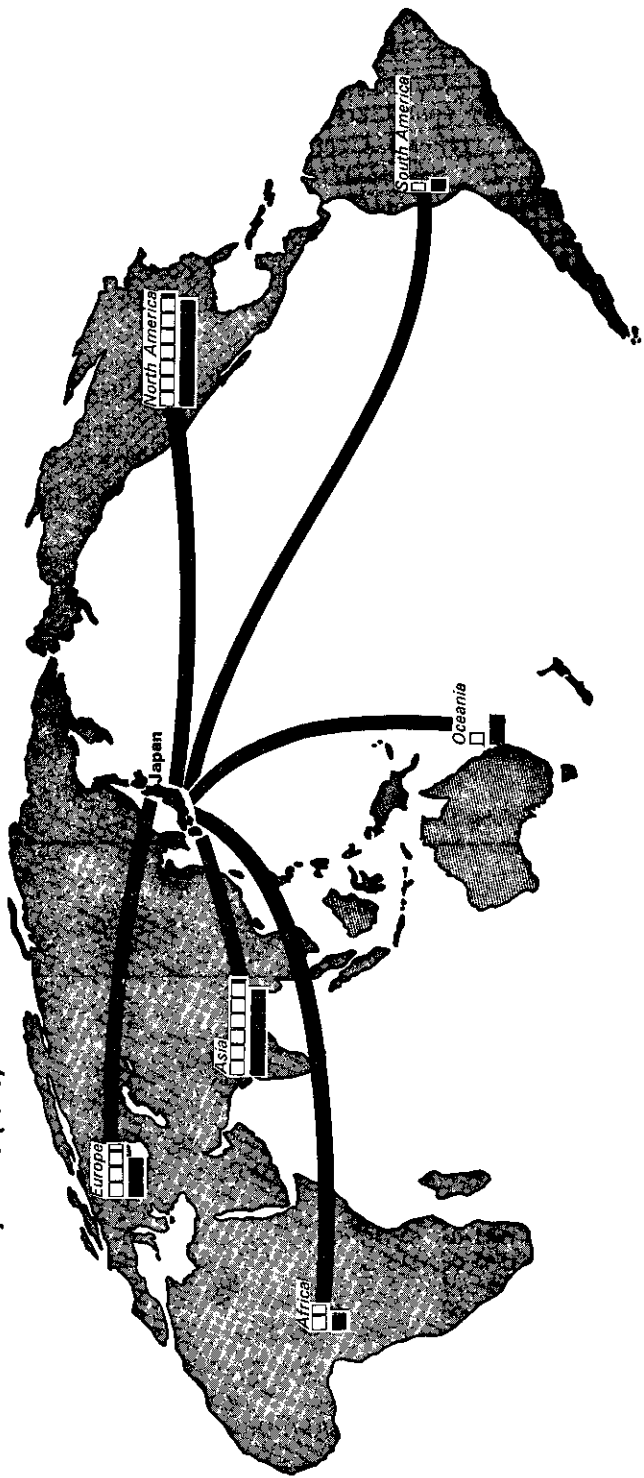
Agreement on Commerce

The significant event of recent times to stimulate the growth of two-way trade between the two countries was the Australia-Japan Agreement on Commerce signed in July 1957 and reviewed in 1963. Trade between the two countries is therefore governed both by the rules of the General Agreement on Tariffs and Trade, to which both parties are signatories, and by the bilateral Agreement on Commerce. The latter agreement recognises that the rights and obligations of GATT have full application to both parties. Briefly, the Agreement on Commerce provides for:

- the accord of Most-Favoured-Nation tariff treatment to each other;
- the granting of more liberal access to the Japanese market for a number of Australian agricultural products;
- duty free entry of wool to Japan for the first three years of the Agreement—subsequently under the 1963 amendments Japan undertook not to impose a duty on wool unless circumstances changed markedly;
- full and regular consultations; and
- Japan to have equal opportunities with other countries in overseas purchases made by the Commonwealth Government.

The Agreement on Commerce was at first greeted with mixed

External Trade by Areas (1970)



□ Exports (1,000 million dollars)

■ Imports (1,000 million dollars)

(Courtesy of the Japanese Embassy, Canberra)

reactions in Australia. Industry, as represented by the Associated Chambers of Commerce, welcomed the Agreement; manufacturers doubted whether sufficient safeguards existed; and the trade unions feared the Agreement constituted a threat to established Australian industries and consequently represented a danger of unemployment to Australian workers. Consultations between representatives of both countries were held annually under the terms of the Agreement until 1963 to review progress. These reviews indicated a satisfactory state of affairs, trade continued to flourish and apprehensions expressed when the Agreement was signed proved to be unfounded. More recently, these reviews have been replaced by informal talks on specific matters as the need arises.

Levels of Trade

Tables G and H show the value of Australian imports from and exports to Japan for each year since the signing of the Agreement on Commerce in 1957, and show also the consistent balance of this trade in Australia's favour. It should also be noted that in each table the values shown are f.o.b. basis.

These tables show very clearly the consistent increase in the levels of trade. On only two occasions since 1957-58 has the annual figure for Australian exports to Japan failed to exceed that of the previous year; also, over the same period imports from Japan have shown an annual increase on all but one occasion. Mention has already been made of the fears expressed from time to time on the danger of Australia becoming over-dependent on Japanese markets for its exports.

Table G: Australian Imports from Japan

	<i>Total (\$A million f.o.b.)</i>	<i>As percentage of Imports from all Sources</i>
1957-58	47.6	3.0
1958-59	59.9	3.8
1959-60	83.1	4.5
1960-61	130.9	6.0
1961-62	99.0	5.6
1962-63	129.4	6.0
1963-64	162.5	6.8
1964-65	258.6	8.9
1965-66	280.2	9.5
1966-67	296.0	9.7
1967-68	343.3	10.5
1968-69	414.7	12.0
1969-70	481.2	12.4
1970-71	573.6	13.8
1971-72	628.6	15.7

Source: Department of Trade and Industry.

Table H: Australian Exports to Japan

	<i>Total (\$A million f.o.b.)</i>	<i>As percentage of Exports to all Destinations</i>
1958-59	204.6	12.6
1959-60	269.3	14.4
1960-61	323.0	16.7
1961-62	373.8	17.3
1962-63	346.2	16.1
1963-64	487.8	17.5
1964-65	440.7	16.6
1965-66	470.4	17.3
1966-67	586.5	19.4
1967-68	642.1	21.1
1968-69	822.1	24.4
1969-70	1,025.2	24.8
1970-71	1,190.7	27.1
1971-72	1,360.2	27.8

Source: Department of Trade and Industry.

In this regard, one witness strongly urged that Australia should avoid a repetition of the degree of reliance which was formerly placed on the British market as an outlet for Australian exports with the consequences which followed Britain's negotiations for entry into the European Economic Community, particularly for a variety of agricultural products. His solution was the conscious diversification of markets to the greatest possible extent. The Committee strongly supports the idea of diversification, and is aware of the business and government efforts being directed towards this end. It would favour the Trade Commissioner Service being assured of whatever additional support may be necessary for this task, and in this connection it welcomes the Minister for Trade and Industry's statement on 21 August 1972 that there is to be a strengthening of the Trade Commissioner Service in the expanded EEC. Although not related to its current investigation into Japan, the Committee holds the view that, despite the frequently repeated suggestion that the EEC may be a closed community, vigorous investigation would show areas where openings for Australian exports might be both possible and profitable. It was timely that when it became apparent that alternative sources of export income would need to be found by Australia to replace the loss of the British market and the decline in the value of rural products, Japan's industrial development was gaining momentum. An alternative outlet for many of our commodities was thus provided and export income was sustained, and later increased substantially by the development of mineral and other resources to meet the Japanese market.

Traditionally, wool has been the major Australian export to Japan, but in 1970-71 it took second place to iron ore and concentrates. The

relative values were wool, \$A198 million, iron ore and concentrates, \$A329 million. In part, the explanation for this reversal lies in the fact that wool prices declined in that year while exports of iron ore and concentrates reached record levels. The scale of the iron ore development has captured the public imagination and it is iron ore which has assumed a glamour role. It must be remembered, however, that rapid increases in export income in the past five years have also been derived from a wide range of other minerals and metals, some manufactured products and substantial quantities of agricultural commodities.

The submission of the Department of Trade and Industry also included tables showing the significance to Australia of Japan as an outlet for agricultural products, minerals and metals, and the relationship of the Japanese market to other Australian markets; they also show Australia's position in relation to other suppliers of similar products. Because of their interest the tables have been included as Appendix III. In summary, they establish an order of importance for major exports to Japan in 1971-72 on a value basis as being:

Iron ore and concentrates	\$A326.3 million
Wool, greasy	217.8 million
Coal	198.4 million
Wheat	72.1 million
Sugar	56.3 million
Sorghum	47.4 million
Beef and veal	44.6 million
Mutton and lamb	28.5 million
Copper ore and concentrates	26.1 million
Prawns, shrimps	17.9 million
Aluminium, unwrought	16.3 million

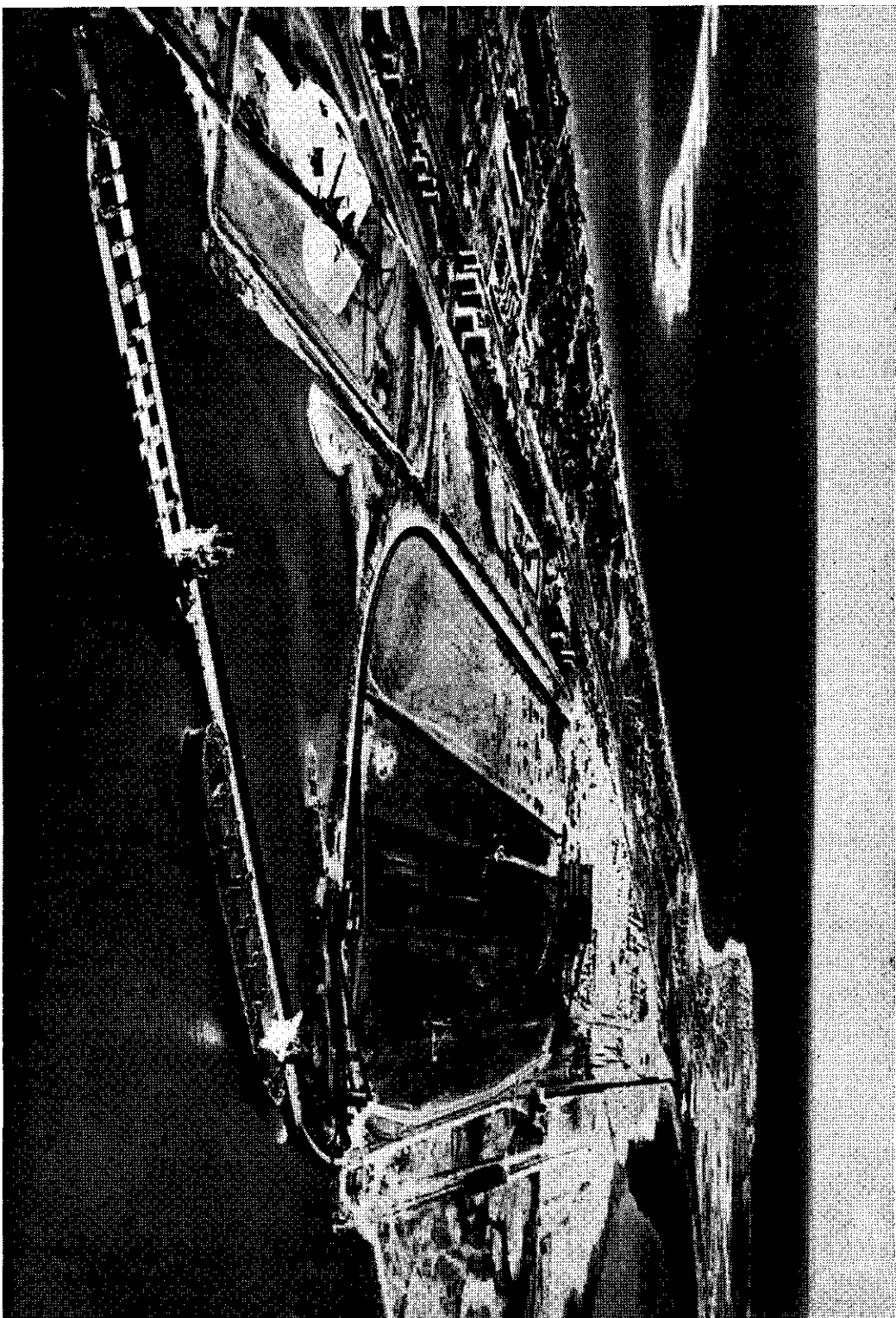
Export Commodities

Minerals and Metals

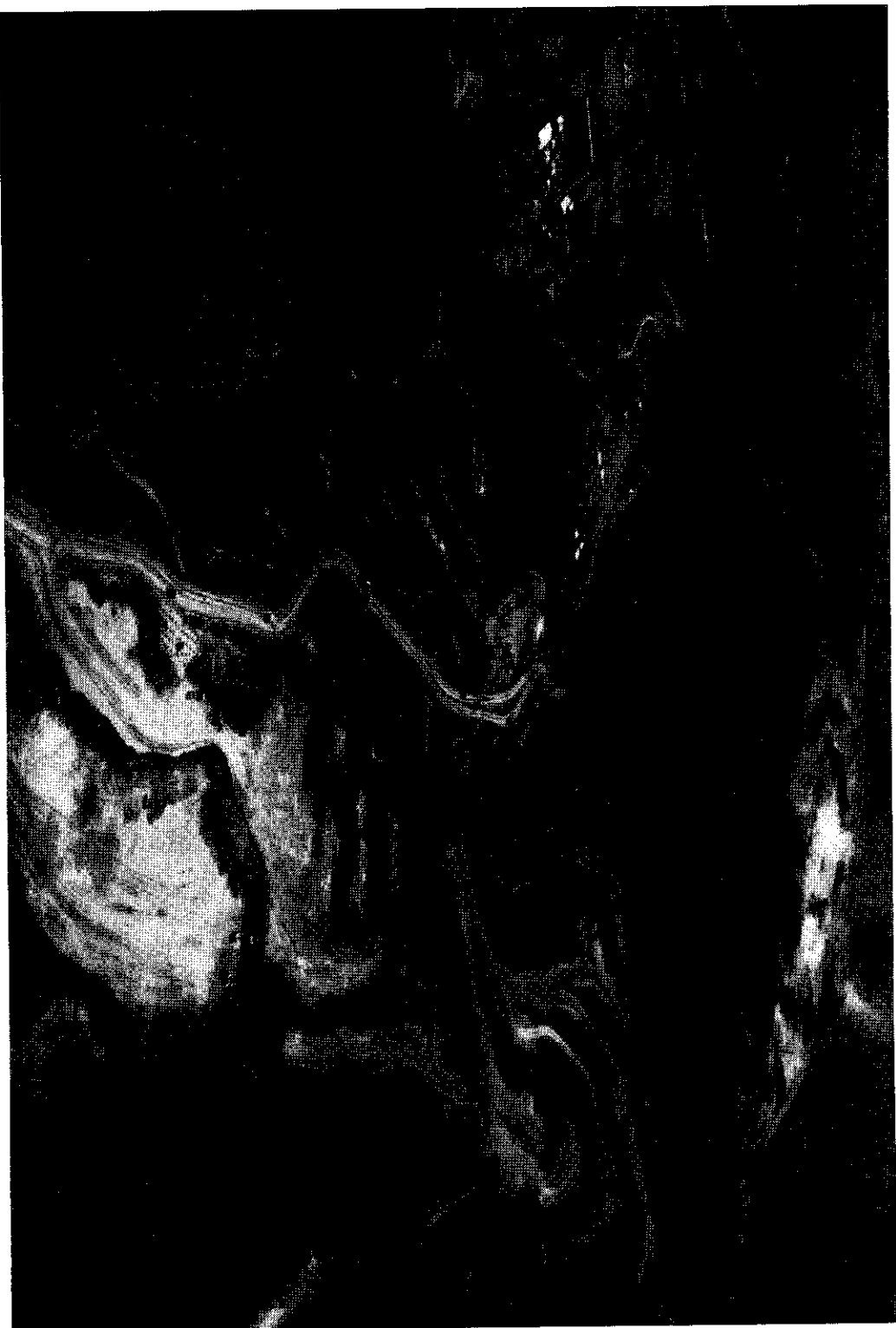
From the discovery of coal in the earliest days of European settlement in New South Wales, knowledge has been accumulating of how favourably Australia is endowed with mineral resources, but it was the rapid exploration and development programmes of the decade 1960-70 which established the mineral industry as Australia's largest growth industry. The changing situation for Australia is summed up in the following extract from the evidence presented to the Committee by the Department of National Development:

The sixties saw Australia's mineral industry advance from a total value of production in 1960 of \$363 million to \$1,447 million in 1970, and from an export value of \$204 million in 1960 to \$1,148 million in 1970; from a position of having no commercial petroleum in 1960 to the point where it is currently producing more than 60 per cent of Australia's oil requirements and as well has a thriving natural gas industry; from a position of having no known nickel deposits, practically no bauxite production, limited iron ore and manganese production, and no export of iron ore and minimal exports of coal, to its present state of adequacy of supplies or even abundance in all these resources except that we still need further significant petroleum discoveries to ensure continuity of even the present degree of self-sufficiency in crude oil.

The Department also provided with its submission an Australian mineral resources map showing the location of known mineral deposits, mines, processing plants and ports associated with the export of



Port Hedland. Two ships, each with a deadweight of more than 100,000 tons, berthed at the Mt Newman wharf. Photograph by courtesy of Mt Newman Mining Co. Limited.



View of Mount Tom Price showing scale of iron ore mining operations. Photograph by courtesy of Hamersley Iron Pty Limited.

minerals and this has been reproduced for convenient reference as Appendix V. As stated in the above quotation, the total value of Australian mineral exports reached a figure of \$A1,148 million in 1970. The dominant position of the Japanese market is clearly shown in the following table of destinations of mineral exports published by the Bureau of Mineral Resources in the Australian Mineral Review 1970:

	percentages by value
EEC	9.81
United Kingdom	11.96
United States	12.05
Japan	54.03
Other	12.15

It is not only in Japan that consumption of minerals has been increasing, for world consumption has risen at a rate of about 4.5 per cent per annum. Nevertheless the Japanese rate of increase has been two or three times that of other industrial nations and it is now the world's largest importer of iron ore, coking coal and crude oil, and also of lead, zinc and nickel in ore and concentrate form. The increasing world demand for minerals cannot be regarded in isolation as creating favourable circumstances for the Australian mining boom of the 1960s. Other contributing technical and economic factors have been:

- the technical advances in the exploration, production and processing of minerals;
- improved methods of bulk transport
- the long term purchase contracts which have enabled the establishing and financing of new, large scale mining ventures, and
- the economies of large scale production.

Iron Ore

Iron ore exports from Australia were banned between 1938 and 1960, it being believed in 1938, in the absence of knowledge of the extent of resources, that this measure was in the interests of conservation. The ban was partially lifted in 1960 in an endeavour to stimulate mineral exploration and this quickly resulted in it being established that enormous quantities of iron ore of high quality existed, especially in the Pilbara region of Western Australia. Both Australian and overseas corporations showed great interest in the developing of these deposits with a view to supplying the Japanese market and as a result of the discoveries made the export ban was lifted completely, with the Government retaining an oversight of export prices as the only purpose of export control. With a growing market being in the interests of both Australia and Japan, negotiations were opened for long term contracts and this was a significant departure from the custom elsewhere of yearly contracts. Advice has been received that European steel producers, convinced of benefits to be derived, are now approaching contracts on a long term basis for their ore supplies. The first of the Australian long term iron ore contracts with Japan was negotiated in 1963 for the

supply of Koolanooka (Western Australia) ore and was the forerunner of many others of a similar nature, some covering delivery as far forward as 1992. At the end of 1971 some 717 million tons of iron ore remained to be delivered under all contracts then in existence with Japan. In the 1960s, Australia's export income from minerals and mineral products, as a proportion of total export income, rose from 8 per cent to 29 per cent.

