



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
PRESS CONFERENCE, GRAND HYATT HOTEL, JAKARTA, TUESDAY,
16 NOVEMBER 1994**

E&OE PROOF COPY

PM: Can I begin by saying that I think the events in Bogor today, the decision of the Leaders to carry their support for the communication is an absolute triumph for the Asia-Pacific. It is a triumph for the world trading system and it is a triumph for Australia because it will be a very clear beneficiary from this and it has played a very important and significant role in it. But, President Soeharto's statement may well be seen, I think, as the beginning of the Pacific century and Australia is set up for it. I want to commend President Soeharto on his leadership in putting the communique together and driving it home.

Free trade in the Asia-Pacific by 2020 was the stuff we were only dreaming about two years ago. A decade ago it was beyond our dreaming. Today, 18 countries have signed up to it and the sense of restrained euphoria amongst the members knowing the weight and moment of what had been undertaken was something for one to experience.

This area, of course, encompasses more than two billion people, by the turn of the century it will be 57 per cent of world trade and by 2020 seven of the top 10 economies in the world will belong to it. In Australian terms it means about \$7 billion in extra income each year, extra trade each year, about 70,000 new jobs, it means exponential growth in opportunities for young Australians. But, I think, much of the meaning of it can't be measured. For Australia's terms, how do you measure the value of a permanent seat at a table of this size? A seat, which I might say, we have in this instance truly earned. A constructive leading edge role in the region, the knowledge that we are not only masters of our own destiny, but truly ready to seize it. It means all the reforms and realignments that we in Australia have

undertaken in the past decade will now have their rewards, it means economic growth will be secured by expanding trade, it means co-operation on other vital issues, it means a collective regional interest in peace and security underpinned by a common economic interest.

I don't think the next generation would have blamed us for not having done this because this did not have to be done. But what is, I think, extraordinary about it is that as the Cold War finished, as that bi-polarity changed, as that bi-polar overlay was taken away, regions had a chance to do things together or to remain in the same sort of alignments. And, out of a process of sheer co-operation and imagination we have seen developed here a commitment to free trade in the Pacific rim amongst these vast countries. Something that just simply didn't have to be done, something which, I think, most people thought would have been beyond our thought and our imagination. But, the fact is it wasn't and it was done. It is a rare achievement, I think, 18 countries here have seen the future and they have seen the moment and they have seized it now not in another generations time, but now and, I think, this is a very extraordinary thing.

So, we have all today lived through a bit of history. And, when we see the great post war changes such as the Bretton-Woods Agreement or the establishment of the IMF and the World Bank in the same terms what has happened today, larger in its impact than the Uruguay Round by a factor of two or three, will change the worlds trading system and mean instead of having three blocs - one in Europe, one in the Americas and one in Asia - we will have an Asia-Pacific dedicated to growth and co-operation and ultimately a better world where co-operation and achievement underpins what used to be there with the frightening polarity of the Cold War.

So, this means much and it is a great achievement by everybody involved.

J: Mr Keating, what did you have to offer to Dr Mahathir to get him to sign up?

PM: I think Dr Mahathir expressed some reservations and intends to express them himself, but President Soeharto made this clear that this was a 'flexible consensus' as he put it. That was that he wouldn't accept the view that one dissenter was able to change this and so, I think, Malaysia commits itself to this, but any reservations it has is, I think, for it to explain and for its Prime Minister to explain.

J: Mr Keating, how important has Australia's role been in the process?

PM: We started the idea off in 1992. That is, the idea of APEC meeting at leaders level because we took the view that Ministers, no matter how committed and no matter how conscientious couldn't draw down the authority to make these sorts of decisions. This could only be done - to adopt a free trade agenda like this - could only be done by leaders, by heads of government and by leaders and we needed therefore a leaders forum. It is that process that Australia put in train, but that was taken up ambitiously by President Clinton and I thank him sincerely for that - for his meeting in Seattle last year - and then by President Soeharto agreeing to host the second meeting and he said he would only do it on the basis if something positive came from it and then picking up the free trade agenda and running very hard with it. So, Australia has been involved. I am very happy to say with this for its inception and we have worked closely now with President Clinton and President Soeharto and the other 18 leaders who have seen the opportunity of this and were prepared not to let the moment go.

J: (French Newspaper) If APEC is not going to be a free trading bloc as stated in the statement, does it mean that you extend benefits to Europe without having anything in return, without having to open its markets?

PM: We think that this is a proposal to help ourselves and in the doing of it helping others. Now, the open markets 2000 proposal which President Clinton proposed during the G7 was rejected by Europe. What has happened here is a much more co-operation and conscientious undertaking and this will change the world's trading system. I'm happy to say, but the initiative came from the Asia-Pacific and what is unusual here, the initiative has come from the leader of a large developing country. This has not come from the G7 down or the OECD or anywhere else. This has come from a group of people meeting together and the leader of the developing country proposing to a clutch of developed countries - US, Japan, Australia, Canada, New Zealand et cetera - a free trade agenda. So, it is almost a role reversal for President Soeharto to have done this, but he has and we have and the world will be a freer, more supple, more productive place. Now decisions have to be made in the future about whether this is MFN or preferential, but any of you who are familiar with the GATT will know that if this is a GATT consistent policy - and it is - we made that very clear, that an adoption of such a policy under the GATT leaves the option for each individual country of deciding whether it is MFN or preferential. But again, that is a broader question that may be decided in the broad and we decided to have the next Leaders

Meeting again, in Japan in Osaka in 1995 and that will be, of course, one of the issues which we will be discussing.

