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## JAPANESE-AUSTRALIAN ECONOMIC RELATIONS IN CRISIS

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### IMAGE GAP

The greatest source of trouble for Australian visitors to Japan is reportedly that "Australia" is taken for "Austria". In Japanese people's reactions to the whites, the whites of Western countries come first, while those of Australia and African countries come next. Thus, the position Australia occupies in our ideological world map is minor. With the lapse of 30 years after World War II, the tendency is finally turning toward a restudy in the assessment of the capacity of a nation in terms of its national income flow, instead of which Australia is assessed, from the Japanese angle of vision, on the basis of what may be called a "total production first" principle. But Australia, because of its uniqueness of being a "Western country adjacent to Asia", has come to exert a great political and economic influence on international affairs in the arena surrounding the Pacific Ocean. Correspondingly, Australia itself is dramatically changing nowadays.

Visiting Australia in 1974 for the first time in ten years and staying there more than half a year, lecturing at two universities, I was surprised at its changes. Those who visited that country in the 1960's invariably received an impression that Australia, with its pleasant climate, inexhaustible resources, boundless land and beautiful living environment, is a "lucky" paradise in the southern sea. Politically, they must have seen there something like a model of welfare state transcendental to the fluid moves in the world. In fact, ten years ago, such students as to participate in demonstrations there against increasing and expanding U. S. missile bases and for removing them were completely nil. It was beyond imagination that aborigines (estimated to number 200,000) should form a political party to have their representatives participate in politics in an effort to recover their rights and interests repressed under white rule in the past 200 years.

At that time, no one predicted that the Labor Party, led by WHITLAM, would win victory consecutively in 1972 and 74, though by a slight margin.

\* The article that follows was originally published in the October, 1975, issue of the "Shokun" Magazine. The same article was shortly after translated into English by the United States Government Service for a limited circle of foreign readers. In the writer's opinion the basic issues raised in the article at the time are still relevant in spite of new and unforeseen developments in trading relations between Australia and Japan.

Labor unions there have become very radical, with weather-beaten union leaders who have come from Britain. Such a situation was not seen formerly. In short, the mineral resources boom, started in the mid-1960's, with Japanese capital and technology as a lever, has changed the international image of that country from that of an "agricultural country riding on sheeps' backs" to that of an "advanced resources-supplier country".

Reflecting such a change, a "new nationalism" is burgeoning in Australian hearts. Voices are heard that "anything bad comes from the north" and that "let us aim at a medium-sized state capable of ranking with advanced countries in the northern hemisphere, while eliminating bad influences from our northern neighbours (America and Japan)." This obviously indicates that the Australians' national sentiment for defense has become stronger.

At the same time, futuristic arguments have come into fashion that among the advanced industrial countries, which are being jolted in the age of a global food crisis and resources exhaustion, only Australia will become a big power more affluent and happier than any other countries in the 21st century 25 years hence. That is the way Australia is changing.<sup>2)</sup>

#### STAGE OF MATURITY

Against such a background, Japanese-Australian relations, while deepening friendship and closeness, are entering the stage of a new tension not seen in the 1960's. The Japanese-Australian Economic Cooperation Committee has so far sat in session 12 times, its Tokyo session in May 1974 being attended by 59 Australian delegates. Such a record-breaking scale of the delegation revealed a deepening interdependence between the economies of the two countries. In order to translate the Japanese-Australian Trade Treaty of 1957 into action more concretely, the Japanese Government seems to be making efforts to conclude bilateral agreements, such as a Japanese-Australian basic treaty of friendship and a cultural agreement.

As for trade relations, in the past ten years, Australia's exports to Japan have increased five times, and Japan's exports to Australia seven times, although the total volume of Japan's exports is smaller than the former's. Presumably, 1974 will become an epochal year for the two countries' actual trade. This is because Japan, which accounts for 30% of Australia's total exports, and 25% of its total imports, will become its greatest customer in name and reality. When seen from the Japanese side, Australia stands for 3% and 10% of Japan's total exports and imports respectively, whereby the share occupied by the Australian economy in Japan is incomparably smaller than those occupied by the American and European economies. But when seen from the Australians' position, it is an undeniable fact that Japan has become a significant partner, which cannot but deepen its economic

dependence on Australia, whether Japan likes it or not. Further, it is increasing the Australians' anxiety that Japan's direct investments in that country have increased to approximately 600 million (Australian) dollars in the past few years, even if they represent only 3% of the total foreign investments in Australia's.

