

## Australia and Japan under the World Trading Organization: How can we Harmonize our Industries?

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The trade relationship between Japan and Australia has been strong for decades and has played a major part in fostering the close relationship between the two countries. Trade has helped to increase the range and quality of products available to consumers in both countries as well as helping create employment opportunities for Australian and Japanese workers, and providing business opportunities for Australian and Japanese industries. Traditionally, Australia has been very dependent upon exports of primary commodities such as beef, wheat, coal and iron ore, but this situation has been changing. Exports of skill intensive elaborately transformed manufactures - products such as motor-cars, office equipment and medicines - have been increasing. In 1990, for example, elaborately transformed manufactures accounted for 12.5 per cent of Australian produced merchandise exports but by 2000, this share had grown to 18.6 per cent. Over this same period, the share of primary products in Australian produced merchandise exports declined from 67.1 per cent to 61.6 per cent. Australia has not had the same level of success in exporting elaborately transformed manufactures to Japan as it has to other close trading partners such as New Zealand and the United States. Part of the reason for this could be that Japanese firms have not fully recognized the changes that have taken place in the Australian economy over the last two decades. These changes include the deregulation of the financial system and the removal/reform of government assistance to industries, such as the motor vehicle industry and the wool industry. All of the changes that have occurred have been designed to make the Australian economy more responsive to developments and opportunities in the global economy. Japan will continue to play an important part in Australia's economic future, and Australia will remain an important trading partner for Japan. However, it is important that both countries respond to global economic developments. The discipline of the global economy will ensure that any Japanese product able to compete in the international markets is likely to succeed in Australia. Similarly, Australian products able to compete internationally are also likely to find markets in Japan. Acceptance of this view suggests that it would be unwise for the two countries to attempt to harmonise their industries.