



PRIME MINISTER

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SPEECH BY THE PRIME MINISTER
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CHALLENGES FOR KOREA AND AUSTRALIA"
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Australia and Korea lie near the northern and southern extremities of the most dynamically growing region in the world: the Asia Pacific region.

This region generates more than one third of the world's trade, and is likely in the next decade to create more than half the world's economic output.

This extraordinary growth gives nations such as ours tremendous opportunities and new responsibilities.

Whether we can fulfill the predictions of those who see us entering a 'Pacific Century', with all that would mean for rising living standards for our people, is in our own hands.

But these opportunities cannot fully be exploited unless we are prepared, as individual nations and as a region, to do the hard work that will be involved.

Today I want to discuss one focus for that work: how we as a region can better cooperate so that our future, individually and regionally, is a secure and prosperous one.

First I want to pay tribute to your own spectacular achievements in Korea.

When I came here last in 1984, I commented on the rapid economic progress you were making.

Today, five years later, I find that not only have you managed to maintain the pace of economic progress, you have also undertaken very welcome political reforms.

This combination of economic dynamism and emergent democratic processes - so vividly and magnificently encapsulated in the Seoul Olympics last year - is justifiably pushing the Republic of Korea into a more prominent place on the world stage.

Indeed it is no wonder that Korea will, before the turn of the century, join the ranks of the developed nations - a transition that will bring new responsibilities as part of your integration into the global political and economic system.

As part of all this, Australia and Korea have built a very successful bilateral trade relationship.

We are each among the eight most important trading partners of the other.

Two way trade in 1987/88 was valued at almost \$A3 billion. Over the last five years the trend rate of growth of Australia's exports to the ROK has been over 16 per cent per annum, while for imports it has been over 29 per cent per annum. This is spectacular growth.

There are excellent prospects for further expansion. Last year my Government released a Korean Trade and Commercial Development Program as a means to develop further Australia's relationship with the Republic of Korea.

In addition I am pleased that we have an in-principle agreement to negotiate a protocol to the Australia-Korea Bilateral Trade Agreement which was originally signed in 1965. I look forward to its early finalisation because it will help both our countries identify and promote areas which will expand our bilateral trade and commercial interests.

Australia enjoys excellent relations with Korea, the countries of North East Asia and the Asia Pacific region as a whole. About two-thirds of Australia's exports and imports are directed to or sourced from our regional neighbours. About half of the total foreign investment in Australia has come from the Asia-Pacific region and almost three-fifths of Australia's total investment overseas is located within the region.

So we are keenly aware that the economic growth and structural change taking place in North East Asia, in particular, will have vital implications for us as well as our region and the wider international economy.

With this in mind we have asked Dr Ross Garnaut, our former Ambassador to China, to review the Australian response to these changes. Dr Garnaut is one of our most distinguished economists and a person closely associated with public policy.

His study will analyse and report on North East Asian changes over recent years and prospectively through to the end of this century and beyond. It will identify areas where our country can co-operate with you and other regional countries for mutual economic, political and wider benefits.

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Dr Garnaut will be coming to Seoul in April and proposes to discuss these issues with Government and business leaders. I hope that these discussions, and the subsequent report, will be of value to Korean decision makers as it obviously will be to those in Australia.

Ladies and gentlemen,

If one had to isolate the single key factor underpinning the growth of all the dynamically performing nations of the region, it would surely be their capacity to take advantage of a relatively open and non-discriminatory international trading system.

The multilateral system of global trade, under the auspices of the GATT, has provided more than four decades of growth for the world's economies.

North Asian economies, as major exporters, are enjoying growth rates much greater than the OECD average.

Given this centrality of trade to our region, we have cause for concern about our economic future.

Serious cracks are appearing in the international trading system which have major implications for the future health of both our region and the world economy.

First, you will all be aware of the bilateral trade pressures associated with the significant trade imbalances between a number of regional countries and the United States.