In any case, in the political, economic, diplomatic and all other fields, Japanese-Australian relations are entering the stage, incomparable with the stage in 1960's, in terms of interdependence, supplementation and mutual infiltration.

More instrumental in tightening their relations markedly is the invigoration of Japanese studies in Australia. Ten years ago, high schools which taught the Japanese language totaled only 12, and studies on Japanese literature and the Japanese language were confined to well-known universities in Sydney, Canberra and Melbourne. But the number of high schools teaching Japanese has now increased to 69, while university-level Japanese studies courses have spread to 16 universities and research institutes.<sup>9</sup>

One outstanding characteristic of the Japanese studies is that study courses focused on postwar "modern Japan" are strengthened rather than Japanese literature, fine arts, religions and other fields of traditional Japanese culture. At the "Pacific Studies Institute" of Canberra National University, the Japanese economy and social history have been studied with Professor Crawcour as the leader since a long time ago. But in the few years, two Japanese studies courses have appeared. One is the course in "Japanese civilization" at Monash University in Melbourne. This course, under the direction of Professor Neustupny and four native Japanese teachers, links studies on the Japanese language to sociology and is becoming the center of Japanese studies in Victoria State. The other is the course in "Japanese studies" at the University of Western Australia in Perth. Its programs have unique characteristics.

Courses at the latter are so novel that they may be called a unique experiment. Professor KEY, Lecturers KRISHNAN and BOSTON, and Mrs. COBNEY are all young Japanologists in their 30's. One uniqueness about curriculum formation is that emphasis in studies is put on "Japan's modernity". An interesting approach is provided by an attempt to link organically education on the Japanese language to "area studies" whereby dynamically probing into the modern Japanese society. Encouraged by the youth of the teaching staff and their bold programs attracting many excellent students, as I personally experienced through my three-month teaching there, this discipline is proving effective and probably by far the most exciting not seen elsewhere.

Another thing that is making this University's experiments attractive

is the contents of studies. Regrettably, no one but businessmen, who scurry about in dark suits, come to Australia from Japan. In the eyes of the average Australian, Japanese are economic animals. Therefore, Japanese studies must begin with eliminating the prejudice that Japanese are economic animals. In other words, they should start with a teaching that Japanese are not economic animals but "homo economics". Japanese people look like economic animals not only because of their uniqueness in personality and human relations but also in social structure. In as much as Japanese society's framework and history differ from those of Britain and Australia, Japanese "businessmen's" thinking and behavioral patterns reflect Japanese characteristics. It has been argued that their working mentality is most comfortable in circumstances characterised by a lifetime commitment to a job without a term contract, in the seniority system based on the spirit of respecting the aged, the formation of a consensus not based on majority rule, loyalty to a collective goal with emotional oneness in a family, a firm and a government group. Recent emphasis centres on the country's industrial-banking conglomerates, multinational trade-developing companies, symbiotic interactions amongst government, business, and consumers. Undoubtedly these are never unrelated to a traditional sense of values, such as a vertically structured society and Confucianist ethics.

A special society called Japan should, however, not be judged lacking "modernity". Far from that, Japanese studies in Australia are shedding light on the mechanism of Japanese business, bureaucracy, academic societies and journalism participating in the Government's decision-making process formerly dominated by the "establishment", whereby Japan's dynamic character marked by "modernity" is emphasized. How agricultural cooperatives, labor unions, student movements, consumer unions, medical associations and other professional organizations work upon and challenge this "establishment" is also studied to have an insight into their interrelations. By the same token, Japanese studies is going to look into the decision-making mechanism of Japanese foreign policy, such as vis-à-vis the United States, Australia, and the Arabic nations.

As is seen in this example, Japanese studies in Australia generally underscores studies on the operational structure of the Japanese economy, on the dynamics of Japan's policy-making process and on cooperative relations among individuals and in society which are not seen in most of the Western world. In this regard, indeed many of the results of Japanese studies in America have been adopted, but what as the basic approach include the attitude of confirming Japanese society's "Modernity", Affirming the Japanese people's thinking and behavioral patterns, which are supporting Japanese society, and discovering any "beautiful quality to learn from".

