

The Airport Economist Flies Again!

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By

Tim Harcourt

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PREFACE

THE STORY OF THE INTERNATIONALISATION OF THE AUSTRALIAN ECONOMY

It's been a while since I first wrote *The Airport Economist*. It was just on the brink of 'The Global Financial Crisis (GFC)' of 2008, or 'The Great Recession', which grew from the US sub-prime crisis (some say it went "from the sub-prime to the ridiculous"). That year also brought in President Obama, and since then we've adjusted to a wide range of international geo-political events including the rise of economic populism, changes in technology and the growth of social media, Brexit, the phenomenon of Donald Trump's ascent to the Presidency, and increased authoritarianism around the world. And the of course Coronavirus or COVID19 (which emerging as I was just finishing this book. COVID19 and the impact it has had on world trade is worth a whole new book in itself!) All this time, Australia, unlike the rest of the world, dodged the recession bullet and continued along its merry way as the energy and food security conscious preferred supplier of East Asia – moving effortlessly from the mining boom to the dining boom.

After the unexpected success of *The Airport Economist* book, I moved to the University of New South Wales and created The Airport Economist TV series with Pinstripe Media, and The Airport Economist Podcast series with Podcast One. It's been a terrific creative exercise to turn written words into an audio and visual experience, and luckily, I've had the opportunity to work with some exceptional producers and camera operators who know how to make stories come to life. So, as new tales emerged, I thought it worth putting together *The Airport Economist Flies Again!*

Having travelled and seen first-hand so many Australian success stories, I wondered how did Australia go from being 'Down Under' to 'Down Wonder'? How did we avoid recession when so many Western nations were suffering in 2008? And what decisions did our previous political leaders make – particularly with respect to engagement with the Asian

region – that galvanised pathways to current trade and investment success?

Driven by these questions, I spoke to past Prime Ministers, Foreign Ministers, Treasurers, public servants, economic advisors, and business and trade union leaders to get an understanding of whence we came to better predict where we are going. Analysis of their insights and new challenges posed by the next wave of globalisation are taken up in the final chapter of *The Airport Economist Flies Again!*

CHAPTER 1

INTRODUCTION:

FROM DOWN UNDER TO DOWN WONDER – AUSTRALIA, ASIA AND THE WORLD ECONOMY

When I was a 25-year old Research Officer at the ACTU, Bill Kelty, the legendary ACTU Secretary, asked me, apart from my day job, which was of course working on ACTU's economic submission to the National Wage Case, what did I like to do, or what were my policy interests. I said: "International Trade and Aboriginal Affairs." He was bemused, explaining he had trouble finding an officer to do these portfolios, so he said, "I'll give you both."

Well, I was thrilled and went along to every Council for Aboriginal Reconciliation meeting I could, met the great Pat Dodson, Noel Pearson, Lowitja (Lois) O'Donohue, John Moriarty and some of the leading Indigenous figures of the time. I worked on Aboriginal and Torres Strait Islander employment opportunities with my good mate Janina Harding, who led a team of Aboriginal and Torres Strait Islander employment brokers in each State and Territory (through the trade unions and the local chamber of commerce). And then along came the Mabo case, Wik, and other major Indigenous cases championed by the new Prime Minister, Paul Keating. Aboriginal Affairs was beginning to assume its rightful status in those heady times.

And then there was International Trade. We had GATT, the Cairns Group, the WTO, and then APEC. Australia's engagement with the world, especially Asia, became front and centre of the Hawke, then the Keating Government. It was a far cry from my Reserve Bank days, just 6 years before, when, as a cadet-economist in (future Governor) Glenn Steven's department of 'Overseas Economics Conditions', Australia's trade interests were divided into the US, UK, non-UK Europe and Japan.

Again, Paul Keating, once he became Prime Minister, became a passionate advocate of Australia's ties with Asia, just as he had embraced Indigenous issues. Building on the excellent work of Gareth Evans and Bob Hawke, he really championed APEC, convincing then President Bill Clinton to host the first APEC Leader's Summit in Seattle and made relations with our Asian neighbours, particularly Indonesia, paramount to his Prime Ministership.

As CEO of the Australia Industry Group, Heather Ridout, once said to me in an interview: "Paul Keating was the most influential Prime Minister when it came to the Asian region. He forced us to think about our relationships with Indonesia, with Malaysia, Singapore, all of ASEAN, North East Asia – the lot. He also reinvigorated our institutions in Asia with vehicles like APEC..."

"John Howard was very diligent in building relations in Asia, but his heart was really in the Anglo-American world. Bob Hawke was managerial and competent in Asia. But Paul Keating really started to pull the strings and assemble the elements of good deep relations. He put himself on the line over Asia, like he did in Aboriginal Affairs with the famous Redfern speech. Keating was a risk-taker – a calculated risk-taker, not a reckless one – but a risk-taker, nonetheless. He had confidence in himself and confidence that Australia could do great things as part of the Asia region." **(1)**

I had the pleasure to interview Paul Keating (and four other Prime Ministers for this book), however the more curious I got, the more I realised Paul Keating wasn't the first Australian leader to advocate for closer relations with Asia, although he clearly was one of the most passionate and accelerated our relationships with the region with confidence.

