

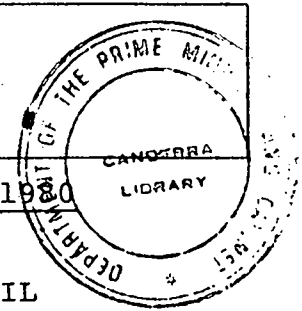


CHECK AGAINST DELIVERY
EMBARGO: AGAINST DELIVERY

PRIME MINISTER

FOR MEDIA

WEDNESDAY, 7 MAY, 1980



ADDRESS TO PACIFIC BASIN ECONOMIC COUNCIL

It was with great pleasure that I accepted your invitation to address this annual meeting of the Pacific Basin Economic Council, the theme of which is to be "The Pacific Basin in the 80s". It is a most timely theme.

As you will be well aware, the past year has witnessed a significant growth of interest - among individuals, institutions and governments - in the prospects of, and the need for, enhanced co-operation among the countries of the Pacific Basin region. Someone, indeed, has referred to the Pacific Basin as an idea whose time has come.

You, as members of an organisation which came into existence as early as the mid-1960s to foster co-operation and understanding among countries of the region, may be inclined to say, "and about time too".

If you are, you will have earned the right to do so, for the Pacific Basin Economic Council has been one of the trail-blazers in advancing the sense of community in the wider region.

In any case, in the context of this very interest it is a particular honour for Australia to have the opportunity to act as host to representatives of other nations of the Pacific region to discuss these matters: both at this meeting of the Pacific Basin Economic Council and at the non-governmental regional seminar to be held at the Australian National University later this year.

At the beginning of this century, the American Secretary of State John Hay wrote: "The Mediterranean is the ocean of the past, the Atlantic is the ocean of the present, and the Pacific is the ocean of the future". What is happening now is that we are beginning to enter that future.

That we are doing so, is due to the cumulative effect of three revolutionary processes which have impacted on the region since the Second World War.

.../2

First, there was the political revolution which brought to an end the Western colonial systems which had previously been imposed like a grid on the region.

That did not occur without great turmoil and the independent states which emerged were initially weak and insecure. But in a remarkably short space of time they have overcome formidable difficulties and consolidated themselves. That political revolution was a necessary precondition for the evolution of any sense of community. For as long as colonial rule remained, the attention of each colony was necessarily directed out of the region towards its metropolitan centre, where power ultimately resided, rather than towards its neighbours.

While the region freed itself of outside political control, the economic system associated with colonialism initially remained in place. Most of the new countries remained the providers of raw material and foodstuffs for the developed countries and the markets for their manufactured goods. But in the last two decades a second revolution - an economic one - has taken place which has substantially changed this.

There has been a breath-taking transformation from colonial economic systems to export-oriented manufacturing economies, based in the first place on labour intensive light manufactures but increasingly on capital and skill intensive manufactures.

This process is not, of course, anything like completed, throughout the region. We should keep a proper sense of proportion and remember the very considerable areas of poverty and economic backwardness which still remain.

Yet, when one remembers what the condition of the region was as little as 25 years ago; when one remembers how pessimistically its prospects were assessed; when one remembers the cliches about the "stagnation" and "immobility" - and lack of entrepreneurial skills of Asian people who lacked the "Protestant Ethic" - when one remembers these things, what stands out is the magnitude of the qualitative and quantitative changes which occurred.

Economically, we are living in a different region. The third revolution which has had a major impact on the region has been a technological revolution - a revolution involving among many other things communication satellites, jet transport, computerisation, tele-printers, containerisation and super-tankers.

For two reasons, this revolution has been particularly important for the Asia-Pacific region. First, because of its impact on transport and communications. The Pacific Ocean covers a huge area - roughly one third of the world's surface - and distance has always posed formidable problems

for those living in it and on its rim. Technology has now solved many of these problems. Secondly, the fact that this technological revolution coincided with the industrialisation of the region meant that countries in the region were able to enjoy the advantage of the latecomer and exploit it very successfully. The visual evidence of the dynamic which has been generated by the combined impact of these three revolutions is evident throughout the Asia-Pacific region.

In statistical terms, we are talking about economies which have been able to sustain G.N.P. growth rates of 6.7 and in some cases 10 per cent, as well as export growth rates of several times that order.

That countries in the region were able to achieve these growth rates during the 1970s was striking: that they were able to maintain them in the 1970s when the international economy was characterised by recession is remarkable; and that they were able to do so, in many cases, in the absence of any extensive national resource endowments is truly extraordinary, and testifies to the crucial importance of sound policies and strong motivation in achieving economic progress.

Economic growth, trade and structural change have proceeded more rapidly in North-East and South-East Asia than in other areas of the world economy during the last decade.

