



PRIME MINISTER

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ADDRESS TO PACIFIC-ASIAN CONGRESS OF MUNICIPALITIES

This is the Sixth Pacific-Asian Congress of Municipalities and Australia is honoured, Adelaide is honoured, that it is being held in this city. I am delighted to be here with you.

The region from which you all come is, of course, a vastly important region for Australia, as it is to you. It is the region in which we live. It is the region in which we all need to work out our own futures, working as far as possible in harmony with policies that can advance our common cause to the greatest extent.

I believe this meeting does affect the sense of interdependence between cities, between nations, between people. The Asia-Pacific economy is comparable in many areas with the Atlantic community and the Atlantic economy - comparable in population, comparable in resources and Gross National Product, and comparable in trade and industry.

In some respects, it is one of the fastest growing areas in the world. Within the region of course there is some honest diversity - participants of this conference come from countries that are very far from Australia, others that are just next door. They come from two hemispheres; from large and from small countries, and from countries in all stages of development. But within that diversity I believe we should seek the goals of moderation, and of tolerance and understanding, especially where there are differences. Diversity is one of the significant characteristics of the Commonwealth Heads of Government Meeting when about 40 Heads of government meet every second year.

At the last Heads of Government Meeting, at Lusaka, for example they worked together to help solve intractable problems and difficulties. They were able to do that only because people were able to be moderate - passionate in support of moderation if you like - with a spirit of compromise and with a spirit of good sense and well-being. Very much the same values are needed in our own region, where there are also problems. There are problems in Indochina, problems with refugees, and the challenges of inadequate standards of living in a number of countries.

A number of newly industrialising countries - Singapore, Hong Kong, the Republic of Korea and Taiwan - have shown remarkable progress over recent years, and in some ways, have led the way in the newly industrialising process. These four countries produce almost half the exports of industrial goods among the world's developing countries. That indicates on the one hand, the progress that these four nations have made, but it also emphasises the fact that greater progress is needed in a number of other countries.

That is not always the fault of the countries concerned. Unequal trading opportunities sometimes hold back development which could otherwise occur. There are many countries where prospects are more limited than for these four, unless there are adequate aid programmes and adequate trading arrangements made in the wider world community.

There is also a difference within the region in the extent to which countries have an acceptance of global economic interdependence. There are a number of countries that are very open in their trading practices: Singapore and Hong Kong are two which depend almost totally on trade and on open markets for world goods. There are many others, in Indo-China, for example, where there is little interaction with neighbours and with economies that are nowhere near so open.

There is this great diversity, not only in politics and approach, but also in need, between the countries of the region. There is however, a growing interdependence and a growing understanding of the need of the importance of interdependence between peoples and countries. Despite a great diversity of cultures, and in economies, that interdependence is becoming more and more evident.

There is now a network of economic relationships: 40% of the United States' exports, for example, go to countries of the Asia Pacific region while 47% of the United States' imports come from the western Pacific or from Canada. For Japan, 50% of their exports go to the Asian Pacific region and 43% of their imports come from the region. 60% of the total trade in most western Pacific countries lies within the region itself. None of this would be possible if there were not a close and a growing network of economic and commercial relationships between the countries and cities of the region.

Over recent times there has been significant change in the direction of trade, in many cases, and a significant transfer of technology. All of these again point to a growing interdependence between nations.

Sometimes that interdependence can carry some dangers with it. We need to understand the possible dangers and to do what we can to avoid them. The development of ASEAN for example has been quite remarkable. It is now a cohesive and strong group of nations advancing its own region and making a greater contribution therefore to the general stability of South East Asia and the western Pacific. But a number of the industries which have emerged in ASEAN countries are competing with the same goods and the same commodities for the same markets, and therefore a competitive environment grows within the region. That's not just competition between industries in the region

and other outside. The competitive situation also arises within the region. It is important to do what we can to see that that does not lead to tensions within the region, as economic rivalry has sometimes in the past led to tension between other nations. Certainly we need to avoid in the Asia Pacific area any signs of the sort of economic nationalism that did so much damage in Europe and North America in the 1930s. I don't believe there are signs of that kind of economic nationalism in our theatre. Nevertheless, it is very important indeed to be aware of the dangers that can come in inflationary circumstances, where the growth of trade is perhaps not as great as we would like to see, and the pressure for greater protectionism can therefore also be greater than we would like to see. It is to the credit of the region - the Asian Pacific theatre - that these dangers have largely been averted up to the present time.