J: Mr Keating, did you say there was no unanimity or consensus on the free trade timetable?

PM: No, let me just make these points to you from some of the paragraphs of the communique. At paragraph six it says 'we further agree to announce our commitment to complete the achievement of our goal of free and open trade no later than 2020.' This is not an aim or a general direction, this is we agree to complete the goal by 2020. And then it goes on to say 'that is, that industrialised economies will be achieving the goal no later than 2010 and developing no later than 2020.' So, in the parlance of international communiques there are no weasel words here. These are firm executive decisions, this is an executive decision taken by the Asia-Pacific Leaders. And, at paragraph seven 'we decide to expand and accelerate APECs trade and investment facilitation programs'. Not we might decide or we are thinking about it, we decide. So, these are a very firm set of decisions and we will now need to give effect to those and think about the plan of how we will do that coming up to Osaka, during Osaka and beyond.

J: There has been some sort of talk about this 10 years - what happens in this ten years between 2010 and 2020, do the developing nations get free access to the developed markets ...

PM: We are already seeing a lot of unilateral changes in protection. For instance, Indonesian tariffs have fallen from 35 per cent in 1982 to 20 per cent in 1992. In Korea they have fallen from 32 per cent to 10 per cent. Chile's average tariff is now 11. Australia in trade weight at average terms will be at 2.9 per cent by year 2000. So, they are going down, just that some will have further to fall than others because they start from a higher level. But, again the modalities of this are to be decided up to Japan and during the Osaka meeting.

J: (International Herald Tribune) Mr Keating, when this agreement speaks of free trade, does that mean zero tariffs and how many of the countries or economies participating ... will take advantage of that opt out clause - point nine?

PM: Well, it is not an opt out clause and that was discussed by members today and there is, I think, a very clear commitment to the paragraph six language here ... the first part of your question was?

- J:** Can I just follow up, if there was a very clear commitment, as you say, why is this point nine included?
- PM:** I think it was included originally for those who found trouble with some of the feature of it, but as it was agreed there would be no annexure to the statement. In other words, Leaders were not going to be deterred from publishing the statement as is, that paragraph nine largely becomes redundant in the decision in terms of any import that you might attach to it of the kind you are speaking of.
- J:** Does free trade mean zero tariffs?
- PM:** The coverage and the determination of free trade will be something which has to be decided in Osaka in 1995 and maybe beyond, but under the GATT, of course, the notion of GATT consistent free trade is where markets are substantially liberated - substantially is the word. And, that may be a formula that the APEC Leaders take up, it may be that they say zero to five per cent, it may be something else, it may be zero, but again these are all issues which, I think, in the doing of this it's competent for the Leaders to discuss in Osaka in 1995.
- J:** Mr Keating, does point nine where it refers to implementing co-operative arrangement imply or require another formal agreement by the Leaders before this whole exercise of free trade might be embarked upon. And second question, can you tell us whether there was or was not consensus on the MFN question and is that why that also has been ...
- PM:** The MFN question was not discussed. The only reference to it came from myself saying it is one of the issues which we will need to debate in Osaka in 1995, no one else discussed MFN. So, that wasn't an issue there. There was a notion, I think, at some point that in these negotiations there may be some not yet ready to participate or may join later. For instance, countries that are not now in APEC, but who may join it are not necessarily signed up to these things and therefore can elect not to do. But, let me make this very clear, this was discussed, this paragraph nine was discussed at some length in the meeting today and it is not for the purposes of any of the members who expressed their support for it an option to move away from the very clear undertakings of paragraph six.
- J:** Mr Keating, you say that Soeharto, if I got it right, you said that Soeharto wouldn't accept the view that ...

PM: That's right, he talked about the notion and I'll give you some of his words from my notes, he talked about the notion of a flexible consensus if the majority of the members are ready to co-operate they can carry it out and not wait for members who may not be ready.

J: So, does this mean that he convinced Mahathir to go along or did Mahathir ...

PM: Don't ask me about Prime Minister Mahathir's position, you had better ask him, I think.

J: Was it in the meeting though, was it discussed?

PM: You had better ask him about his position.

J: What sort of adjustments will this mean for Australian industry over the next ten years?

PM: It depends what the climate is. We have always adjusted Australian industry in the context of relatively high tariffs in the Asia-Pacific, but if you have got a commitment like this given the fact that we have already had the bulk of our adjustment behind us, and as I say we are going to a trade weighted level of tariffs of 2.9 per cent by the year 2000, Australia's large adjustment task is basically behind it. So, this opens up an opportunity for Australia obviously, but I think, about any of these sorts of arrangements they are basically win-win arrangements. And, that is why I think the developing countries are bringing their tariffs down unilaterally, removing non-tariff barriers and being involved in trade liberalisation in general.