Despite this general growth of iron ore production and exports from Australia during the 1960s, the market did have its problem periods. In the second half of the decade there was a general downward trend in world prices, brought about by the increase in the number of iron ore suppliers and by a partial slowing down in the growth rate of demand. Japan was exceptional in that demand continued to expand in that country. A general increase in demand on the world market occurred during 1968 and in 1970 prices improved. Some Australian companies were able to benefit from the situation and negotiate new contracts at higher prices. Buoyant conditions remained during 1970-71, but owing to the combination of the circumstances of a recession in the steel industry in Europe and the United States of America and the enforced cut-back of steel production in Japan, demand for raw materials declined in 1971. The Japanese mills proposed to exercise options in their contracts with Australian suppliers to reduce the volume of contracted quantities of iron ore at a time when producers had been planning increases. In addition, some of the Japanese mills reached agreement with Australian producers to deliver less than minima stipulated under the contracts. After protracted negotiations the end result is that total exports for 1972 will fall little if at all below the volume for 1971. This adjustment did, of course, disrupt programmed production of producers and affected commitments they had already made. Further problems arose from the international monetary crisis and the subsequent changes in currency rates. Under the Australia-Japan contracts, prices had been negotiated in United States dollars and the consequence of currency realignments was that Australian producers received approximately 6 per cent less for their production. In the cases of those companies which had made capital borrowings in United States dollars, there would be an offsetting advantage in payments of interest and repayments of capital. The operation of long term contracts is the subject of further comment later in this chapter.

It is the Committee's view that just as the market provided for iron ore by Japanese steel mills may be expected to be a continuing one, so Australia can continue to seek export opportunities in Japan and other world markets for many years to come without fear of depleting its resources beyond a safe margin for its future needs. In support of this view is the fact that exports of iron ore to all destinations in 1971-72 totalled 50 million tons, when it has already been established that reserves of high grade ore in the Pilbara region alone are of the order of 20,000 million tons. However, this does not mean that there

should be any lessening of the efforts in mineral exploration and proving programmes, which are discussed later in this chapter under the heading of 'Resources Policy'.

Coal

Australia's current production of coal is estimated at 50 million tons a year with a pit top value alone of about \$A250 million. Steaming coal, used for energy generation, is in ample supply with very significant long-range reserves. The proven reserves of coking coal, used for steel production, are smaller but significant.

The main producing areas are New South Wales, where output in terms of raw coal has doubled since 1960 to about 35 million tons per annum, and Queensland, where there has been a recent spectacular increase from 2.6 million tons to over 10 million tons and this figure is increasing rapidly. Victoria has extensive supplies of brown coal and production there has risen over the decade from 14 million to about 23 million tons per annum. Victorian brown coal deposits are, however, used almost exclusively for domestic power generation. Japan, on the other hand, is deficient in coal resources—production in 1970 totalled 40 million tons, of which one quarter was high volatile coking coal and the balance steaming coal. Japanese coal has a high sulphur content, undesirable because of high polluting qualities, and the custom has been to blend it with imported coals of better quality.

Japan has been pursuing a determined policy of seeking alternative forms of energy-producing fuels and is now using large quantities of petroleum and, more latterly, natural gas, with the result that between 1960 and 1969 the percentage of coal used for power generation was reduced from 35 per cent of the total to 2 per cent. Additionally, Japan is in the forefront in usage of uranium for power generation purposes. Therefore, it is in the field of coking coal used in steel production that the greatest prospects for exports from Australia exist, although the Committee has been told of technological advances being made in the transformation of steaming coal to a form suitable for use in steel production. Indeed, some experts even assert that in the decades ahead new steel-making processes will drastically reduce, and even virtually eliminate, the use of coal for thermal purposes in steel-making. A report published by the Japanese Ministry of International Trade and Industry, however, has indicated that by 1975 Japan will be dependent on imports for over 80 per cent of its coking coal needs.

Increases in Australian coal production have been principally of coking coal destined for export. During the 1971 Japanese fiscal year (April 1971 to March 1972) exports to Japan reached their highest point—a total of almost 18 million tons. There is every reason to expect that Japan will continue as a regular market, since Japanese importers have indicated that they propose to accept not less than 21.6 million tons during the Japanese fiscal year ending March 1973. Evidence before the Committee estimates that Australia can reasonably expect to retain a share of 35 to 40 per cent of the Japanese market.

The increase in production of New South Wales coal has been

achieved largely by modernisation of mines rather than the opening of new mines. By contrast, in Queensland the situation changed dramatically from the mid-1960s with the opening up of large open cut mines in the Bowen Basin. As with the development of new iron ore deposits elsewhere in Australia, the Bowen Basin development has been assisted by long term contracts with Japanese steel mills for the supply of high quality coking coal.

The Annual Report for 1970-71 of the Joint Coal Board included a table which illustrated the production of black coal in New South Wales and Queensland for 1970-71, together with the figures of the local and export markets and details of exports specifically to Japan. This table is reproduced below.

Table I: Australian Black Coal—1970-71
(million long tons)

<i>State</i>	<i>Saleable Production (a)</i>	<i>Consumed in Australia</i>	<i>Exported Overseas</i>	<i>Exported to Japan</i>
New South Wales	30.621	17.965	11.795	9.025 (76.5%)
Queensland	10.947	3.775	6.865	6.827 (99.4%)
Others	2.882	2.834
Total Australia	44.450	24.574	18.664	15.856 (85.0%)

(a) excludes rejected material arising from coal washing.

As with iron ore, the Committee believes that exports of coal on a substantial scale can safely be continued as known reserves of coal in New South Wales and Queensland have been estimated by the Bureau of Mineral Resources at nearly 24,000 million tons. This is not to deny the need for the continuation of research, the proving of further deposits and the establishment of an effective conservation policy for coal as for other energy producing materials. Action has already been taken by the New South Wales Government to reserve areas of low cost, well situated coal for power generation and local steel production and one such reservation has already been made for power generation supplies by the Queensland Government.

*Other
Minerals*

Lead and zinc form the basis of long established industries in the Australian scene and considerable processing of the ores has taken place in Australia for more than half a century, more than meeting all Australia's needs. In 1970, 80 per cent of production of 435,000 tons of lead in concentrates was processed to refined lead and lead bullion and 60 per cent of mine production of 440,000 tons of zinc in concentrates was processed to metal. In mine production Australia holds second place in the world in lead and third in zinc and is a major world exporter.

Since 1960, when Japan returned to its pre-War status as an industrial power, most major industrial nations have experienced an almost

uninterrupted period of buoyancy leading to an increased demand for lead and zinc. Demand for these two minerals has also been growing in developing countries. To meet this increased demand world producers increased production and in the period 1960-70 Australian production increased, in terms of metal content of lead, from 308,163 tons to 435,156 tons and of zinc from 317,408 tons to 440,696 tons. Two features of Australia's exports are the high percentages shipped in partially or fully processed form and the diversity of markets. Japan has been a prominent purchaser. Export prices are related to sales on the London Metal Exchange and the downturn in economic activity in the main industrial economies, plus anti-pollution pressures in 1971, caused a lowering of prices—substantial in the case of lead—and of production throughout the world, but prices had fully recovered in 1972.

For copper, Australian production rose from 109,000 tons in 1960 to 155,000 tons in 1970. During this time the value of this production rose from \$A50.7 million to \$A150.9 million. Expansion in copper mining operations was motivated by growing demand in both the domestic and overseas markets, with Japan being the outlet for the bulk of Australian exports. In 1970-71 these amounted to almost 132,000 tons of copper concentrates, valued at \$A30.6 million; 5,396 tons of refined copper, valued at \$A5.4 million; and 6,862 tons of blister copper, valued at \$A9.2 million. Controls are exercised over the export of the various forms of copper to ensure that domestic needs of refined copper are first met before exports take place.

Tungsten is produced in modest quantities, principally in Tasmania, but Australia is the sixth largest producer of tungsten ores in the free world. Total tungsten content of ores produced in 1970 was 1,245 tons, of which about 50 tons was used in domestic consumption for the production of tungsten carbide for tool tips. The remainder was exported in the form of scheelite and wolfram concentrates. In 1970, Japan took 169 tons of concentrates valued at a little over \$A500,000.

During the 1960s Australia continued to be a major world producer and exporter of mineral sands—rutile, zircon, monazite and ilmenite. Export control has been in existence since 1944, with exports of high grade concentrates only being approved. Again, Japan was a substantial importer from Australia of these products.

Manganese, used in the manufacture of steel, has also seen a rapid increase in production from about 60,000 tons per year in the early 1960s to over 700,000 tons in 1970. The increase has gone principally to the export market, with Japan taking about 75 per cent of exports in 1970, but substantial sales have also been made in Europe and the United States of America. Exports have increased to 620,000 tons at a value of \$A11.7 million in 1970.

Bauxite-aluminium production has increased tremendously, with Australia changing from a position of being unable to meet domestic requirements to that of being one of the world's major sources of bauxite and alumina and a net exporter of aluminium. In 1970-71 bauxite

production amounted to 10.9 million tons and Australia has three refineries for the processing of bauxite to alumina and three smelters to smelt aluminium metal. Aluminium consumption in Australia in 1970 was about 120,000 tons, having grown in the decade at an average annual rate of 12½ per cent. Exports to Japan of bauxite, alumina and aluminium taken together have been estimated at 30 per cent of exports of these items, with an f.o.b. value of about \$A55 million. In the Northern Territory, where complete authority is exercised by the Commonwealth Government, proposals were invited in 1964 for the development of the main bauxite deposits at Gove and part of the proposals involved the successful applicant entering a commitment for an alumina plant in the Northern Territory of not less than 300,000 tons capacity per annum. Subsequently the successful company established this plant, which it is proposed to expand by mid-1973 to an anticipated production capacity of one million tons per annum. Another condition of the agreement was that the company was obliged to study the feasibility of erecting an aluminium smelter.

Nickel was imported into Australia to meet domestic industrial requirements until the substantial discoveries in Western Australia in the 1960s. As a result of these discoveries domestic production in 1970 reached 30,000 tons of nickel in concentrates from ore mined in three mines in the Kalgoorlie area, and Australia now ranks fifth in the world in mine production for nickel. A further large scale project is expected to begin in Greenvale, Queensland, in 1974. Japan has negotiated a long term contract for the purchase of Western Australian nickel concentrate and is participating financially in the development of the Greenvale project.

Natural gas and liquefied petroleum gas production has increased rapidly in recent years. Already the Bureau of Mineral Resources has stated that proven recoverable reserves of natural gas exceed 13.94 million million cubic feet and continuing exploration is confidently expected to establish further supplies. By the end of 1971 the capital cities of Brisbane, Melbourne, Adelaide and Perth were being supplied and the expectation is that Sydney will receive supplies in the near future. These supplies are transported by pipelines from fields hundreds of miles from each of the city centres. Announced Government policy is that exports will not be permitted until Australia's needs are reasonably provided for, but that consideration would be given in cases where natural gas may be available in remote regions where it could not be expected that a significant Australian market would be found. It is understood that one application for permission to export from a Northern Territory source is under consideration. Japan has shown great interest in obtaining supplies of natural gas in liquefied form, which has decided advantage as an alternative source of energy because of its non-polluting qualities.

Liquefied petroleum gas production is normally more than adequate for domestic requirements and is not subject to export control. Local sales in 1971 amounted to 315,000 tons and exports to 590,000 tons.

Salt production until recent years was little more than that required for the domestic market and, because of its low value in comparison with freight costs, the ability of Australia to market this commodity overseas was limited. For example, exports were slightly less than 88,000 tons out of a total annual production of just over 700,000 tons in 1967. However, Japan has since provided a substantial market which has been aided by improved bulk transport methods, and in 1971-72 exports to Japan totalled 2.3 million tons at a value of \$A6.9 million. The advent of Japan as a substantial market has led to a considerable expansion of the industry in Western Australia, where facilities, existing and planned, are able to produce in excess of 10 million tons, a capacity much greater than the export market is likely to require for some years.

Uranium

Uranium production declined in Australia following a diminishing need for its use for defence purposes and it was the emergence of nuclear power for the generation of electricity which revived production. World demand for electricity has been constantly growing and there is every likelihood that by the turn of the century sources of traditional fuels will be unable to cope with this demand. It was the realisation of this and the technological advances in nuclear power as a source of energy that encouraged further uranium exploration and development of resources. It is now estimated that Australian reserves exceed 100,000 short tons of uranium oxide with additional deposits still being discovered.

In technology the development of nuclear power had many barriers to overcome and although now being produced in limited commercial quantities problems still remain to be solved—nevertheless a significant growth is expected in the next ten to twenty years. With the proposed increase in nuclear generating capacity, consumer countries have been contracting for supplies of uranium oxide some years ahead of their demands. From this a problem arises of a world situation of over-supply and depressed market prices—prices inadequate to encourage and sustain an exploration programme of the scale needed to meet anticipated demands in the 1980s. Forecasts for the uncommitted world uranium market up to 1980 amount to 75,000 tons, of which 25,000 tons is expected to be contracted for by 1977.

Japan has shown great interest in Australia as a source of uranium ore and possibly enriched uranium and has already joined Australia in an agreement for co-operation in the peaceful use of atomic energy—an agreement which opens the way for co-operation at the commercial level and establishes procedures under which this co-operation will be continued. The indications are that by the year 2000 Japan may be producing half or more of its enormous energy requirements through the use of nuclear power and figures published by the Japanese Ministry for International Trade and Industry have assessed cumulative demands for uranium oxide at 48,000 tons by 1980, 200,000 tons by 1990 and 420,000 tons by the year 2000. Already several contracts for the supply of uranium oxide have been signed between Australian producers and

Japanese consumers to which Australian Government approval has been given. The contracts cover limited quantities to be supplied over an extended period with deliveries commencing several years hence.

The earlier types of nuclear reactors used natural uranium which imposed restrictions on reactor design, but in later developments the use of enriched uranium has shown such advantages that the majority of reactors now in use and under construction have been designed for the use of this fuel. The advantages are such that in looking ahead it is clear that there will be a need for vastly increased enrichment capacity in the world, but this can be achieved only at enormous cost and requires a location having ample supplies of cheap power, water and other resources including, of course, the natural uranium deposits. It has been suggested to the Committee that for one of the known enrichment processes an approximate order of cost for such a project would be \$A1,000 million. However, advances in technology are being made which could affect the options open to Australia. It has been suggested to the Committee that it may not be until 1976 that sufficient information is available on alternative enrichment processes for the best decision to be made. It will require fine judgment to decide whether to proceed now on the basis of existing information in order to be ready to meet an upsurge in the demand for enriched uranium expected about 1980, or to defer a decision until about 1976.

Japan is interested in Australia as a possible future source of enriched uranium and the costs and benefits of such a development need to be carefully weighed. In association with French advisers, the Department of National Development has been making a feasibility study of technical and economic aspects. No commitment has yet been made, although a recent announcement invited interested parties to submit proposals for developing such a plant, with the information arising from the feasibility study being made freely available for consideration in the development of proposals.

A witness eminent in this field drew to the Committee's attention the forms of control exercised by some overseas countries, such as the British Nuclear Fuel Corporation, and recommended a control organisation for Australia. In elaboration of this proposal it was suggested that a variety of alternatives for the composition of such a corporation existed—Government operation, a joint Government venture with private companies, or a consortium of companies with policy guidelines laid down by the Government. The function of the corporation as suggested to the Committee would be to handle all uranium marketing, lay down programmes for production and exploration and organise the processing of uranium to more valuable levels. Such an arrangement of the industry, it was said, would enable the presentation of a united marketing front to buyer countries to ensure a fair price. It is the Committee's view that, should the decision be taken to commit to construction a uranium enrichment plant on Australian soil, control should remain in Australian hands whatever form of financing

is adopted. In any event, firm control should be maintained on the level of usage of this valuable energy source.

Despite the protection afforded to agricultural industries in Japan, the market for a variety of imported foodstuffs has increased considerably and may be expected to continue to expand in the 1970s. Improved incomes, changes in taste, population growth and physical restraints on domestic production in Japan have all contributed to an increasing dependence on imported supplies. It is fortunate for Australia that it was able to participate in this growing market at a time when outlets for rural surpluses were declining following Britain's projected entry into the EEC. The Australia-Japan Agreement on Commerce provided an assurance of improved access for Australian agricultural products to the Japanese market and a later slow but progressive liberalisation of import restrictions served to stimulate a worthwhile outlet for a number of Australian rural commodities.

These conditions did not necessarily apply to wool, which was the one exception. Japan has been one of Australia's traditional wool markets. However, the Agreement on Commerce did improve the situation to the extent that it promoted a duty free import of wool for a period of three years and this concession was subsequently extended on a permanent basis. For a long time wool was Australia's major export commodity to Japan, but this has now been supplanted by minerals. Nevertheless, there is no reason to suggest that wool exports will not continue at a high level with the 1970-71 decline in wool prices now reversed. The value of wool exports to Japan in that year was only \$A198 million, with an increase in 1971-72 to \$A220 million and considerably higher figures expected for 1972-73. These purchases represent 80 per cent of the wool used by the Japanese textile industry.

The changing pattern of food consumption in Japan has greatly increased the use of wheat as a bread grain with consequent substantial increases in wheat imports. Japan relies almost exclusively on the United States, Canada and Australia for its imports and the Australian share of this market reached its highest level of 29.4 per cent in the Japanese fiscal year ending March 1972. For the crop years (ending November) 1969-70 and 1970-71 Japan ranked third in Australia's wheat export markets, taking over 11 per cent of Australian exports in those two years. The value of this market in 1971-72, when Japan took an even higher proportion of Australian exports, was \$A72.1 million. Because of excess milling capacity in Japan the country does not provide any outlet for Australian flour. In view of the desirability of diversification of Australia's wheat outlets, exports to Japan provide a stable and continuing market which should be preserved.

Sugar exports to Japan from Australia commenced in 1954 on a fairly modest scale, but with slow growth these stabilised at an average of about 120,000 tons per annum during 1957-60. With the collapse of the International Sugar Agreement in 1961 the opportunity was

taken to export further quantities to Japan and sales jumped to about 280,000 tons. This stimulated expansion of the Australian sugar industry between 1964 and 1966 and Japanese imports from Australia grew to more than 600,000 tons. At the same time, other markets developed and a new International Sugar Agreement was negotiated in 1969. Since that time Australian exports to Japan have stabilised within the range of 500,000 to 600,000 tons per annum. The value of sugar exports to Japan in 1971-72 was \$A56.3 million and represented 27 per cent of Australian sugar exports. This has been a mutually satisfactory arrangement because it has provided a steady market for the surpluses following the expansion of the industry between 1964 and 1966 and, from Japan's point of view, it is difficult to see how Japanese requirements could have been met, at least in certain areas, without this source of supply. Japan is dependent on Cuba, Australia and South Africa for a large proportion of its sugar requirements.

An unusual feature of the Australian marketing arrangement is that the Colonial Sugar Refining Company Limited is the marketing authority for all Australian raw sugar exports. This is an arrangement involving close association with government and, on the advice available to the Committee, has been operating satisfactorily to all parties.

Meat exports to Japan have shown a steady increase since 1964 and have accelerated greatly since 1969-70. The situation has reached the stage where Japan is now Australia's second most important meat export market after the United States. It is confidently expected that Japan will continue to be a growth market during the 1970s. Mutton and beef are the principal commodities and it is the beef market which is expected to provide the major source of growth. Australian exports of mutton now comprise over 50 per cent of Japan's import requirements and it is expected that Japan will remain Australia's major export customer although the growth in demand is unlikely to rise as dramatically as that for beef. Until mid-1970 Australia's beef trade with Japan was mainly in frozen form and did not entirely suit the handling and merchandising procedures of retail butchers. However, the introduction of container shipping services made possible the development of trade in chilled beef cuts, which admirably suit the Japanese market. Australia now supplies about 90 per cent of Japan's total beef import requirements, which amounted to 44,000 tons in 1971-72, and, on estimates provided to the Committee, are expected to reach 100,000 tons per annum by 1975. In 1971-72 beef and veal exports were valued at \$A44.6 million and mutton and lamb at \$A28.5 million. The Japanese market is exceedingly complex, with unique distribution systems which need special attention by Australian exporters if the success achieved to date is to be continued. The Committee was greatly impressed by the methods being pursued by the Australian Meat Board to cultivate expansion of the Japanese home market.

Other grains, mainly feed grains of sorghum and barley, have worthwhile outlets in Japan, as do a number of lesser exports such as prawns, shrimps, malt, tallow, cattle hides and skins, eggs, cheese and casein. There has been little opportunity to develop a market for fresh fruit and vegetables, principally because of the stringent quarantine regulations imposed on imports into Japan.