If disciplines and education related to "Japanese studies" based on such a spirit of friendship indicate that "Japanese civilization" has come to be recognized internationally as a bloc of unique modern civilization, the Japanese should have a real appreciation of Australia's assessment of Japan. If that is the case, it is natural that we should reciprocate their recognition by contributing to international cultural exchanges in a broad sense though the results of promoted studies on modern Japan at the level of enabling international exchange so that people overseas can find ready access to expanded opportunities to this aspect of education.

#### LOW CONCERN IN AUSTRALIA

Compared with such a remarkable change in the Australia's image of Japan, what views do the Japanese people have on Australia? In marked contrast to our relations with the U.S. and China, as a matter of fact, we have traditionally been surprisingly less attentive to our relations with Australia.

Australian travellers to Japan number approximately 15,000 a year (a 1974 survey by the Japan International Problems Research Society), whereas the number of Japanese travellers to Australia is 1,200. To size up the degree of concern in terms of the rate of travellers against the total population, Australia's interested in Japan is 15 times as much as vice versa. This being a simple, mechanical calculation, some allowance should be made for differences between both countries as to geographical environments and air route conditions. It is true, however, that the number of Australian travellers to Japan has increased recently especially among the younger generations, despite that air fares to Britain, its mother country, are relatively lower than those to Japan.

The "Society of Oceanian Studies", inaugurated four years ago, has a membership of less than 50 in the light of activities of academic societies devoted to foreign studies in Japan, which include the "American Literature Society" with a membership of about 800 throughout the country and the "Society of American Studies" with a membership of 500 in Tokyo alone. Universities with an interdisciplinary course called "American studies course" are on the increase in Japan, but we have never heard of "Australian studies"

Nevertheless, the level itself of Australian studies in Japan can be by no means looked on as low by international standards. Especially since Australia arrested public attention as a major supplier of raw materials in the 1960's, actual researches and studies have been improved quantitatively and qualitatively at the "Japan Economic Research Center" and the "Asian Affairs Research Institute". Yet, this has a strong bias of questions, viewing Oceania only from the standpoint of resources overly inclined toward the

economic field, such as trade, monetary and investment relations. In this sense, the results of present studies in Japan are still at the groundwork stage and constitute a prelude to the development of Australian studies, which will probably be continued in the future.

Precarious as it may be that our academic and touristic interest in Australia is as low as this, the serious problem posed is that only our economic interest is going far ahead. To look back on historic relations, the first economic contact between the two nations dates back to 85 years ago, when the Kanematsu Trading Co. established its branch in Townsville (Queens State) in 1890. Since then, the bilateral economic relations developed steadily, to the extent that in the 1930's the Japanese textile industry became the second best customer next to Britain for Australian sheep raisers. In the meantime, an increasing number of Japanese emigrated to Australia as pearl fishers and sugarcane industry workers, in consequence of which a total of 4,500 Japanese settled down before the Pacific War broke out, it is said.<sup>6)</sup> After it was over, however, most of them were forcibly repatriated to Japan. Accordingly, the present Japanese residents, estimated at 7,000, are businessmen and their families, who have been allowed to stay after the signing of the Trade Treaty in 1957.

I do not deny that the Japanese business elites, playing an active role there, include many well-experienced and well-learned people. Most of them, however, excepting wool buyers with a ten- or twenty-year old career, are short-term residents, who "work, with their faces turned toward their head offices in Japan". It goes without saying that the Japanese-type overseas advance, motivated only by an economic concern and not accompanied by academic and cultural exchange in a broad sense, tends to invite the host country's antipathy.

#### TRADE IMBALANCE

As for trade relations, the general observation is that Japan and Australia are tied together by a bond of beautiful friendship, excepting frictions over the restrictive measures the Japanese Government took for importation of beef and wool in 1974, I received an impression that as far as this point is concerned, even Foreign Ministry and MITI officials stationed are very optimistically disposed toward the issue.