J: There has been some expressions back in Australia, they fear that this may end up with a swamping of footwear, that sort of industry in Australia. Are there any guarantees for those workers in those types of industry?

PM: This is the sort of fears people have expressed down through time and certainly over the last decade. People said when we removed tariffs, manufacturing in Australia would close up. What has happened? Manufacturing production has doubled and manufacturing exports have tripled. And, we are now seeing in a lot of competitive areas of the Asia-Pacific such as motor cars, even with existing levels of protection we are now producing vehicles for the world market, competitively of a very high quality, so I am very convinced of the capacity of Australians to compete in any of these markets and particularly in the environment of lower tariffs all around us.

J: (The Daily Telegraph) If given that you are saying that paragraph nine is overridden by paragraph six in effect, what is the relevance of paragraph nine?

PM: The thing is, as these meetings go on you could sit down and try to redraft some of the sections as you get a coalescence of view around particular points. But, you have got to understand how great this is, how big this is. You have got the big industrial economies of the United States and Japan, developed economies such as Australia, Canada, New Zealand, huge developing markets like China and Indonesia and the ASEAN economies, the industrialised economies like Singapore and Hong Kong, Korea, et cetera. I mean, this is an enormous panoply of countries and interests and to secure a thing like this is done, if someone wants to unpick the threads of a communique and you find yourself sitting there another day or two haggling over every point, I think, President Soeharto's instinct was to get the communique up and he did.

J: Can you just describe from a personal point of view what it was like in that room with all those leaders, what were the atmospherics there?

PM: The thing I keep trying to remind myself of is that two and a half years ago there was none of this, none of this existed, but, this has come together in this very rapid time. You could feel a sense of buoyancy from the Leaders knowing that they are in something as large as this and it would mean so much for their communities and so much to their nations. The other thing was I can't think of a more tangible expression of the north south dialogue in any practical way than this because APEC is not like the European Community, which is largely a community of developed countries. This has got the most developed and developing countries, it is a huge spread of countries from the United States to Papua New Guinea through to Indonesia, Korea, the differences here are so great that how long in all over our lives, certainly in all of my political life, we have heard about the north south dialogue. Well, this was the facilitation of that dialogue in the most tangible way that I could ever imagine. I think being part of that co-operation, I mean, seeing the President of China adopt these proposals along with the Prime Minister of Japan, the President of the United States along with the President of Indonesia, I mean this is co-operation and good sense triumphing over the tight polarity we used to have not just a few years ago. So, as I said to you in the opening remarks, I think, the Leaders have seen the opportunity here and seized it and this is leadership. This is what politicians can deliver. I mean, politicians often are disparaged in this world, but in the end they

are the ones that make the decisions. This is a leaders meeting and this could only have been done by leaders and there was a lot of leadership on the line today.

J: Did either Japan or China raise any reservations because they expressed plenty before?

PM: No, there was basically nothing but support from China and Japan. But, before I leave you again on this paragraph nine, you asked me about it, if you read back through that you will find it is referring to the area above which is largely about trade facilitation and standards agreements et cetera. That was largely the mood with which it was discussed in this group - about trade facilitation, countries doing that which they sought to do while others were not yet ready to join. Let me assure you and you can go over this with a fine tooth comb and ask the other Leaders, those key words that I referred to you earlier about 'we agree to complete the achievement of our goal of free trade by 2020, industrialised economies achieving it by 2010, developing economies no later', you can't get it any harder than that. That is why it is a great achievement.

Could I just complete by thanking a number of people on the Australian side who have been associated with this for a very long period of time. In the Australian bureaucracy, let me just say about this, we have had a lot of debate about trade, there are trade theologians sprinkled all over my country and probably most countries, certainly in the Australian universities, but with the Uruguay Round and now with APEC, all the heavier hitters have got into the game. And, the game has gone way beyond polite papers being delivered at seminars to massive achievements of this variety by people who could imagine something bigger and better and had the horse power - both political and bureaucratic to go in after it and get it.

I'd just like to record a special thanks to my foreign policy adviser Allan Gyngell. To Michael Thawley in the Department of Prime Minister and Cabinet and his colleague David Ritchie who have worked on this with might, and tirelessly over a couple of years. Before that their predecessor Ashton Calvert, who is now our Ambassador to Japan, who worked on this for the first 18 months with Allan Gyngell. I'd like to particularly mention also my former private secretary and Ambassador to the United States Don Russell who has worked with the United States closely on this issue. My private secretary Geoff Walsh who has worked closely with Indonesia and I would like also to thank our Australian Ambassador to Indonesia for the relationship which he has created with the Indonesian government which has

helped facilitate this. And, the many other members of the bureaucracy who have supported this, my colleagues in the ministry who have played their role right through these ministerial meetings - Gareth Evans and Bob McMullan and officers of their department. There are many more I could mention and probably many more I should and there may be some I have forgotten, but this is the largest thing that I have ever been associated with or likely to be and I couldn't let a moment like this go by without acknowledging all of those who have put their shoulder to the wheel and kept it there with might and main. Thank you indeed.

ends