Australia's relations with Asia go back well before our Parliamentary institutions were established by European settlement.

Indigenous Times, Convict Times and the 19th Century

During Indigenous times, there is evidence that the people of Arnhem Land traded trepang (sea cucumber) with the people of Makassar (now Sulawesi in Indonesia). This occurred because as the celebrated Australian economic historian, Geoffrey Blainey, says, "Every newcomer to Australia was a discoverer..." **(2)** A discoverer, to this island continent and indeed a trader.

As they *must* have been traders too for their very survival, at least *within* their extended families. Much of this would have occurred when Asia was attached to Australia, before the rising of the seas that split-off what is now mainland Australia and Tasmania from what is now Papua New Guinea. Blainey says that 50,000 years ago, before the rising of the seas, “a person could walk from the buttongrass plains of Tasmania to the Owen Stanley mountains in New Guinea, and even further.” **(3)**

Blainey goes on to describe the great historical significance of the seas rising: “The great rising of the seas, which began long after the Aborigines arrived, is the most important event in the human history of Australia. Nothing like it has happened since 1788. The rising of the seas also exerted a long-term influence that still affects us.” **(4)**

How Indigenous people came to the part of the world where Australia sits is unclear. There is evidence that some people came from South East Asia. Even in the Pacific, in Vanuatu, they believe that the original descendants, the Ni-Vanuatu were preceded by South East Asian migrants, and that this occurred even after the waters rose. But once Australia became well and truly its own island, the Indigenous people hunted, gathered and shared food and shelter as a community within our shores. Australia then became largely a domestic economy made up of Indigenous peoples and their lands and respective languages. It’s worth noting, however, that economic activity did occur beyond our shores as well. As such, Indigenous people were Australia’s first exporters (and our first importers for that matter).

There is also evidence of trading beyond the coastline of Australia after the separation from the rest of Asia, when Indigenous Australians in Arnhem Land (Australia’s northeast corner) fished and traded trepang and other goods with their Macassan counterparts (Makassar, also known as Ujung Padang, is part of what is called Sulawesi in modern-day Indonesia). The people from Makassar are thought to have visited northern Australia as part of their fishing and trading and the contact made a cultural and economic impact on the Aborigines of Northern Australia.

According to some historical scholars, it is not clear when the first trepang traders came but it could have been as early as 1650 and there is evidence that regular quantities of trepang entered Asia from its Makassar base in the 1770s and 1780s, with ‘northern Australia being its likely source.’ So,

while the British were establishing a convict colony in southern Australia, trade was taking place with Asia on the northern tip of Australia. **(5)**

There is conflicting evidence as to how well the Macassan traders interacted with people of Arnhem Land. On one hand “they did not form permanent settlements, claim possession over land or attempt to convert Indigenous people to their own religion. Even though their annual visits could last up to six months, the *trepangers* were not dependent on the Indigenous people or local resources, as they brought rice and other staples with them. Not ‘settlers’ in the colonial sense, they nonetheless left a palpable imprint by digging wells, naming places and planting trees; their influence on Indigenous society was likewise notable. Local groups acquired new technology, such as dugout canoes and steel axes, along with some trade items such as pipes, cloth and tobacco, which were received in exchange for pearls, pearl shell and tortoise shell. The influx of new material culture had an influence on Indigenous trade networks.” **(6)**

On the other hand, there was evidence of skirmishes, tensions and misunderstandings. “Occasionally individuals operated as ‘go-betweens’ and made ‘payments’ of desired material goods for access rights as well as labour and services. Inadequately or improperly negotiated transactions could be a source of conflict. For their part, some Indigenous groups found ways to accommodate the *trepangers*. It has been suggested that Maccassans could be assimilated into Indigenous society because of the seasonality of the trade articulated with the patterns around which Indigenous people organised their own lives, allowing these visitors to be incorporated into a cyclical or seasonal calendar. They were *regular* and *expected traders*, not occasional visitors, like European explorers.” **(7)**

Trade mattered too when the Europeans came to the great southern continent. In fact, when European settlement finally took place in 1788 with the establishment of the penal colony of New South Wales (after several near visits without settlement by the Dutch and French in the north, west and far south), the economic fortunes of the colony depended entirely on the British and the Empire’s trade routes, largely controlled by the British East India Company. The Company’s monopoly over trade prevented the newly established colony trading with Canton (now Hong Kong), Bengal (in East India) and the Dutch East Indies (now Indonesia).

So, the penal colony was in effect Australia's first public-private-partnership (PPP), relying on British investment and cheap convict labour. In its early years, the colony struggled economically and was in danger of being abandoned as an experiment altogether. It was international trade, particularly trade with the Pacific, however that saved the convict colony of New South Wales and helped the British navy overcome strategic challenges.