Manufactures

As with most industrial countries, Japanese tariffs are structured so that generally the duties increase with the degree of processing. This, coupled with Japan's major interest in processing industries, does not make access to the market for manufactures, either processed or partly processed, easy. However, as indicated earlier, some progress has been made in the supply of partly processed minerals, and the Committee believes that this is an area to which further attention should be directed. Already there is a trend developing that Japan may, because of industrialisation and pollution problems, provide an increasing market for partly or wholly processed minerals. Meanwhile, however, the Committee sought but was unable to obtain clear evidence on the relative economics of continuing the emphasis on raw material exports as against processed or partly processed minerals. It believes that there is an urgent need for cost-benefit studies to be undertaken to determine what economic advantages would accrue from processing or part processing of minerals for export as compared with the export of the raw materials.

In the matter of other manufactured items, the market prospects should not be dismissed merely because Japan is a giant manufacturer. Already indications exist that a number of manufactures are finding a market in Japan. Apart from alumina, which represented, in 1970-71, one-third of manufactures valued at \$A67 million exported to Japan, the balance represents a wide range of products. The Department of Trade advised the Committee that experience in Japan resembles the experience gained in the export of manufactures to the United States—another industrial economy—which in 1971-72 totalled \$A143 million. In both countries the range of manufactured products supplied by Australia is extremely wide, even if many are individually comparatively small in value. For example, the Committee was told that many of the individual items of manufactured goods exported to America came within a figure of less than \$50,000 a year, but collectively these items provide a substantial export income.

Woodchips

Woodchip exports for Japan's pulp and paper industries are the latest considerable export market Japan has provided for Australian products. Exports commenced in January 1971 and four woodchip projects have received export approval. One project is in New South Wales, another in Tasmania, and two additional projects in northern Tasmania are under construction. Export control is exercised to ensure that an adequate price is received, that a reasonable degree of processing will be undertaken in Australia and as an encouragement to reforestation. All four projects have an obligation to study the feasi-

bility of further processing and to undertake the processing to pulp if this is proved practicable. It is expected that exports will approximate 3.3 million tons a year from 1975 and at that time are expected to reach a value of approximately \$A49 million per annum.

Shipping

A feature of the Australian export trade has always been the heavy reliance placed on overseas-owned vessels for the transport of goods. One witness suggested that external influences have continued to operate to the detriment of the growth of an Australian maritime industry. Intermittently attempts have been made to stimulate the growth of Australia's shipping fleet, but the limited success so far achieved is indicated by evidence that the level of import and export tonnages carried to and from Australia in Australian ships during 1969-70 were 0.09 and 0.08 per cent respectively. By comparison, Japanese ships in the same year carried 35 per cent of Australia's total exports.

Evidence was also submitted on the strength of what is known as the 'Conference Line' system, which is an association of ship owners which regulates the freight rates and terms and conditions of carriage of goods in any particular trade. Conference Line ships operate on a regular timetable, stopping at scheduled ports and accepting cargo in small or large consignments at established freight rates. This certainty of service offers great benefits, but those criticisms which are made are generally based on the cartel-type operation and the rates of freights charged. The Conference Lines do not normally operate in the tanker and bulk cargo trade. Many countries have sought to deal with the criticisms of Conference Line operations but have generally come to the conclusion that shippers themselves should form equally strong associations to be able to negotiate from a position of strength with the ship owners.

Insofar as shipping between Australia and Japan is concerned, the Australian National Line has established participation in the Conference arrangements on a modest but successful and profitable basis. Long term contracts with Japan for commodities requiring bulk shipping, such as iron ore, have been written on an f.o.b. basis with Japan supplying its own ships for carriage of these goods.

The Committee supports suggestions that Australia should seek to establish a stronger maritime position. Having regard to Australia's geographical circumstance as an island continent, relying heavily on exports, it would enhance the country's status, economic and strategic positions if Australia's merchant marine were to be established on a more extensive basis. The Committee questions the criticisms which might be expected—that to do so would be uneconomic in present day circumstances. Comprehensive cost-benefit investigations would be a pre-requisite, but strategic considerations should also have a place in the decision-making process. It is recognised also that to do so may require Government financial support, but this is not uncommon in established maritime countries.

The Committee believes also that the Australian National Line participation in the Japanese trade should be strengthened and draws special attention to one area in which future opportunities will undoubtedly exist, namely, in the export of liquefied natural gas. This is a comparatively new but rapidly growing field requiring highly specialised and costly ships which may need to be purchased overseas, as the Committee understands that the technology and shipbuilding capacity for this type of vessel may not exist in Australia at present.

Imports

While the emphasis on trading relations with Japan in a report of this nature is naturally on Australian exports, it is appropriate to make a brief reference to the scale of Australia's imports from Japan. In a general sense, it is obvious that the aspect of the trading relationship of prime importance to Japan is the need to ensure access to Australian raw materials, which are the lifeblood of its industry. Nevertheless, the Australian market must be regarded as being of importance to Japan. Even though the balance of trade is two as to one in Australia's favour, this may be an acceptable level to Japan in view of its global trading situation.

On a population basis, Australia can be regarded as a not inconsiderable market and Japan is now its third largest source of imports after the United States and Britain. Although this represents only 3 per cent of Japanese exports, it represents almost 16 per cent of Australia's imports, which in 1971-72 had a value of about \$A629 million. These imports are almost entirely of industrial manufactures with the major exception of fish products. Appendix VI is a table showing the extent of these imports in greater detail.

Resources Policy

There is little doubt that much of Australia's mineral resources could be exported with immediate and short term advantage, but it was strongly put to the Committee that Australia lacked a clearly defined resources policy and that it was important that this omission be rectified. The concept was, broadly, that such a policy should seek to establish the extent of Australia's natural resources, determine the rate of exploitation, the reserves to be held for future internal needs, the conditions of export and priorities in the investment in and development of new resources. In recommending such a course of action, witnesses drew a comparison with the sophisticated manner in which Japan's raw material import policies are developed and made known. The suggestion was made, not so much to match the level of Japan's knowledge and the clarity of its policies, or that this need arises only because of trading relations with Japan, but as a basic requirement to safeguard the interests of Australia's future in the exploitation of resources. There are obvious difficulties, such as mineral exploration revealing new deposits of minerals and advances in technology. Nevertheless, despite the difficulties, the Committee believes the objective to be a desirable one.

The evidence of the Department of National Development indicated that its departmental structure contained many of the elements to fulfil this task and, indeed, that it was already a repository of a great deal of the information needed to enable guidelines to be laid down. Many of the other elements are in other departments and organisations and this fragmentation creates problems of communication. The Committee was informed of the intention of the Australian National University to establish in 1973 a Centre for Natural Resources at the post-graduate level and believes that close collaboration between this centre and established Government agencies, such as the Bureau of Mineral Resources, could contribute much of the basic information upon which policies and guidelines could be determined. Australia's trading relations are so important that full and clear public documents should be available both to industry and the country's trading partners on policies and the basis upon which such policies have been determined. No resources policy would be complete without some form of effective energy conservation policy.

Conclusions

The wealth of information placed before the Committee in evidence on trading relationships with Japan highlighted a number of problems which arise from this trading. Some, of course, are specifically internal problems, but nevertheless the Committee believes they warrant being brought to notice. It has therefore been decided that it would be convenient to identify the Committee's conclusions and recommendations on this trading relationship with the chapter to which they refer. They are set out below.

Dependence

The level of dependence of Australian exports on the Japanese market has been widely canvassed. However, the Committee reiterates that the export market provided by Japan has been of great advantage to Australia, not only as a source of export income but in opening up isolated areas of the continent. Whatever dependence exists at the present time is mutual rather than one-sided. Remembering the concern which the Japanese have for ensuring continuity of supply of raw materials, the Committee does not believe that for the foreseeable future there is any danger in the degree to which Australian production relies on Japan as a market. Nevertheless, in the same way as Japan has as a policy objective not to be reliant on any one country as a source of a particular import to an extent greater than 40 per cent, the Committee believes that it would be in Australia's interests to seek a further diversification of outlets. It does not necessarily suggest that the 40 per cent maximum adopted by Japan should be applied by Australia, but as a long term objective something of this order should be the aim.

Co-ordination

It is the Committee's view that co-ordination is a most important area warranting consideration in the continuing trading relations Australia will have with Japan. By and large, the development of

this export market has been rapid with limited opportunity for well tried and workable co-ordinating arrangements to develop to the degree desirable in the national interest. There is room for improvement in the achievement of co-ordination between Commonwealth and State Governments, and government generally and industry. In saying this the Committee is not critical of the substantial progress which has been made to date, such as the establishment of the Australian Minerals Council in 1968 with a membership comprising the Minister for National Development, State Ministers for Mines and the Commonwealth Ministers for the Interior and External Territories.

Both the witnesses appearing from Government departments on the one hand, and those from industry on the other, spoke highly of the degree of mutual co-operation existing between their two groups. The difficulty is that this is mainly on an informal basis and lacking in organisation. Industry representatives in discussion with the Committee were unanimous in agreeing that a higher degree of co-operation would be favoured by them. Japan has a highly developed and efficient system of interchange of officers between government and industry. This is lacking in the Australian situation, but the Committee would strongly support and can see great mutual benefits arising from a free interchange of personnel on a short term basis. An area of criticism relating to the preparations for the meeting held in Canberra recently of the Australia-Japan Ministerial Committee was the absence of prior consultation and briefing between industry and Australian Ministers, particularly as the close consultation between Japanese Ministers and industry prior to any such meeting is well known. The Committee firmly recommends that machinery for such preliminary discussions be set up prior to the next meeting of the Ministerial Committee.

*Consultative
and planning
agency*

The Committee is aware of the excellent work undertaken by the Standing Interdepartmental Committee on Japan, which was first established in 1970 and now functions on a continuing basis to advise the Commonwealth Government. It consists of senior representatives of Commonwealth departments concerned with Australia's relationships with Japan and is the only committee of its type concerned with the totality of Australia's relations with another country. The shortcomings which this Committee sees in an otherwise excellent arrangement are that it is comprised of officers holding senior positions in a number of departments who have other considerable responsibilities, and no formal provision for consultations with industry exists. The Committee believes that the scale of our trading relationships and other associations with Japan are such that they would warrant the establishment of a consultative and planning agency backed up by a small, full time group providing research, planning and secretarial assistance, with a permanent chairman and with the existing members of the interdepartmental committee continuing to serve as part time board members. The Committee further recommends that the agency include representatives

of industry who have close associations with Japan. The function of such an organisation, as seen by the Committee, would be to deal with the totality of Australian relations with Japan.

Infrastructure

The scale of recent developments, particularly in the minerals industry, has created problems in the financing of infrastructure—roads, housing, town water supply and the many other facilities needed to develop the new townships in isolated areas. These are normally a responsibility of State governments, but the growth and scale in most cases has been beyond the capacity of governments to meet in the light of other competing demands for funds. There has, therefore, developed a general attitude that the mining organisations themselves should be required to provide these facilities. Consequently, in the development of new projects, private finance has had to be raised vastly in excess of that which would be required solely to establish the mining operations for extraction and handling. One witness indicated that the costs associated with establishing a new venture in an isolated area were two-thirds for the provision of infrastructure and one-third for equipment and mine handling machinery. In the particular case mentioned by the witness, the mining company had to build two railways, two ports, four towns and associated services including a power station; all of which cost about \$A400 million. By comparison, the expenditure on productive assets was \$A200 million. This affects other negotiations in that the mining companies naturally seek whatever concessions they can obtain in other directions—for example, the level of royalties paid. This is a very vexed question to which no simple solution can be offered by the Committee. In the light of competing demands for government funds, there seems little alternative but to continue on this basis for the present.

Contracts

The Committee sought to establish whether, in the light of public statements and evidence placed before it, the Australian national interest was being preserved in the terms of long term contracts and the prices received under these contracts. The first point established is the undoubted advantage in these contracts having been made. They have provided a basis upon which mining companies have been able to raise finance of the scale required for new mining ventures. It is of benefit to Australia that these ventures have contributed substantially to export income and that many have occurred in the isolated areas of the continent, thus opening up new areas and establishing centres of population.

Criticisms were first voiced when Japan found it necessary to cut back projected deliveries of minerals below the minima specified in the contracts and, on a second occasion, when world currencies were realigned, the result of which was a decrease in the prices received for Australian minerals under these contracts. Evidence received from leaders in the mining industry has shown that after negotiations with their Japanese counterparts there was understanding and acceptance

of the need for these variations in deliveries. It should be noted in this context that the treatment Australia received during this period of cut-backs was consistent with the treatment received by other suppliers overseas. It is not clear, however, that a similar degree of understanding occurred when Australian suppliers sought some re-negotiation of prices arising from the currency changes. The Committee has found a need for bridging the gap in understanding the attitudes of each side to their respective contract law—a need arising from the comparatively recent experience in large and frequently long term contracts. In brief, the extremes of these attitudes can be summed up as being, on the Australian side, an understanding of a contract as a legally binding document, whereas in Japan it appears to be regarded as an honest statement of intentions open to re-negotiation if circumstances change.

The Committee therefore regards as important the establishment in July 1972 of the Australia-Japan Trade Law Foundation, consisting of businessmen, lawyers, academics and senior government officials, to promote understanding in this area and that a kindred organisation was to be established in Japan. The Committee believes that this Foundation should be given every encouragement and assistance to pursue its objectives.

The Committee was informed that contracts provide for payment in United States dollars and that the recent vagaries in the international money market reacted unfavourably on Australian producers. As mentioned elsewhere, the Committee was advised that the last realignment of currencies involved as much as 6 per cent reduction in returns under some iron ore contracts. Denomination in terms of United States dollars was understandable at the time of negotiating the contracts as this was common custom, but the Committee suggests that some insulation against such fluctuations should be sought. It would probably be unacceptable for a number of reasons for future contracts to be written in Australian currency, but it suggests that consideration be given to future contracts being negotiated up to 50 per cent in the currency of the supplier and 50 per cent in an acceptable currency, such as that of the consumer.

Prices

The establishment of long term contracts has, to an extent, removed from the 'market place' the determination of prices which apply to most other commodities of world trade. This, therefore, raises the question of whether Australia is being adequately recompensed for the raw minerals being exported to Japan. The deficiency revealed by the Committee's inquiry appears to be related to the better preparedness and facilities available to the Japanese, both at industry and government levels, to study and undertake research before entering into negotiations. It is not uncommon for the Japanese to spend several years on investigation before being prepared to negotiate these long term contracts, with the result that they arrive at the negotiating table extremely well provided with information. In addition, their negotiators are highly skilled and drive a hard bargain. The evidence before the Committee is that

once an agreement has been reached, subsequent contractual problems are minimal. The one known exception is the reduction in iron ore shipments.

In the case of coal exports, the Committee questioned witnesses closely on whether Australia's best interests had been served in the prices negotiated for some of the contracts. For example, figures submitted in evidence indicated that Australian coal had been consistently supplied to Japan at considerably lower prices than from other world suppliers, the greatest margin being between Australian and United States returns. In 1970 the United States received \$A22.04 per metric ton on average against the Australian average of \$A13.36 per metric ton. This comparison makes no adjustment for difference in quality, and it is accepted that American coal is of high standard. Nevertheless, the Committee was also informed that Australian coal exported is also of high quality, and that any quality differential which may have existed could not account for the difference in prices.

The Committee believes that there is a demonstrated need in Australia for more orderly development of open cut and deep pit coal mining, including satisfactory arrangements for orderly marketing. This goal should be sought by co-operation between the Commonwealth and the States and could, perhaps, be effected by an extension of the role of the Joint Coal Board. While the Committee is mindful of the Commonwealth's reserve power to control exports, it believes that the orderly development of the industry, and more satisfactory prices for coal exports, can best be achieved by genuine co-operation between the Commonwealth and the States.

Merchant Marine

For a continent surrounded by sea and so dependent on the sale of its goods on world markets, the Committee considers it inconsistent with the best interests of Australia that it should continue to be so reliant on overseas-owned ships for the carriage of goods. The Committee does not base this view purely on economic grounds, for it recognises the strategic advantages inherent in Australia having a fleet of modern merchant ships. That difficulties will be raised in achieving this is recognised, but the Committee believes that means should be found of progressively increasing the participation of Australian owned, operated and manned ships in its overseas trade.

Chapter 4 Finance and Investment

By contrast with the major trading relationship which has developed between Australia and Japan, the finance and investment links connecting the two countries have been much more modest. Although this situation has begun to change, it is apparent that for the foreseeable future trade will continue to be the dominant feature of Australia-Japan economic relations. Moreover, it should be noted that the movement towards closer financial contacts has, at least in part, been a response to the already established trading relationship.

Increasing financial co-operation between the Governments of the two countries was exemplified by the 1969 comprehensive agreement on double taxation, designed to eliminate double taxation and to apportion the relevant taxation revenue between the two countries. Japanese investment in Australia has been facilitated by this agreement. Direct personal contact at a financial level was improved three years ago by the Commonwealth Treasury's appointment of a senior officer to represent it in Tokyo. This appointment has proved of value as economic relations between the two countries have developed. Although no Japanese owned or controlled bank has been granted authority to conduct banking business in Australia, eleven Japanese banks have been given approval in recent years to establish representative offices in this country. These offices are required to confine their business to liaison activities between the bank concerned and its business connections in Australia. Similarly, four Australian banks have representative offices in Tokyo. In recent years, also, many foreign (including Japanese) banks have acquired equity interest in, or formed associations with, Australian institutions in the 'merchant banking' field. The merchant banking companies are operating predominantly in areas of corporate finance and advice, and the activities of those with Japanese associations include the financing of trade and joint Australian-Japanese business ventures.

Capital Market

The spectacular improvement in the Japanese balance of payments from 1968 onwards has also stimulated closer financial and investment links between the two countries. Japan has substantially liberalised controls on its capital market and on investment overseas by domestic residents. The last two or three years have seen the opening of Japanese securities to overseas borrowers by the flotation of yen-denominated bond issues, mainly to international agencies such as the World Bank and the Asian Development Bank.

During 1972, the Australian Government made an issue of ¥10,000 million (\$A27 million) in Tokyo, thereby becoming the first foreign

government to be granted permission by the Japanese authorities to borrow on that country's developing capital market. The background to the loan was the Commonwealth's recognition of Tokyo's emerging status as an important financial centre, at a time when the United Kingdom and United States capital markets were declining in importance for Australia. The borrowing in Japan was designed to establish a position for Australia in the Tokyo market and has contributed to closer relations between Australian authorities and the Japanese Ministry of Finance and the Bank of Japan. Over the last six months or so, a number of other foreign governments and companies have been raising funds on the Japanese capital market.

Investment

On the investment side, Japan has been demonstrating an increasing interest in Australian projects over recent years. To date there has been little portfolio investment from Japan due to restrictions imposed by the Japanese Government, but this is now changing. However, direct investment rose from \$A20 million in 1969-70 to \$A57 million in 1970-71. Estimates given to the Committee suggest that total Japanese investment might rise to several hundred million dollars within a few years. While these figures represent a rapidly increasing Japanese interest, they are still minute by comparison with the capital inflow from British and United States sources.

Japanese investment in Australia has had two significant features. First, it has been concentrated in resource projects, such as iron ore, coal, alumina and woodchips. In its submission to the Committee, the Department of National Development provided a table showing the major Japanese interests in Australian mineral projects, and this table has been reproduced as Appendix VII. Although Japanese investment has been concentrated in the mining sector, it should be noted that even here it is but a small fraction of total overseas investment. Other investment by the Japanese has been in the manufacturing and financial sectors. Second, the Japanese have shown a preference for joint ventures with majority or substantial local equity participation.

The question of joint ventures, and of Japanese participation in Australian raw material projects generally, prompted a number of somewhat conflicting views to be placed before the Committee. The principal advantages of Japanese investment as seen by a number of witnesses were that it:

- spreads the foreign ownership component in raw material projects rather more widely;
- conforms to the Government's stated preference for foreign investment to be on a partnership basis;
- introduces a welcome technical expertise from the point of view of the raw material consumer; and
- helps to ensure a market for the product of the project being developed.

On the other hand, several witnesses suggested to the Committee that

Japanese participation in such projects could in certain circumstances be disadvantageous to Australian interests in that:

- the Japanese partner may seek to limit the project's sales to non-Japanese markets;
- in times of over-supply, Japanese importers might give preference to those overseas suppliers in which there is Japanese equity participation; and
- the Japanese participant in a joint venture may be more interested in achieving a measure of control over a particular resource and obtaining supplies of that resource at the lowest possible cost, rather than in the profitability of the project itself.