The growth of Japan as a major industrial power and the expanding market it has provided for other regional countries, as well as the industrial progress achieved by the "newly industrialising countries" (the Republic of Korea, Taiwan, Hong Kong and Singapore) and, to a lesser extent, other ASEAN member countries, has contributed to spectacular growth and trade expansion in the region.

It is worth emphasising in this context that, while resource endowments within the region are unevenly shared - and while as I have said the lack of a resource base has not inhibited remarkable growth in several countries - the region as a whole is nevertheless rich in resources.

It contains five of the world's major food exporters - Australia, Canada, New Zealand, Thailand and the United States. These same countries plus Indonesia, Malaysia and the Phillipines produce between them most industrial raw materials.

As a percentage of the world market economies' total production, the region produces 49% of copper, 54% of lead, 80% of nickel, 69% of tin and 60% of iron ore, with significant percentages of many other minerals.

Moreover, the Chinese modernisation program offers the possibility of new opportunities emerging for other regional countries in that market in the future.

Such developments have led to forecasts that there may be a progressive tilt in the world economic centre of gravity away from the Atlantic/Europe region towards Asia and the Pacific in future.

Substance is lent to this by the fact that in 1978, United States trade with the West Pacific exceeded total trade with West and East Europe for the first time in its history.

These extraordinary growth achievements have been paralleled by ~~increasing~~ economic interdependence.

~~The value of total trade~~ among the market economies of the West and North-East Pacific increased from \$US29 billion in 1965 to \$US173 billion in 1977 - an astonishing growth, even allowing for inflation.

For all regional countries, except the United States and Japan, more than half their trade is with other countries within the region and for most the proportion is much higher.

~~Nearly~~ half of Japan's trade is intra-regional.

~~In the case of the United States, as I have noted already, its trade with the Pacific is assuming an increasing importance.~~

A similar pattern of interdependence has emerged in the investment field and countries of the Pacific, with the exception of the United States, are doing most of their investment within the region.

And even with the United States, investment in the Pacific region, while not great in absolute terms, is nonetheless substantial.

In addition to this economic and investment interdependence there are the effects of the declaration of economic zones by many coastal states in the Pacific. These declarations have accompanying obligations, with certain conditions, to share the resources within such zones.

For our own part, a substantial number of Australia's more important bilateral relationships are with countries of the Pacific region. These have grown considerably over the last fifteen years.

Parallel to these developments, Australia has sought to develop closer political relationships with the countries of the Pacific region both bilaterally and through multilateral channels such as ESCAP, the Asian Development Bank and the South Pacific Forum.

Our businessmen, of course, have also played an active role within the Pacific Basic Economic Council since its inception. The upshot of these developments is very significant.

What they indicate, in the simplest terms, is that for the countries of the West and North East Pacific, including Australia, their economic relationships with each other are assuming a very great importance and that economic importance and that economic interdependence within the region is now extensive.

A principal rationale advanced by proponents of a Pacific community is that this state of affairs is not adequately reflected in the existence of regional institutions and arrangements at present - and that it should be.

On the one hand, it is maintained that market forces and traditional bilateral arrangements are no longer adequate, given the complexity of the relationships and the need for a regional focus in dealing with issues emerging from growing regional interdependence.

On the other hand, it is pointed out that existing international economic institutions are to some extent Atlantic-centred and were originally created primarily to cope with the needs of the economies of that region - not of the Pacific Basin.

While they have subsequently been adapted to meet changes in the international system, some would argue that they still reflect their origins to some extent.

In terms of its progress, it is claimed that the Pacific region is institutionally under-developed. What institutions there are, are not, in terms of history, membership, resources or character seen as adequate for handling the opportunities and problems created by the quite dramatic changes which are occurring.

Just as the Atlantic countries have created a range of institutions designed to serve their interests, it is argued, so the dynamic and interdependent countries of the Pacific must now make the same effort.

Not only is this required, but, as a consequence of the revolution in communication and transport, it is now feasible in a way in which it was not, even a decade or two ago.

The central purposes envisaged for a Pacific community arrangement flow from this rationale. They are: to foster closer links and greater co-operation between states which have an increasingly large volume of economic transactions with each other; to assist the effective management of increasing economic interdependence, bearing in mind that

such interdependence brings with it the possibility of increased friction as well as new opportunities; and to foster the continuing economic dynamism of the region by encouraging greater rationalisation within it, based on the principle of comparative advantage.

It has also been urged that the aims should extend beyond that into co-operation in the social and cultural field, involving greater exchanges of people, research and related matters.

This is seen as an important means of promoting greater mutual understanding in a region which, over the centuries, has been characterised by wide differences from one country to another.