According to Blainey, "The outbreak of the French Revolutionary Wars possibly helped to cement the settlement... [but] Sydney was also saved by the growth of Pacific commerce. Its merchants and ship builders and part-time traders sent ships to Tahiti for pork, and to India and Cape Town for flour and rum. They slew seals and sea elephants on the islands of Bass Strait and shipped the skins and barrels of oil to China. Sydney ships sailed to the Fiji Islands to cut sandalwood, sought cargoes of timber and the tantalising flax in New Zealand, and went on whaling voyages to nameless bays and estuaries. And Sydney Harbour was increasingly a base for English and American Whaling ships which were turning from the South Atlantic to the new whaling grounds in the vast and lonely oceans stretching from the Cape of Good Hope to cold Cape Horn far to the east." (8)

Once the threat of abandonment by the British was over by 1803, the colony of New South Wales (accompanied by a penal settlement in Tasmania then known as Van Diemen's Land) eventually weaned itself off the convict labour system. And the island continent soon experienced improvements in economic prosperity from two sources – wool and gold.

The importance of wool in Australia's economic history cannot be overstated, as celebrated economic historian, Ian McLean, says in his uniquely comprehensive and original economic history of Australia, *Why Australia Prospered*:

"The wool industry occupies a central place in Australia's political, social and economic history. More than any other activity, sheep-raising underpinned the spread of European settlement in the nineteenth century. Life on the outback pastoral 'property' (or sheep 'station' or 'run') features prominently in popular culture, representing what is quintessential about the country and even national character. Certainly, wool was the principal export from the 1820s to the 1950s, except for the 1850s and 1860s when gold was more important. And because the

expansion of exports was critical to economic growth, the industry deserves all the attention it has received from historians.” **(9)**

Wool spearheaded the Australian colonies' economy right through the middle of the 19th century. It further led to industrial tensions between the shearers, who were the backbone of the Australian Workers Union (AWU), founded in 1886, and later the Australian Labor Party (ALP), founded in 1891, and the Pastoralists Associations, representing the forerunner of the rural associations and the Country Party, founded in 1920 (later the National Country Party, now known as the National Party). The pastoral industry and its battlelines in the 19th century were crucial to how Australian federal politics formed after Federation in the 20th century.

And then of course, after wool, there was gold. As Mclean notes, the gold rush was no flash-in-the-pan event. It practically set up the Australian colonies economically for the rest of the century.

“The sustained economic importance of gold may also be conveyed by its contribution to exports. Wool dominated export receipts to 1850, but the value of gold exports exceeded that of wool for the next twenty years... By the end of the 1890s, with the collapse of the wool industry on the one hand, and on the other the Western Australian gold finds, gold exports were approximately in value to those of wool, each at just over 30 percent of the total.” **(10)**

So how did wool and gold affect our ties with Asia? Both these staple exports significantly boosted the economic prosperity of the Australian colonies but a major difference between the wool boom and the gold rush in 19th century Australian colonies was the role of barriers to entry and immigration. While wool involved squatters and shearers sending the best merino wool to Manchester and other major mercantile centres, the discovery of gold attracted immigration from all over the world to Australia, as would-be miners wanted to try their luck. It was easier for an immigrant to take up a pick and shovel and a miner's licence and to head to the diggings of Ballarat and Bendigo in Victoria (as well as New South Wales and later Kalgoorlie, WA) than it was to negotiate purchase of a major sheep run. And amongst the cohort of migrants who came to seek gold, there were large numbers from Asia, particularly from southern China. The miners who rebelled at Eureka were said to be proudly

‘multicultural’. The only barrier to entry was the dreaded miner’s licence that caused the Eureka uprising at the Ballarat diggings.

The influx of immigration from China has been well documented in terms of racial tensions and the influence on the eventual imposition of a White Australia Policy after Federation, but less attention has been given to the economic benefits to Australia and China of that era of immigration in the mid-19th century. Apart from the economic and social contribution of the Chinese mining community to the gold rush itself, many Australian-based Chinese returned home and contributed to the early development of the retail industry in China with empires of Sincere Wing On and the Sun Sun Department Store (*Xinxin*) in Hong Kong and Shanghai, and even in Singapore.

According to John Fitzgerald, several Chinese-Australian entrepreneurs had great success in colonial Australia. They established Chinese Chambers of Commerce, Masonic lodges, and business groups based on the KMT (Kuomintang). The Heungshan County merchants in Sydney were particularly successful in what modern business academics would call ‘clusters’ or ‘networks’ of family firms.

Fitzgerald writes: “The results were spectacular: Chinese-Australian businesses flourished in the domestic fruit and vegetable trades in eastern Australia at the time of Federation and their owners went on to build some of the largest commercial conglomerates in Hong Kong, Canton (now Guangzhou) and Shanghai before the outbreak of the Pacific War... Entrepreneurs from the Sydney fruit and vegetable markets were the most significant of all international Chinese investors in Shanghai before the communists took the city in 1949.” **(11)**

The Chinese-Australian businesses had diversified portfolios including hotels, banks and insurance companies and of course the famous department stores known as ‘Emporiums’ all established in Australia and later taken back to China.

In fact, the Chinese-Australian commercial story of the 19th century and early 20th century was significant in the development of Australia, China and South East Asia well beyond just the gold fields of Ballarat and Bendigo.

