



## PRIME MINISTER

ADDRESS BY THE PRIME MINISTER, THE HON P.J. KEATING MP  
TO THE HONG KONG AUSTRALIA BUSINESS ASSOCIATION  
SYDNEY, 18 JUNE 1992

Ladies and gentlemen,

I'm pleased to have the opportunity to address the Hong Kong Australia Business Association.

As this country increasingly looks toward Asia for its future we will need organisations like this one.

We'll need you to promote business.

We'll need you to establish the networks of communication, trade and investment essential to our integration with the region.

We will also need you to promote the idea of Australia engaged in Asia.

And it's not just in Asia that we need to promote it.

We need to promote the idea here: because Australians, by and large, have yet to fully grasp the dimensions of our opportunity in Asia, or the imperatives which accompany that opportunity.

We simply have to seize the time in Asia - and, quite simply, we can.

But it is one of the lessons of the success of the Asian Tigers - indeed it is a lesson to be learned from successful countries around the world - that there has to be a conscious, concerted, national effort.

The nation has to know what the goals are, what the rewards will be, and what is required.

Your example will help in that educational process.

And I hope you will take every opportunity to proselytise.

Asia is where our future substantially lies, but we won't secure the future without effort.

We can't assume that our presence on the margins of the most rapidly growing economies of the world is an historical accident to replace that other one, called the British Empire - Asia will not serve as a substitute for the imperial security blanket.

It is not like a reef of gold or a mountain of iron ore which needs only to be mined. It's not just a matter of sending in a railway line and some earth-moving equipment.

We won't wake up one morning and find ourselves riding on Asia's back as we used to ride on the sheep's.

It will require, as I said, a conscious national effort.

We will have to adjust our thinking and increase the rate of our work.

We'll have to think of ways into these markets, which means being clever as perhaps never before, bold as never before, tenacious as never before.

At this stage we are not doing badly.

If our economy is not yet so international and open as Hong Kong's, it is much more so than it was a decade ago.

We have radically opened it up in the 1980s.

If we are not yet as competitive and dynamic as the Tigers, the floating of the dollar, reduced protection, wide ranging micro-economic reforms, the transformation of our industrial relations system and a responsible fiscal policy have given us a chance to play in the same league.

We now export more than twice the volume of goods we did at the beginning of the eighties.

And the composition of those goods has shifted markedly to manufactures and services.

It can also be said that if our economic imperatives are still imperfectly or inadequately understood, they are much better understood than they used to be.

I think perhaps the economic education of Australia has been one of the more remarkable developments of the last decade.

In 1992 Australians know that we cannot prosper by a policy of exporting commodities and maintaining inefficient industries for a small domestic market behind a tariff wall.

They know the realities - including, in principle, the reality of Asia.

What they need, I think, is the confidence - and your association can be an important supplier of that.

These have been hard times - revolutions of the kind we have been going through are bound to be.

But the reward will be contributing to and sharing in the prosperity of Asia - where in the last year the Newly Industrialising Economies grew by 7.1 per cent, compared with the OECD average of 1.1%

The reward is nothing less than the maintenance of our standard of living and our way of life.

The reward is the future of Australia.

And there are reasons for confidence.

Already nearly 55% of our exports go to the Asian region.

We are in a position of considerable strength.

Our GNP is equal to the combined GNP of all the ASEAN countries.

We have a skilled, well educated and flexible work force.

We have a high degree of political and economic stability.

We have things which the region wants - like raw materials, but also technologies and manufactures, skills and services, and space.

Our trade with Hong Kong is a good measure of how well we are doing.

Our bilateral trade with Hong Kong has grown three-fold in the past decade and Hong Kong is now our seventh largest export market.

Hong Kong has become an important investor here.

Last year it was our second largest source of migrants.

As the centre of the "Greater China" growth triangle, Hong Kong now offers Australian business a new frontier of opportunity.

There have been significant recent changes in the region.

As wages have increased in Hong Kong and Taiwan, manufacturing has shifted to the coastal provinces of China - especially the Guangdong and Fujian provinces.

