

## Acknowledgements

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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<br>Australian<br>exports<br>(\$A million) | Exports to Japan |                   | Other main markets<br>(\$A million)                         |
|----------------------------------|---|------------------|-------------------|---|
|                                  |   | (\$A million)    | Per cent<br>Total |   |
| Sorghum . . . . .                | 47.8  | 47.4             | 99.2              | ..  |
| Beef and veal . . . . .          | 388.9   | 44.6             | 11.5              | 1 U.S.A. 259.3<br>3 U.K. 34.4<br>4 Canada 19.4              |
| Mutton and lamb . . . . .        | 107.0   | 28.5             | 26.6              | 2 U.S.A. 18.7<br>3 Greece 15.3<br>4 Canada 13.1             |
| Prawns and shrimps . . . . .     | 27.0  | 17.9             | 66.3              | 2 U.S.A. 4.0<br>3 U.K. 2.2<br>4 South Africa 1.3            |
| Wheat . . . . .                  | 418.5   | 72.1             | 17.2              | 1 U.A.R. 83.8<br>3 U.K. 27.5<br>4 U.S.S.R. 25.0             |
| Barley . . . . .                 | 74.3  | 14.1             | 19.0              | 1 Taiwan 16.1<br>3 U.K. 10.4<br>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<br>3 Saudi Arabia 3.4<br>4 Philippines 1.3       |
| Sugar . . . . .                  | 210.6   | 56.3             | 26.7              | 2 U.K. 43.6<br>3 Canada 36.6<br>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<br>3 South Africa 3.4<br>4 Taiwan 2.4 |
| Cattle hides and skins . . . . . | 28.1  | 7.3              | 26.0              | 2 Poland 3.4<br>3 Germany F.R. 3.0<br>4 Italy 2.5           |
| Wool, greasy . . . . .           | 524.5   | 217.8            | 41.5              | 2 France 51.5<br>3 Germany F.R. 41.4<br>4 Italy 37.2        |
| Iron ores and con-<br>centrates  | 375.5   | 326.3            | 86.9              | 2 Germany F.R. 11.6<br>3 Italy 10.8<br>4 U.S.A. 6.3         |

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

Source: Department of Trade and Industry \* Preliminary

# Japan's Imports of Selected Items 1971

## AUSTRALIA'S SHARE AND OTHER MAIN SUPPLIERS

| Item  | Total imported<br>(\$A million) | Imported from<br>Australia |                   | Other major suppliers<br>(\$A million) |       |
|---|---------------------------------|----------------------------|-------------------|--|-------|
|   |                                 | (\$A million)              | Per cent<br>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<br>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-<br>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<br>for smelting excluding<br>alloy | 112.7                           | 14.3                       | 12.7              |  |       |

| Item                           | Total imported<br>(\$A million) | Imported from<br>Australia |                   | Other major suppliers<br>(\$A million) |       |
|--------------------------------|---------------------------------|----------------------------|-------------------|--|-------|
|                                |                                 | (\$A million)              | Per cent<br>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  |
| Manganese ore and concentrates | 39.8                            | 14.0                       | 35.2              | 2 South Africa                         | 10.7  |
|                                |                                 |                            |                   | 2 Gabon                                | 4.0   |
|                                |                                 |                            |                   | 4 India                                | 2.9   |
|                                |                                 |                            |                   | 2 Malaysia                             | 2.9   |
| Titanium ore and concentrates  | 13.0                            | 7.0                        | 53.9              | 3 India                                | 1.5   |
|                                |                                 |                            |                   | 4 Ceylon                               | 1.4   |
|                                |                                 |                            |                   | 3 India                                | 1.5   |
| 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  |
| Liquefied petroleum gas.       | 89.3                            | 10.2                       | 11.4              | 1 Kuwait                               | 29.8  |
|                                |                                 |                            |                   | 2 Saudi Arabia                         | 28.8  |
|                                |                                 |                            |                   | 3 Iran                                 | 13.3  |
|                                |                                 |                            |                   | 1 U.S.A.                               | 30.6  |
| Beef tallow . . . . .          | 50.2                            | 11.3                       | 22.5              | 3 Canada                               | 5.5   |
|                                |                                 |                            |                   | 4 N.Z.                                 | 2.8   |
|                                |                                 |                            |                   | 1 U.S.A.                               | 30.6  |
| 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   |
| Copper unwrought . . . . .     | 278.1                           | 15.7                       | 5.7               | 1 Zambia                               | 136.6 |
|                                |                                 |                            |                   | 2 Chile                                | 64.6  |
|                                |                                 |                            |                   | 3 Zaire                                | 17.0  |
|                                |                                 |                            |                   | 1 Canada                               | 37.5  |
| Aluminium unwrought . . . . .  | 92.5                            | 22.6                       | 24.4              | 3 U.S.A.                               | 10.7  |
|                                |                                 |                            |                   | 4 Ghana                                | 9.6   |
|                                |                                 |                            |                   | 1 Canada                               | 37.5  |