However, as the Australian colonies ended the 19th century (and tentative moves towards Federation began) the colonial economies managed to

wrestle with the wool boom and the gold rush. And when the rush finally did end (even with some claiming it was 'the rush that never ended') according to McLean:

"The initial boom contained a major speculative component that could have led to a serious bust. But this potential was avoided by the speedy downward readjustment in product prices as imports rose and in wages as immigrants poured in. Hence there was no bust. And it should not be overlooked that this re-equilibration occurred without a national government, and with colonial governments in each of the affected colonies lacking many of the institutions and sources of advice now regarded as essential for macroeconomic management – such as a central bank and a phalanx of economists." **(12)**

The colonies had enjoyed a long boom so there was little incentive to look for overseas opportunities, especially in Asia. However, once the British East India Company's monopoly was lifted there were some early moves towards colonial trade with Asia, although much of it was thwarted by Britain. Even the Australian wool trade in Japan was ridiculed by British competitors. In the 1890s colonial governments established some trade links overseas (small trade missions from New South Wales, South Australia and Victoria to Asia mainly focussed on Japan) but Asia only represented 2 per cent of the total exports from the Australian colonies in 1900 and most of that concerted activity had to wait until after Federation in the dawn of the 20th century. **(13)**

Early 20th century forays into Asia

After the Australian colonies federated and became states in 1901, the new nation started to build up its economic representation abroad, quite independently of the UK. It was said to be "A nation for a continent and a continent for a nation" when the first parliament met in Melbourne (the politicians did not meet in the new capital Canberra until 1927). In the first decade of parliamentary life, the new nation's representatives were split between Free Trade, Protection and the Australian Labor Party (ALP). Labor, which had briefly governed in the colony of Queensland for six days in 1899 (making it the first Labor Government in the world), was itself split on the issue of free trade versus protection. The trade unions, who had set up the Labor Party to gain parliamentary representation after the great

strikes of the 1890s (and the colonial government's willingness to use the police against the picketers), tended to support free trade in New South Wales and protection in Victoria.

By the end of the first decade of the new century, the Free Trade and Protectionist forces joined together (the so called Liberal 'Fusion') and grew in electoral popularity at the expense of the Labor Party. This occurred before the tariff issue was resolved (the Protectionists won) and prior to the establishment of a Conciliation and Arbitration Court to settle industrial disputes (to avoid the massive strikes and lockouts that inflicted the colonies in the 1890s). And, as it happened thanks to 'The Harvester Judgement', the basic wage was introduced to the nation. In fact, the ALP resolved its own split on the question of the tariff during this time, when it was decided that, if a company was to receive protection (in this case, HV McKay, which manufactured the Sunshine Harvester, hence the term 'The Harvester Judgement'), then an employer must pay a basic wage to allow a working man to support a wife and three children as dependants. In the end, the debate was resolved in favour of the tariff and the basic wage (and it could be easily argued that the Conciliation and Arbitration Court was established in a free trade economy).

However, despite the arguments over the protective tariff and the Conciliation and Arbitration Court, one thing all parties agree on was immigration. They all supported restricted immigration on the grounds of race and were particularly fearful of immigration from Asia. This affected defence policies too, particularly when the Japan defeated Russia in the Russo-Japanese war of 1904 which led to the establishment of the Royal Australian Navy. The fear of Asia in the newly federated Australia ran through all legislation from immigration to defence (although, HV McKay, of the Sunshine Harvester fame, feared American competition rather than imports from Asia).

As it turned out, fear of an 'Asian invasion' via immigration or military aggression, did not quell interest in developing trade ties with the world, including those with Asia. Showing signs of a nascent Australian nationalism in the post Federation era, Australia attempted to create its own international commercial service separate to its foreign diplomatic service, which was still dominated by the British Foreign Office.

There were early appointments of a trade commissioner to the United States in 1918 (Prime Minister Billy Hughes appointed Henry Braddon to New York), followed by appointments in Canada and France and some attention given to post-Boer War South Africa, thus supplementing Australia's commercial resources in Australia House in London. So, despite opposition to Asian immigration, Australia still thought it important to forge trade relations in Asia. In 1921, Edward Little was appointed as Australia's first trade commissioner in Shanghai, followed by appointments to Tokyo a decade later and then Batavia (Jakarta) in the Dutch East Indies (now Indonesia).

Each of these appointments was cut short by local politics, the Great Depression and the Second World War. Edward Little's Shanghai appointment met local opposition by expatriate Australian business people not wanting Government intervention in trade, and his successor, AT Sheaf, was accused of favouring NSW and SA coal at the expense of Queensland. The Tokyo experiment was undermined by British interests wanting Australian wool to be 'more Manchester and less Tokyo'. This followed on from the Japan-UK trade skirmishes in the 1930s and the adverse impact of the Ottawa Agreement of 1932 that locked in British Imperial preference between the UK and the dominions (now the Commonwealth) following the Great Depression. Economies outside this agreement, like Japan and Argentina, were therefore badly affected, despite the respective competitiveness of their economies.

The Batavia appointment suffered from Dutch suspicion of Australian (read British) commercial involvement, although there were tentative moves back to the Dutch East Indies in 1945. According to an early instigator of Indonesian-Australian trade relations, the famous Australian labour economist and arbitrator, Joe Isaac, Australia was sizing-up future trade ties with Batavia soon after the Japanese surrender.

