



PRIME MINISTER

**SPEECH BY THE PRIME MINISTER, THE HON P J KEATING MP
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****CHECK AGAINST DELIVERY****

It is a great pleasure to be able to address the National Trade and Investment Outlook Conference again.

When I spoke at the inaugural meeting last year, 900 people were present, representing 162 Australian companies. We were very pleased with that response - and we are even more pleased with this one.

This year we have 1500 delegates representing 450 companies.

And twice as many international delegates are attending the conference this year.

This is an excellent result. It reflects the growing interest among Australian companies in going off-shore, in exporting, in looking at a global market rather than a market of 18 million people.

A real change is taking place in Australian business culture.

Export performance, best practice, international competitiveness are all increasingly central to the approach of Australian businesspeople and Australian workers.

Already, around one in eight Australian manufacturers is involved in exporting.

But the important lesson - and one that is getting through to more and more Australian companies - is that, irrespective of size, these manufacturing exporters outperform their non-exporting counterparts.

In fact, firms which operate internationally are 65 per cent more productive than those which operate only in the domestic market and they consistently invest more in new capital equipment.

The people in this room understand this. There really is no more important message for Australian business and for the Australian community at large. If it was not apparent before, the APEC leaders' meeting at Bogor certainly should have driven it home.

That is what I want to talk about this morning - APEC, Australia and our trade priorities.

I have spoken a good deal about APEC over recent weeks, and I know you have already heard from Bob McMullan on the subject, so I only want to put a few simple propositions to you.

First, the commitments made at the Bogor meeting to achieve free trade between the APEC economies by 2010 for industrialised economies and 2020 for developing economies will change fundamentally the way the countries of the Asia-Pacific work together and the climate for business in the region.

Second, Australia is well placed to take advantage of this change.

Third, while APEC provides a tremendous framework for growth in the region, the trade and commerce it facilitates will take place bilaterally. In other words, we must not ignore our bilateral links with individual regional countries. And when I say "our" I mean both of us - governments and business.

And, fourth, while Australia's policy focus has been on the Asia-Pacific and APEC, this does not mean that we will ignore the great importance to us of other markets and other international relationships.

The term "historic achievement" is thrown around very loosely about international meetings. But I think the Bogor meeting which President Soeharto chaired was one by any measure.

The Declaration we agreed there commits us to establish free trade no later than 2020 among a group of countries which already account for half the world's production. It establishes an Asia-Pacific association which makes any fracturing of the world into three contending trade groupings less likely. And it offers an unprecedented opportunity to maintain dynamic economic growth in Asia and the Pacific, while preserving strategic stability.

A good deal of work remains to be done as we fill out the details of the trade liberalisation process in the lead-up to the next leaders' meeting in Osaka.

But the critical part - getting the political commitment to trade and investment liberalisation - is now behind us. All the APEC economies have accepted that we are working towards a common goal.

And I am convinced that, as was the case when this Government began dismantling the ring fence of protectionism behind which Australia had slumbered for so long, the timetable we are now talking about will come forward as businesses begin to factor the decisions we have made into their planning.

Most of the public attention since Bogor has been focussed on the free trade aspect of the declaration.

That is understandable because the benefits from APEC-wide free trade for Asia-Pacific economies are huge - according to our estimates, around three times the size of the Uruguay Round outcome alone.

But it is important not to lose sight of the other part of APEC's work - the trade facilitation agenda.

In this area, a lot of work is underway which will be of real benefit to business, especially as formal barriers in the region such as tariff rates begin to come down.

At Bogor, for example, we agreed on:

- a set of common investment principles, a first-step in a region-wide effort to make investment flows easier
- a commitment to improve customs procedures, establish common standards and lower administrative barriers to market access
- a "standstill" agreement, committing regional economies to refrain on a best endeavours basis from increasing protection measures
- the need to examine a voluntary dispute mediation service which could supplement the WTO's more formal requirements
- and support for the growing economic policy dialogue taking place under the auspices of APEC Finance Ministers

All these decisions, together with the trade liberalisation commitment, add up to an agreed agenda which has set the pattern for regional co-operation over the next twenty five years.

This is a fundamental change in the political, economic and strategic dynamics of the Asia-Pacific region. It offers enormous opportunities to businesses that are creative and flexible and understand the wider environment. They can plan on access to an increasingly large and integrated regional market, representing forty per cent of the world's population.

The Bogor commitments have in my view changed the way business will have to operate in the region. They will have to conceive of their operations in a more integrated way. And, naturally, as they work to the new agenda, they will do best if they work more closely with government. And the Government you can be sure wants to work very closely with business.

Bob McMullan and Peter Cook and other Ministers will be consulting very closely with business in the period ahead.