In amplification of this last point, the Committee was informed that Japanese investment overseas is normally handled by trading houses, whose major source of income is the commission they receive from raw material consumers in Japan for financing, shipping and insuring the imports. It has been suggested that the first loyalty of these trading houses would probably be towards their customers in Japan rather than their partners overseas.

The Committee is deeply conscious of the potential dangers which have been identified. However, it would appear that so long as Japanese participation in resource projects continues to be on a minority basis, the disadvantages can be minimised. It is obvious, therefore, that this is an area requiring careful scrutiny by the Australian Government so that if any of the potential dangers becomes real, appropriate action can be taken to protect Australian interests. In the meantime, it is equally obvious that Japanese investment in Australia has a number of significant advantages and in consequence it should be encouraged.

In discussing the question of foreign capital and export sales to Japan, the subject of the United States anti-trust laws was raised with the Committee on several occasions. United States owned or controlled companies have sometimes declined to co-operate with other companies in Australia in such matters as joint marketing arrangements on the grounds that, since Australian law does not compel them to co-operate, their participation would constitute a breach of the anti-trust laws. It is worth recording in this context that the Committee's attention has been drawn to an official statement made to a United States Senate sub-committee which said that a host country would only have to encourage (not impose) the co-operative marketing arrangements in order for an American company to avoid any danger from the anti-trust laws.

The future is likely to see a rapid increase in Japanese investment in Australia. The Japanese recognise this country as an attractive area for natural resource-oriented investment, and have been conducting a number of in-depth studies over recent years of the opportunities available. As a consequence, they have indicated that large scale investment will be forthcoming for such future projects as the supply of natural gas. This trend will most probably be accompanied by other closer financial

links which will give further expression to an already substantial economic relationship. However, it has become apparent to the Committee over the course of the inquiry that the future stability and success of Australia-Japan relations must be based on other than purely economic factors. A greater understanding of the culture and society of the other appears to the Committee to be exceedingly important, and forms the subject of Chapter VI.

Chapter 5 Political Relations

In evidence to the Committee a political scientist with a keen knowledge and understanding of Japan and its people summed up the internal political situation of post-War Japan in these words:

. . . it is an extremely 'open' society, with great freedom of political expression and much often radical criticism of existing orthodoxies. Indeed, Japanese are constantly being inundated by floods of political comment from all shades of opinion. It may be regarded as the 'information society' par excellence. Constitutional democratic forms are generally closely observed, there are free elections and the Government is not unresponsive to popular demand and pressure from various sections of society.

That differences exist in some respects from other democratic societies is attributable to individual Japanese attitudes arising from its own culture and this, of course, occurs with most democratic societies. The significant factor, however, is that at the present time and under present circumstances the Japanese people have accepted democratic forms of government.

International

At the international level, opinion has been divided on whether Japan, having now established a strong economic position in the world, will be inclined to move towards greater political assertiveness. The feeling exists in countries of the East and West alike that one would be a natural consequence of the other. However the evidence shows that the Japanese are sensitive to this atmosphere and have made strenuous efforts to allay it. The post-War Constitution which emphasises pacifism has to date been supported by the Japanese people, and the statements of their leaders consistently reaffirm a wish for peaceful co-existence. Now that Japan has been accepted back into the community of nations, after many years of 'low posture' diplomacy, an important objective is the acquisition of a position of high status for Japan. This Japan is seeking to achieve by active and responsible participation in various policy-making international forums (both inside and outside the United Nations), by contributing large amounts of economic assistance to developing countries and by reaching a position of economic pre-eminence in the world at large.

From long and close association with the United States, political ties have developed between the two countries and, despite isolated setbacks such as those which occurred in 1971, the Committee believes there is an appreciation by the Japanese that their long term interests lie principally in continued close co-operation with the United States. This does not arise only from their mutual trading relations but from a multitude of close associations which have developed over a long period. Until the 1971 'twin Nixon shocks' there was continuing harmony in policies with those of the United States with the notable excep-

tion of Japan's aloofness from participation in any foreign military involvement. While it has been said that the low key political approach showed signs of change at this time in the diplomatic initiatives with China and Russia, these were not new issues which arose only at that time. It may be, however, that the Nixon shocks stimulated moves which otherwise could have been slower in developing.

The Committee believes that in the long term interests of world peace, the relationship between Japan and the United States on the one hand, and with the European Economic Community on the other, are of profound importance and should be strengthened wherever possible.

In the Asian area Japan has become more active in promoting regional co-operation, and conversely in the countries of the region there is a growing recognition of the need and advantages to be gained from closer co-operation with Japan.

Australia-Japan

In associations of trade, of mutual participation in the work of international agencies at the scientific, economic and diplomatic levels, Japan and Australia have a welcome rapport which augurs well for the future development of political relationships. Both share complementary political and economic objectives and have mutual interest in developing and developed countries of the Pacific and Asian areas remaining free and independent in a peaceful environment. This is not to say that individual interests will always coincide, and it is understandable that in seeking closer relationships neither country would wish to subordinate established ties with other friendly nations. From Australia's point of view, for example, it would be regrettable if, in the eyes of Australia's other friends in Asia, Australia-Japan relations assumed or even appeared to assume that Australia was representing Japan's interests exclusively, or if in joint activities the two appeared to be combining to form the nucleus of an association of wealthy nations. Already Australia and Japan have a number of agreements covering commerce, fisheries, civil aviation, double taxation and atomic energy, and, in looking to the future, there are a number of proposals, both bilateral and multilateral, which have already been put forward and which bear close examination, such as:

- a Treaty of Friendship, Commerce and Navigation;
- a Free Trade Area;
- a Pacific Basin Economic Council; and
- an Organisation for Pacific Trade, Aid and Development.

In 1955 Japan first proposed to Australia the negotiation of a bilateral Treaty of Friendship, Commerce and Navigation, but this has failed to evoke a positive response from the Australian Government. Japan has not pressed the proposal with any particular emphasis, but reference to it does keep recurring. From the Committee's examination of this proposal there appear to arise two fundamental differences in attitudes. For Japan, bilateral treaties of this nature have long been accepted and already Japan is party to twenty-six such agreements. Some have been in existence for more than fifty years. On the other

hand, Australia has no tradition of concluding such treaties, taking the view that it sees no real need for a treaty which would merely reproduce certain obligations contained in other international agreements to which both parties were signatories. The model for such an agreement most frequently referred to in evidence and which it is understood Japan favours is the existing treaty between Britain and Japan. A close examination of the terms of this treaty revealed that difficulties would be posed for Australia, including complex legal questions relating to Commonwealth-State relations and a variety of other aspects such as judicial procedures and internal economic matters. Nevertheless, the Committee accepts that there could with advantage be a treaty framework devised, different in character from Japan's treaty with Britain, to a specification to cover matters of particular interest to Australia and Japan. It has been suggested that such an agreement could, importantly, cover machinery for regular consultations between the parties, guidelines within which negotiations would in future be conducted, the identification of subjects to be covered, and to provide for the incorporation of agreements which may be negotiated in future. However, this view is accompanied by the important proviso that it should be clearly demonstrated that the individual interests of both parties would be preserved and that mutual benefits would result. Again the Committee feels strongly that such an agreement should not place Australia in a position of appearing in the eyes of friendly Asian countries to be subordinating their interests to those of a major economic power.

A proposal for a Pacific Free Trade Area originated amongst academic circles in Japan during the 1960s as a counter to the trading blocs which were being established in other parts of the world. This has lacked the support of some of the other proposals put forward, and to the Committee it appears impracticable at the present time given the varied levels of economic development of the countries of the region.

Business initiative, without active government assistance, has been responsible for the establishment of a Pacific Basin Economic Council, and this has arisen from the activities of the Australia-Japan Business Co-operation Committee, which first met in 1963. The aims of this Council are the promoting of increased commercial knowledge and understanding within countries of the Pacific area. This has been useful in bringing together businessmen from the five economically advanced countries of the Pacific—the United States, Canada, Japan, Australia and New Zealand—and in promoting mutual understanding of the commercial needs of the countries concerned. This initiative is commended. However, the Committee's main concern is to see established a more formal association between governments—but not exclusively so—with a broader scope of activities and one which embraces the developed and less developed countries of the Pacific. This is not to say that the objectives of this Council are incompatible with those of a more comprehensive, officially-sponsored organisation.

It is, therefore, in the consideration given by a group of academics both in Australia and Japan to an organisation covering matters of

trade, aid and development in the Pacific area that the Committee finds itself in greatest accord. Consistent with its objectives, its sponsors have given their proposals the title of Organisation for Pacific Trade, Aid and Development (OPTAD). Proponents of OPTAD see it as being similar in structure and function to the Organisation for Economic Co-operation and Development, but oriented towards the Pacific. Such an organisation would draw its strength and influence from its independence, its fact-finding role and its ability to discuss dispassionately the implications of various economic issues confronting Pacific nations. OPTAD would provide a forum for multilateral intergovernmental discussions of trade, aid and other economic matters of concern to the Pacific area. Such multilateral discussions are consistent with the views of the Committee, as in this particular set of circumstances they reduce the danger foreseen in bilateral negotiations of neglecting the interests of other countries. OPTAD would also help increase mutual understanding between Pacific nations and promote contact between senior personnel of different countries. However, the Committee reiterates its view that any negotiations leading to the establishment of an OPTAD must include the developing countries of the Pacific from the outset. Not only would this reduce the danger of such an organisation being regarded as a 'rich man's club', but also one of OPTAD's most important functions would be the promotion of multilateral aid to the developing nations of the area.

The Committee recommends that the Government become officially associated with and support consideration of the establishment of an OPTAD-type organisation. Such a scheme should lead to increased co-operation and understanding in the Pacific Basin and provide some counterbalance to the strong trading position of the European Economic Community. It further believes that a comprehensive and multilateral association of this nature would be favourably regarded by Japan.

Ministerial Committee

In recent years there have been frequent visits of Australian Ministers and officials to Japan, but the decision in 1971 to establish a ministerial-level committee between the Japanese and Australian Governments marked the foundation of a unique association, indicating a strong desire by both sides to establish machinery at a high level to examine trade and related matters of mutual concern in both bilateral and multilateral areas. This committee is to meet annually.

The first meeting of the Ministerial Committee was held in Canberra on 12 and 13 October 1972, with the Japanese delegation of five Ministers led by the Japanese Foreign Minister and an Australian delegation of eight Ministers led by the Australian Foreign Minister. The wide range of subjects discussed indicated the value of this form of co-operation between the two countries and opened the way for yet wider ministerial and official contacts than have already taken place in earlier years. It is hoped that subsequent meetings will continue to have the wide ministerial representation of the first meeting, and to be regarded by both sides as being of the highest significance as a forum in

which closer political as well as economic matters can be frankly discussed.

Immigration

A number of witnesses who had personal associations with Japan referred to attitudes towards Australia which they had found to be based on criticism of Australian immigration policy. The Committee endeavoured to obtain evidence of specific cases, but from only one witness was it able to obtain details. Other comments appeared to be reflections of attitudes and feelings the witnesses obtained in their contacts with Japanese people. Several who had spent considerable time in Japan had, while they were there, endeavoured to track down concrete evidence of cases, but had been unable to do so. However, the Committee accepts that these attitudes are real and present an unfavourable image of Australia in Japan today. At the same time it believes that it is former, more restrictive Australian policies which are most clearly remembered and which have left a legacy of resentment in some quarters. It also believes that current criticisms relate, in the main, to the issue of business and tourist visas.

The question of business and tourist visas was, therefore, pursued at some length and, as with general immigration policy, the conditions applying to their availability have been relaxed considerably in recent times. By a reciprocal visa agreement between Australia and Japan which took effect in February 1969, fees for visas of all kinds were abolished; for company executives assuming posts in Australia and members of their immediate families, and for business visitors, visas are made available with a minimum of formality for a period of up to four years from the date of issue, valid for any number of visits to Australia during the four-year period; tourist visitors and persons in transit may be issued visas free of charge for any number of visits during a period of one year without renewal of the visa. Some criticism was made of the need for business and tourist visitors to obtain visas at all, but the Committee believes that if, for valid administrative purposes a need can be demonstrated, there should be no serious objection to their being required in view of the ease with which they may now be obtained and the conditions applying to them.

Advice was tendered of the measures now being taken to make conditions of entry into Australia more widely known in Japan. Pamphlets printed in English and in Japanese are freely available from the Australian Embassy and other Australian offices in Japan. From official Japanese sources the Committee has been assured that at the official level Australia's current policies are understood, accepted and do not present problems. The Committee would hope, therefore, that the moves now made by the Department of Immigration to disseminate information freely in Japan will overcome criticisms arising from past policies and bridge what has been, the Committee believes, a communication gap on current policies.

As a general observation, the Committee readily recognises the right

of any country to determine its own immigration policy and notes that the policies maintained by many other countries are more stringent than those of Australia.

Chapter 6 Mutual Understanding

The relationships between Australia and Japan have been almost exclusively in the area of trade in recent years. While these developments have been mutually advantageous and contributed to the prosperity of both countries, what has emerged most strongly from the Committee's inquiry is the need to foster greater understanding—a broad and difficult term to define—between people at all levels in both countries. Commercial relations alone will not achieve this objective although it has been from commercial associations that the first moves have emerged. The Australia-Japan Business Co-operation Committee and its counterpart in Japan have not confined their activities to trade matters alone, but have been active in sponsoring a significant if necessarily limited number of scholarships and exchanges of personnel. Academics and service organisations such as Rotary and Lions Clubs have also been in the vanguard of moves to contribute to understanding at the personal level. In science, the Committee was informed of the co-operation extended to scientists of the Commonwealth Scientific and Industrial Research Organisation to visit kindred organisations in Japan and of the highly satisfactory arrangements existing for the exchange of scientific information. Another important measure of co-operation is the extension of facilities to Japanese nationals to further their studies in Australia, including at the post graduate level. It is significant to note that, arising from this, the nephew of the Emperor of Japan, His Royal Highness Prince Yoshihito Mikasa, has chosen to further his studies at the post-graduate level at the Australian National University in Canberra. A small but important group of senior medical practitioners from Japan has attended the Australian National University to gain doctorates of philosophy. Businessmen engaged in business relationships with Japan have also advised of arrangements made within their organisations for members of their staffs to undertake exchange duty, and others have mentioned the co-operation extended to them by Japanese industrial organisations in making available technicians in specialist fields to impart their knowledge to Australian organisations. All these are valuable moves in the right direction.

On the scale needed to achieve lasting and personal relationships between the peoples of two countries, it is difficult to see how more can be achieved without substantial participation by governments, and this area is one in which the Australian Government should take the initiative. In such initiatives Australia must be able to explain clearly to the Japanese the role it sees for itself in relations with Japan, with Asia and with the rest of the world. At present this is not understood

in Japan. One experienced observer answered the question 'Where does Australia see itself?' in these terms:

If we seriously tell the Japanese that we see ourselves as an insignificant nation, we are not merely confusing them, we are simply asking to be treated that way.

The plain fact is that as far as Japan is concerned Australia should not be an insignificant nation and in fact is not. It is not merely that we supply more of Japan's basic raw materials than any single independent country has ever done before—although the implications of this have important ramifications—it is also the undeniable fact that Australia still looms, despite its many mistakes, as an important influence in South East Asia.

In Japan's view, our influence there can be friendly and co-operative, hostile and competitive or utterly negative, but it cannot be insignificant.

I don't think anyone who has visited Indonesia, to take just one example, in the past few years could have failed to notice that many influential people in that country would like Australia, within the limits of its capabilities, to act economically, entrepreneurially and diplomatically as some kind of counterbalance to Japan.

My own view is that we should adopt a fairly independent stance in South East Asia, both as far as our relationship with Japan is concerned and our older relationship with Britain and the United States. I believe that in the medium to long term this will be in everyone's best interests, and particularly in the interest of developing a meaningful relationship of mutual self-respect with Japan.

There is evidence to show that a great deal of mutual goodwill exists at the present time arising largely from satisfactory trading, but goodwill alone is no substitute for understanding and if not nurtured by deeper understanding could wither, particularly if economic circumstances were to change. It cannot be denied that the obstacles to reaching full understanding are great—the two countries are the antithesis of each other in history, geography, language and culture. However, the Committee believes that it may be in this context that there lies the hope that the natural inquisitiveness of people may lead to opportunities being provided to study another civilisation and, given these opportunities, greater numbers will be encouraged to take advantage of them. At the same time it would be wrong to concentrate entirely on distinctiveness and ignore areas where similarities exist. Already, contact and observation between people of the East and West have shown areas of common interest evolving, as evidenced by the acceptance of words of one language into common usage in the other.

Language Barrier

A great deal of expert evidence was tendered to the Committee on the absence of adequate facilities in Australia for the teaching of the Japanese language; that problems exist in making the best use of those having the skill to teach the language; that mastering the language in its spoken and written form involves a long period of study; that understanding and appreciation of the Japanese people and their culture can be achieved without a high degree of competence in the Japanese language. This is published in the transcript of evidence and the Committee would not wish to traverse it in detail in the report but rather to make some observations on aspects of the evidence and to draw conclusions from it.

- Insufficient opportunities exist for the study of Asian languages in

Australia, and in the present-day situation the Committee believes it is unrealistic for the ratio of pupils studying European to Asian languages to continue at sixty as to one.

- Promotional opportunities for Asian language teachers should be equal to those in other specialised fields.
- At the tertiary level there is a need for two streams of Japanese teaching. The first would be in a limited number of institutions providing excellence in staff and facilities to produce specialists in Japanese—mastery of the Japanese written and spoken language and culture. The second is one in which Japanese studies could be undertaken in association with other disciplines more directly related to the needs of industry.
- For commercial enterprise there is a need for graduates skilled in the Japanese language to be qualified in an additional discipline, such as economics.
- Absence of skills in the Japanese language does not debar understanding of Japan and its people.
- Complete mastery of spoken and written Japanese can take up to ten years, involving a period of residence in Japan.

The Committee is aware of recent announcements by the Australian Government of the steps to be taken following the report of the Advisory Committee on the Teaching of Asian Languages and Cultures in Australia (the Auchmuty Report)—that Commonwealth funds are now being provided in co-operation with State education authorities for the provision of textbooks, teaching laboratories and for financial assistance by way of travel grants to teachers wishing to further their knowledge of Asian languages. It is therefore recommended that there should be well directed programmes provided in two areas—firstly towards the younger generation as a long term objective and secondly for adults wishing to gain a broad appreciation of Japan and its people. Programmes for young people could well commence with the first recommendation of the Auchmuty Report, which is strongly supported by this Committee:

That it is through the social studies course in primary schools and in the core studies undertaken by all students at secondary level that Australian students may be given an opportunity to learn about Asia.

This, in the Committee's view, does not mean an exclusive emphasis on language teaching—and, indeed, at this level need not necessarily include the study of language—but rather in the imparting of knowledge of the Japanese people, their ways and their country. While supporting the emphasis on social studies at primary school level, the Committee is also aware of such initiatives as have been undertaken in the Glamorgan part of Geelong Grammar School, where the Japanese language is taught by 'open plan' methods to very young primary school children. It is from the primary school background that the future specialists will emerge—a limited number who will be needed to undertake highly skilled tasks of interpreting or who will require knowledge of the language in both its written and spoken forms in technical fields. For the majority of people, particularly adults, it is desirable to

encourage and provide facilities for learning more of the culture of the country in its widest sense, and the Committee feels that greater opportunity and encouragement should be given to those prepared to undertake a broad appreciation of Japan. It believes that this opportunity could be provided through the adult education services throughout Australia. Therefore the Committee's conclusions on the question of language suggest the following objectives to provide for:

- a study of Japan in social studies at the primary level, not necessarily incorporating language training;
- a wider opportunity for the Japanese language to be studied in secondary schools;
- specialised teaching in Japanese language to interpreter or equivalent level at a limited number of tertiary institutions, with more general courses available to those studying Japanese in association with another discipline; and
- adult education opportunities covering the broad spectrum of Japan and its culture.

By contrast, the study of English as a second language is compulsory for Japanese students from the age of twelve years through secondary schools and at universities. But even with this advantage fluency in the language needs frequent personal contact with those whose native tongue is English.

Personal Contact

The symbol used by the organisation responsible for Australia's participation in the Japanese 'Expo 70', reproduced on the cover page to Part II of this Report, most appropriately has as its text 'Neighbours on Longitude 135°'. The essence of neighbourliness in any community is personal contact and friendly understanding and these are the two attributes which should be fostered to the greatest extent possible between the Australian and Japanese people. A valuable start has been made at business, academic, scientific, diplomatic and ministerial levels—all areas worthy of further encouragement—but there is a need to go much further than this if 105 million Japanese and 13 million Australians are to be good neighbours.

