



## PRIME MINISTER

**STATEMENT BY THE PRIME MINISTER THE HON P J KEATING MP  
HOUSE OF REPRESENTATIVES - WEDNESDAY 22 NOVEMBER 1995**

### **APEC**

This was the third meeting of leaders of the APEC economies.

The process began with the meeting hosted by President Clinton in Seattle in 1993 following a proposal I had made orally and in correspondence with the other APEC leaders. It continued with the historic meeting chaired by President Soeharto in Indonesia a year ago, which produced the Bogor Declaration. In that declaration the APEC economies committed themselves to the goal of free and open trade in the Asia-Pacific at the latest by 2010 for industrialised countries, and 2020 for developing countries.

The Bogor goals were unprecedented and audacious. The challenge for APEC this year was to put in place at Osaka a plan of action which would show how the goals could be implemented.

I believe the result was an outstanding success. The plan of action and Leaders' declaration met all Australia's aims and have firmly cemented APEC as the key regional body for co-ordinating the development and growth of the Asia Pacific into the next century.

It has provided a framework which will ensure Australia's continuing and deeper integration into the dynamic region around us with all the economic, political and strategic benefits which follow from that.

It is of deep and long-run significance to Australia.

At Osaka, the 18 APEC economies, which already account for 60 per cent of the world's GDP and half its trade, renewed their commitment - what the Leaders' declaration describes as their 'unwavering resolve' - to free and open trade and investment in the APEC region by 2010/2020.

The Osaka action agenda sets out the principles which will underpin the process of trade liberalisation and trade facilitation in the Asia-Pacific. The eight principles we have set down include WTO consistency, comparability, non-discrimination, transparency, standstill, and a commitment to move together in the liberalisation process.

But a central principle for Australia is comprehensive coverage of all sectors and issues. This means that agriculture is firmly on the APEC agenda. This was one of the most difficult issues we faced during the year. But as I told Prime Minister Murayama, MITI Minister Hashimoto and Foreign Minister Kono in several meetings over the past twelve months, it was an acid test of APEC's relevance not only to Australia but to developing agricultural producers like Thailand and Indonesia.

This is a real win for Australian farmers because it enables them to plan confidently for the opening up of the vast market around us and brings closer our vision of Australia as a global supplier of food.

In addition to the principles, a process was agreed for liberalisation. Leaders directed ministers and officials to immediately begin the preparation of 'concrete and substantive' Action Plans to be submitted to the 1996 Ministerial Meeting in the Philippines for assessment. Overall implementation of the plans will begin in January 1997, with annual reviews and improvements thereafter. The plans will be most detailed for the early years, but will stretch through to the 2010/2020 end dates.

We have got the two key things right about APEC.

First, we know where we are going. We have decided on the end point we want reach - free and open trade and investment in the APEC region - and we have a process for getting there - concerted liberalisation.

This is an entirely new model for global trade liberalisation. It does not depend on the legalistic and adversarial approach of traditional trade rounds in which the incentive for negotiators was to keep their best cards in their pockets, ensuring that offers were therefore grudging and incomplete. It substitutes instead a new form of concerted individual movement in which peer pressure and self interest will work hand in hand to maintain progress towards goals which have already been set.

The second thing we have right in APEC is the regular involvement of leaders. Their meetings give the process an authority and drive which could never be matched by meetings of Ministers alone. Their engagement invests the outcome of the annual discussions with a weight and authenticity which keeps it moving forward.

The APEC process marks a very significant new development in trade negotiations. I suspect it is likely to prove much more relevant to the sort of global economy which is now developing: one in which Asian countries have an increasingly significant economic role; in which many more states need to be engaged in the process and have an stake in the outcome; and in which the role of developing countries like China and Indonesia will become more central.

One of APEC's greatest values as an institution is that it is a practical example of North-South cooperation. It provides a framework for developed and developing economies to work together to liberalise and facilitate trade and investment and to promote economic and technical cooperation. It has been fundamental to the whole APEC outcome that President Soeharto - the leader of one of the world's largest developing countries - has been one of the driving forces behind liberalisation.

Leaders did not only talk about principles and process at Osaka. They delivered a package of initial actions - a 'downpayment' on their Uruguay Round commitments - which demonstrates beyond question APEC's seriousness of purpose.

For example, Japan announced the acceleration by approximately two years of its Uruguay Round tariff reduction commitments on items affecting trade worth Y10 billion as well as a substantial package of deregulation measures.

China announced that it would substantially reduce tariffs on over 4,000 tariff lines and will eliminate import control measures on about 170 tariff lines. The other APEC members, including Indonesia, all put good contributions on the table.

Through these downpayments APEC has managed to do something the G7 members could not bring themselves to do earlier this year. APEC has become the principal catalyst for global trade liberalisation.

At the Osaka meeting we urged other WTO members to match APEC's efforts. We also agreed to hold a meeting of APEC trade ministers next year to consider joint initiatives in advance of the first ministerial meeting of the WTO which will be held in December 1996 in Singapore.