The trade pattern between the two countries is certainly vertical, as is taught in textbooks. With their supplementary relations as the axis, their trade volume shows a trend toward a marked increase recently. Since 1966, Japan has become one of Australia's largest export markets, expecting to become its largest importer in fiscal 1974 by surpassing Britain and the U.S. An increase itself in the bilateral trade volume is supposed

to produce "economic benefits of trade", which is desirable for the two countries. But the problem is that Japan has come to account for 30% each of Australia's actual exports and imports. In our present international economic common sense, should one country occupy one-third of the total trade volume of its trading partner, a clash of interests and or a frictional relation tend to take place.<sup>7</sup> Especially in the past ten years, the nominal increase rate of Japan's exports to Australia averaged 19% a year. Such a sharp increase in exports has a possibility of developing into a political problem between the two countries, as was exemplified by economic difficulties between the U.S. and Japan early in the seventies. Economic rationality and a national sentiment may be precluded from a harmony at times when either or both of the parties can no longer tolerate an excessive imbalance in interdependent trade relations.

Statistics disclose that the share Australia occupies in Japan's total trade volume is not very large. It constitutes 10% and 3% of Japan's total imports and exports, respectively, the latter being smaller than the percentages represented by such other countries as North and South America, European and Asian countries. Australia's favorable trade balance amounting to 1,100 million (Australian) dollars (fiscal 1973) is likely to become constant, this trend probably fringing about pressure which will work against Japanese traders' export drive to Australia. A country, which is compelled to depend on multilateral trade, irrespective of the East, West, North or South, as Japan is, will be able to offset its over-imports from one area with over-exports to another area. As far as this point is concerned, it will have no problem, but we cannot deny the fact that an unfavorably lopsided trade provokes a silent pressure giving rise to an impetus to an export drive.

Reflecting such a trading position between Japan and Australia, the Japanese Government is continuing negotiations with Australia demanding that it will grant Japan a treatment at the same level as are applied to Canada, America and New Zealand, if not the most-favored-nation treatment "by law." This obviously hits a sore point of Australia, where the trade structure has greatly changed since the 1960's. Moreover, in view of the fact that on the Australian market, preferential measures are given by the Income Tax Law to the commodities produced by the enterprises in Australia, which are entirely owned by the above-mentioned countries, Japan's demand for "equal treatment" is not illogical.

On the Australian side, a number of influential arguments seem to be recognized generally to explain the trade imbalance. One concerns the problem of tariff rates and maintains that Japan should put greater emphasis on duty-free export commodities, of which Japan's share is only 50 million (Australian) dollars, or less than 5%. In the area of duty-free import items,



Japan can compete with other countries on the same conditions, and as far as these items are concerned, Japan may expand its shares, provided that it will not cause any trouble to the Australians.

Nearly the same thing can be said about the low-tariff area, where the rates are up to 12.5%. Japan's share in this area is as low as 6%. Even if this area is combined with the area where duties are zero, Japan's share is only 160 million (Australian) dollars, or a little over 10% of the total imports amounting to 1,600 million (Australian) dollars.

Compared with them, Japan's share is fairly large in the high-tariff area, namely, 140 million (Australian) dollars, or 25.6% of the total imports worth 530 million (Australian) dollars. Japan's market share in this area is 84%, when its share in the low-tariff area is counted as 100%. This rate is markedly high, compared with those of other trade partners, whose exports in the low-tariff area are twice as much as those in the high-tariff area. As the results, their market shares in the high-tariff area average 50%, according to Australia's estimate.

Such a vindication has evidently a strong protectionist hue. Australia, while enjoying the status of an advanced country in the world in terms of living standards and social welfare system, retains much backwardness in the secondary industries, especially in the sector of durable consumer goods manufacturing which has been traditionally protected by high tariffs. Australia's mono-cultural industrial structure, too much dependent on favorable conditions for food production and on rich natural resources, is believed to give the primary reason why it cannot rid itself of devout protectionism. Consequently, in the durable consumer goods industry, where the elasticity of taxes to the national income is high, a relative decline productivity and a wage cost increase must be offset by high tariff barriers. It is only natural that the Australians' antipathy against Japan is increasing under the present circumstances in which Japanese commodities have made a concentrated advancement therein at an accelerated ratio.