A short while ago, William Miller, Secretary to the United States Treasury said: "Inflation is a clear and present danger. It has struck at our nation's vitality. If it is not checked, then it will threaten our democratic system itself... We must attack the root causes and totally eradicate the basic sources of the malady... What is needed is a comprehensive sustained and total war against inflation". I found that view to be accepted, not only amongst the industrialised countries, but in most international forums - at a meeting called by Jamaica at the turn of the New Year, developed and developing countries alike at UNCTAD 5 in Manila, and also at the Commonwealth Heads of Government Meeting at Lusaka. Because, with rising inflation confidence is reduced, profitability is reduced, uncertainty amongst businesses and peoples is increased and then market growth is slow, leading to unemployment and then to more unemployment. In these circumstances, there can be great pressures for government intervention, and sometimes pressures for intervention at the time won't help cure the ills. It might sometimes make the ills more serious and more difficult ultimately to eradicate.

One of the consequences of inflation is that it offers a threat to developing countries and newly independent States. That can come because inflation can lead to protection in advanced countries and therefore to the denial of markets to newly developing countries, and to the industrialising countries.

Governments of the region need as much as we possibly can to co-operate and to avoid the friction which can come from pressures for a very rapid change. I believe we can assist each other, and to some extent we can adopt common strategies to combat inflation, to minimise the evils of undue protectionism. We can do more actively to press major industrialised nations outside the region to adopt like policies - to combat inflation and to reduce protection. This was a very strong thread at UNCTAD 5 in Manila - in a most magnificent conference center, in a city which housed some 5,000 delegates in a most hospitable and friendly manner. The evil of inflation and of increased protectionism is one which all countries expressed great concern about at that conference, only a few months ago.

Why is it so important to be concerned about these things? To understand it we need to look at the historical background. Let me explain, against that background what I have in mind. In the late 1940's to about 1970 there was unprecedented growth in world capital in the economies of developed and developing countries alike.

There are particular reasons for that. Before the World War there had been a depression, after the War there was pent-up consumer demand which provided markets for the products of factories of Europe and North America. There was the imaginative Marshall Plan which assisted greatly in the rebuilding of war-damaged Europe. There was the introduction of new technology which produced new goods which in the industrialised countries were going to become commonplace in nearly every household.

As a result of that, there was a sustained up-surge in growth of trade and of income in many countries. Many developing countries also experienced lack of growth during the same period. But by the 1970s, that consumer boom was running down. At the same time, there were increased impediments to enterprise, to investment and to development. There were increased impediments to jobs and to the creation of enterprises that would provide more work for more people.

There were a number of reasons for this. The view had come about, as a result of a certain view of economics, that government's could provide all things. If they did not have enough funds they could just print more. Inflation became entrenched in the 1970s in many, many countries around the world - in North America and in Europe. As a result of that, world trade has grown at only half the rate of the previous 20 years, as one of the direct causes of high world unemployment. There was an expectation that governments could provide all the things that their people expected, hoped for and wanted. Maybe aspirations were too high, but as the result of these pressures, inflation has become entrenched as a grave and serious evil in many countries in North America and Europe and in a number of others. But then again, because in many of the years since the War growth has been so great that people forgot the circumstances that might have occurred before the Second World War. They took growth for granted. They thought this was the natural state of what would occur in the modern economies of developed or developing countries. Governments again led people to place unrealistic demands upon governments and upon their own economies. Growth can not be taken for granted. If you really want growth you have to have policies that promote it.

The conditions which generated the great international growth from about 1949 to 1970 have largely disappeared. I am concerned that reducing inflation alone, and reducing protection alone, may not in themselves achieve the resurgence in growth that is needed if the problems of the world and world poverty are to be overcome. Do we need statutory road blocks for development, and do we need statutory road blocks for investment? Many investments that would have been possible 30 years ago, 20 years ago, maybe even 15, today would not be. There are all the environmental requirements that new laws now place upon enterprise.