For long term benefit hope must lie in bringing together the youth of both countries to fraternise in an atmosphere of friendly co-operation—to learn and appreciate those things which are familiar as well as different about each other. Travel, student exchanges and sporting activities all have a place. In this regard the Committee has been impressed by the programme conducted by the Youth Bureau of the Japanese Prime Minister's Office, which since 1968 has sponsored an annual goodwill cruise programme for young people between the ages of twenty and twenty-five years, from all sections of the community and at all levels of educational background. In October 1972 a cruise of 256 young men and women selected from all over Japan travelled by ship specially chartered and paid for by the Prime Minister's Office to the Philippines, Indonesia, Australia, New Zealand and New Britain.

The only cost borne by the students participating was that of meals provided during the two-month tour. They were accompanied by a directing, teaching and group leader staff, and participated while at sea in classes on the geography, history, culture, politics and economics of the countries to be visited. As part of this goodwill cruise, ten young people from each of the countries to be visited were invited to participate. The Committee commends this type of programme to foster understanding, and would urge that the Australian Government consider a reciprocal goodwill tour for an Australian youth group.

In the field of adult personal contact, increasing affluence in the two countries has made possible greater opportunities for overseas travel. Japan has become one of the areas having great appeal to Australian tourists, who are visiting that country in increasing numbers. Australia, however, has not yet reached the same level of appeal to Japanese visitors, although the numbers have been constantly increasing. For example, the number of Japanese arriving in Australia during 1971 exceeded 16,000 but over half of this number was visiting for business reasons and only 15 per cent for purely holiday purposes. In the Committee's view there are unwarranted obstacles placed in the way of travel, one of which is the disproportionate cost of travel between Australia and Japan compared with fares to Europe and the United Kingdom. The figures provided to the Committee indicated that the lowest return air fare from Japan to Australia was \$US666, and to the United Kingdom—a far greater distance—\$US528. The Japan-Australia route has not fared so well in the matter of special economy and group travel reduced rates. One other obstacle mentioned to the Committee was that Australia has less appeal because 'it is the end of the line'. The Committee therefore considers that every effort should be made to encourage the introduction of lower air fares for holiday and group travel, including round tours which could incorporate Australia and other destinations in the South West Pacific area. Importantly, the Committee believes that there should be readily available to Australians visiting Japan for the first time simple pamphlets explaining the courtesies and customs observed in the country, for in a country so steeped in tradition and ancient culture as Japan it is a simple matter for foreigners to offend unwittingly and thus lose opportunities for friendly contact. To take a simple example, the Japanese people find it offensive to be referred to as 'Japs' where an Australian would find no offence in being referred to as an 'Aussie'. The Committee would hope that airlines and shipping companies would consider provision of such material as a service to their passengers in the interests of goodwill.

Media

It is through the media that the Committee believes the greatest short term progress can be made towards greater understanding between the peoples of the two countries. It is aware of the limited extent to which Australian and Japanese journalists are posted to the respective countries on a short term basis, and the limited number of exchange visits of groups of journalists. The Committee believes, however, that a need exists in this field for much more to be achieved. In the field of radio

programmes the Committee was informed of Radio Australia daily transmissions to Japan in both the Japanese and English languages which have proved extremely popular, particularly with young people in the 14-21 age group in Japan. A survey of listeners' reasons for listening to these programmes indicates that they do so because of the musical programmes, the opportunity provided to learn more about Australia, the absence of propaganda, variety and uniqueness of the programmes.

Evidence presented during the course of this inquiry has shown that in Japan there is great willingness to accept factual information on Australia for publication and therefore the Committee believes that these openings should be exploited. Television and films are other areas in which exchanges could be expanded with advantage. The Committee is aware that Information Attaches serve in the Australian Embassy in Tokyo, but believes that the task of the dimension envisaged by the Committee may be beyond the capacity of the present limited staff. It would therefore suggest that serious consideration be given to providing whatever support is needed to develop a greatly expanded programme for dissemination of Australian news in Japan.

Cultural Activities

The Committee was pleased to learn that it is proposed to reinstate the appointment of Cultural Counsellor to the Australian Embassy in Japan. It is hoped that this will be a senior appointment and that the range of activities will not be in any way restricted. The Committee believes that the Cultural Counsellor should be able to take initiatives in stimulating cultural exchanges in any area which would assist in fostering understanding between the two nations.

Suggestions have been made that a cultural agreement would be favourably regarded by Japan, a proposal that the Committee heartily endorses. The negotiation of such an agreement would not only formalise the machinery for making a wide range of exchange arrangements, but would importantly stress the willingness of both sides to place considerable emphasis on developing understanding between the people of the two countries.

On a wider basis, the Committee believes that Australia is at a stage where it should consider expanding its cultural activities in foreign countries, and this observation relates not only to Japan. The Committee has in mind that the United States, Britain, France, Germany, Canada and Japan all have established organisations designed to foster relations with other countries. Japan has recently established a Japan Foundation as its central organisation for a broad range of cultural projects. It has been said that this is in recognition that in the past hundred years or so Japan has actively sought to absorb the cultures of foreign countries, but without making adequate effort to cultivate overseas understanding of Japan and its people. The stated main objectives of the Japan Foundation are:

- to dispatch persons overseas and to invite others to Japan with the objective of undertaking international cultural exchange;

- to extend assistance and offer good offices overseas for the study of Japan and to promote the knowledge of the Japanese language;
- to assist in international cultural exchange;
- to prepare, collect, exchange and distribute material presenting Japanese culture abroad and other materials necessary for international cultural exchange; and
- to conduct necessary research and study for international cultural exchange;

and it will appoint overseas delegates and resident representatives in various world capitals.

To date Australia's cultural agreements have been restricted to those with Indonesia and Korea and the Committee considers that it would be to Australia's advantage to establish a cultural foundation to foster cultural relations with other countries. The finance for the operation of such a foundation would need to be substantially derived from the Commonwealth Government, but at the same time the participation of private industry and individuals should be encouraged.

Conclusions and Recommendations

As a general conclusion, the Committee draws attention to the great contrast between pre-War and post-War Japan. Since 1945, the influence of the United States, minimal defence commitments, the new Constitution and the favourable conditions for world trade have had a major impact on Japan and have aided prosperity, the acceptance of democratic forms of government and the emergence of a freer society. The future, however, is less clear. The real question, which cannot be answered with certainty, is what will happen in Japan if current world circumstances change significantly? The Committee believes that the first concern of Japanese leaders will always be the country's national self interest.

Foreign Policy

The Committee's more specific conclusions and recommendations are:

1. While existing world conditions continue, with no threat to Japan and its sea lanes, Japan's foreign policy is expected to be directed towards retaining its strong links with the United States but with a clear recognition of its own nearness to Russia and China, and to:
 - place emphasis on trade, the assurance of raw material supplies and the broadening of peaceful relationships on a global basis; and
 - avoid involvement in external defence commitments, relying on its Self-Defence Forces for limited protection of its shores and on the wider protection of the Treaty of Mutual Co-operation and Security with the United States.
2. There can be little doubt that Japan has the capacity and technology to develop speedily nuclear armaments but it appears to the Committee that it is unlikely to desire to do so in the immediate future. Factors which could bring about a change in current attitudes are if external influences deny the opportunity for continued economic prosperity, or if the country is given cause to doubt the credibility of the United States nuclear umbrella.
3. Japan is increasing the value of its overseas aid and there have been suggestions that it would welcome participation with Australia in some joint aid projects. Nevertheless, the Committee **RECOMMENDS** that Australian aid programmes should continue to be on a direct basis with recipient countries and through comprehensive multilateral programmes.
4. The Committee considers existing Australia-Japan trading relations are to the advantage of both countries and acknowledges that a degree of mutual dependency exists in trading in some raw materials. While no immediate danger to Australian export trade is seen in

Trade

this, the Committee **RECOMMENDS** that continuing Government support be given to seeking a wider diversification of markets.

5. The Committee strongly supports the suggestion for an Organisation for Pacific Trade, Aid and Development. Such an organisation should include developing countries of the area from the outset. The Committee **RECOMMENDS** that the Government officially support the establishment of such an organisation.
6. The Committee believes that a need has been demonstrated for a balanced and orderly development between open cut and deep pit coal mining and for orderly marketing arrangements for coal exports, and therefore **RECOMMENDS** that efforts be made to achieve this objective by Commonwealth and States co-operation, having in mind that the Commonwealth holds the reserve power to control exports. The Committee suggests an extension of the area of Joint Coal Board operations as one possibility for consideration.
7. There is a need for wider understanding in each of the two countries of the nature of contracts and of contract law in the other. Accordingly the Committee welcomes the establishment of the Australia-Japan Trade Law Foundation and **RECOMMENDS** that it be given every support.
8. In the writing of long term contracts, the Committee **RECOMMENDS** that means be sought to insulate against changes in the value of the currencies concerned.
9. In recognition of Australia's geographic position and the tremendous importance of the transport of exports to world markets, the Committee **RECOMMENDS** that means be sought of extending the Australian maritime industry.
10. The Committee believes there is a necessity for Australia to have a clearly defined natural resources policy, including energy conservation. The Committee makes the following comments with regard to such a policy:
 - Australia can continue to seek export opportunities for coal, iron ore and bauxite without fear of depleting its own reserves;
 - there is a need for cost-benefit studies to determine the economics of exporting raw materials as compared with their processing to various stages in Australia prior to export; and
 - if a decision is made to build a uranium enrichment plant in Australia, control should be retained in Australian hands.
11. In view of the importance of Australia-Japan relations, the Committee **RECOMMENDS** the establishment of a consultative and planning agency, incorporating the present Interdepartmental Committee on Japan and representatives from industry, to advise the Government on all aspects of Australia's relations with Japan. This organisation should be supported by adequate research facilities.

Resources

12. The Committee sees a need for an improvement in the co-ordination between Commonwealth and State Governments, and between government generally and industry in matters of development and exploitation of Australia's natural resources. In this connection the Committee RECOMMENDS that means be found to facilitate an increase in the exchange of personnel particularly on a short term basis between government and industry. The Committee also RECOMMENDS that machinery be established for consultations between the Government and industry prior to the next meeting of the Australia-Japan Ministerial Committee.

Investment

13. While there are advantages in the growing Japanese investment in Australian industries, the Committee believes, particularly in relation to projects for the development of natural resources, that it is a desirable objective for a controlling interest to be retained in Australian hands.

Immigration

14. Criticisms about the conditions of entry of Japanese into Australia have centred on tourists and business visas and relate to earlier procedures rather than the more relaxed conditions now applying. The Committee does not see that any serious objection can be sustained to the current procedures.

*Mutual
Understanding*

15. The Committee believes that the future stability of Australia-Japan relations must be based on cultural and social factors, as well as the economic relationship. The Committee is strongly of the view that emphasis must be given in the future to the further stimulation of mutual understanding between Australians and the widely differing cultures of Asia.

16. The Committee believes that there are insufficient opportunities for the study of Asian languages and cultures in Australia. It therefore RECOMMENDS that provision be made for:

- a. a study of Japan in social studies at the primary school level, not necessarily incorporating language training.
- b. a wider opportunity for the Japanese language to be studied in secondary schools;
- c. specialised teaching in Japanese language to interpreter or equivalent level at a limited number of tertiary institutions, with more general courses available to those studying Japanese in association with another discipline;
- d. adult education opportunities covering the broad spectrum of Japan and its culture.

17. In promoting mutual understanding and increased contact between the Australian and Japanese peoples, the Committee makes the following points:

- air fares between Australia and Japan are disproportionately high and travel is impeded because Australia is not included in one of the round trips available to the Japanese;
- there is a need for a greater exchange of journalists and an expanded programme of news dissemination in Japan about Australia;

*A Treaty of
Friendship
Commerce and
Navigation*

- the Australian Government should reciprocate the action of the Japanese Government and promote the organisation of goodwill cruises to Asian waters for young Australians; and
 - Australian visitors to Japan should be provided with a pamphlet explaining Japanese customs and courtesies.
18. The Committee welcomes the decision to reinstate the position of Cultural Counsellor within the Australian Embassy in Tokyo and **RECOMMENDS** the negotiation of a cultural agreement between the two countries.
 19. The Committee **RECOMMENDS** that the Government give consideration to the establishment of an Australian cultural foundation, with Government financial support, to foster Australian cultural relations with other countries.
 20. The Committee has reservations about the Treaty of Friendship, Commerce and Navigation as discussed to date, but is of the opinion that a treaty framework could be devised which would confer equal and mutual benefits to both parties—however, it is important that other Asian nations should not feel that Australia was subordinating their interests to those of Japan.

Acknowledgements

The Committee records its sincere appreciation of representatives of Government departments, industrial organisations and individual witnesses who presented evidence. A list of all witnesses, except those who appeared *in camera*, is given at the end of this report. The criterion adopted for the limited number of direct quotes from evidence in the text of the report has been the appropriateness of the particular extract to the subject under discussion and does not imply that the Committee regards any segment of evidence as being of more importance than another. In compiling the report all evidence has been considered whether it was given in person or by written submission and has been drawn on substantially. For these reasons the Committee has not named individual witnesses in the text even when direct quotations have been made from their evidence.

Throughout the inquiry the Committee has appreciated the interest shown in its work by the Japanese Ambassador in Australia, His Excellency Mr Shizuo Saito; and by the Embassy Counsellor, Mr Satoshi Kinase, who regularly attended public hearings. The contributions to the Committee's work by the Parliamentary Reporting Staff, the staff of the Library of the Parliament and the Australian Government Publishing Service are acknowledged with appreciation.

Finally the Committee extends special thanks for their dedicated efforts to those directly associated with the conduct of the inquiry: Mr David Sissons, Fellow in International Relations, Australian National University, as Specialist Adviser; Mr Jeff Benson and Mr Trevor Wilson of the Department of Foreign Affairs who, over successive periods, were nominated by their Department as Liaison Officers—all of whom assisted greatly on a part time basis; and its own staff members, Mr Arthur Higgins, Secretary, and Mr James Livermore, Assistant Secretary to the Committee.

The Senate,
Canberra
January 1973

PETER SIM
Chairman

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Appendix I

The Constitution of Japan

We, the Japanese people, acting through our duly elected representatives in the National Diet, determined that we shall secure for ourselves and our posterity the fruits of peaceful cooperation with all nations and the blessings of liberty throughout this land, and resolve that never again shall we be visited with the horrors of war through the action of government, do proclaim that sovereign power resides with the people and do firmly establish this Constitution. Government is a sacred trust of the people, the authority for which is derived from the people, the powers of which are exercised by the representatives of the people, and the benefits of which are enjoyed by the people. This is a universal principle of mankind upon which this Constitution is founded. We reject and revoke all constitutions, laws, ordinances and rescripts in conflict herewith.

We, the Japanese people, desire peace for all time and are deeply conscious of the high ideals controlling human relationship, and we have determined to preserve our security and existence, trusting in the justice and faith of the peace-loving peoples of the world. We desire to occupy an honoured place in an international society striving for the preservation of peace, and the banishment of tyranny and slavery, oppression and intolerance for all time from the earth. We recognize that all peoples of the world have the right to live in peace, free from fear and want.

We believe that no nation is responsible to itself alone, but that laws of political morality are universal; and that obedience to such laws is incumbent upon all nations who would sustain their own sovereignty and justify their sovereign relationship with other nations.

We, the Japanese people, pledge our national honour to accomplish these high ideals and purposes with all our resources.

Chapter I. The Emperor

Article 1. The Emperor shall be the symbol of the State and of the unity of the people, deriving his position from the will of the people with whom resides sovereign power.

Article 2. The Imperial Throne shall be dynastic and succeeded to in accordance with the Imperial House Law passed by the Diet.

Article 3. The advice and approval of the Cabinet shall be required for all acts of the Emperor in matters of state, and the Cabinet shall be responsible therefor.

Article 4. The Emperor shall perform only such acts in matters of state as are provided for in this Constitution and he shall not have powers related to government.

The Emperor may delegate the performance of his acts in matters of state as may be provided by law.

Article 5. When, in accordance with the Imperial House Law, a Regency is established, the Regent shall perform his acts in matters of state in the Emperor's name. In this case, paragraph one of the preceding article will be applicable.

Article 6. The Emperor shall appoint the Prime Minister as designated by the Diet.

The Emperor shall appoint the Chief Judge of the Supreme Court as designated by the Cabinet.

Article 7. The Emperor, with the advice and approval of the Cabinet, shall perform the following acts in matters of state on behalf of the people:

Promulgation of amendments of the constitution, laws, cabinet orders and treaties.

Convocation of the Diet.

Dissolution of the House of Representatives.

Proclamation of general election of members of the Diet.

Attestation of the appointment and dismissal of Ministers of State and other officials as provided for by law, and of full powers and credentials of Ambassadors and Ministers.

Attestation of general and special amnesty, commutation of punishment, reprieve, and restoration of rights.

Awarding of honours.

Attestation of instruments of ratification and other diplomatic documents as provided for by law.

Receiving foreign ambassadors and ministers.

Performance of ceremonial functions.

Article 8. No property can be given to, or received by, the Imperial House, nor can any gifts be made therefrom, without the authorization of the Diet.

*Chapter II.
Renunciation
of War*

Article 9. Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.

*Chapter III.
Rights and Duties
of the People*

Article 10. The conditions necessary for being a Japanese national shall be determined by law.

Article 11. The people shall not be prevented from enjoying any of the fundamental human rights.

These fundamental human rights guaranteed to the people by this Constitution shall be conferred upon the people of this and future generations as eternal and inviolate rights.

Article 12. The freedom and rights guaranteed to the people by this Constitution shall be maintained by the constant endeavour of the people, who shall refrain from any abuse of these freedoms and rights and shall always be responsible for utilizing them for the public welfare.

Article 13. All of the people shall be respected as individuals. Their right to life, liberty, and the pursuit of happiness shall, to the extent that it does not interfere with the public welfare, be the supreme consideration in legislation and in other governmental affairs.

Article 14. All of the people are equal under the law and there shall be no discrimination in political, economic or social relations because of race, creed, sex, social status or family origin.

Peers and peerage shall not be recognised.

No privilege shall accompany any award of honour, decoration or any distinction, nor shall any such award be valid beyond the lifetime of the individual who now holds or hereafter may receive it.

Article 15. The people have the inalienable right to choose their public officials and to dismiss them.

All public officials are servants of the whole community and not of any group thereof.

Universal adult suffrage is guaranteed with regard to the election of public officials.

In all elections, secrecy of the ballot shall not be violated. A voter shall not be answerable, publicly or privately, for the choice he has made.

Article 16. Every person shall have the right of peaceful petition for the redress of damage, for the removal of public officials, for the enactment, repeal or amendment of laws, ordinances or regulations and for other matters, nor shall any person be in any way discriminated against for sponsoring such a petition.

Article 17. Every person may sue for redress as provided by law from the State or public entity, in case he has suffered damage through illegal act of any public official.

Article 18. No person shall be held in bondage of any kind. Involuntarily servitude, except as punishment for crime, is prohibited.

Article 19. Freedom of thought and conscience shall not be violated.

Article 20. Freedom of religion is guaranteed to all. No religious organisation shall receive any privileges from the State, nor exercise any political authority.

No person shall be compelled to take part in any religious act, celebration, rite or practice.

The State and its organs shall refrain from religious education or any other religious activity.

Article 21. Freedom of assembly and association as well as speech, press and all other forms of expression are guaranteed.

No censorship shall be maintained, nor shall the secrecy of any means of communication be violated.

Article 22. Every person shall have freedom to choose and change his residence and to choose his occupation to the extent that it does not interfere with the public welfare.

Freedom of all persons to move to a foreign country and to divest themselves of their nationality shall be inviolate.

Article 23. Academic freedom is guaranteed.

Article 24. Marriage shall be based only on the mutual consent of both sexes and it shall be maintained through mutual co-operation with the equal rights of husband and wife as a basis.

With regard to choice of spouse, property rights, inheritance, choice of domicile, divorce and other matters pertaining to marriage and the family, laws shall be enacted from the standpoint of individual dignity and the essential equality of the sexes.

Article 25. All people shall have the right to maintain the minimum standards of wholesome and cultured living.

In all spheres of life, the State shall use its endeavours for the promotion and extension of social welfare and security, and of public health.

Article 26. All people shall have the right to receive an equal education correspondent to their ability, as provided by law.

All people shall be obligated to have all boys and girls under their protection receive ordinary education as provided for by law. Such compulsory education shall be free.