Another argument is that the Australians enjoy annual per capita imports averaging 25 (Australian) dollars or four times as much as the equivalent of six (Australian) dollars by the Japanese.<sup>9</sup> This is a cliché often drawn on by the Australians not only about economic but about other matters. To calculate in terms of population, Australia may be a country, which has produced more world-level personalities in the fields of fine arts, science and sports than any other country. When seen from such a point of view, Japan's demand for "more purchases" is nothing but an "unreasonable demand" on the ground of Australia's over-exports.

They also argue, "in the new century, twenty-old years hence, the Australian population will probably grow to the extent that we no longer need

trade restrictions and tariff barriers. Until then, we must develop and maintain our industries and make them efficient through protectionist policy. This does not mean that Japan is asked to wait until our population, now only one-eighth of Japan's, will become 100 million. If Japan directs its policy in an effort to duty-free and low-tariff commodities, a trade balance will be restored without disrupting the Australian market."

This argument, too, sounds like an excuse to justify the the protectionist policy, as in the first argument. But Australia has a strong revulsion against Japan's low wages, which is deep-rooted also in Western countries. This is clearly reflected in the following arguments :

Japan's exports to Australia are exclusively composed of machinery, machine tools, textile goods and durable consumer goods. Out of one (Australian) dollar's worth of these goods consumed by Australians on the average, 30% represents the costs of raw materials imported from Australia, and the remaining 70% accounts for the wage cost and profits. For instance, taken textile goods as an extreme case. Japanese wool buyers purchase one pound of wool for one (Australian) dollar. To make one suit, four pounds of wool are necessary. Hence, for the textile industry, the raw material cost is only four dollars. But the price of one suit made of four dollars worth of raw materials is 50 (Australian) dollars. This means that the raw material cost is less than 10% of the price of the finished product. Extreme is the case of mineral resources. One ton of steel products is produced out of 1.5 tons iron ore. In this case, the raw material cost is only 10% of the cost of one ton of steel plate or steel bar. As these intermediate products are processed into ships, cars and other machines, the rate of the raw material cost against the prices of finished goods goes down remarkably to as low as 2%.

As is clear from these examples, Japan imports good-quality raw materials from Australia at reasonably low prices, adds thereto the value in terms of technology, labor and knowledge and exports them abroad. In this case, the productivity of added value is high. Is it not that this is made possible by Japan's relatively low wage cost? In the past five years, the annual rate of wage increase was high in Japan, and yet, compared internationally, its average wage is still lower than Australia's, so says Australia.

Despite that Japanese enterprises' distribution rate to labor reached 48.1% in fiscal 1974, their larger capital cost and depreciation expense caused this rate to become much lower than Australian enterprises' average rate ranging from 60 to 75%. This point, along with an haunting suspicion against Japanese dumping on the Australian market, has bred deepseated enmity against Japanese enterprises and sowed distrust of Japan, as is shared in common in Europe and America.

## INVESTMENTS ON SHARP INCREASE

In the past years, Japan's investments in Australia have increased by about 50%. The number of Japanese enterprises which have made inroads is 150. Although the aggregate total of Japanese investments is 310 million U.S. dollars against America's 3,900 million U.S. dollars, Japan outstands in its increase rate of investments. Especially in fiscal 1972, compared with the previous years investments, but Japan showed an increase by 10%. It is unquestionably that this has increased Australia's antipathy against Japanese enterprises.

Traditionally, developing of Australia's mineral resources was undertaken by British capital before the end of World War II, and by American capital thereafter. Foreign capital's domination rates are 57% for iron ore, 25% for coal, 72% for bauxite, and 85% for oil, averaging 62% for the mining industry as a whole. For this reason, the Labor Government, which recaptured power in 1972 for the first time in 23 years, expounded elimination of foreign capital's domination as one of its policy keynotes.

The first measure to control foreign capital was the so-called "interest-free deposit system" (December 1972), under which a borrower of foreign funds with a term of repayment of more than two years must deposit 25% of his borrowings with the Federal Reserve Bank interest-free. Later, the deposit rate was raised to 33% (October 1973). At that time, Prime Minister WHITLAM said, "We will gradually reduce foreign control and ownership in resources industries under 62%". It may be interpreted that this system itself was one of the tight-money policies adopted as part of anti-inflation measures. The Government's official announcement maintained that the system was aimed at controlling the liquidity glut. But even if its effect of preventing the inflow of foreign capital, especially of speculative short-term funds, and controlling inflation cannot be denied, it is a superficial observation to think that this measure was taken only for this purpose.

