



PRIME MINISTER

TRANSCRIPT OF SATELLITE HOOKUP INTERVIEW WITH JOHN HORGAN,
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PM: I have just returned from a visit to the region. I visited Korea, Thailand then Pakistan and India. In each of those countries that I visited I witnessed the benefits of the reduction in tension that is being associated with the dialogue between the United States and the Soviet Union and also between the Soviet Union and China.

We have a situation now where in Korea the new leadership of President Roh - who may I say I think is an extremely distinguished and able leader - is not only leading his country towards democracy now but is also opening up dialogue with the North - with North Korea - and with the socialist countries while of course retaining the firmest of alliance relationships with the West.

Now that is extremely important because it means that we can look ... that region at the reduction of tension and with the reduction of tension comes the opportunity for greater trading opportunities. So I think the Korean peninsula is looking much better than at any stage in the period since the beginning of the 1950s. Of course there's an extremely strong and growing economy.

But Thailand is extraordinarily interesting. There we have a situation where it has emerged as one of the most rapidly growing economies in the region - over 10 per cent last year - similar expectations for the future - a country which is now taking a very prominent role in the dialogues and discussion involving the resolution of the Kampuchean situation.

Thailand is positioning itself not merely in those processes but in the firm belief, which I think is fairly solidly justified, that we will see a resolution of the Kampuchean problem before the end of this year. Thailand will be well positioned to participate in what it sees as the opening up of the new markets of Laos, Cambodia and Vietnam itself and certainly I think all enterprises around the region and all countries around the region that are looking to the future should be seeing Thailand as a very important centre of economic development itself and also well positioned to take advantage of the new opportunities in the region immediately adjacent to it.

PM (cont): Now of course I went from there to Pakistan and India and there we have again the optimism associated with the withdrawal of the Soviet troops from Afghanistan - there is still going to be a bloody mess in Afghanistan one way or another - but the superpower rivalry has essentially diminished and the opportunities I think are now better for a constructive relationship between Pakistan and India than they have been for a very long period.

The personal relationship and chemistry between Prime Minister Bhutto in Pakistan and Rajiv Gandhi in India is very good and I believe that there is reason to hope that as they see themselves able to contemplate a more amicable relationship that we may in time see a reduction in defence outlays in both those countries, the greater emphasis therefore upon their own internal development, and that in turn of course has great importance for the region.

So that is a summary of my assessment of the region. The region now (is) not merely the most economically dynamic region in the world, which we're all aware of, but also a region which offers even greater hope for the future as we see these reductions in political tension which have so bedevilled parts of the region now for too long.

It was within that framework John and ladies and gentlemen that I made the observations that I thought the time had come when we should in fact try and give greater substance to what has been over a period now a time where there have been calls for greater regional cooperation. I think the point ought to be made and understood that if you look at this region, trade within the region, between countries in the region, there's about twice what it is as their share of total world trade and that certainly for my country, Australia, is true that trade in 87/88 with the Western Pacific region constituted just under 50% - 48.6% - and if you're taking North America, 66.7% of all our trade was in that region.

Now I have made the suggestion that the time has come when we ought to look at how we can have a sort of organisation which will make possible greater consultation, effective consultation, between the countries in the region and I suggested an OECD type model - not necessarily it would be exactly that - but to distinguish it from a bloc.

I mean I'm not looking at the idea of a trading bloc in the region but I think if we get a mechanism whereby we can understand more consistently what's happening in each of the economies in the region then we'll all be able to conduct our own policies better. We'll be better placed I think to bring influence to bear upon the rest of the world to ensure the maintenance of a free multilateral trading system and

PM (cont): we'll also be better established it seems to me to see on the examination of our own economies and understanding the complementarities of our resources and capacities how we may best be able to improve our own situations and the situation and of the region as a whole.

I got a good reaction to that suggestion and we will try and process the discussions now for the rest of this year to see whether there may be the possibility of a ministerial meeting later this year to then look at what possibility there is for the establishment of such an organisation.

Now summing it all up John and ladies and gentlemen let me put it this way. There has been a lot of talk as we know over recent years about the 21st century being the Pacific century. I believe that that is sensible talk. The evidence of the present sustains that prediction for the future. But it's not going to be something which will just happen automatically or we won't maximise the opportunities of that Pacific century just by sitting back and allowing things to go ahead. I think we've got to understand the total inter-dependence we have, understand the great potential complementarities we have and work hard at assisting ourselves in a sense by assisting one another, intermeshing our economies more effectively than we do to this stage. If we do that we have the opportunity now in a world which at no point in the nuclear age has been better poised to talk optimistically about being a world and a region living at peace. So the politics are good, the economic potentials are enormous. I feel it's an exciting time to be a leader in this region and I'm certainly very, very proud of the fact that Australia more and more is seeing itself as part of this region.

HORGAN: Mr Hawke, we have delegates here at PACRIM from 34 countries in the region and they have given me in advance some questions to put to you. In May the world will witness the first Sino-Soviet summit in 30 years. What do you see of significance for the Pacific region flowing from the prospect of Russia and China opening this historic dialogue?