Article 27. All people shall have the right and the obligation to work.

Standards for wages, hours, rest and other working conditions shall be fixed by law.

Children shall not be exploited.

Article 28. The right of workers to organise and to bargain and act collectively is guaranteed.

Article 29. The right to own or to hold property is inviolable.

Property rights shall be defined by law, in conformity with the public welfare.

Private property may be taken for public use upon just compensation therefor.

Article 30. The people shall be liable to taxation as provided by law.

Article 31. No person shall be deprived of life or liberty, nor shall any other criminal penalty be imposed, except according to procedure established by law.

Article 32. No person shall be denied the right of access to the courts.

Article 33. No person shall be apprehended except upon warrant issued by a competent judicial officer which specifies the offence with which

the person is charged, unless he is apprehended, the offence being committed.

Article 34. No person shall be arrested or detained without being at once informed of the charges against him or without the immediate privilege of counsel; nor shall he be detained without adequate cause; and upon demand of any person such cause must be immediately shown in open court in his presence and the presence of his counsel.

Article 35. The right of all persons to be secure in their homes, papers and effects against entries, searches and seizures shall not be impaired except upon warrant issued for adequate cause and particularly describing the place to be searched and things to be seized, or except as provided by Article 33.

Each search or seizure shall be made upon separate warrant issued by a competent judicial officer.

Article 36. The infliction of torture by any public officer and cruel punishments are absolutely forbidden.

Article 37. In all criminal cases the accused shall enjoy the right to a speedy and public trial by an impartial tribunal.

He shall be permitted full opportunity to examine all witnesses, and he shall have the right of compulsory process for obtaining witnesses on his behalf at public expense.

At all times the accused shall have the assistance of competent counsel who shall, if the accused is unable to secure the same by his own efforts, be assigned to his use by the State.

Article 38. No person shall be compelled to testify against himself.

Confession made under compulsion, torture or threat, or after prolonged arrest or detention shall not be admitted in evidence.

No person shall be convicted or punished in cases where the only proof against him is his own confession.

Article 39. No person shall be held criminally liable for an act which was lawful at the time it was committed, or of which he has been acquitted, nor shall he be placed in double jeopardy.

Article 40. Any person, in case he is acquitted after he has been arrested or detained, may sue the State for redress as provided by law.

Chapter IV. The Diet

Article 41. The Diet shall be the highest organ of state power, and shall be the sole law-making organ of the State.

Article 42. The Diet shall consist of two Houses, namely the House of Representatives and the House of Councillors.

Article 43. Both Houses shall consist of elected members, representative of all the people.

The number of the members of each House shall be fixed by law.

Article 44. The qualifications of members of both Houses and their electors shall be fixed by law. However, there shall be no discrimination because of race, creed, sex, social status, family origin, education, property or income.

Article 45. The term of office of members of the House of Representatives shall be four years. However, the term shall be terminated before the full term is up in case the House of Representatives is dissolved.

Article 46. The term of office of members of the House of Councillors shall be six years, and election for half the members shall take place every three years.

Article 47. Electoral districts, method of voting and other matters pertaining to the method of election of members of both Houses shall be fixed by law.

Article 48. No person shall be permitted to be a member of both Houses simultaneously.

Article 49. Members of both Houses shall receive appropriate annual payment from the national treasury in accordance with law.

Article 50. Except in cases provided by law, members of both Houses shall be exempt from apprehension while the Diet is in session, and any members apprehended before the opening of the session shall be freed during the term of session upon demand of the House.

Article 51. Members of both Houses shall not be held liable outside the House for speeches, debates or votes cast inside the House.

Article 52. An ordinary session of the Diet shall be convoked once per year.

Article 53. The Cabinet may determine to convoke extraordinary sessions of the Diet. When a quarter or more of the total members of either House makes the demand, the Cabinet must determine on such convocation.

Article 54. When the House of Representatives is dissolved, there must be a general election of members of the House of Representatives within forty (40) days from the date of dissolution, and the Diet must be convoked within thirty (30) days from the date of the election.

When the House of Representatives is dissolved, the House of Councillors is closed at the same time. However, the Cabinet may in time of national emergency convoke the House of Councillors in emergency session.

Measures taken at such session as mentioned in the proviso of the preceding paragraph shall be provisional and shall become null and void unless agreed to by the House of Representatives within a period of ten (10) days after the opening of the next session of the Diet.

Article 55. Each House shall judge disputes related to qualifications of its members. However, in order to deny a seat to any member, it is necessary to pass a resolution by a majority of two-thirds or more of the members present.

Article 56. Business cannot be transacted in either House unless one-third or more of total membership is present.

All matters shall be decided, in each House, by a majority of those present, except as elsewhere provided in the Constitution, and in case of a tie, the presiding officer shall decide the issue.

Article 57. Deliberation in each House shall be public. However, a secret meeting may be held where a majority of two-thirds or more of those members present passes a resolution therefor.

Each House shall keep a record of proceedings. This record shall be published and given general circulation, excepting such parts of proceedings of secret session as may be deemed to require secrecy.

Upon demand of one-fifth or more of the members present, votes of the members on any matter shall be recorded in the minutes.

Article 58. Each House shall select its own president and other officials.

Each House shall establish its rules pertaining to meetings, proceedings and internal discipline, and may punish members for disorderly conduct. However, in order to expel a member, a majority of two-thirds or more of those members present must pass a resolution thereon.

Article 59. A bill becomes a law on passage by both Houses, except as otherwise provided by the Constitution.

A bill which is passed by the House of Representatives, and upon which the House of Councillors makes a decision different from that of the House of Representatives, becomes a law when passed a second time by the House of Representatives by a majority of two-thirds or more of the members present.

The provision of the preceding paragraph does not preclude the House of Representatives from calling for the meeting of a joint committee of both Houses, provided for by law.

Failure by the House of Councillors to take final action within sixty (60) days after receipt of a bill passed by the House of Representatives, time in recess excepted, may be determined by the House of Representatives to constitute a rejection of the said bill by the House of Councillors.

Article 60. The budget must first be submitted to the House of Representatives.

Upon consideration of the budget, when the House of Councillors makes a decision different from that of the House of Representatives, and when no agreement can be reached even through a joint committee of both Houses, provided for by law, or in the case of failure by the House of Councillors to take final action within thirty (30) days, the period of recess excluded, after the receipt of the budget passed by the House of Representatives, the decision of the House of Representatives shall be the decision of the Diet.

Article 61. The second paragraph of the preceding article applies also to the Diet approval required for the conclusion of treaties.

Article 62. Each House may conduct investigations in relation to government, and may demand the presence and testimony of witnesses, and the production of records.

Article 63. The Prime Minister and other Ministers of State may, at any time, appear in either House for the purpose of speaking on bills, regardless of whether they are members of the House or not. They

must appear when their presence is required in order to give answers or explanations.

Article 64. The Diet shall set up an impeachment court from among the members of both Houses for the purpose of trying those judges against whom removal proceedings have been instituted.

Matters relating to impeachment shall be provided by law.

*Chapter V.
The Cabinet*

Article 65. Executive power shall be vested in the Cabinet.

Article 66. The Cabinet shall consist of the Prime Minister, who shall be its head, and other Ministers of State, as provided for by law.

The Prime Minister and other Ministers of State must be civilians.

The Cabinet, in the exercise of executive power, shall be collectively responsible to the Diet.

Article 67. The Prime Minister shall be designated from among the members of the Diet by a resolution of the Diet. This designation shall precede all other business.

If the House of Representatives and the House of Councillors disagree and if no agreement can be reached even through a joint committee of both Houses, provided for by law, or the House of Councillors fails to make designation within ten (10) days, exclusive of the period of recess, after the House of Representatives has made designation, the decision of the House of Representatives shall be the decision of the Diet.

Article 68. The Prime Minister shall appoint the Ministers of State. However, a majority of their number must be chosen from among the members of the Diet.

The Prime Minister may remove the Ministers of State as he chooses.

Article 69. If the House of Representatives passes a non-confidence resolution, or rejects a confidence resolution, the Cabinet shall resign en masse, unless the House of Representatives is dissolved within ten (10) days.

Article 70. When there is a vacancy in the post of Prime Minister, or upon the first convocation of the Diet after a general election of members of the House of Representatives, the Cabinet shall resign en masse.

Article 71. In the case mentioned in the two preceding articles, the Cabinet shall continue its functions until the time when a new Prime Minister is appointed.

Article 72. The Prime Minister, representing the Cabinet, submits bills, reports on general national affairs and foreign relations to the Diet and exercises control and supervision over various administrative branches.

Article 73. The Cabinet, in addition to other general administrative functions, shall perform the following functions:

Administer the law faithfully; conduct affairs of state.

Manage foreign affairs.

Conclude treaties. However, it shall obtain prior or, depending on circumstances, subsequent approval of the Diet.

Administer the civil service, in accordance with standards established by law.

Prepare the budget, and present it to the Diet.

Enact cabinet orders in order to execute the provisions of this Constitution and of the law. However, it cannot include penal provisions in such cabinet orders unless authorised by such law.

Decide on general amnesty, special amnesty, commutation of punishment, reprieve, and restoration of rights.

Article 74. All laws and cabinet orders shall be signed by the competent Minister of State and countersigned by the Prime Minister.

Article 75. The Ministers of State, during their tenure of office, shall not be subject to legal action without the consent of the Prime Minister. However, the right to take that action is not impaired hereby.

Chapter VI. Judiciary

Article 76. The whole judicial power is vested in a Supreme Court and in such inferior courts as are established by law.

No extraordinary tribunal shall be established, nor shall any organ or agency of the Executive be given final judicial power.

All judges shall be independent in the exercise of their conscience and shall be bound only by this Constitution and the laws.

Article 77. The Supreme Court is vested with the rule-making power under which it determines the rules of procedure and of practice, and of matters relating to attorneys, the internal discipline of the courts and the administration of judicial affairs.

Public procurators shall be subject to the rule-making power of the Supreme Court.

The Supreme Court may delegate the power to make rules for inferior courts to such courts.

Article 78. Judges shall not be removed except by public impeachment unless judicially declared mentally or physically incompetent to perform official duties. No disciplinary action against judges shall be administered by any executive organ or agency.

Article 79. The Supreme Court shall consist of a Chief Judge and such number of judges as may be determined by law; all such judges excepting the Chief Judge shall be appointed by the Cabinet.

The appointment of the judges of the Supreme Court shall be reviewed by the people at the first general election of members of the House of Representatives following their appointment, and shall be reviewed again at the first general election of members of the House of Representatives after a lapse of ten (10) years, and in the same manner thereafter.

In cases mentioned in the foregoing paragraph, when the majority of voters favours the dismissal of a judge, he shall be dismissed.

Matters pertaining to review shall be prescribed by law.

The judges of the Supreme Court shall be retired upon the attainment of the age as fixed by law.

All such judges shall receive, at regular stated intervals, adequate compensation which shall not be decreased during their terms of office.

Article 80. The judges of the inferior courts shall be appointed by the Cabinet from a list of persons nominated by the Supreme Court. All such judges shall hold office for a term of ten (10) years with privilege of reappointment, provided that they shall be retired upon the attainment of the age as fixed by law.

The judges of the inferior courts shall receive, at regular stated intervals, adequate compensation which shall not be decreased during their terms of office.

Article 81. The Supreme Court is the court of last resort with power to determine the constitutionality of any law, order, regulation or official act.

Article 82. Trials shall be conducted and judgment declared publicly. Where a court unanimously determines publicity to be dangerous to public order or morals, a trial may be conducted privately, but trials of political offences, offences involving the press or cases wherein the right of people as guaranteed in Chapter III of this Constitution are in question shall always be conducted publicly.

*Chapter VII.
Finance*

Article 83. The power to administer national finances shall be exercised as the Diet shall determine.

Article 84. No new taxes shall be imposed or existing ones modified except by law or under such conditions as law may prescribe.

Article 85. No money shall be expended, nor shall the State obligate itself, except as authorised by the Diet.

Article 86. The Cabinet shall prepare and submit to the Diet for its consideration and decision a budget for each fiscal year.

Article 87. In order to provide for unforeseen deficiencies in the budget, a reserve fund may be authorised by the Diet to be expended upon the responsibility of the Cabinet.

The Cabinet must get subsequent approval of the Diet for all payments from the reserve fund.

Article 88. All property of the Imperial Household shall belong to the State. All expenses of the Imperial Household shall be appropriated by the Diet in the budget.

Article 89. No public money or other property shall be expended or appropriated for the use, benefit or maintenance of any religious institution or association, or for any charitable, educational or benevolent enterprises not under the control of public authority.

Article 90. Final accounts of the expenditures and revenues of the State shall be audited annually by a Board of Audit and submitted by the Cabinet to the Diet, together with the statement of audit during the fiscal year immediately following the period covered.

The organisation and competency of the Board of Audit shall be determined by law.

Article 91. At regular intervals and at least annually the Cabinet shall report to the Diet and the people on the state of national finances.

**Chapter VIII.
Local Self-
Government**

Article 92. Regulations concerning organisation and operations of local public entities shall be fixed by law in accordance with the principle of local autonomy.

Article 93. The local public entities shall establish assemblies as their deliberative organs, in accordance with law.

The chief executive officers of all local public entities, the members of their assemblies, and such other local officials as may be determined by law shall be elected by direct popular vote within their several communities.

Article 94. Local public entities shall have the right to manage their property, affairs and administration and to enact their own regulations within law.

Article 95. A special law applicable only to one local public entity cannot be enacted by the Diet without the consent of the majority of the voters of the local public entity concerned, obtained in accordance with law.

**Chapter IX.
Amendments**

Article 96. Amendments to this Constitution shall be initiated by the Diet, through a concurring vote of two-thirds or more of all the members of each House and shall thereupon be submitted to the people for ratification, which shall require the affirmative vote of a majority of all votes cast thereon, at a special referendum or at such election as the Diet shall specify.

Amendments when so ratified shall immediately be promulgated by the Emperor in the name of the people, as an integral part of this Constitution.

**Chapter X.
Supreme Law**

Article 97. The fundamental human rights by this Constitution guaranteed to the people of Japan are fruits of the age-old struggle of man to be free; they have survived the many exacting tests for durability and are conferred upon this and future generations in trust, to be held for all time inviolate.

Article 98. This Constitution shall be the supreme law of the nation and no law, ordinance, imperial rescript or other act of government or part thereof, contrary to the provisions hereof, shall have legal force or validity.

The treaties concluded by Japan and established laws of nations shall be faithfully observed.

Article 99. The Emperor or the Regent as well as Ministers of State, members of the Diet, judges, and all other public officials have the obligation to respect and uphold this Constitution.

*Chapter XI.
Supplementary
Provisions*

Article 100. This Constitution shall be enforced as from the day when the period of six months will have elapsed counting from the day of its promulgation.

The enactment of laws necessary for the enforcement of this Constitution, the election of members of the House of Councillors, and the procedures or the convocation of the Diet and other preparatory procedures necessary for the enforcement of this Constitution, may be executed before the day prescribed in the preceding paragraph.

Article 101. If the House of Councillors is not constituted before the effective date of this Constitution, the House of Representatives shall function as the Diet until such time as the House of Councillors shall be constituted.

Article 102. The term of office for half the members of the House of Councillors serving in the first term under this Constitution shall be three years. Members falling under this category shall be determined in accordance with law.

Article 103. The Ministers of State, members of the House of Representatives, and judges in office on the effective date of this Constitution, and all other public officials who occupy positions corresponding to such positions as are recognised by this Constitution, shall not forfeit their positions automatically on account of the enforcement of this Constitution unless otherwise specified by law. When, however, successors are elected or appointed under the provisions of this Constitution, they shall forfeit their positions as a matter of course.

Date of Promulgation: November 3, 1946

Date of Enforcement: May 3, 1947.

Appendix II

Text of Joint Statement

Issued on behalf of the Governments of Japan and the People's Republic of China by Prime Minister Tanaka and Premier Chou En-lai on 29 September 1972 towards the end of the visit to China by the Japanese Prime Minister and Party from 25 to 30 September

China and Japan are neighbouring countries separated only by a strip of water, and there was a long history of traditional friendship between them.

The two peoples ardently wish to end the abnormal state of affairs that has hitherto existed between the two countries.

The termination of the state of war and the normalisation of relations between China and Japan—the realisation of such wishes of the two peoples will open a new page in the annals of relations between the two countries.

The Japanese side is keenly aware of Japan's responsibility for causing enormous damages in the past to the Chinese people through war and deeply reproaches itself.

The Japanese side reaffirms its position that in seeking to realise the normalisation of relations between Japan and China, it proceeds from the stand of fully understanding the three principles for the restoration of diplomatic relations put forward by the Government of the People's Republic of China.

The Chinese side expresses its welcome for this.

Although the social systems of China and Japan are different, the two countries should and can establish peaceful and friendly relations.

The normalisation of relations and the development of good-neighbourly and friendly relations between the two countries are in the interests of the two peoples, and will also contribute to the relaxation of tension in Asia and the safeguarding of world peace.

(1) The abnormal state of affairs which has hitherto existed between the People's Republic of China and Japan is declared terminated on the date of publication of this statement.

(2) The Government of Japan recognises the Government of the People's Republic of China as the sole legal Government of China.

(3) The Government of the People's Republic of China reaffirms that Taiwan is an inalienable part of the territory of the People's Republic of China. The Government of Japan fully understands and respects this stand of the Government of China and adheres to its stand of complying with Article 8 of the Potsdam Proclamation.

(4) The Government of the People's Republic of China and the Government of Japan have decided upon the establishment of diplomatic relations as from 29 September 1972. The two Governments have decided to adopt all necessary measures for the establishment and the performance of functions of embassies in each other's capitals in accordance with international law and practice and exchange ambassadors as speedily as possible.

(5) The Government of the People's Republic of China declares that in the interest of the friendship between the peoples of China and Japan, it renounces its demand for war indemnities from Japan.

(6) The Government of the People's Republic of China and the Government of Japan agree to establish durable relations of peace and friendship between the two countries on the basis of the principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful coexistence.

In keeping with the foregoing principles and the principles of the United Nations Charter, the Governments of the two countries affirm that in their mutual relations, all disputes shall be settled by peaceful means without resorting to the use or threat of force.

(7) The normalisation of relations between China and Japan is not directed against third countries. Neither of the two countries should seek hegemony in the Asia-Pacific region and each country is opposed to efforts by any other country or group of countries to establish such hegemony.

(8) To consolidate and develop the peaceful and friendly relations between the two countries, the Government of the People's Republic of China and the Government of Japan agree to hold negotiations aimed at the conclusion of a treaty of peace and friendship.

(9) In order to further develop the relations between the two countries and broaden the exchange of visits, the Government of the People's Republic of China and the Government of Japan agree to hold negotiations aimed at the conclusion of agreements on trade, navigation, aviation, fishery, etc., in accordance with the needs and taking into consideration the existing non-governmental agreements.

(Signed) CHOU EN-LAI
Premier of the State Council
of the People's Republic
of China

(Signed) KAKUEI TANAKA
Prime Minister of Japan

(Signed) CHI PENG-FEI
Minister for Foreign Affairs
of the People's Republic of
China

(Signed) MASAYOSHI
OHIRA
Minister of Foreign Affairs
of Japan

Peking, September 29, 1972.