This is because the Laborite Government issued a statement in August 1973, announcing the strengthening of the AIDC (Australian Industrial Development Corporation) concept. This concept itself consists of (1) absorption of domestic funds through floatation of development bonds, etc., (2) capital subscription to the AIDC by foreign enterprises, which hope to invest in Australia's development projects, (3) the AIDC's ownership of such projects and its control over enterprises, and (4) payment of a due interest and stable, long-term supply of resources to foreign enterprises as collateral for their capital subscriptions. Consequently, it does not necessarily expound the prevention of foreign capital inflow. But the likelihood is that the AIDC, inaugurated with a capital of 100 million (Australian) dollars and an operational

fund of 60 million (Australian) dollars (1972), will further strengthen its concept, far from abolishing it.

In the undercurrents of these two policies, we clearly perceive not only the intention to rid itself of foreign capital but the intention to strengthen Australia's position as a resources-owning country and to improve the domestic processing of resources. But it may be irrelevant to hold only the Laborite Government responsible for a policy switch to controlling foreign capital. In fact, the previous conservative McMAHON Government had an organ of the Treasury Ministry issuing a detailed survey report entitled "Foreign Investment in Australia" in March 1972, while in September the same year it took the policy of tightening exchange controls as a measure to control indirect investment routes, such as trade settlements and investments in bonds. Concerning foreign enterprises' take-over of domestic enterprises, it legislated the "Corporation Act" (generally called the Take-over Prevention Act), thereby to strengthen control over foreign capital.

It is true, indeed, that anti-foreign capital policies have been reinforced and implemented concretely under the Laborite Government. On the other hand, voices are strong among industrial circles and state governments against such foreign capital control and resources policies. The first point they raise is that the AIDC concept is of the character of making the AIDC the axis of developing domestic industries but that in expanding the scope of its activities, it has many difficulties in fund raising and other matters. At present, a fund of at least 300 million (Australian) dollars is held necessary to develop a mining company. When it comes to natural gas projects, 1,000 million (Australian) dollars is held necessary for one project. How is it possible to raise such an enormous amount of money? It is nearly impossible to have private banking institutions underwrite Government bonds. If the Government invokes its legal power, it will invite private enterprises' antagonism, so they say in their criticism.<sup>12)</sup>

Second, they point out that if it is impossible to raise funds domestically, there will be no choice but to induce foreign capital, but that as a result of a series of restrictive measures, the inflow of foreign capital has stopped for the past two years, and that, therefore, the Australian economy has fallen into an awkward dilemma between two walls named a worsening inflation and an increasing unemployment rate.

In any case, the above-mentioned series of foreign capital inflow control measures, the Take-over Prevention Act and various regulations on foreign capital's domination and ownership are evidently aimed at "development of Australia by Australians". If so, we cannot expect such foreign capitalised developments as in the past, nor can we take Australia as an attractive investment market for foreign capital.

Yet, as far as this point is concerned, the Japanese people's image of Australia seems too sanguine. Some years ago, a Canadian technician conducted a survey on capital-importing countries in the world.<sup>19</sup> The survey was intended to grade the degrees of such countries' leniency toward foreign capital, using the yardsticks which included the degrees of market competition, working condition, preferential taxation measure and popularization of the technological level. According to the result, Australia was rated as top-ranking with 72 points, followed by Canada and America with 70 points, and the Republic of South Africa with 64 points. Is it not that the Japanese Government and business circles are still obsessed with this image of Australia of ten years ago? Not only that, it appears that this image, combined with the geographical propinquity of Japan and Australia, their filling of each other's needs as a result of the way natural resources exist, and their political stability, has given rise to the predominant view that Australia is a "quarry" of the Japanese industry.