Professor Joe Isaac, who went on Melbourne University Professor William MacMahon Ball's mission to Batavia in the Dutch East Indies in November 1945, believes Australia's ties were strong right from the start of the Indonesian independence struggle against the Dutch soon after the Japanese surrender in World War Two. Isaac recalls:

"We were able to meet Sukarno soon after our arrival, and we met twice thereafter...Mac outlined the purpose of his mission – essentially a fact-

finding exercise... [and] that Australia was sympathetic to the political aspirations of the Indonesians; and he canvassed Sukarno's reaction to the despatch by the Australian Government of a boat load of medical supplies. No doubt thinking of the action of the Australian waterside workers (who refused to load Dutch ships hostile to Indonesian independence), Sukarno expressed gratitude for the support of the Australian people." (14)

The support by Australia for Indonesia in 1945 did help post-war, when the Dutch left Jakarta, and the South East Asian nations that had been colonised slowly gained independence and made some economic gains. However, Australia's trade forays into South East Asia, China and Japan were hampered by the influences of two World Wars and the Great Depression, when affairs at home took precedence over trade opportunities beyond our shores.

In conclusion, Australia, did attempt to grow its economic influence in Asia in the first half of the 20th century, but it was held back by two World Wars, a Great Depression and the obligations it still had to the British Empire. Were these moves premature anyway – given the state of Asian economic development? Although it was early days in terms of economic development in South East Asia, other major centres, like Tokyo, Shanghai and Hong Kong, were places of influence in the world of trade at the time, so at least having some official presence was good insurance. But it was not until the post-war years that we truly saw the rise of Japan, the Asian Tigers and the emerging economic giants of China, India and ASEAN that enabled Australia to turn the tyranny of distance into the power of proximity as it found itself in the right place at the right time in terms of the balance of world economic prosperity.

Black Jack McEwen and Japan in the 1950s

Australia's 'pivot' to Asia trade-wise really took place after the Second World War. If this process can be seen as a turning point, the first 'wave' was the decision of Sir John 'Black Jack' McEwen, Trade Minister, Country Party Leader and later Deputy Prime Minister (and briefly Acting Prime Minister during the search for Prime Minister Harold Holt in the Portsea surf), to forge a commercial agreement with Japan, the nation that had tried to invade Australia only a decade or so before.

It is important to remember the Japanese predicament at the end of the War. After its humiliating surrender, Japan was in ashes. Destroyed by the war, including the dropping of atomic bombs on Hiroshima and Nagasaki, and the misguided economic decisions of the Militarist government, it seemed that it would be a long time before the Japanese economy got back on its feet.

The famous American economist, Martin Bronfenbrenner, who arrived in Kyushu University in Fukuoka in 1945 to help General McArthur and the occupying forces restore the Japanese economy, notes the psyche of Japan after their defeat:

“On my first day off I went there in full regalia – loaded gun and all – in search of an economist with whom I might talk. A janitor led me from the main gate through dark corridors of dark buildings, windows being blackened out as air-raid defences. Eventually we reached an office where a starved-looking professor, perhaps 15 years older than myself, was conducting a seminar for two starved-looking students. Everyone’s clothes were patched, and *the room should have been heated but wasn’t* [italics by author]. When I appeared, the professor thought my mission might be his arrest, and he was visibly shaken.” (15).

Bronfenbrenner noticed the enormous impact of the war on the mental and physical health of Japan’s surviving citizens. Infrastructure was weak and given the aerial attacks on Japan’s cities, the population was still in constant fear and anxiety. The war’s destruction, according to Bronfenbrenner, had cost Japan 25 per cent of its capital stock, and 45 per cent of the land Japan had occupied before 1941 had been cut-off. (16).

Bronfenbrenner and his team became “airports economists”, flying around regional Japan to witness the physical and human destruction, and the starvation and poverty of the crushed Empire. Japan was not a place of any economic promise at the time, especially for a small British outpost seeking new trading partners.

And regardless of their economy, Japan was not exactly seen as a future partner for Australia. After all, Australia, for the first time since European settlement, had experienced the threat of invasion overshadowing the community, the actual bombing of Darwin by Japanese forces, and the uneasy feeling that the nation was a small population of primarily

European people in a vastly populated, poor and unstable region. Not surprisingly, given the bombing of Darwin and the appalling treatment of prisoners of war by their captors, Japan was the focus of much anger in Australia, even though we had originally entered the war to help Britain fight Nazi Germany. The European War and the horrors of the holocaust were known by then, but the Pacific War and the events of Changi, the Thai-Burma railway and Kokoda were experienced by Australian troops first-hand. To many Australians, Japan was our would-be invader, a cruel captor, and the wounds were still largely felt.

In this context, the decision by Trade Minister and Country Party Leader, John 'Black Jack' McEwen, to forge a commercial partnership with Japan so soon after World War Two was quite remarkable. Given that emotions were still raw about the war in many parts of the community, it was a political risk for any serving Australian politician. But it ended up being a breakthrough decision, economically and strategically. It enabled Australia to get a beachhead into the Asia Pacific region in the post-war world, and it was important to Japan too as they were trying to rebuild their economy and reshape their nation after the militarist phase which had ended with a degrading surrender in the Pacific War.