I'm sure you are familiar with most of the facts and figures, but they are worth recording in an Australian context. They speak eloquently of the challenge which we face.

Up to three million workers in Guangdong province are employed in factories owned by Hong Kong manufacturers.

With the aid of Taiwan's and Hong Kong's capital, technology, management and marketing skills, Guangdong has built a dynamic economy with real GNP growing by 12.4% per year from 1980.

Hong Kong, of course, is a gateway to China, its 1.1 billion people, and its increasingly vibrant private sector.

China is now Australia's ninth largest export market.

Hong Kong's growing role as a financial and services capital for China represents major opportunities for us.

Again, there are reasons for confidence:

- In the example, for instance, of AOTC which has been granted one of the licenses to operate a second generation mobile telephone network in Hong Kong.

- Or in the new airport and port development there, where Leighton Industry is tendering.

Ladies and gentlemen -

What is presently happening in Hong Kong and China is happening in other parts of Asia, and the opportunities for Australia are replicated throughout the region.

Intra-regional foreign investment has rapidly increased. The NIEs are now important foreign investors in their own right.

Intra-regional foreign trade has expanded.

Major developments are underway or being planned to improve the infrastructures.

Economic growth in Asia is increasingly being driven by demand within the region itself.

That is why, as everyone here knows, we must become a part of it.

There is no doubt that this dynamic progress in Asia will continue into the next decade.

But there are uncertainties.

The greatest of them continues to be the risk of a breakdown in the Uruguay round of the GATT.

A breakdown in the Uruguay Round has the potential to create regional trading blocs in North America and Europe. We face the prospect of revisiting a world with a fortress mentality.

Hong Kong and the other Asian economies have shown the benefits of a free trade policy.

We in Australia share their beliefs, and we have a common interest in voicing these beliefs in international forums.

It is not only because of enlightened self-interest, but also because we share a common conviction that unrestricted bilateral trade is the best way to foster economic development in the developing countries.

The APEC process is one forum where we can pursue these goals.

We should remember what the reality of APEC is:

- over the past twenty years the share of our total exports to APEC countries rose from 54 per cent to 73 per cent.
- in the same period the EC's share fell from 21 per cent to 12 per cent - which, as from last year, is less than the volume of our trade with the ASEAN countries alone.
- in fact our trade with ASEAN is now greater than our trade with the United States.

APEC has become the major regional economic and trade forum and it will become an increasingly important instrument for promoting regional trade liberalisation.

That is why I have proposed a process for periodic APEC Heads of Government meetings.

Ladies and gentlemen -

As part of the continuing process of internationalising the Australian economy - an essential undertaking if we are to succeed in Asia - in the One Nation statement I announced that we would issue more foreign bank licenses, and allow foreign banks to operate as branches for wholesale banking and acquire smaller banks.

By these measures we intend to more closely integrate Australia with the Asia Pacific economies by taking on an increasingly substantial role as a regional financial centre.

In One Nation I also announced that we would allow the taxable income derived from pure off-shore banking transactions by an authorised off-shore banking unit in Australia to be taxed at the reduced rate of 10 per cent.

The Government realises that if it wants to facilitate the development of the industry in Australia it must broadly match the concessions in other major centres.

Our concession will be generous. For example, it will apply to the profits from trading with non-residents in a large range of financial instruments (including foreign currency) and to the fee income received from credit support activities.

We intend to introduce the legislation next week. I think you will see then that the Government has provided tax measures conducive to the development of a viable off-shore banking centre, while taking measures necessary to protect the domestic revenue base.

These initiatives, I believe, recognise the unique character of off-shore banking as a highly specialised activity distinct from the core business of the banking sector.

They number among the fundamentals we have to get right.

They demonstrate our commitment to the long term.

Hong Kong, of course, has been enormously successful in establishing itself as an off-shore banking centre.

Our stable economic and political system, our location in the right time zone, our skills, our increasingly close links with the region, and our competitive taxation arrangements mean that we have the potential to make a success of the same business.