Japanese enterprises, which have advanced there, lack such 100% ownership, domination and a "high-handed" management attitude as are noted in Anglo-American firms. Local employees are relatively favorably disposed toward Japanese enterprises. Their popularity does not differ from Japanese enterprises' popularity in Europe and America on account of their "Japanese-type" management attitude. Distrust and antipathy against Japan's economic presence are strong. The reasons for this are presumably Japan's too rapid investments in development for the past ten years and the "White Australia" policy still lingering in Australia's national sentiment like a hard core, rather than general Australians' lack of understanding. The above-mentioned "foreign capital deposit rate" was lowered to 5% in August, 1974. But Australia can no longer be looked on as a "country most welcoming foreign investments". In the case of Japan, its investments in Australia are tilted toward the "development and import" formula, which is responsible for a strong dissatisfaction with Japan that is reducing Australia's role to that of a "colony-type raw material-supplier" and "of a" quarry for Japan, an industrial country."

#### GROUPING FOR "ASIANIZATION"

How is this "White Australia" policy going to change? It is an unrealistic observation to think that Australia, a country of Westerners, will permit unlimited immigration from Asia in the near future and will completely abolish its "White Australia" policy. The "White Australia" policy has deep and wide roots. Meanwhile, we cannot overlook the fact that Australia is pushing "Asianization" in various senses.

Having been weaned from Britain economically, Australia has steadily

pursued the way toward de-Anglicization for the past ten years. Its agony and efforts have been manifested in its strengthened moves to put an end to the "White Australia" policy which started in 1837. In 1972, when the Laborite Party was brought into being, Australia restored diplomatic relations with China, followed by transactions mainly in grains and textiles which show annual increases. It may be said that its permission for immigration of 100 families from the Philippines in 1973, though a limited one, marked a turning point in the history of its Immigration Act enacted in 1901. It is also a great change that voices are heard among Australians recently that Japan, which has become Australia's biggest trade partner in exports and imports, should be granted special visa arrangements and a special treatment in favour of them pertaining to citizenship. According to annual Gallup polls,<sup>14</sup> Australia's recent trend is to have the strongest sense of affinity toward yellows, under the circumstances in which it formerly disfavored blacks most and Asians in the next place, relatively favoring Arabic and Indian peoples.

Among the younger generations, an inflow of Asian students is seen, a phenomenon not seen in the past. Besides students from abroad who have taken advantage of the Columbo Plan and other scholarship systems, self-paid foreign students have greatly increased in numbers recently. Foreign university students throughout Australia are estimated to total about 15,000. Among them, young Asians, who find jobs after graduation and settle down in Australia, are reportedly on the increase in numbers.

Whatever the political consideration may be behind "Asianization" in such a form, Australia is evidently heading toward the direction of partially tearing down its old, obstinate immigration policy. It is also certain that, even if this "Asianization" policy is intended for bringing about income and production effects on the Australian economy plagued by a chronic manpower shortage, racial solidarity between Australians and Asians will be strengthened.

On this trend, Australians say, "This means complete elimination of the old Immigration Act based on exclusive favoritism to Anglo-Saxon and other European immigrants. We are admitting any immigrant, who has passed the 'Immigration Act-based tests', irrespective as to whether the Australians think that the "White policy" is an old history. In other words, they look favorably on disappearance now taking place of such discriminatory legal restrictions that reject the immigration of those who have a good academic and technological knowledge and who have no linguistic problem and are in good health.

But is this true? A principle often betrays a real intention. Immigration Minister GRASSBY of the first WHITLAM Government won popularity

with his youthfulness and articulate way of speaking, but he lost in the general elections of May 1974. According to newspapers, during the election period, he received many blackmail letters from those who were against his liberal immigration policy. Even the incumbent Cabinet Ministers include one who strongly advocates the "White Australia" policy. He calls the Japanese not "Japs" but "Nips". Not only that, there is a voluntary organization called the "Anti-Asian League" in Australia. It has begun KKK-type Activities, and allegedly has a membership of more than 3,000.

However, we do not intend to emphasize such an example of an extreme minority as is seen in any country. What are important here are the following open arguments in support of "White Australia". The first argument is that immigration from Asia will have only minus effects on both parties economically. The reason given is that, if an increase in manpower as a result of immigration is not accompanied by a capital inflow, the per-capita capital equipment ratio will only decline and that, as a consequence, immigration will prove detrimental to capital formation and technological progress. This argument is accompanied by one explanation that Southeast Asian countries' population density is lower than Britain's, that their poverty is attributable to their lack of capital to feed their population, not their oversized population, that, therefore, a population outflow from them does not always have a plus effect economically and that Australia should cooperate with them by capital aid, not by unlimitedly admitting immigrants from them.