There are foreign investment provisions which oil companies have; there are national investment policies; there are restrictive trade practices legislation. Corporations and enterprises have to find their way through all these things.

I am advised that in California, for example, it could take two to three years to get through the environmental restrictions just to place some L.P.G. gas tanks on the Californian coast. That is just one example of the difficulties that occur and the various developments that were not in existence 20 years ago.

Against that background, these concerns were mentioned at UNCTAD 5 in Manila. They were mentioned again at the Commonwealth Heads of Government Meeting in Lusaka. As a result of the general concern that getting inflation down alone might not be enough to establish a resurgence of the world growth and of world trade. The Commonwealth Heads of Government Meeting adopted an Australian proposal for a study on the constraints to growth. What are the constraints to growth within an economy and between nations? Can a study by the Commonwealth throw some greater light upon that and point the way to national or international policies and might enable us to look forward to a more prosperous world economic future than might otherwise be the case.

Australia will be providing a representative for the study group and it will be reporting in time to assist governments in their preparation for a special session of the United Nations General Assembly in 1980. So that is not all that far off. It has been emphasised at UNCTAD and at other forums that the system does not always work as well as we would like or work as fairly as we would like. The Common Fund is designed to make sure that developing countries in particular are given a better opportunity to market their commodities in the markets of the world within a proper framework and in a way which does not grow too serious to upset our own development or plans. The need for the Common Fund has been accepted both by the advanced, developed countries and by the developing countries, although much work needs to be done on its implementation.

I hope very much that work flowing out of UNCTAD 5 and out of the study group which I have spoken about concerning the Commonwealth Heads of Government Meeting will enable us to take the debate further. I hope that it will point to policies which governments can actively and sensibly pursue.

There is a great deal of co-operation within this region which you are representing here - ASEAN is a tremendous example of mutual support and co-operation amongst five significant countries. There is the Pacific Forum. There are the countries of the Pacific dealing with New Zealand and Australia which discuss many matters of mutual co-operation in the Pacific and the South Pacific in particular, matters such as fisheries, transport and trade relations and a forum which brings together the Pacific nations enables them to pool their ideas, their hopes and their resources. There is the South Pacific Bureau for Economic co-operation which links Australia

and New Zealand with small independent State of the South Pacific and of Papua-New Guinda.

Australia has participated in regional meetings, for example the 1978 Commonwealth Heads of Government Regional Meeting which involved a smaller number of States in the Pacific together with India as the largest member of the Commonwealth.

That group identified fields of co-operation which can be actively pursued amongst the member States.

As a result of that regional meeting, working groups have been established on trade, energy, terrorism and illicit drugs and trading in drugs. A further meeting of that regional group will be held and hosted in India in 1980.

The Commonwealth Heads of Government Meeting - the full meeting - held every two years with about 40 States present, quite clearly and obviously at most times is going to be related to the highly difficult and sensitive major national and international issues, such as the last conference, Southern African issues, the problems of Zimbabwe-Rhodesia and also the major problems of economic relationships and the North South economic relationship. At that major meeting, some of the smaller States felt that their particular needs and concerns were not always met. There is not always an adequate response. There is not always adequate time to enable their problems to be discussed and understood. The regional meeting provides a greater opportunity for that and for that reason alone, is something of particular merit.

Interdependence amongst States is obviously promoted by a number of the important institutions that are present in the area - the United Nations Economic and Social Commission for Asia in the Pacific, the Asian Development Bank. There have been other suggestions which help cooperation within the Pacific community. There have been proposals for greater co-operation in relation to Pacific trade, aid and development. The Prime Minister of Japan has broadly suggested that a Pacific Basin community should be established. There is much merit in these ideas, but they need a great deal of work, a great deal of examination.

People have an idea that the Pacific countries should be co-operating more closely but they do not at the moment know in what form or in what way; how it can be consummated. Therefore there needs to be substance given to the idea, so that the countries of the Pacific can pursue common objectives more vigorously.

I believe that this conference itself is a very good example in the way which communities can come together to discuss their common hopes, their common concerns.