Appendix III

Japan's Significance as a Market for Selected Items 1971-72*

Product	Total Australian exports (\$A million)	Exports to Japan		Other main markets (\$A million)
		(\$A million)	Per cent Total	
Sorghum	47.8	47.4	99.2	..
Beef and veal	388.9	44.6	11.5	1 U.S.A. 259.3 3 U.K. 34.4 4 Canada 19.4
Mutton and lamb	107.0	28.5	26.6	2 U.S.A. 18.7 3 Greece 15.3 4 Canada 13.1
Prawns and shrimps	27.0	17.9	66.3	2 U.S.A. 4.0 3 U.K. 2.2 4 South Africa 1.3
Wheat	418.5	72.1	17.2	1 U.A.R. 83.8 3 U.K. 27.5 4 U.S.S.R. 25.0
Barley	74.3	14.1	19.0	1 Taiwan 16.1 3 U.K. 10.4 4 Germany F.R. 7.6
Malt	19.2	11.4	59.4	2 Philippines 3.9
Eggs not in shell	7.4	5.2	70.3	2 U.K. 1.7
Cheese	22.4	7.3	32.6	2 U.K. 2.7 3 Saudi Arabia 3.4 4 Philippines 1.3
Sugar	210.6	56.3	26.7	2 U.K. 43.6 3 Canada 36.6 4 U.S.A. 34.1
Sugar, syrups, etc.	5.3	5.1	94.3	..
Tallow	30.9	9.9	32.0	2 China, Mainland 5.1 3 South Africa 3.4 4 Taiwan 2.4
Cattle hides and skins	28.1	7.3	26.0	2 Poland 3.4 3 Germany F.R. 3.0 4 Italy 2.5
Wool, greasy	524.5	217.8	41.5	2 France 51.5 3 Germany F.R. 41.4 4 Italy 37.2
Iron ores and con- centrates	375.5	326.3	86.9	2 Germany F.R. 11.6 3 Italy 10.8 4 U.S.A. 6.3

Product	Total Australian exports (\$A million)	Exports to Japan		Other main markets (\$A million)	
		(\$A million)	Per cent Total		
Copper ores and concentrates	27.3	26.1	95.6	2 U.K.	0.5
Zinc ores and concentrates	26.2	8.3	31.7	2 U.K. 3 Finland 4 Norway	7.3 4.0 2.6
Lead ores and concentrates	16.0	2.9	18.1	1 U.S.A. 3 Belgium/Lux. 4 U.K.	6.9 2.6 2.6
Titanium and Zirconium ores and concentrates	56.9	8.3	14.6	1 U.S.A. 3 U.K. 4 Netherlands	20.2 7.4 4.6
Copper, unwrought	59.6	12.7	21.3	1 U.K. 2 France 3 Germany F.R.	15.0 13.9 13.7
Iron and steel (excluding pig iron)	106.2	9.8	9.2	1 N.Z. 2 U.S.A. 3 Philippines	18.0 10.7 9.9
Pig iron and cast iron	23.6	11.6	49.2	2 China, Mainland 3 Italy	7.6 2.5
Coal	238.7	198.4	83.1	2 U.K. 3 Netherlands 4 Italy	14.9 7.3 7.2
Silver and silver alloys	9.2	2.4	26.1	1 U.K. 3 N.Z.	6.6 0.2
Casein	16.6	5.6	33.7	1 U.S.A.	9.3
Other chemicals, drugs and fertilizers, etc.	208.1	38.7	18.6	1 U.S.A. 3 N.Z. 4 Canada	69.1 31.7 18.0
Salt	7.2	6.9	95.8
Sausage casings	11.1	3.4	30.6	2 U.S.A. 3 Germany F.R. 4 U.K.	1.7 1.7 1.2
Milk, dried, condensed, etc.	28.9	3.5	12.1	1 Philippines 2 Taiwan 4 Singapore	4.2 4.0 2.5
Sugar syrups, etc.	5.3	5.0	94.3
Timber	14.4	7.6	52.8	2 U.K. 3 N.Z.	2.6 1.6
Oats	12.4	9.0	72.6	2 Germany F.R. 3 Netherlands 4 Italy	1.0 0.9 0.9
Oilseeds	11.3	4.0	35.4	2 Germany F.R. 3 Italy	3.5 1.8
Total Exports	4,896.5	1,360.2	27.8		

Source: Department of Trade and Industry * Preliminary

Japan's Imports of Selected Items 1971

AUSTRALIA'S SHARE AND OTHER MAIN SUPPLIERS

Item	Total imported (\$A million)	Imported from Australia		Other major suppliers (\$A million)	
		(\$A million)	Per cent total		
Beef	43.2	38.0	88.0	2 N.Z.	3.8
				3 U.S.A.	1.2
Mutton and lamb	57.1	30.1	52.7	2 N.Z.	27.0
Powdered milk	16.2	4.5	27.8	2 N.Z.	4.0
				3 Canada	2.2
				4 U.S.A.	1.7
Cheese and curd	22.8	7.6	33.3	2 Norway	4.5
				3 N.Z.	4.1
				4 Netherlands	1.8
Eggs not in shell	12.9	5.7	44.2	2 U.K.	1.6
				3 China, Mainland	1.1
				4 Netherlands	1.1
				1 India	22.7
Abalone, prawn, shrimp and lobster	197.0	15.0	7.6	2 Indonesia	20.5
				3 Mexico	20.5
				1 U.S.A.	168.1
Wheat	320.3	65.0	20.3	2 Canada	87.2
Barley	54.9	16.9	30.8	1 Canada	38.0
Oats	11.6	11.4	98.3	..	
Sorghums	244.5	61.2	25.0	1 U.S.A.	103.1
				2 Argentina	67.7
				4 South Africa	3.0
				2 Canada	6.9
Malt	41.3	14.9	36.1	3 France	4.2
				4 Czechoslovakia	3.9
				1 Cuba	116.4
				3 Ryukyu	31.6
Raw sugar	278.1	49.8	17.9	4 South Africa	29.1
				2 South Africa	0.9
High test molasses	7.8	6.9	88.5		
Cattle hides and skins	62.5	6.7	10.7	1 U.S.A.	52.5
				3 N.Z.	1.5
				4 Canada	1.4
Wool, greasy	246.3	218.9	88.9	2 South Africa	11.2
				3 N.Z.	8.9
				4 Argentina	5.2
				2 Mexico	22.0
Salt	62.9	26.9	42.8	3 China, Mainland	8.8
				4 U.S.A.	2.7
				2 India	191.4
				3 Chile	105.3
Iron ore and concen- trates	1,245.3	482.5	38.8	4 Brazil	93.0
				1 U.S.A.	79.9
				3 U.S.S.R.	14.0
				4 India	2.5
Iron and steel scrap for smelting excluding alloy	112.7	14.3	12.7		

Item	Total imported (\$A million)	Imported from Australia		Other major suppliers (\$A million)	
		(\$A million)	Per cent total		
Copper ore and concentrates	418.0	29.2	7.0	1 Philippines	154.5
				2 Canada	145.2
				3 Chile	44.5
Nickel ore and concentrates	132.5	24.2	18.3	1 New Caledonia	87.5
				3 Indonesia	17.1
				4 Canada	2.6
				2 Indonesia	9.3
Bauxite	43.4	23.8	54.8	3 Malaysia	7.8
				4 India	0.6
				2 Indonesia	9.3
				3 Malaysia	7.8
Lead ore and concentrates	35.3	3.1	8.8	1 Canada	23.8
				2 Peru	4.3
				4 Korea, Republic	2.9
				2 Peru	4.3
Zinc ore and concentrates	96.3	10.2	10.6	1 Peru	31.8
				2 Canada	29.8
				3 Mexico	10.7
				2 South Africa	10.7
Manganese ore and concentrates	39.8	14.0	35.2	2 Gabon	4.0
				4 India	2.9
				2 Malaysia	2.9
				3 India	1.5
Titanium ore and concentrates	13.0	7.0	53.9	4 Ceylon	1.4
				3 India	1.5
				2 Malaysia	2.9
				4 Ceylon	1.4
Zirconium ore and concentrates	3.7	3.5	94.6	..	
Coal	944.4	246.3	26.1	1 U.S.A.	478.1
				3 Canada	122.8
				4 U.S.S.R.	42.6
				1 Kuwait	29.8
Liquefied petroleum gas.	89.3	10.2	11.4	2 Saudi Arabia	28.8
				3 Iran	13.3
				1 U.S.A.	30.6
				3 Canada	5.5
Beef tallow	50.2	11.3	22.5	4 N.Z.	2.8
				3 Canada	5.5
				1 U.S.A.	30.6
				3 Iran	13.3
Aluminium oxide . .	29.8	29.8	100.0	..	
Casein	13.0	5.5	42.3	1 N.Z.	7.1
				3 Argentina	0.2
Wood chips	89.4	7.8	8.7	1 U.S.A.	61.4
				2 Canada	8.4
				4 Malaysia	5.0
				1 India	17.3
Pig iron	63.3	15.5	24.5	3 South Africa	15.4
				4 U.S.S.R.	10.2
				1 Peru	5.1
				3 Korea, North	2.5
Silver unwrought . .	13.8	3.6	26.1	4 U.S.A.	2.3
				1 Peru	5.1
				3 Korea, North	2.5
				4 U.S.A.	2.3
Copper unwrought . .	278.1	15.7	5.7	1 Zambia	136.6
				2 Chile	64.6
				3 Zaire	17.0
				3 Zaire	17.0
Aluminium unwrought .	92.5	22.6	24.4	1 Canada	37.5
				3 U.S.A.	10.7
				4 Ghana	9.6
				3 U.S.A.	10.7

Source: Department of Trade and Industry.

Appendix IV

Historical Notes on Australia-Japan Trade Relations

Before 1930 Australian-Japanese trade was stable and accounted for about 7 per cent of Australia's exports and 3 per cent of her imports. Wool and wheat were the major exports to Japan and silk piecegoods and other textiles were the main imports.

By the early 1930s however, Japan had become increasingly important as a customer and by 1935-6 was buying 13 per cent of Australia's total exports. This included 28 per cent of wool exports and 14 per cent of wheat exports. From 1929-30 to 1935-6 wool and wheat purchases placed Japan as Australia's second best market for total exports. On the other hand imports from Japan never exceeded 6 per cent of total imports into Australia.

The Japanese Government approached the Commonwealth Government in 1911, 1915, 1926 and 1935 with a view to the negotiation of a trade agreement but in each case the talks came to nothing. Historically, the U.K. was Australia's best customer, especially following the Ottawa Agreement of 1932 which made the U.K. a vital outlet for Australian primary products specifically meat, dairy products and fresh, canned and dried fruit.

Although Australia had enjoyed a favourable balance of trade with Japan for many years, the Australian Government became concerned about the increasing quantity of imports of Japanese textiles, particularly artificial silk piecegoods.

Following the Ottawa Agreement, Australia granted a preferential tariff on cotton and silk piecegoods to the U.K. In spite of this, however, the very low prices of similar goods from Japan enabled her to displace British products. In 1928-29 the U.K. supplied 55 per cent and Japan 2 per cent of artificial silk piecegoods imported into Australia. By 1935-6, the proportion was 29 per cent to 60 per cent in Japan's favour.

Australia was anxious to expand primary product exports to the U.K. but the U.K. considered her textile exports to be of fundamental importance before making concessions to Australia. The Commonwealth Government accordingly indicated to the Japanese Government in 1936 that they desired to come to some friendly agreement for restricting imports of Japanese textiles.

The Japanese would not accept the Australian proposals, and, in fact, asked Australia to reduce tariffs on Japanese goods. The Com-

monwealth Government, consequently, proceeded in April 1936 to impose new tariffs aimed at Japanese textiles.

Specific duties were introduced but for purposes of comparison a conversion to ad valorem rates shows that for artificial silk piecegoods the 'British Preferential Tariff' was reduced from 30 per cent to 20 per cent and the 'General Tariff' facing Japan was increased from 50 per cent to rates of up to 180 per cent.

This discrimination against Japan was not expected to affect Australian exports to Japan as the Japanese had found Australian wool to be the best available for their needs and unobtainable elsewhere. Japan appeared to have no choice but to continue her purchases of wool. However, after two months of fruitless negotiations with the Commonwealth Government, the Japanese Government made Australian goods subject to import licensing and to an additional 50 per cent ad valorem tariff over and above the normal tariff rates. Australia felt that these measures were excessive and in retaliation brought imports of Japanese piecegoods under import controls in July, 1936.

These decisions caused hardships on both sides and in November 1936 talks were commenced which led to a trade arrangement between the two countries to take effect from 1 January, 1937. In return for Australia according reduced intermediate tariff rates on Japanese textiles (which had been drastically increased in May 1936), lifting import restrictions on certain Japanese goods and permitting a specific annual quota of Japanese textiles (51,250,000 square yards compared with 152,431,000 square yards in 1935-6), Japan agreed to abolish the 50 per cent surcharge and authorise the importation of 800,000 bales of wool during the 18 month period ending 30 June 1938. Japan also agreed to limit exports of textiles within the above quotas.

After the 1936 trade dispute, trade between Australia and Japan continued on a reduced scale with the balance much less in Australia's favour.

The reduction in Australian exports was due to some extent to the general feeling of hostility aroused by Australia's trade diversion policy of 1936. Japan's export drive was met by policies of discrimination all over the world and the Japanese felt the urgent necessity of diversifying their sources of raw materials, even though hardships might be inflicted on certain sections of the economy, e.g. purchases of inferior wool from South Africa and Argentina.

War was declared on the 8 December 1941 between the two countries and in Australia all trade with Japan was banned.

The level of trade between Australia and Japan was very low in 1946 and 1947 and was on a Government to Government basis. The financial side of trading was a major obstruction as dollars were required in payment for all goods quite apart from the fact that Japan had few products available for export. Government cash purchases were restricted to raw silk, cotton textiles and rayon yarn.

Discussions took place in 1947 and 1948 between representatives of countries forming the Sterling Area (including Australia) and representatives of the Supreme Commander Allied Powers (SCAP) with a view to overcoming difficulties in the financing of trade with Japan.

An interim payments arrangement was replaced by an 'Overall Sterling Payments Agreement' which became effective from May 1948. It provided that trade between Japan and all members of the Sterling Area who wished to participate would be financed in sterling. This agreement covered both private and official transactions.

With the Overall Sterling Payments Agreement in operation it became possible to consider the means of increasing the volume of trade between Japan and the Sterling Area as a whole. Negotiations commenced within months and on 9 November 1948 a trade arrangement was signed. The aim of the arrangement was to maintain an approximate balance of exports and imports between the Sterling Area and Japan in order to avoid U.S. dollar expenditure. Cotton textiles comprised more than 50 per cent of Japan's exports. Trade was to be balanced at about £stg30 million for the first 12 months period, which trebled the existing volume of trade between the Sterling Area and Japan. Australia's share under the arrangement provided for exports, mostly wool and cereals, valued at £A6.1 million and for imports valued at £A5.8 million. The majority of imports were cotton manufactures.

The arrangement was renewed each year until 1951. There had been a steady expansion of trade and Australian exports to Japan in 1950-51 totalled £A62 million, consisting of wool (£A52 million), wheat and barley. Imports from Japan amounted to £A16 million in the same year but owing to the rapid expansion of the Australian economy in 1951, imports from Japan climbed to £A44 million in 1951-52 of which 60 per cent were metals and metal products.

In September 1951, a Treaty of Peace with Japan was signed in San Francisco by Australia's representatives. The Treaty governed trade relations between Japan and the Allied Powers and one of the articles required all members, including Australia, to accord most-favoured-nation tariff treatment to Japanese goods.

At about the same time Japan made an application for membership to the General Agreement on Tariffs and Trade and Australians, particularly manufacturers, were apprehensive that Australia would be forced to concede tariff concessions to Japan. There was considerable public debate and the Commonwealth Government announced in October, 1951 that under Article XXXV of G.A.T.T. Australia was not obliged to extend concessions to Japan.

Opposition against according MFN tariff treatment to Japan continued after Japan's accession to G.A.T.T. as a full member in 1955.

In 1951-52 Australia's foreign currency reserves declined sharply and import licensing controls were extended in March 1952. Imports from Japan fell to £A4.6 million in 1952-53 from the previous year's level of £A44 million. Exports, on the other hand, increased sharply by 75 per cent.

After 1952, Japan's sterling reserves declined and the Japanese Government pointed out to the Australian Government that it would have to permit the Japanese to export more to Australia if Australian exports were to be maintained.

The attitude of the Australian public towards Japan was still one of hostility in the early 1950s. War memories were still strong and most Australians viewed Japanese industry and its products with suspicion. The Japanese were associated with cheap labour, poor quality goods and policies of price cutting which unfairly competed with products manufactured both within Australia and imported from traditional suppliers.

On the other hand it was recognised that it was in Australia's national interests for Japan to be economically prosperous and closely involved with the Western world. Pastoralists and farmers had an important interest in ensuring that wool and cereal exports were not retarded because of official discrimination against Japanese products. They were joined by mineral interests who foresaw the opportunities for exporting Australian metals and coal to Japan.

In Japan's sterling crisis of 1953, the Sterling Area members agreed to increase purchases from Japan rather than see Japan reduce purchases from them. As a first step, Australia issued licences to import Japanese goods on a more liberal basis and in November, 1954 steps were taken towards merging Japan into the non-dollar area for import licensing purposes. A safeguard was retained in the import licensing system in that, for most of the key items, a ceiling was placed on the proportion of the value of a non-dollar licence which could be used to import Japanese goods.

In October 1956 the Commonwealth Government announced that trade negotiations between Australia and Japan would commence shortly and be directed towards the conclusion of a trade agreement. This announcement was a significant turning point in Japanese-Australian trade relations. Economic and political pressures had reached the point where a re-appraisal of Australia's trading policies toward Japan was inescapable. Japan was Australia's second most important market, taking 11 per cent of total exports in 1955-56, and the balance of trade was four to one in Australia's favour. This imbalance was expected to become even more serious in 1956-57 when domestic supplies of Australian steel would be sufficient to satisfy most internal requirements and Japanese exports of this item would cease. This expectation proved correct when the 1956-57 trade statistics showed that Australia had sold £A139 million worth of goods to Japan and had bought only £A13 million.

Japan's sterling reserves fell from £stg 81 million to £stg 15 million in the 12 months ending June 1957 and the Japanese Government was becoming increasingly adamant in its demand for equal access and tariff treatment for Japanese exports into the Australian market as comparable with that accorded foreign suppliers. The Japanese were considering restricting imports of wool from Australia and during

bilateral talks with certain countries indicated that they would guarantee a market for specific commodities at the expense of Australia. Wool and wheat from the Argentine were a case in point.

On the international level the provisions of Article 12 of the Peace Treaty and Japan's accession to G.A.T.T. were making it difficult for Australia to continue her policy of discriminating against Japanese imports.

An important long term consideration was that Australia's economic growth in the future depended upon a high rate of imports of capital equipment and essential raw materials. Exports to the U.K. from Australia had failed to grow at anywhere near the rate needed and the future prospects appeared to be far below Australia's requirements for additional export income. Japan, on the other hand, had a high rate of economic growth and was capable of absorbing ever increasing quantities of raw materials from Australia.

The prospect of a trade treaty with Japan caused a considerable controversy in Australia. The political need to bring Japan into the Western sphere of interest was clearly seen but manufacturers, many employees engaged in secondary industry and a large section of the Australian public feared the disruptive effects of unlimited Japanese imports. It was clear that effective economic safeguards for Australian industry would have to be incorporated in any agreement.

The agreement on Commerce between Australia and Japan was signed on 6 July 1957. Its main provisions were:

- Both parties accorded each other Most Favoured Nation tariff treatment and there was to be no discrimination in trade unless such measures applied to third parties.
- Japan guaranteed more liberal access to the Japanese market for Australian wool, wheat, sugar, barley, hides and skins, dried vine fruits and skim milk. Special provisions protected Australian commodities purchased by state owned enterprises.
- Japan undertook not to impose a duty on wool during the first 3 years of the Agreement.
- One of the most important provisions of the Agreement was Article V which enabled Australia to take immediate action to protect any Australian industry that was seriously disrupted by imports from Japan. This key clause meant that Australia withheld recognition of the full rights of Japan under G.A.T.T. to Japan. Under Article XIX of G.A.T.T. any emergency action to restrict imports is to be applied to all imports in a non-discriminatory manner. Article V of the Agreement was a clear indication to Australian manufacturers that there would be adequate safeguards against disruptive imports from Japan.
- Provision for full and regular consultation was made and Australia agreed to consult the Japanese before taking any emergency action against imports from Japan.

The reaction of the Australian public to the Agreement was, as expected, mixed. Manufacturers as represented by the Associated

Chambers of Manufactures, doubted whether sufficient safeguards existed, whilst the Associated Chambers of Commerce welcomed the agreement. The Australian Council of Trade Unions condemned the treaty on the grounds that it threatened the continued existence of established Australian industries and consequently represented a danger of unemployment for Australian workers.

To demonstrate clearly that Article V was intended to be an effective protective safeguard for Australian industry, the Commonwealth Government constituted a one man Advisory Authority to advise the Minister of Trade on the need for emergency action.

Although there were over 100 items manufactured in Australia which were considered sensitive to Japanese imports, only 14 enquiries were referred to the Advisory Authority and only in 5 cases was action taken in the first three years of the Agreement. Much of the apprehension expressed at the time of the signing of the Agreement proved unfounded. Australia enjoyed a rapid rate of economic growth which necessitated a high level of imports and imports from Japan had expanded by 134 per cent by 1960. However, the balance of trade was still 3 to 1 in Australia's favour. The Japanese voluntarily limited exports in difficult cases e.g. textiles and the Australian consumer gradually began to alter his opinion from the belief that all Japanese goods were shoddy to a belief that many Japanese products were synonymous with high quality.