Second, there is a trend towards the formation of bilateral or regional trading arrangements which run the risk of undermining a truly multilateral trading system.

Third, there are fundamental tensions within the GATT framework of multilateral trade, of which the recent Montreal deadlock is but the latest manifestation.

Each of these problems has prompted calls for some sort of regional action.

But they are not the only driving forces behind calls for closer regional ties.

It has long been recognised - especially as the region's economic importance continues to grow - that the countries in the region are essentially interdependent; our economic futures are interlinked.

That realisation led in 1980 to the creation of the Pacific Economic Co-operation Conference - PECC - of which Australia was a co-founder and of which we remain a consistent supporter.

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PECC's work has illuminated large areas of common interests within the region.

But its informality, which has helped to broaden its membership, has also made it difficult for it to address policy issues which are properly the responsibility of Governments.

We have heard more recent proposals for new and closer regional consultations from both sides of the Pacific.

Former Japanese Prime Minister Nakasone has put forward a suggestion for a Pacific Forum for Economic and Cultural Co-operation.

Former US Secretary of State, George Shultz, canvassed the need for a Pacific intergovernmental forum to encourage co-operation in specific sectors.

More recently, US Senator Bill Bradley has proposed a Pacific coalition on trade and economic development designed to reinforce the Uruguay Round and remove barriers to economic growth in the region.

There have also been calls for various kinds of free trade areas in the Pacific, including one between the US and Japan.

These different proposals have in common the perception that, as a region, we do have interests that can be advanced through greater consultation and co-operation.

I believe the time has come for us substantially to increase our efforts towards building regional co-operation and seriously to investigate what areas it might focus on and what forms it might take.

That is why Australia has recently launched a substantial and concerted diplomatic effort.

We have asked our missions in the region to gauge opinion within the region about how best to push forward our regional co-operation.

Senior Australian Ministers held constructive talks on this issue with the Japanese leadership earlier this week.

We want to assess what the region's attitudes are towards the possibility of creating a more formal intergovernmental vehicle of regional co-operation.

A meeting of ministers from throughout the region would be a useful forum to investigate the question.

5.

What we are seeking to develop is a capacity for analysis and consultation on economic and social issues, not as an academic exercise but to help inform policy development by our respective governments.

I see merit in the model provided, in a different context, by the OECD.

I discussed these issues yesterday with President Roh, who is of course the leader of a major regional economy - one of the economies whose involvement would be vital to the success of any new regional institution.

I regard it as a significant step forward that President Roh gave his support to the proposals and expressed his enthusiasm for pursuing them through further regional consultation.

Let me spell out three areas in which I believe the Asia-Pacific region could profit from closer co-operation through such an institution.

First, effective regional co-operation can greatly improve the chances of success of the Uruguay Round and could thereby give a vital boost to the liberalisation - and therefore the preservation - of the GATT-based trading system.

The GATT system now faces its most crucial test. The Montreal impasse, essentially due to lack of progress on trade liberalisation in agriculture, must be overcome. If the Uruguay round fails, the underlying tensions which will have caused this failure will corrode the essence of the GATT system.

We must work together to save the GATT system. The region's role will be critical given its strong growth, reliance on trade and growing world importance and responsibility.

In 1983, in recognition of the importance of the liberalisation of multilateral trade, I proposed a process of regional consultations on these issues.

The most recent meeting was held in Wellington last year, just prior to the Montreal Mid-term review. It was successful in providing a better understanding of the interests and concerns of regional countries in the multilateral negotiations.

I am pleased that Korea has been participating in that process and look forward to further regional consultations this year.

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At the same time, regional co-operation could lead to a better understanding of, and a close monitoring of, the impact of international economic developments, including the 1992 integration of Europe and the recent US/Canada Free Trade Agreement.