PM: The first thing to say John is that we shouldn't be afraid of it. I think if you examine the past and analyse the present to try and read the future the right conclusion to which to come is this, that when that break occurred in 1969/60 between the two communist giants, in one sense it was an irreversible decision. By that I mean that I don't think we in our lifetimes or in the foreseeable future are going to see a resumption of a situation where the Soviet Union and China will be allies, but they will be friends and they will be economic cooperators. That is good for the Soviet Union and China and importantly it's good for the region. If you look at the two speeches that were made by Mr Gorbachev in Vladivostok in 1986 and last year in Krasnoyarsk, what Mr Gorbachev was saying then can really be divided into two parts. He was making a political ploy, if

PM (cont): you like, to try and talk about greater political cooperation. We haven't yet seen a great deal of evidence - some, but not a great deal yet to flesh out the intentions of Vladivostok and of Krasnoyarsk. But, importantly, what Mr Gorbachev is flagging is the desire to orient Siberia in the Soviet far east into a greater economic relationship with our region. I think that is to be welcomed. We already have in China as you know the establishment of the Pacific economic zones there, significant economic progress in China. They are baulking at this stage at taking the reform process further. The implementation of price reform is a serious political problem but I think the basic thrust of change in China is irreversible. Now, if we have a situation where the two giants are in fact going to strengthen their own economic performance, which is what we want to see, and do it in a way which wants to see greater cooperation with our countries in the region, that's good, because we have in the region the technology, the expertise, the capital to be of assistance to their plans for development. So I welcome the summit, I have taken the view consistently, I think probably I've been at the forefront of world leaders going back in regard to the changes in China in recognising their importance and asserting their irreversibility. I therefore welcome the fact that the rapprochement, the essentially economic rapprochement between China and the Soviet is going to mean, I think, a lessening of political tensions and the overwhelming evidence of that is the decision they've obviously made to secure resolution of the Kampuchean conflict. So I think, summing it up, the summit will confirm not merely a reduction in tension between them but it will provide a cement for a lessening of tensions in the region, including the Korean peninsula as one part, Kampuchea as another, but it will also create the environment, I think, for great economic opportunities of development both within and between the two countries and for us in this region. So in total I welcome the summit and I think we all should.

HORGAN: Thank you very much for that ... comment on the Russia/China summit. Another question, and you have touched on this a little bit in your address, maybe you could expand. Last month you called for the formation of an Asian based trade group loosely modelled on the OECD. Can you tell us why you advocate such steps and what they could lead to for the region's traders, businesses and nations?

PM: Yes, I to some extent touched on that in my comments. Just let me flesh it out a bit more. As I say, it's not the first sort of observation of this type that's been made although I think I've probably concretised it a little bit more. The important point to re-emphasise John and ladies and gentlemen is this, and it's very important that people understand it. I am not arguing for the creation of a trading bloc. There is no person and certainly no nation more than myself and my country committed to not merely the

PM (cont): ... but the development of a strong free multilateral trading system. So what I see as one of the results of the formation of some sort of consultative mechanism along the OECD model is not merely the internal benefits that will derive from that because the time for insular economic programming and policy making is past. No country in our region if it's sensible and properly attuned to the realities of this world can think that it can just make its own economic policy without knowledge of and understanding of what's happening in the region. So the basic thing that I'm about in what I've been putting is the creation of an organisation which will enable us to get the greatest benefit from knowledge and understanding of what one another is doing. That's why I've sort of used the OECD type model. But I also believe that if we can come together in this way we can say to North America and we can say to Europe, look, we are the fastest growing dynamic region in the world, we're not a threat to you, we want to have a world trading system within which we can all benefit and I think that's one external benefit of the formation of this grouping that I'm talking about. At the same time within the region we can look at what are the possibilities of the lowering of barriers within the region that do exist and I think that's very important. As I've said John and ladies and gentlemen in my opening remarks, there are a lot of complementarities between the economies of our region and it just seems to me that the formation of some sort of organisation of the type that I'm talking about would enable us in a concentrated continuous analytical way to maximise the opportunities of those complementarities. In other words we'd all be better off if we created, I think, the mechanism for understanding what we're all doing. We'll make better policies in each country if we understand what the others are doing and will maximise the opportunities for growth in the region as a whole.

HORGAN: We have the satellite now for another two minutes, this is probably a tough question to end on, but your Government is turning Australia towards an open market to face global competition. Just briefly, how are you doing this?

PM: Firstly, I'm trying to change the attitude of Australia, that is to make them understand that this nation of sixteen and a half million people in a world of five billion has got to construct itself and have the attitudes that relate to that world. It will never be able to be island fortress Australia. We will condemn ourselves and our future generations if we have that attitude. So what are we doing? I have with my colleagues created a movement towards a more outward looking Australian economy. We have floated the Australian dollar, we've deregulated the financial system, we have very very significantly liberalised the foreign investment guidelines and we have run a fiscal policy which has very significantly reduced the call of the public sector on the savings of our country so that we can

PM (cont): release resources to the private sector. Just last May we had a 30% reduction in tariffs and the attitudinal change in Australia may be judged by the fact that Australians accepted, almost welcomed that as compared to back in the 1970s when there was a 25% reduction and it was the end of the world. So we are in those macroeconomic senses doing those things which are creating a more outward looking economy, we're reforming a microeconomy, we're making the infrastructure more competitive, better able to service the Australian economy. In this way we are going to make Australia outward looking, competitive and make it in my words more enmeshed in the region.

HORGAN: Thank you Mr Hawke. May I express to you in conclusion on behalf of all the delegates here from 34 countries how pleased we are and our sincere gratitude for you being part of our symposium and making such a significant contribution.

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