It was quite a testament to McEwen, and one of the greatest achievements in a towering career in Australian rural and conservative politics. Born in 1900 at the beginning of the 20th century, John McEwen did much to influence how an advanced Australia fared in Asia at the end of the century. Raised in rural poverty but making savvy use of farmland purchased under the soldier-settler scheme for World War One veterans, McEwen became a successful farmer before entering Victorian Country Party politics. A Federal MP from 1934, McEwen became Trade Minister in the (second) Menzies Government elected in 1949, and Deputy Prime Minister and Country Party Leader in 1958. McEwen famously blocked William McMahon from becoming Prime Minister in the summer 1967-68, after Harold Holt's disappearance at Portsea, and was Acting Prime Minister himself while they searched for Holt's body. McEwen, then in charge of the Department of Trade, fought equally fierce political battles with Treasury in Canberra, and his interventionist 'protection all round' philosophy was later lambasted by Coalition and Labor politicians alike as 'McEwenism'. McEwen's crowning glory was the 1957 Agreement on Commerce with Japan that gave Australia a foothold in the Asian Century in terms of trade.

According to a later Coalition Prime Minister John Howard, the deal with Japan was monumental both politically and commercially: “The breakthrough in Australia’s economic relations with Asia was the 1957 Commerce Agreement, which by coincidence was the same year as the Treaty of Rome (when the UK became more immersed in Europe). It allowed us to facilitate trade with Japan and was very useful when iron ore came on stream...

“It was a very brave decision by McEwen, particularly as the conservative ranks were made up of returned servicemen, some of whom would've been prisoners of war under Japanese rule...

“The agreement effectively allowed Japan to re-join the international economy as it signed agreements with other countries too, such as Canada, and it enabled Japan to eventually join the GATT. It should be noted that the ALP opposed the Japan Commerce Agreement, including Gough Whitlam, but Whitlam deserves credit for diplomatic recognition of China.”
(17)

According to one of McEwen’s successors, Trade Minister, Deputy Prime Minister and Country (National) Party Leader, Tim Fischer, the move was a considerable risk for McEwen at the time. Fischer says, “McEwen was expelled by the Country Party’s Victorian branch... like I was in Queensland half a century later! And there were votes of no confidence in him at umpteen RSL [Returned Service League] branches.” **(18)**

In fact, McEwen’s immediate successor as Trade Minister, Deputy Prime Minister and Country Party leader, Doug Anthony, recalls: “The RSL were very uneasy with McEwen making headway with Japan. In fact, they formally opposed it, although some senior members privately backed McEwen and, in the end, he outwitted them all.” **(19)**

But according to Anthony, it suited McEwen, and it suited Menzies to let McEwen take the lead on the Japan agreement: “McEwen thought the decision was ‘natural’, as he thought Japan was the obvious place for Australia to go trade-wise after the UK and the US. And Menzies let McEwen pursue Japan, given the political risk involved and the fact that Menzies was more comfortable with the UK given his love of Britain’s legal and academic institutions. Menzies didn’t want to push ourselves into Asia too much.” **(20)**

But McEwen's political courage was backed by the intellectual, diplomatic and bureaucratic spadework of economist, Sir Jack Crawford. In fact, as early as 1938, as a 28-year-old agricultural economist, Crawford started to rethink Australia's trading relationships in Asia and the constraints put on Australia by its kinship with Britain and the restrictions of the Ottawa Agreement. Crawford noted that even in the 1930s, two-fifths of Australian imports were drawn from a quarter of Australian exports destined for the Asian-Pacific region. He also purposefully referred to Australia's Asian neighbours as the "Near North" rather than the British terminology of the "Far East." Crawford saw Japan's aspirations for better living standards through industrialisation as inevitable and, as the US and Australia were hostile to Japanese immigration, that some sort of 'economic appeasement' was necessary. This also meant some loosening of the Ottawa Agreement and Australia slowing easing out of its trade ties with the United Kingdom.

As Peter Drysdale notes: "Trade Diversion illustrated the foolhardiness of Australia's pursuit of British interests: it must be regarded as nothing more than an expensive exercise in 'Imperial economics'. Indeed, Australia's trading interests were becoming very different from those of Britain. [Crawford] concluded that Australia stood to gain much more than she stood to lose from peaceful economic expansion by Japan, and that there was no Australian interest in aggravating the economic hostility of the West towards Japan. These were Australia's strategic long-term economic and trading interests in the re-orientation of her trade towards Japan and East Asia. What Japan was already becoming for Australia, China and the rest of East Asia might also one day become." **(21)**

Crawford wanted to avoid post-war what had happened pre-war, when Australia was goaded by the UK into a trade dispute with Japan against Australia's own economic interest. After his visionary paper in 1938, Crawford threw himself into the war effort and post-war reconstruction, determined to 're-orientate' Australia's trading interests to Asia once peace was secured. As a distinguished public servant, Crawford became one of the famous 'Seven Dwarfs' of post-war Australian public policy (a group that included Dr HC 'Nugget' Coombs and Sir Roland Wilson) who advised Prime Ministers John Curtin, Ben Chifley and Sir Robert Menzies (although no one knew who Snow White was!). Doug Anthony recalls that "McEwen gave credit to his public servants, such as Crawford, Westerman, McCarthy, McClintock and Phillips", and Crawford publicly shared the glory with his colleagues and recognised the political "courage of McEwen." **(22)**