I think it is appropriate also to note that the Government will continue to support the high degree of autonomy promised in Sino-British Joint Declaration - for this autonomy is the key to maintaining stability, prosperity and human rights in Hong Kong after 1997.

Australia and Hong Kong have initialled an agreement which will protect Australian investments in Hong Kong until at least 2007.

China will formally approve this agreement before it is signed.

Ladies and gentlemen -

The Government recognises the important role played by small and medium sized businesses, and we have implemented a number of reforms and programs designed to address the structural impediments which face them.

Our aim is to promote the creation and growth of competitive enterprises by removing regulatory and other impediments and providing appropriate assistance at critical stages.

The reforms, which address priority issues such as taxation, export development, access to finance, and business skills and enterprise development will help small business to take advantage of new opportunities as the economy recovers.

We have recently taken a number of other steps to promote our economic integration with the region.

The National Trade Strategy which the Government launched last November established an integrated and consistent framework in which to pursue trade and investment in East Asia.

Austrade's overseas resources have been re-allocated to reflect the high priority we place on supporting Australian business in the region.

In One Nation we announced a further increase in their funding.

In February the Government issued a follow-up to the Garnaut Report which seeks to anticipate future developments in South-east Asia and so prepare us to take advantage of the opportunities they present.

We are undertaking - in consultation with the private sector and state governments - a major study of trade and investment in Asia.

It also serves our economic purposes that an increasing number of Australian students are studying Asian languages at secondary and tertiary level.

There are now 34 centres or institutes of Asian studies at Australian universities, and there is a growing number of educational exchange programs between Australian and Asian universities.

Our schools are changing the curriculum to reflect changes in the community, the evolving requirements of government and business, and the ground-swell of interest in the societies of the region.

All these things bear testament to our commitment - though they do not, as a few critics have suggested, reflect any willingness on our part to compromise our social and political values.

As I said in a speech in Sydney early in April, and as I re-iterated while in Indonesia, our traditions of democracy, our notions of social justice and personal liberty are not negotiable.

Indeed, the more confident we are of what we stand for, the better we will do in Asia - and, I believe, the rest of the world.

To be ambivalent about identity will only weaken us.

Part of that identity these days comprises our non-discriminatory immigration policy and the principles of cultural tolerance enshrined in multicultural social policies.

This of course is a significant change: not so long ago we were known in the world for discrimination and intolerance, particularly towards Asia.

The change we have made, which now sees us known in Asia for our openness, seems to me a proof of our ability to make the other necessary adjustments.

Because the nation's future quite literally depends on it, few things press so urgently on the Australian Government as the need to create the right environment for Australian trade and investment in Asia.

But the Government's capacities stop short of meeting the ultimate challenge.

That responsibility falls to business itself.

Australian business is making considerable progress, and it's really not for me to tell those who are making it what else they might do.

But it does seem to me that our cultural diversity equips us extraordinarily well, and we can probably turn it to greater account than we are presently doing.

Our Asian migrant community, through small business networks, is making considerable progress in opening up new avenues of trade and consolidating commercial links with all parts of the Asia-Pacific.

Personal familiarity with the linguistic, cultural, religious, geographic and national differences of these markets constitutes a genuine advantage for the Australian economy.



It follows that Australian firms might do well to draw upon the wealth of language and cultural skills in their own workforces - not just in Asia, of course, but in Europe and the Middle East.

I think it will become very clear in the next few years that there is a greater reward to be reaped from our immigration and multicultural policies than we have hitherto imagined.

And I think it will be all the greater if we recognise - and ensure - that nothing in those policies compromises our identity or our loyalty to this place.

As we become more Asian in our economic and geopolitical orientation we will do well to become more undividedly Australian in our thinking and in the image we project abroad.

That, I believe, will herald not a more parochial Australia but a more sophisticated one - a more confident and a more successful one.

So, ladies and gentlemen, I congratulate the Hong Kong Australia Business Association for the initiative they have shown and for the vanguard role they are playing in Asia, not only on behalf of their members, but on behalf of Australia.

And I thank them for inviting me here today.