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 £30 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

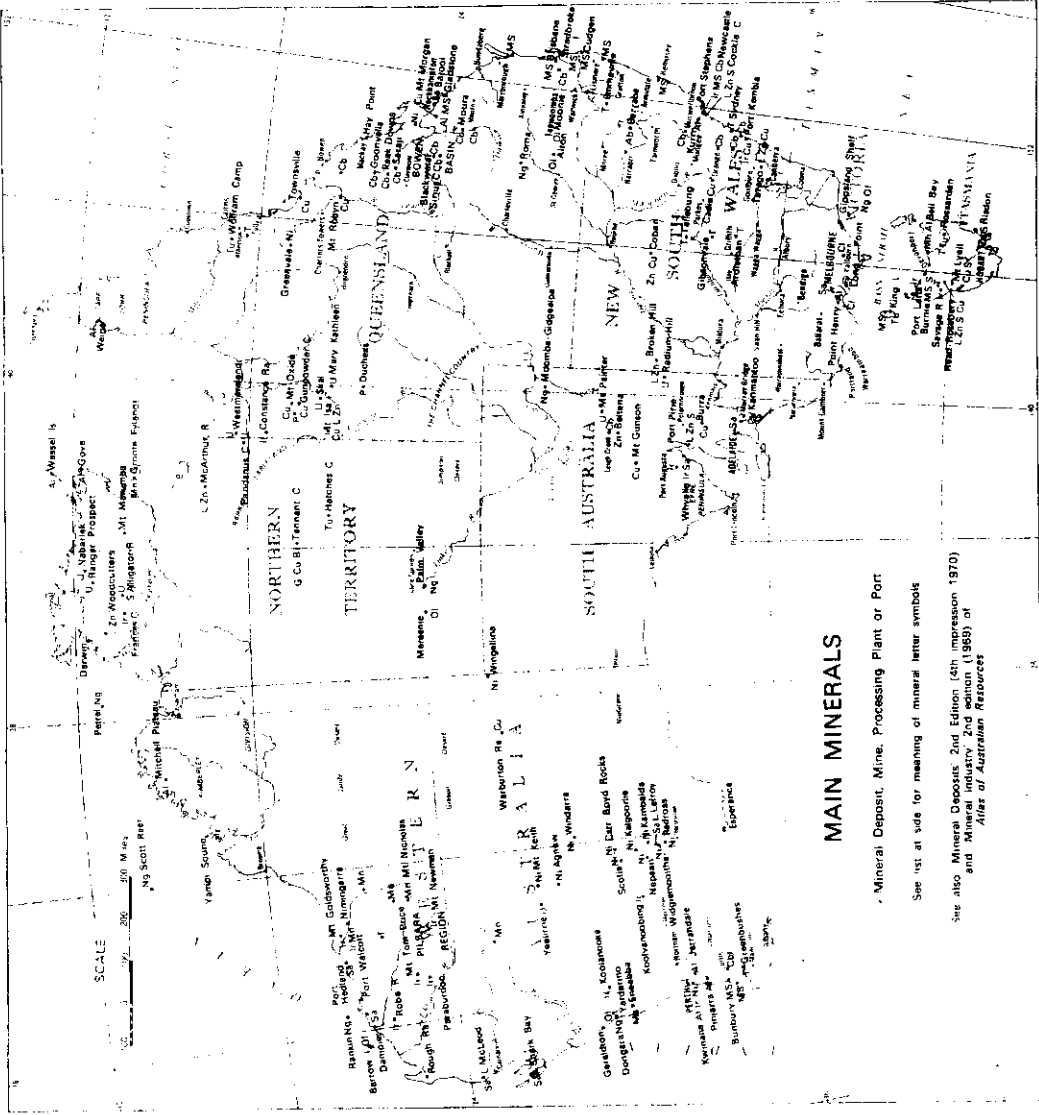
inaugural meeting in August 1962. The President was Mr J. Walker, a former President of the Associated Chambers of Manufactures of Australia (A.C.M.A.). Simultaneously, a Japan-Australia Business Co-operation Committee was formed in Japan. Delegates from each of the Committees meet jointly once a year. 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) at Office of Australian Resources

