It is understandable that some of our secondary industries may be concerned about the new Trade Agreement with Japan. The history of the past alone gives them their reasons for their fear. Nevertheless, I don't really believe these fears are justified.

The Trade Agreement with Japan should be given a fair trial. Australia lives on trade. The level of our prosperity and the rate of our national development depend more than anything else on the quantity and value of the goods that we can sell to the other countries of the world.

For instance, secondary industries themselves at the present time consume about 70% of all our imports in either raw materials or capital equipment. Without adequate exports to pay for these essential imports the wheels of industry could not continue. Without exports to pay for many of the raw materials that are necessary, our industries would just not operate; and without exports to pay for new capital equipment our industries would become old-fashioned and unable to compete.

Over the last two or three years the Government has done as much as it can to expand our overseas trade and to place that trade on a surer footing so it will endure and so that it will fluctuate less than if it were left to the whims of chance.

Japan was the only country in the world which we actually discriminated against in our previous trade arrangements. Broadly, the other countries of the world fell into two classes - the United Kingdom with which we had, and still have, preferential arrangements and the other countries of the world which were on an equal basis but whose goods coming into this country had to pay a higher rate of duty than the goods from the United Kingdom. Then there was Japan out on its own with special restrictions and special obstructions against her goods coming into this country.

Now let us look at the facts of trade with Japan. Last year she bought £140 million worth from us, £90 million of which was wool, very nearly as much wool as was bought by the United Kingdom. We bought £12 million worth of goods from Japan. Quite clearly this situation cannot continue. The Japanese Government would have been forced, as it has been forced in the past, to prohibit her importers
buying wool from Australian sources.

Under the new arrangement up to 90% of all the Japanese currency available for wool buying maybe spent in Australia.

The Trade Agreement has been made so that Japan may remain a good customer for our products and so that she may expand her buying from us in the future. However, the Trade Agreement does no more than give Japanese goods the same terms of entry into the Australian market as have been and are enjoyed by practically every other foreign country. Outside the United Kingdom. The Agreement gives the Japanese no preferences which are not possessed by other foreign countries. Their goods can only enter the Australian market by fighting it out with other foreign goods and by foreign I am/excluding the United Kingdom goods, as they still come in under the lower rates of duty which gives them a competitive advantage.

Australian primary industries must benefit from the Agreement. It ensures a continued market for wool, it opens up a market for f.e.g. wheat, it continues our market for barley and opens up extensive trade opportunities for sugar.

Australian industry will also benefit because by enabling us to export more it will make sure that the supplies of raw materials and of capital equipment for industry will be more readily available than they have been in the past.

If there is any chance or any suspicion of unfair competition or of injury coming to Australian industry from the Trade Agreement, special safeguards and special emergency duties can be applied. The Trade Agreement, and this is an important point, does not increase the total flow of imports into Australia by even 1L It merely gives Japanese goods an opportunity to compete on equal terms with other foreign goods. There is no right at the Japanese end to send goods here. They can only be brought to Australia on the initiative of the Australian importer. If he buys from Japan, he will not be buying from some other foreign country. Import licences have not been increased as a result of the Trade Agreement.

31/7/1957.
The subject of my report next week will be - "The Hungarian Uprising".
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