In addition to these trade liberalisation measures, a number of important trade facilitation measures are to be taken. For example, APEC will introduce a common harmonised system of tariff classifications by 1996, an internationally agreed standard electronic customs message system by 1999 and pilot mutual recognition agreements in the area of standards by 1997.

These are important benefits for the business community. Customs procedures alone can add 10 per cent to the cost of doing business and although tariffs in some parts of the APEC region remain high, the main impediments for many of our businesses are in the non-tariff area.

The APEC leaders also acknowledged the vital work the business sector must play in APEC's work by agreeing to the recommendation from the Pacific Business Forum that we establish a permanent APEC Business Advisory Council, with its members to be appointed directly by leaders.

I want to acknowledge here the outstanding work which Australia's representatives on the Pacific Business Forum, Ms Imelda Roche of Nutrimetics and Mr Philip Brass of Pacific Dunlop, have done for Australia and for the APEC region, and to thank them on the Government's behalf.

The Eminent Persons' Group has also made a very valuable contribution to APEC's development work, and I again thank Mr Neville Wran for all his work over the past three years

I announced during the Osaka meeting that in response to one of the recommendations of the Pacific Business Forum Australia will introduce a business travel card to facilitate regional travel by accredited business people. We have also proposed that other APEC economies join us in this scheme. This will help greatly to facilitate the freer movement of business people around the region.

The long-term benefits of APEC's trade liberalisation and facilitation are enormous. Recent modelling work by the Office of National Assessments and the Industry Commission backs up earlier conclusions and suggests that, when the full effects of the Bogor commitments have flowed through, the income of APEC members will increase by 3.8 per cent or USD 745 billion - more than the current size of the Australian and Korean economies combined.

Australians will benefit directly and substantially from this process. The initial results of the most recent modelling shows that Australia's real income will rise by 6.8 per cent or \$40 billion when all the effects have flowed through, and that growth of this order can be expected to generate around 500,000 new jobs over the course of the liberalisation period.

These revised figures on the benefits to Australia which are the result of more comprehensive modelling, are substantially higher than those I gave the House in the statement I made after the Bogor Declaration.

Most of the focus on APEC has concentrated on its trade liberalisation dimensions. These are central to APEC's work and are vital to the region's continuing prosperity.

But APEC also has a number of other dimensions, including its important work in areas like education and training, science and technology, small and medium enterprises, transportation, telecommunications, tourism, economic policy and sustainable development.

Cooperation in these areas is expanding quickly and we are seeing the development of much more intensive sets of linkages between APEC governments and businesses in all these new areas.

One of APEC's major tasks - and one which was recognised by all the leaders at Osaka - will be to keep resources flowing to the rapidly growing East Asian economies, especially China, as the region's unprecedented growth continues.

For example, East Asia's demand for energy is doubling every 12 years compared with the world average of 28 years.

China's demand for grains is growing so fast that its estimated shortage within 15 years could be three to six times Australia's total annual wheat production.

APEC's infrastructure requirements over the next decade are likely to require US \$2 trillion, of which well over US \$500 billion will have to come from the private sector.

The way we handle these requirements will affect not only the region's prosperity but its security in the first part of the next century.

I said at the leaders meeting that Australia was ready to address the concerns which Japan, Korea and China have expressed about meeting their food needs. I suggested the creation of an APEC task force on food and agribusiness to examine regional food challenges into the next century. I will be writing shortly to my colleagues about this proposal.

If the Bogor commitments are fully implemented, by the year 2020 APEC will account for more than three quarters of global production and three quarters of the world's trade. ASEAN's per capita incomes will be five times their current level.

One enormously beneficial consequence of the establishment of these APEC meetings is the opportunity it provides for closer contact between regional leaders. In addition to the discussions in the leaders meeting itself, I was able to hold very useful bilateral discussions with President Kim Young Sam of Korea, President Soeharto of Indonesia, President Zedillo of Mexico, President Jiang Zemin of China, Prime Minister Murayama of Japan, Prime Minister Goh Chok Tong of Singapore, Prime Minister Banharn of

Thailand, Prime Minister Bolger of New Zealand and Vice President Gore of the United States.

This meeting was a very great success for Prime Minister Murayama and the Japanese government, especially MITI Minister Hashimoto and Foreign Minister Kono who were most directly involved. Japan's leadership was very important in helping to shape this outstanding result and I congratulate them on it.

I feel very confident that President Ramos of the Philippines, who will chair APEC in 1996, will continue this work. I have offered him any assistance Australia can provide.

I also take this opportunity to mention the collaborative work of officials from the Department of the Prime Minister and Cabinet and the Department of Foreign Affairs and Trade who have worked very hard and very effectively, including with their colleagues in other APEC countries, to help bring about this excellent result.

I suggested last year after the Bogor meeting that the establishment and development of APEC would rank with the establishment of the structures which grew from the Bretton Woods agreement after the Second World War as a model to serve the interests of a new world. After the meeting in Osaka I am more than ever convinced of the truth of this.

Australia can feel well pleased with APEC's progress and our own central role in developing it.