The second noteworthy argument in support is more persuasive and may be called an idea, which has firmly sprouted in the hearts of the Australians, whether young or old;<sup>16)</sup> namely Australia has traditional "equalitarianism" or "mateship" as its national trait, different from Britain's. It is the spirit of mutual aid and communalism handed down from the colonial days in the end of the 18th century. With this "mateship" in the background, Australia could build up the highest welfare level and the best living environment in the world in the middle of the 20th century. That Australia's house-owning rate is 70% even now is one of the indices it can take pride in to the world. Not only that, its "antiauthoritarian attitude", taken over from the "Bushmen" and "diggers" of the colonial days and still alive in the Australia's living consciousness, has engraved a unique pattern into Australian society. First of all, it has no "problems of minorities" in such a state of rightlessness as in America. Non-white residents account for about one percent of the total population, while postwar European immigrants accounting for about 20% mostly belong to the middle class. Australia has neither "class distinction" as in Britain nor "apartheid" as in the Republic of South Africa. In a word, Australia should be able to construct a south-

sea paradise most comfortable to live in on earth in the 21st century by preventing such social evils as are now distressing other advanced countries as modern problems.

It appears that the Australians implicitly have such a white-supremacist, idealist and futurist argument at the bottom of their thinking. In this sense, they still have a long way to go to attain real "Asianization."

#### ACADEMIC AND CULTURAL EXPORTS

It used to be said that, when America sneezes, Japan catches cold. Likewise, reversing Japanese position, it used also to be said when Japan sneezes, Australia catches cold. I recall many Australian businessmen's grave expressions, when they asked me, during my talks with them, what effects Japan's inflation and recession would have on the Australian economy, what Japan's prospective meat demand would be and whether Japan would not restrict its car exports autonomously. In fact, great effects to be exerted on Australian economic trends by any decrease in Japan's wool and coal purchases were driven home to me while in Australia. This is the same as the case of Japanese industrial circles, which have been influenced by American economic trends for 30 years after the end of World War II.

America did not stint efforts and money to explain its position, even if its "democracy", "way of life" or its "globalism" did not sit well with Japan's mental climate. What is now demanded of Japan may be efforts to seek the Australian's understanding of Japan, or their understanding of a Japanese-type society, customs and manners, history and culture.

In Australia in the 1970's, political, economic and social trends are changing radically. In this period of transformation, Japan's dependence on Australia for trade is unnaturally great, while the weight the Japanese carry in Australian society is still small. Unless such abnormal relations of dependence are improved, Japanese-Australian relations will probably fall into a critical situation in a few years. Whether we can avoid such a foreseen crisis with the minimum friction depends, we may say, on the success or failure of our cultural diplomacy to have the position of Japan and its people understood.

On Japan, general Australians still have the image of the defunct Japanese military forces, which air-raided Darwin and fired torpedoes in Sydney harbor during World War II. Hard as it be to erase this old memory, overlapping each other the image of "Japan, an economic superpower", the reminiscences have given rise to the view that Japanese enterprises snatch away resources of the Australian continent and bring pollution instead and that "Japanese imperialism" will reduce Australia to a "satellite status".<sup>17)</sup>

As I have pointed out, nationalism is rising in that country as a trend



common to all resources-rich countries. This is seen in its quick approach toward Asia by its economic, foreign and immigration policies and in its foreign capital control policy and the so-called "educational revolution". University education has become free since March 1974, which is also applied to self-paid students from Asian countries. The booming number of these students can be taken as another manifestation of the Australian's intention to grope for their autonomy and independence.

This notwithstanding, the view on Australia we Japanese have in our international consciousness is too meager and childish. Is it not that the time has come for us Japanese to make positive efforts to bridge such an image gap?

Like relationships between the U.S. and Japan, Japanese-Australian relationships are entering the stage of maturity in the 1970's. Stereotyped and formalistic friendship and mutual understanding will not do. I think the prerequisite is for the Japanese to acquire a principle and a technique of explanation to have their position understood by their partner.

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