## Appendix VI

### Australia: Major Import Items from Japan

|  | (\$A million) |         |         |         |          |
|--|---------------|---------|---------|---------|----------|
|  | 1967-68       | 1968-69 | 1969-70 | 1970-71 | 1971-72* |
| <b>Machinery Group</b>   |               |         |         |         |          |
| 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       |
| <b>Vehicles Group</b>  |               |         |         |         |          |
| 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       |
| <b>Textiles Group</b>  |               |         |         |         |          |
| 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       |
| <b>Metals Group</b>  |               |         |         |         |          |
| Iron and steel . . . . .   | 30            | 46      | 42      | 76      | 72       |
| <b>Foodstuffs Group</b>  |               |         |         |         |          |
| Fish and fish preparations . . . . .   | 8             | 8       | 9       | 12      | 11       |
| <b>Chemicals Group</b>   |               |         |         |         |          |
| 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/<br>Peabody/Mitsui)              | 20% Mitsui and Co. Ltd . . .   | \$40m  |
| Goonyella/Peak Downs<br>Coal<br>(Central Qld Coal Assoc.) | 15% Mitsubishi Development Co<br>Pty Ltd   | \$190m by 1974   |
| Alcoa Aluminium . . .<br>(Point Henry)                    | Furukawa loan of \$8 million . .   | Loan   |
| Amax Bauxite . . .<br>(Admiralty Gulf)                    | 17.5% Sumitomo Chemical . . .<br>12.5% Showa Denki<br>5.0% Sumitomo Shoji Kaisha<br>2.5% Marubeni-Iida                                 | \$300m by 1974   |
|   | 37.5%  |  |
| Greenvale Nickel . . .                                    | Japanese Consortium Loan of \$30<br>million  | Loan   |
| Dampier Salt. . . . .                                     | 21.4% Marubeni-Iida . . . . .<br>10.6% Nissho-Iwai   | \$20m beginning<br>1971                                  |
| Lefroy Salt . . . . .                                     | 50% Sumitomo Shoji Kaisha . . .  | \$7m by 1973   |
| Austen and Butta Ltd<br>(Coal)                            | 12.85% Marubeni-Iida Corp. and<br>and<br>Mitsubishi Chemical In-<br>dustries   | Not known  |
| Hail Creek Coal (Mines<br>Administration Ltd)             | 10% Marubeni-Iida . . . . .<br>5% Sumitono Shoji Kaisha  | \$120m   |
| Gunpowder Creek Copper                                    | 13.5% Mitsubishi Metal Mining<br>(Aust.) Ltd<br>13.5% Mitsubishi Development Pty<br>Ltd<br>3.0% Kinsho-Mataichi (Australia)<br>Pty Ltd | \$6.6m   |
| 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.