Australia and Japan are currently undertaking a study of the potential regional impact of these new blocs. Because this study will, I believe, be of relevance and importance beyond our two countries, Prime Minister Takeshita and I will be discussing how best to familiarise other countries with its findings.

Second, we must be prepared openly to discuss obstacles to trade within our region.

From Australia's point of view, the success of the newly industrialising economies is an enormous opportunity, for us and for the whole region.

Others see this very success as a threat, and it has led to frictions in trade relations within the region and beyond.

There is undoubtedly room for dialogue and cooperation on this issue.

Australia's view is that the essence of a properly functioning trading system is, of course, that countries should seek multilateral trade balance, not bilateral balance with all countries.

Equally, we believe the newly industrialising countries have a responsibility to liberalise further their own markets to reflect their phenomenal growth in trade and investment.

And where such liberalisation occurs, it must not be used to placate trade frictions being encountered with certain countries. This is anathema to the principles of free trade, and only invites counter-retaliation by those third countries whose interests are damaged.

As a region we must investigate the scope for further dismantling of barriers to trade within the region, consistent with the GATT framework.

It is a noteworthy source of opportunity that each of us has tended to impose the greatest barriers to trade in areas in which regional partners are most competitive.

Some progress has been made in this area. In Korea, for example, we recognise and appreciate reforms which have lowered tariffs, liberalised imports and reduced restrictions on foreign traders.

We give the Korean Government high credit for this and look forward to further dismantling of barriers to trade and investment, including in agriculture in which the problems of trade barriers are greatest.

The recommendations of your recent Presidential Commission on Economic Restructuring, if implemented, would be a worthwhile move towards a more open Korean market.

In Australia, we have implemented a range of reforms to liberalise our economy. We are intent on continuing this process and the reforms to date are already providing new opportunities for countries such as Korea.

We have floated the Australian dollar, deregulated our financial markets, liberalised our foreign investment policy, cut the rate of company taxation, reduced by a third the level of tariff protection afforded to Australian manufacturing industry, and made our primary industries more responsive to changes in the international market place.

The third area in which we could benefit from regional cooperation is through identifying the broad economic interests we have in common. We should try to investigate whether through co-ordinated policy making we might better capitalise on the extraordinary complementarity of the economies in the region.

Australia's Industry Minister, Senator Button, has, for example, just this week cited the enormous benefits we can reap from harnessing our diverse science and technology research efforts.

Surely this is an area in which we should assess our capabilities to see where we can boost each other's efforts in this crucial field.

Ladies and gentlemen,

I have already referred to the regional trading consultations I initiated in 1983, and to the valuable work of PECC. Bilateral exchanges such as my visit to Korea and that of President Roh to Australia last year form valuable avenues of co-operation. Studies such as Dr Garnaut's inquiry into North East Asia, and the joint Japanese Australian inquiry into the impact of the trading blocs will provide valuable information with which to guide our future decisions.

But I believe we should be striving for a more effective means of analysis of and consultation on the central issue we face as a region.

Before I leave this topic, I must stress that my support for a more formal vehicle for regional co-operation must not be interpreted as suggesting by code words the creation of a Pacific trading bloc.

Australia's support for non-discriminatory multilateral trading solutions in the GATT framework is clear, long-standing and unambiguous.

I have made it clear that a major priority of any regional effort would be the strengthening of the GATT system.

Ladies and gentlemen,

Australia attaches particular significance to our relationship with Korea. We would like to work with you, not just in developing our bilateral ties, but also in developing our mutual interests and opportunities in third countries.

The Asia Pacific region is at a pivotal point in history.

And the region is located at a pivotal point in the global economy.

We have much to offer each other. We have substantial shared political and economic interests, and a powerful complementarity in our economic skills, resources, and business, cultural, and political links.

Co-operation offers the region the opportunity to influence the course of multilateral trade liberalisation, avoid alternative approaches which would undermine this objective and enable us to enter the next century with confidence that our potential will be fulfilled.