After the war, Crawford, got a second chance to forge a partnership with Japan that had eluded Australia earlier. He worked behind the scenes cautiously and carefully with Japanese Ambassador Kishi and built up the intellectual framework to help McEwen champion the agreement politically. And it was well worth it given Dr Michael Keating assessment that the Japan Australia Economic Partnership Agreement was “arguably the most significant economic policy innovation during the Menzies era.” It put Australia squarely in-play as a regional partner as Japan became our most significant Asian trading partner in the post-war world economy. **(23)**

Importantly, the agreement had several far-reaching consequences for post-war international economic relations.

Firstly, it allowed Japan to eventually join the GATT by granting it most-favoured-nation (MFN) status with a GATT member country in Australia.

Secondly, it enabled Australia to start having bilateral relations with a major Asian power without British interference (something that had plagued Australian trade diplomacy in the first half of the 20th century). Australia was forging some links with post-colonial Asia in the 1950s (the Colombo Plan being a notable example), but with tension in the Malaysian peninsula and trouble with Indo-China brewing, the Japan agreement was the stand-out of Australia-Asia relations in the 1950s.

Thirdly, it signalled a move away from Australia’s traditional trade reliance on Britain to look towards Asia, just as war-time Labor Prime Minister John Curtin had said that Australia would now ‘look to America’ rather than Britain in terms of its defence interests. To forge the agreement with Japan, McEwen had to re-negotiate the Ottawa Agreement of 1932 that had given British manufactured goods preferential access to Australia, and had kept Australian tariffs high to give Britain preference over other suppliers while protecting Australian industry. This arrangement made the Australian economy inefficient, prone to wage and price inflation and hindered Australia from forming trade ties with Asia (that Crawford had advocated as far back as 1938).

As Doug Anthony recalls: “Unlike Menzies, McEwen wanted us to do more in Asia. And just as well he did, because when Britain later joined the Common Market, they wanted nothing to do with us, and luckily we had

developed these alternative markets in Asia by then. McEwen and Crawford really started it all off.” **(24)**

Finally, the agreement provided a foundation for stronger relationships between Australia and Japan in the future. According to Peter Drysdale, the 1957 agreement represented a “watershed in the nature and conception of the relationship between the two countries”. It also signified a more independent stance in Australian foreign policy, away from the UK and towards Asia. It was Australia’s ‘pivot to Asia’ moment. And ironically, while the great advocates of the Australian Republic were Labor’s Gough Whitlam and Paul Keating, and the Liberal Party’s Malcolm Turnbull (all of whom became Prime Ministers), perhaps it was members of the Country Party who are the unheralded champions of the Australian Republic. After all, it was McEwen who took on the Anglophile Menzies to forge the deal with Japan, and later Doug Anthony and Tim Fischer, who fought the European protectionists and forged stronger ties with Asia. And noticeably, Menzies gave McEwen plenty of room to negotiate the agreement with Japan, perhaps foreseeing some political difficulty that he may need to distance himself from later if it all went pear shaped. After all, forging a commercial deal with Japan, Australia’s defeated war-time foe and would be invader was not an easy thing to envisage immediately after the devastation of World War Two.

So, it was a matter of convenience that it was Trade Minister McEwen rather than Prime Minister Menzies who went to Japan to sign the agreement with Japanese Prime Minister and Foreign Minister, Nobusuke Kishi (at Hakone on 6 July 1957, and later ratified in Canberra on 4 December that year) when McEwen was still Trade Minister and not yet Deputy Prime Minister. It was McEwen’s belief that he was taking his political life in his hands.

As a result, the 1957 pact provided the bilateral framework that would eventually lead to more Japanese foreign investment through the Nara Treaty. The Nara Treaty – known as the Basic Treaty of Friendship and Cooperation, initiated by the Whitlam Government in 1973 and later signed by the Fraser Government in 1976 – enabled Japan to be a major foreign investor in Australian economy particularly in the resources sector in the mining boom of the late 1970s.

The Nara Treaty also had non-economic benefits. According to Peter Drysdale, the Nara agreement had ‘spill over’ benefits, in that it helped to break down the white Australia policy. The Nara agreement removed racial restrictions that had prevented an Asian business partner (in this case Japan) from fully engaging with Australia as a foreign investor. **(25)**

Then some six decades later, in 2014, the Australian Trade and Investment Minister, Andrew Robb, and Japanese Prime Minister, Shinzo Abe (who by an act of historical symmetry is Nobusuke Kishi’s grandson) negotiated the Japanese Australian Economic Partnership Agreement (JAEPA).