Very briefly, could I say something about Australia in the region. I pointed to the changing directions of trade a few moments ago. Nowhere is that more evident than in the changed directions of Australia's trade. In 1960, 33% of our trade was with Asia and Asean; 28% was with the United Kingdom. Now, over 50% of our trade is with Asian and Pacific countries and only 7% with the United Kingdom. Over the period from 1960 to the present trade

has grown at an annual average rate in the Pacific Asian area of about 14%. With the United Kingdom it has grown by only 3% which means there has been a very real reduction in real terms of trade with the United Kingdom. Then again, if we look at ASEAN exports to Australia, to take an example, they have grown from about \$107 million worth in 1972 to nearly \$650 million worth in this last year.

Developing countries exports to Australia has grown from \$600 million to nearly \$3,000 million over the same period. Their share of Australia's imports has very nearly doubled. It is worth noting, that over recent years Australia's average annual rate of growth and import from ASEAN countries to take a group of developing countries has been more than 30%, where total imports have grown at a very much lesser rate than that. Developing countries' share of Australia's total imports has also grown very significantly over the period. In other words, there has been a major reorientation of Australia's trade and trading direction. We still have important trade with Europe, with the United Kingdom. But now the Pacific Asian theatre is becoming increasingly important to us.

That I think is taking Australia's example to emphasise the countries of the Pacific Asian theatre are much more dependent upon each other than they once were, and I believe that that trend will certainly continue for all of us in the years ahead.

In development assistance, we have special responsibilities for obvious and historical reasons with Papua-New Guinea, and a large part of our development assistance goes to Papua-New Guinea. But, beyond that, the bulk of our bilateral aid goes to ASEAN and South Pacific countries where projects varying from \$1 to \$50 million are being supported by Australia and significant programmes also in the South Pacific. The aid programmes themselves establish valuable contact on national, provincial and local government levels and also enlarge the reality of understanding between people. One of the programmes of particular value is the student programme where overseas students come to study in our universities and colleges and schools. Since the Second World War, more than 26,000 students from nearly 90 developing countries, have had training in Australia under some form of official sponsorship from our government or from another government. 12,000 of these have come from ASEAN countries, and then on top, there have been 16,000 private overseas students over the last 9 or 10 years from about 90 countries and about 9,000 of those have come from ASEAN countries.

This was one of the best kinds of contact and communication, because it means that young men and women in our institutions come to learn and make friends with students from overseas. In that environment, they are gaining greater knowledge and understanding of other countries and of other peoples. It is certainly our belief and our hope that students who study here and who return to their homeland carry a feeling of affection for Australia. These bonds between people may well ultimately be the strongest bonds between nations. We have recently adopted policies which I hope will enable us to expand the number of cases in our education institutions for students from other countries.

The contacts between Australians and the people of the countries of Asia, the Pacific, on a business, personal and commercial level, are quite important to the relationship as an addition to the relationship between governments. That is particularly so when the historic and cultural backgrounds are so different. We have quite actively sought to promote that kind of cultural exchange between people, between Australia and a very wide range of countries. That is another reason why there is so much worth in this conference being held here in Adelaide.

Local government interdependence is also very important. That we have got this conference being held here is a recognition that local government is very important to good government. In many senses it is the level of government that is closest to the aspirations and hopes of people, I am quite sure that the participants in this conference will welcome the opportunity to exchange ideas and acknowledge the way in which your plans are undertaken, the advancement of your own cities and of your own peoples. It will be important for Australian members of this conference to understand how mayors and municipal leaders from cities overseas translate their hopes into actions that will advance the importance of their own people. I am sure there is much to learn in this particular direction.

The conference must surely lead us to have an enlarged appreciation of other communities, of their needs, and enlarged appreciation of how we can identify problems and resolve difficulties. Nations are no longer self contained. They can no longer in a selfish way pursue their own future without some care, without some concern for their actions in other nations, in other places. The economic, social and political progress which we are all part of depends upon an ability to enlarge contacts between people and between nations.

Therefore there is a benefit with the wider opportunities thus created. Now, these objectives at this conference will make an important contribution. I hope you will go back to your own communities with an appreciation of what we are trying to do in Australia, and hope you will leave behind you a much better understanding amongst a large number of Australians of what you are doing to advance the cause of your cities and of your own people.

If the conference achieves nothing more than that, it will have advanced the cause of relationships between a very large number of countries, between a large number of cities and peoples.