And I have asked two distinguished Australian business people, Philip Brass of Pacific Dunlop and Imelda Roche of Nutri-metics, to continue to represent Australia on the Pacific Business Forum group, to which APEC leaders will be looking for further guidance on what business needs from APEC.

The second point I want to make today is that Australia is very well placed to meet these new challenges set by APEC.

By 2000 - a full decade before Australia is required to achieve free trade under the Bogor commitment - our average trade-weighted tariff will be just 2.9 per cent.

Even in industries traditionally regarded as highly protected, such as textiles, clothing and footwear and motor vehicles, tariffs will be low by 2000 - only 15 per cent in the case of motor vehicles and between 5 per cent and 25 per cent for TCF.

Much of our adjustment has already been made.

The effective rate of industry protection in Australia is now about one-third of what it was in the early 1980s and yet our exports represent 22 per cent of our GDP compared with less than 14 per cent in 1983.

Elaborately transformed manufactures, which now dominate world trade, account for 21 per cent of Australia's merchandise exports. And services, which will be increasingly important as economic growth in the region continues, account for 20 per cent of our exports.

All Australian industries will benefit from lower barriers in a region where formal and informal trade barriers have generally been higher than our own.

This brings me to my third point:

Although APEC provides a structural framework for co-operation throughout the Asia-Pacific, the actual business of commerce is conducted country-to-country and company-to-company.

When we talk about the opportunities which Bogor creates, that is what it translates to - on the ground contact between Australians and their Asia-Pacific counterparts.

APEC can be an important accretion to - but never a substitute for - the development of strong bilateral links with individual regional countries.

The process is mutually reinforcing.

At the time of the APEC leaders' meeting in Bogor, for example, I was able to have a very useful series of meetings with ten other heads of government to discuss bilateral issues.

And good bilateral relationships, in turn, make it easier to do things co-operatively in the APEC forum.

The Government will continue to look for ways of strengthening relations with individual regional countries.

A good example has been Indonesia, where we have established the Australia-Indonesia Ministerial Forum, which has helped broaden the whole focus of the relationship, and where the Australia Today promotion earlier this year was such a success in getting the message through to business and the public.

We have been working on the same sort of pattern with other regional countries, too.

During my visit to Singapore in 1992, for example, our two Governments agreed to support the efforts of Australian and Singaporean companies to develop joint business opportunities - so-called strategic linkages - elsewhere in Asia.

When Prime Minister Goh visited Australia in September we agreed to contribute \$1 million each to establish a Joint Venture Feasibility Study Fund under this program to assist companies operating jointly in third markets.

We also agreed to establish a Singapore-Australia Business Alliance Forum which will play a strategic role in developing commercial relations between Australia and Singapore and business partnerships in third country markets.

We will each be nominating a select group of CEOs to the Forum, representing companies with strong track records in the Asia-Pacific region.

We will retain close stewardship of the forum to ensure it meets each country's aims.

At the Strategic Business Partnerships session here tomorrow, I hope business people from Australia and Singapore will decide on a destination for a joint mission next year which will be led by Senator McMullan.

Initiatives such as this can be applied to other countries.

In Australia last month, both President Frei of Chile and President Kim of Korea, expressed interest in developing linkages between their business sectors and Australian companies. And I have also discussed such opportunities with Prime Minister Mahathir of Malaysia.

My discussion with President Frei envisaged Australia as a gateway for Chilean companies into Asia and Chile as a beach-head for Australia into South America.

President Kim Young Sam and I also talked about the tremendous potential for co-operation between Australian and Korean firms in the science and technology area.

We agreed to negotiate a new science and technology agreement and to jointly invest in industrial technology projects in areas like the information superhighway and clean energy.

These are just some examples of initiatives we are taking to develop bilateral relationships in ways which facilitate closer private sector links as well.

The story here is being repeated with all our neighbours - with China, with Thailand, with Japan, with Vietnam and around the region.

The fourth point is one I want to make particularly clearly, because the message sometimes gets lost.

It is that, despite the importance to Australia of APEC and regional economic linkages, we fully recognise the continuing importance of our relationships with other countries and other regions.

In other words, we are quite able to walk and chew gum at the same time.

That is why we particularly welcome the delegations here from France, India, Saudi Arabia, the UAE and Mexico (although Mexico is also a partner in APEC).

The message we hope you will take back is that this country has a lot to offer you and your businesses through trade and investment, in Australia itself and, through Australia, into the Asia-Pacific.

Because this is a very good place to do business - an information-rich, technologically advanced country, situated in the fastest growing region of the world and with a highly trained multicultural workforce.

Business conditions here are the best they have been for years. The Australian economy is growing strongly - six per cent per annum over the past twelve months.

And inflation remains below two per cent, less than the OECD average. For the first time since the early 1960s, we have seen inflation under 2½ per cent for nearly three years.