And JAEPA is regarded as the most significant bilateral agreement between Japan and Australia since the Nara Treaty in 1976 but its roots really lay in original commercial agreement in 1957. After all, the 1957 commercial agreement gave Japan the chance to re-join the global economy and its new-found post-war institutions such as the GATT and rebuild its war shattered economy. Furthermore, it enabled Japan to come out of the ashes of the Pacific War to re-join the community of nations after its tragic experience with militarism. But in the end, it not only helped Japan, it allowed Australia to forge its way into the Asian Century and finally move away from the dominance of British imperial ties that had impeded the development of links with Japan and other economies in the East Asian region. It finally enabled Australia to look to the ‘Near North’ rather than regard the neighbourhood as the ‘Far East’.

Gough Whitlam and China in the 1970s

Just as the Coalition (primarily The Country Party) had jettisoned old attitudes to forge a trade pact with Japan, it was the Australian Labor Party that broke ranks and started Australia’s successful modern relationship with China. It was part of Labor Leader Gough Whitlam’s aim to forge closer links with Asia in terms of trade, foreign policy and immigration as whole, not just with the People’s Republic.

As Whitlam once famously said: “The White Australia Policy, championed as much by the labour movement as anyone else, crippled our credibility in Asia for a century.” **(26)**

Gough Whitlam’s views on Asia, particularly China, were strongly influenced by his instincts for racial equality and the need to rid his party

and the country of the White Australia Policy that had shaped Australia's immigration stance since Federation.

This outlook influenced Whitlam's principles for racial equality in foreign policy, including trade policy and domestic policy in terms of Reconciliation and the poor treatment of the Indigenous Australians. It was part of Whitlam's big picture vision for Australia that encompassed social policy, foreign policy and international trade. Whitlam thought it an anathema that Australia might trade with other peoples yet discriminate against them on immigration policy. And ultimately, as Australia became more enmeshed in Asia, it would have to jettison some sacred cows of the post Federation settlement with the White Australia Policy being the most obvious one to target.

White Australia had been an article of faith of Australian politics since Federation, with its early proponents being the ALP and Australian Workers Union (AWU) and prominent figures on the conservative side of politics as well. Even Whitlam's immediate predecessor as Labor Leader, Arthur Calwell, the father of the post-war immigration programme, had held onto White Australia as a central part of his political life's work. But it was Gough Whitlam and Don Dunstan, the South Australian Labor leader and later a long serving reformist Premier, who championed the cause of racial equality within the Australian Labor Party (ALP).

While Dunstan went on to achieve more electoral success at the state level than Whitlam did in the federal sphere, on many issues, such as Aboriginal reconciliation, equal pay for women, party reform and other social policy issues, they were in lock-step as party allies. And ridding the party platform of White Australia was one of their biggest ambitions.

Even as late as 1971, before Whitlam won government for Labor federally after being in opposition for 23 years, Fred Daly, an old Labor war horse and the Labor spokesman on immigration, clashed with both Dunstan and Whitlam on what the 1965 platform change had meant with respect to White Australia. Daly said the 1965 Labor policy platform "was one of selective non-European immigration and opposition to a multiracial society." **(27)**

Dunstan pointed out that the platform clearly needed to be one of non-discrimination and that "as Australia became more involved in Asian affairs

it became necessary to state its position properly.” **(28)** Senator Don Willesee (father of TV personality Mike Willesee) in support of the policy said: “We are continually being lumped together with South Africa as a racist country on the basis of Australia’s Government’s policies, it’s time we stood and were counted and made it clear that we are not racists.” **(29)**

The decision to defeat White Australia, with Dunstan’s help, enabled Whitlam to develop his foreign policy – including international trade policy – with a principle of non-discrimination in his party’s platform and it removed another obstacle in his quest to build stronger relations between Australia and Asia, especially China.

The move by Gough Whitlam to go to Peking (now Beijing) as Opposition leader surprised everybody. After all, here was a Labor leader on the verge of being the first Labor Prime Minister since the defeat of the Chifley Government in 1949 (the very year Mao Zedong founded the People’s Republic of China) after over two decades in opposition, breaking bread (or rice) with a Communist state. And, as a result, Whitlam took some heat from the McMahon Coalition Government for about a week, until it was revealed that Henry Kissinger had also been in Peking paving the way for President Richard Nixon to recognise China. And of course, after then winning the 1972 election, and sweeping Labor to power after 23 years in the wilderness of opposition, Gough Whitlam returned to Beijing as Prime Minister in 1973, and he and his wife Margaret were feted as great friends of China. It was a triumph and Whitlam’s decision to recognise China is now acknowledged by all sides of Australian politics as a ‘game changer’.

As Whitlam’s chief of Staff, John Menadue, says:

“The decision to recognise China was part of the Whitlam vision to engage Australia more comprehensively with the Asia Pacific region. Gough and South Australian Labor Premier Don Dunstan had fought hard to get rid of the White Australia Policy from the ALP platform and took the principled view that if you want to trade and invest with people, or sell education services to them, you shouldn’t prevent them from immigrating because of the colour of their skin or racial origin. It was part of ‘the big picture’ diplomatically to engage with Asia, and to allow an exchange of ideas, art and culture, as well as good and services. To feel more confident in the Asia Pacific region, particularly after the difficulties of the Vietnam war.” **(30)**