Consultations to review that Agreement were held between Australia and Japan each year until 1963. The Agreement worked well and Japan had become Australia's best market for wool, wheat, coal and copper concentrates. Australia was Japan's fourth largest customer. By 1963, however, the Japanese were pressing for the removal of Article V of the Agreement. As the Japanese had co-operated in their trade relationships with Australia and many of the old fears had disappeared, Australia agreed to the Japanese request.

Under amendments to the Treaty in 1963, Australia accorded full G.A.T.T. rights to Japan and agreed to give prior consultation to Japan on temporary protection cases affecting her interest. Japan would also have equal opportunities with other countries in overseas purchases made by the Commonwealth Government. In return Japan undertook:

- to apply equal treatment to wool and cotton in non-tariff matters;
- to continue soft wheat imports from Australia at a stabilised level;
- Japan would not impose a duty on wool unless circumstances changed markedly;
- to accord MFN treatment to Australian exports of barley;
- to improve access for sugar, canned meat, leather, motor vehicles, butter and cheese;
- to continue voluntary restraint of exports in difficult cases.

The change of attitude towards Japanese business was exemplified by the change of heart of Australian manufacturers. Following the ratification of the Japan-Australia Trade Agreement the Australia-Japan Business Co-operation Committee was formed and held its

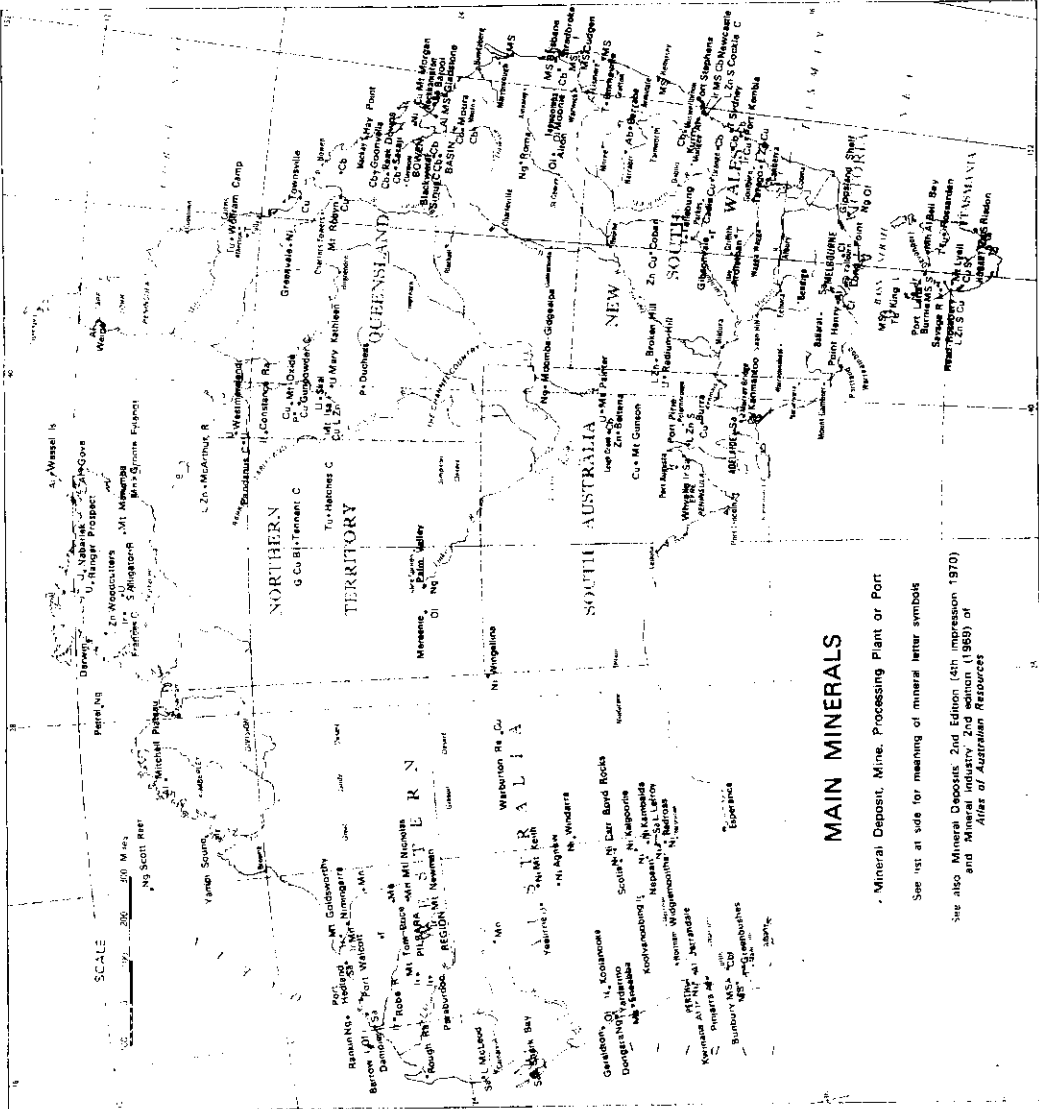
inaugural meeting in August 1962. The President was Mr J. Walker, a former President of the Associated Chambers of Manufactures of Australia (A.C.M.A.). Simultaneously, a Japan-Australia Business Co-operation Committee was formed in Japan. Delegates from each of the Committees meet jointly once a year. The Federal Director of A.C.M.A. (Mr Anderson) said in February 1963, 'Australian manufacturers have high hopes that this new approach will accelerate the economic linking of these two countries while ensuring that dislocation of industry in both countries is reduced to an absolute minimum'. A joint communique issued after the first meeting emphasised expansion of trade, the promotion of business joint ventures and tourism between Japan and Australia. There was little mention of the problems of the 1950s.

The G.A.T.T. Kennedy Round of tariff negotiations with Japan in 1965, 1966 and 1967 can be seen in the context of a mutual dependence in trading matters brought about by the earlier Trade Agreement. Australia, in drawing up its offer lists for the Kennedy Round, saw Japan and U.S.A. as the major beneficiaries and hence negotiations with Japan were a vital element in Australia's total involvement in these multilateral negotiations.

As a result of the Kennedy Round, Australia gained a number of concessions from Japan, including improved access conditions for meats and duty free bindings on iron ore, coal and bauxite. In some ways the most significant concession was Japan's agreement to bind duty free entry for wool, a concession which she had resolutely refused to give in previous negotiations. On Australia's side the principal concessions took the form of reduction in tariff preferences accorded to Britain, chiefly by way of removal of MFN tariff rates on non-protective items.

Appendix V

Map Showing Location of Main Australian Minerals



Mineral Letter Symbols

- Ab Asbestos
- Al Bauxite-Aluminium
- Bs Bismuth
- Cb Coal, black
- Cl Coal, brown
- Cu Copper
- G Gold
- Ir Iron ore
- L Lead
- Mn Manganese
- MS Mineral Sands
- Ni Nickel
- Ng Petroleum - natural gas
- Oi Oil
- P Phosphate rock
- Sa Salt
- S Sulphur
- T Tin
- Tu Tungsten
- U Uranium
- Zn Zinc

MAIN MINERALS

• Mineral Deposit, Mine, Processing Plant or Port
 See list at side for meaning of mineral letter symbols
 See also Mineral Deposits 2nd Edition (4th Impression 1970)
 and Mineral Industry 2nd Edition (1969) of
 Mines of Australia Resources

Appendix VI

Australia: Major Import Items from Japan

	(\$A million)				
	1967-68	1968-69	1969-70	1970-71	1971-72*
Machinery Group					
Non-electric machinery	30	37	51	64	74
Telecommunications apparatus	6	8	12	13	16
Other electrical machinery (including insulated electric wire and cable)	12	17	25	30	42
Vehicles Group					
Assembled motor cars	29	26	23	35	36
Unassembled motor cars	8	19	20	22	25
Lorries and trucks	11	15	16	17	18
Motor cycles	4	5	6	11	17
Tyres and tubes	4	4	6	10	11
Textiles Group					
Woven cotton fabrics	33	31	32	28	31
Textile fabrics (non-cotton)	19	21	23	28	35
Textile yarn and thread	11	14	17	20	20
Metals Group					
Iron and steel	30	46	42	76	72
Foodstuffs Group					
Fish and fish preparations	8	8	9	12	11
Chemicals Group					
Plastics materials artificial resins	11	12	16	16	15
Organic chemicals	9	14	10	14	14
Inorganic chemicals	4	5	5	10	9

Source: Department of Trade and Industry

* Preliminary

Appendix VII

Major Japanese Interests in Australian Minerals Projects

<i>Project</i>	<i>Japanese Interest</i>	<i>Estimated Total Project Cost (Australian dollars)</i>
Mt Newman Iron	10% Mitsui-C. Itoh Iron Pty Ltd	\$380m by 1972
Savage River Iron	37.5% Mitsubishi Shoji Kaisha .	\$80m
	12.5% Sumitomo Shoji Kaisha	
Robe River Iron	30% Mitsui and Co. Ltd . .	\$275-290m by 1973
Moura Coalfields (Thiess/ Peabody/Mitsui)	20% Mitsui and Co. Ltd . .	\$40m
Goonyella/Peak Downs Coal (Central Qld Coal Assoc.)	15% Mitsubishi Development Co Pty Ltd	\$190m by 1974
Alcoa Aluminium (Point Henry)	Furukawa loan of \$8 million .	Loan
Amax Bauxite (Admiralty Gulf)	17.5% Sumitomo Chemical . .	\$300m by 1974
	12.5% Showa Denki	
	5.0% Sumitomo Shoji Kaisha	
	2.5% Marubeni-Iida	
	<u>37.5%</u>	
Greenvale Nickel	Japanese Consortium Loan of \$30 million	Loan
Dampier Salt.	21.4% Marubeni-Iida	\$20m beginning 1971
	10.6% Nissho-Iwai	
Lefroy Salt	50% Sumitomo Shoji Kaisha . .	\$7m by 1973
Austen and Butta Ltd (Coal)	12.85% Marubeni-Iida Corp. and and Mitsubishi Chemical In- dustries	Not known
Hail Creek Coal (Mines Administration Ltd)	10% Marubeni-Iida	\$120m
	5% Sumitono Shoji Kaisha	
Gunpowder Creek Copper	13.5% Mitsubishi Metal Mining (Aust.) Ltd	\$6.6m
	13.5% Mitsubishi Development Pty Ltd	
	3.0% Kinsho-Mataichi (Australia) Pty Ltd	
Collie (W.A.) Char	33.33% Marubeni-Iida K.K. . .	Not known
	33.33% Kokan Mining Co. Ltd	
Morwell (Vic.) Char	26% Nissho-Iwai Co. Ltd. . .	\$3m

Note: In addition to the above equity/joint venture participation, there is probably some Japanese equity involved in various companies through portfolio buying since the liberalisation of capital controls in Japan—the extent of any such investment is not known.

Source: Submission to the Committee by the Commonwealth Department of National Development.

Witnesses

The following witnesses gave evidence in public hearing before the Committee:

- ACKROYD, Professor J. I., Head, Department of Japanese Language and Literature, University of Queensland, Brisbane
- ANDERSON, Mr H. D., O.B.E., First Assistant Secretary, Department of Foreign Affairs, Canberra
- ARNDT, Professor H. W., Professor of Economics, Research School of Pacific Studies, Australian National University, Canberra
- BAXTER, Sir Philip, K.B.E., C.M.G., Enfield, New South Wales
- BERESFORD, Mr D. C., Director of Marketing, Australian Tourist Commission, Sydney
- BIGGS, Mr E. T., Manager, International Division, Conzinc Riotinto of Australia Limited, Melbourne
- BOSTON, Mr K. G., Japanese Studies, Department of Economics, University of Western Australia, Perth
- CAIGER, Dr J. G., Sub-Dean, Faculty of Asian Studies, Australian National University, Canberra
- CLARK, Mr G., Tokyo Bureau, *The Australian*, Tokyo
- CONRON, Mr C. W., Assistant Secretary, Department of the Treasury, Canberra
- CRAWCOUR, Professor E. S., Head, Department of Japanese, Australian National University, Canberra
- CRAWFORD, Sir John, C.B.E., Vice-Chancellor, Australian National University, Canberra
- DENAHY, Mr R. S., Geelong Grammar School
- DRYSDALE, Dr P. D., Senior Lecturer in Economics, School of General Studies, Australian National University, Canberra
- DUTHIE, Mr L. P., First Assistant Secretary, Department of Trade and Industry, Canberra
- EDWARDS, Mr G. E., Fuel Technologist, Joint Coal Board, Sydney
- EDWARDS, Mr T. O., Glen Waverley, Victoria
- EVERS, Mr N. C. K., Deputy General Manager, Australian Tourist Commission, Sydney
- GALE, Mr K. C., Managing Director, Gollin & Company Limited, Sydney
- GARNETT, Mr T. R., Headmaster, Geelong Grammar School
- GELBER, Dr H. G., Department of Politics, Monash University, Melbourne
- GILBERT, Mr E. B., General Manager, Australian Dairy Produce Board, Melbourne
- GILES, Mr F. N., Government Representative on the Australian Meat Board

GRIFFITHS, Mr W. P., Senior Research Officer, Department of
 Development and Decentralisation, Perth
 GUTMAN, Mr G. O., First Assistant Secretary, Department of External
 Territories, Canberra
 HALL, Mr W. P. J., Japanese Studies, Department of Economics,
 University of Western Australia, Perth
 HAMILTON, Mr R. N., Assistant Secretary, Department of Defence,
 Canberra
 HARRIS, Dr S. F., Director, Bureau of Agricultural Economics,
 Canberra
 HARTNELL, Mr B. W., C.B.E., Chairman, Joint Coal Board, Sydney
 HOUSTON, Dr A. MacG., Department of Economics, University of
 Western Australia, Perth
 HUMPHREYS, Mr J. C., Chief Finance Officer, Department of the
 Treasury, Canberra
 HUMPHREYS, Mr N. W., Principal, Oberon High School, Geelong
 KEY, Professor B., Japanese Studies, Department of Economics,
 University of Western Australia, Perth
 KOJIMA, Professor K., Professor of Economics, Hitotsubashi
 University, Tokyo
 LE COUTEUR, Mr G. S., Managing Director, The Scottish Australian
 Co. Ltd; President, The Committee for Economic Development
 of Australia, Sydney
 LIVERMORE, Mr J. B. R., D.F.C., Senior Assistant Secretary, Depart-
 ment of National Development, Canberra
 McARTHUR, Col. M. H., O.B.E., Chairman, Australian Meat Board,
 Sydney
 MCGINNESS, Mr H., First Assistant Secretary, Department of Immi-
 gration, Canberra
 McGRATH, Sir Charles, O.B.E., Chairman of Directors, Repco
 Limited, Melbourne
 McINTYRE, Mr D. P., Western Mining Corporation Limited,
 Melbourne
 MACHIDA, Miss T., Geelong Grammar School
 MADIGAN, Mr R. T., O.B.E., Chairman and Managing Director,
 Hamersley Iron Pty Limited, Melbourne
 MASON, Dr R. H. P., Senior Lecturer in Asian Civilizations, Aus-
 tralian National University, Canberra
 MATHER, Mr J. W., Department of Education and Science,
 Canberra
 MILLAR, Dr T. B., Director, Australian Institute of International
 Affairs, Canberra
 NOBLE, Mr R. H. J., Australian Meat Board, Sydney
 NORMAN, Sir Robert, Director and Chief General Manager, Bank
 of New South Wales, Sydney
 OGAWA, Mr M., Editor, *Japan Times*, Tokyo
 OKITA, Dr S., Japanese Economic Research Center, Tokyo
 O'MAHONY, Father Kevin, St Columban's Mission Society, Japan

PARBO, Mr A. H., Managing Director, Western Mining Corporation Limited, Melbourne
 PARKER, Mr and Mrs G., Ringwood, Victoria
 PHILLIPS, Mr T. L., Economist, Australian Dairy Produce Board, Melbourne
 PURCELL, Mr M. S., Economist, Hamersley Iron Pty Limited, Melbourne
 RAMSDEN, Mr J., St Ives, New South Wales
 ROBINSON, Mr P. D. J., Editor, *The Australian Financial Review*, Sydney
 ROLFE, Mrs H. A., Economist, Australian Wool and Meat Producers Federation, Sydney
 ROWE, Mr B. C., General Manager, International Business, The Broken Hill Proprietary Co. Ltd, Melbourne
 ROYAMA, Professor M., Professor of International Relations, Jochi University, Tokyo
 RYAN, Mr P., Department of Trade and Industry, Canberra
 SAUNDERS, Mr N. J., Department of General Studies, Western Australian Institute of Technology, Perth
 SETTER, Mr C. G., First Assistant Secretary, Department of Primary Industry, Canberra
 SHANN, Mr K. C. O., C.B.E., Acting Secretary, Department of Foreign Affairs, Canberra
 SISSONS, Mr D. C. S., Fellow in International Relations, Australian National University, Canberra
 SMITH, Mr J. T., First Assistant Secretary, Department of Trade and Industry, Canberra
 SPRATT, Mr E., Australian News and Information Bureau, Canberra
 STOCKWIN, Dr J. A., Senior Lecturer in Political Science, Australian National University, Canberra
 SUICH, Mr M. V., Financial Journalist, Sydney
 VERNON, Sir James, C.B.E., Director, Colonial Sugar Refining Co. Ltd, Sydney
 WATT, Sir Alan, C.B.E., Honorary Fellow in International Relations, Australian National University, Canberra
 WELFIELD, Mr J. B., Research Scholar in International Relations, Australian National University, Canberra
 WHITE LAW, Dr R. J., First Assistant Secretary, Department of the Treasury, Canberra

Note: Some of the above, and other witnesses, also gave evidence *in camera*.

Written Submissions

In addition to the witnesses who gave evidence in hearings before the Committee, there were a number of other organisations and individuals who forwarded written submissions. These are listed below:

ALLIS, Mrs G., Kensington, New South Wales
ANIMAL DEFENDERS ASSOCIATION, Queensland
ANIMAL WELFARE LEAGUE OF SOUTH AUSTRALIA INC.,
South Australia
AUSTRALIA-JAPAN SOCIETY, Melbourne and Sydney
AUSTRALIAN BROADCASTING COMMISSION
AUSTRALIAN WHEAT BOARD
BIEDA, Mr K., Reader in Economics, University of Queensland
BRISBANE THEOSOPHICAL SOCIETY
CLIFF, Miss V. M., South Yarra, Victoria
COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH
ORGANISATION
DAVIS, Mrs E. M., Woody Point, Queensland
DEPARTMENT OF CIVIL AVIATION
DOWDY, Dr E., University of Queensland
DUNSTAN, Mr A. S., Past President, The National Council of Wool
Selling Brokers of Australia
GARRICK, Mr A. J., Director, Institute of Languages, University of
New South Wales
INTERNATIONAL SOCIETY FOR THE PROTECTION OF
ANIMALS
JAPAN ANIMAL WELFARE SOCIETY
JENKS, Mrs E. C., St Lucia, Queensland
JOHNSON, Mrs E. A., Camberwell, Victoria
KIRBY, Mrs V., Toowoomba, Queensland
MILGATE, Mrs V., North Curl Curl, New South Wales
MILLER, Mrs S. (and others), Wellers Hill, Queensland
MORGAN, Mr T. M., North Adelaide, South Australia
NATIONAL LIBRARY OF AUSTRALIA
NEWELL, Associate Professor W. H., Department of Anthropology,
The University of Sydney
OATES, Mr L. R., Department of East and Southeast Asian Studies,
University of Melbourne
QANTAS AIRWAYS LIMITED
RAWLING, Mr S. J., University Counselling Service, The Australian
National University
RESERVE BANK OF AUSTRALIA

ROYAL SOCIETY FOR THE PREVENTION OF CRUELTY TO
ANIMALS, New South Wales Branch
STATE GOVERNMENT OF NEW SOUTH WALES
STATE GOVERNMENT OF TASMANIA
THEOSOPHICAL ORDER OF SERVICE, Brisbane Branch
TOOWOOMBA AND DISTRICT SOCIETY FOR THE
PREVENTION OF CRUELTY
TREGONNING, Dr K. G., Headmaster, Hale School, Wembley
Downs, Western Australia
WERNER, Mrs E., Healesville, Victoria
WORLD FEDERATION FOR THE PROTECTION OF ANIMALS
WORLD LEAGUE FOR PROTECTION OF ANIMALS,
Australian Branch