Wages growth has been very subdued in the past few years, and we have seen significant improvements in productivity.

These favourable business conditions have been reflected in high profits and high levels of business confidence. Corporate profits rose by over 11 per cent through the twelve months to the September quarter. The profit share is now at its highest level since 1985.

Business investment, especially in plant and equipment, is mounting a strong recovery which will upgrade and expand the productive capacity of the economy.

This in turn will boost the prospects for Australian exports.

In 1993-94, our volume of exports of goods and services grew by 9 per cent, more strongly than the Budget forecast, while exports of elaborately transformed manufactures grew by 16 per cent.

And it is important to appreciate that although Australia is still best known overseas as an efficient producer of agriculture and minerals, this is a technologically sophisticated country with a first rate scientific research base.

The image of Australia is to some extent divorced from the contemporary facts. To give you some random examples:

We have more computers and processing power per head than any country other than the United States and have invested a higher percentage of our GDP in telecommunications infrastructure than any country other than Korea and Germany.

Hundreds of Australian information technology and telecommunications firms are exporting successfully worldwide.

Australian software runs the tracking, reservation and booking systems for Lufthansa and other airlines, for example.

Buses in the UK and Denmark use 'smart card' ticketing developed by an Australian company.

In March I will be attending the CeBIT'95 Trade Fair in Hanover where 130 Australian companies will be participating.

Australian research and technology is leading the world in areas like gene shears, which have huge benefits for plant, animal and human health; an anti-influenza drug which offers real hope of treatment for all strains of flu; and a multibeam antenna, capable of communicating with twenty satellites at once and which makes communications links more cost-effective.

A Co-operative Research Centres program linking universities and research institutions with industry is pioneering world-class technologies in Australia.

But although Australia has many great attributes, none is more important than our people. The ethnic diversity of Australia's people gives this country a natural network for doing global business.

All of the world's nationalities, cultures, religions and traditions are represented here, but in a uniquely Australian blend.

Here again I suspect the image abroad is a little behind the reality.

Forty two per cent of Australians were either born overseas or have at least one parent born overseas. Seventeen per cent of Australians speak a language other than English at home.

We are implementing strategies to make effective economic use of our cultural diversity which is becoming integral to our approach to industry and trade development.

There are more than 160 ethnic chambers of commerce and bilateral business organisations around Australia, all actively engaged with Australia's international commercial relations.

To help businesses get access to these networks, the Government recently commissioned a study to identify the organisations and their networking potential.

I am pleased to announce that the associated database is available at this conference for the first time. It is a resource which will help Australian companies tap into global business networks by providing them with easy access to people with inside knowledge of markets, first-hand experience, fluency in their languages and an intimate knowledge of their cultures and consumer preferences.

There are already many examples where astute Australian businesspeople have drawn on this resource.

Among manufacturers, for example, Vulcanite and Utilux have utilised Chinese-born Australian employees to capitalise on market opportunities in China.

Of the more than 90 international corporations who have set up significant regional activities from Australia, a number - including Data General, the Hong Kong Jockey Club, IBM, Novell and Oracle - have cited Australia's multicultural population as an important factor in making a decision to locate their regional headquarters in Australia.

The final point I want to make is about the relationship between business and government.

The world we are moving into is very different from what we have known in the past.

It is more integrated than ever, a globalised environment in which more and more aspects of our national economy have an international dimension to them, and in which our external interests - economic, strategic, political - are intertwined in a way we have never seen before.

In this sort of world, it is increasingly important that business and government each understand what the other is saying and work in a complementary way.

That is a very important aim of this Government.

For example, a major part of the work of Australia's overseas posts is now to assist Australian firms take advantage of trade and investment opportunities.

The Government's overseas trade support network, particularly in China, Vietnam and other key Asian countries is being strengthened.

Our overseas network is also now increasingly specialised to cater for the specific needs of Australian exporters. As well as a wide network of Foreign Affairs and Trade posts, and Austrade staff here and overseas, we have education counsellors promoting the export of education services and industry, science and technology counsellors stationed around the globe.

And nine investment commissioners are encouraging foreign firms to set up operations in Australia, either independently or as joint ventures with Australian firms.

Government officials here or overseas can't make your deal happen. They can't write the contracts. But they can help you through their local knowledge and put you in touch with the right people. Using them can save time and effort, open doors to opportunities and remove obstacles to doing business.

You should use the next two days to meet with the Australian Ambassadors and Austrade overseas officers who have returned to be at this conference. Let them know how they can help in your chosen markets and keep in touch with them when they get back to their posts.

I hope all of you - Australian delegates and international guests - find this not only an interesting couple of days but profitable ones.

Because, in the end, the purpose of this conference is not to listen to speakers but to do business - to help link our private sector with potential partners overseas.

As the theme says: to create networks for global business.