But it should be stressed that the basic motivation supporting the concept is clearly quite different from that which led to earlier efforts at regional co-operation, when political and strategic security considerations dominated.

As to the institutional form such a new grouping might take, many different ideas have been floated, not all of them mutually exclusive.

Dr. Peter Drysdale of the Australian National University and Professor Hugh Patrick of Yale have proposed an organisation for Pacific Trade and Development (OPTAD) in connection with recent United States Congressional hearings.

~~A less ambitious possibility might be a sort of scaled down OECD to facilitate consultation and to collect, analyse and disseminate economic information.~~

Other ideas include a loose arrangement of over-lapping functional groups, perhaps with variable membership, and a ~~Pacific Forum of Heads of Government or Ministers~~ along the model of the Commonwealth.

There is also the difficulty of determining membership. The Pacific region encompasses a large number of states. They include super powers and mini-states: the most developed countries in the world and some of the least developed: countries committed to the market economy and countries dedicated to comprehensive central planning: countries with widely differing ideologies and cultures.

Not all the countries of the region hold entirely friendly feelings for each other. There are special cases like Taiwan, and perhaps Hong Kong, to consider.

And again, although most of the interest in the concept so far has come from the West and North East Pacific, there are the ten Latin American countries which border on the Pacific ~~to be taken into account~~, although so far they have had a limited interaction with countries on this side of the ocean.

There are, therefore, formidable problems about prospective membership - about how literally the phrase "Pacific Basin" should be taken and how widely any arrangement should cast its net.

And there are other difficulties: of ensuring that the interests and development of existing sub-regional organisations such as ASEAN and the South Pacific Forum are not undermined and that any wider arrangement will be mutually advantageous and will not put the progress of those valuable institutions at risk; of ensuring that any steps taken would not result in an inward-turning community which would weaken the commitment of countries within the region, including Australia, to a liberal international economic system; of accommodating the economic super powers without creating something which will simply be their instrument and of ensuring that any new regional grouping does not just become another "rich man's club"; and of avoiding the creation of a large, expensive bureaucracy which might be intrusive and meddlesome, if only to justify its existence.

Taken together these difficulties are formidable. But the existence of difficulties is not in itself a justification for resignation or inaction - otherwise we would still be decorating the walls of our caves.

Any large and imaginative enterprise will give rise to the kinds of difficulties I have referred to and they must always be balanced against the advantages which would flow from its implementation.

The dogmatists on both sides of the argument will claim to know in advance what the outcome of such a balancing will be: for the rest of us it is something to be examined and thought about.

That is why Australia, in its initial response to the proposal, has put its emphasis firmly on the need for a thorough, extended examination of the concept.

We are positive about the need for such an examination and at this stage cautious but hopeful about its outcome.

This attitude is justified by at least four considerations. First the complexity of the issues raised by the concept and the lack of precision and detail which so far characterises it warrant caution. Second, the fact that nearly all our major foreign policy interests and a preponderance of our important trading interests fall within the Pacific region means that much is at stake and that we must proceed with caution. Third, and despite this preponderance, Australia is a world trader and we must be sure that any arrangement which is proposed will not restrict us in this respect. And fourth, because we already enjoy fruitful bilateral dealings with other countries of the region and participate in a number of regional institutions, we need to consider carefully whether these existing arrangements are inadequate to our current needs or incapable of adaptation, before entering into new commitments.

In short, Australia, along with every other country involved, will have to determine whether the benefits for it would outweigh the costs - and obviously there would be costs.

But our approach to this task and to the concept itself should be a positive and sympathetic one. It is not a matter of simply sitting back sceptically and saying, 'convince us', but of actively participating, along with other countries of the region, in the examination, testing and shaping of the concept.

We recognise also that a number of other countries, for varying reasons, are cautious about the idea and that some have expressed concern about the possible side-effects of a wider regional arrangement.

It is all the more important, therefore, that we proceed carefully and seek to arrive at a broad regional consensus. It was against this background that during Prime Minister Ohira's visit to Australia earlier this year, we agreed that a series of non-governmental seminars held at academic or similar institutions within the region, over a period of years, would offer an important means of exploring the concept in depth.

As a step in this direction, Australia agreed to sponsor such a seminar at the Australian National University, under the direction of Sir John Crawford. Since then, we have been delighted by the interest that has been shown in participating at this meeting.

In opting for a thorough examination of the concept of a Pacific community, we should not delude ourselves that this process will resolve all difficulties or remove all obstacles. You as businessmen, and I as a politician, know that in any worthwhile enterprise an irreducible element of uncertainty will always remain.

There is no such thing as a risk-free initiative.

But it is as well to remember that in some situations the most risky course is to do nothing.

Mr Chairman, I spoke earlier of three revolutions which had impacted on the Asia-Pacific region in recent decades - the political, the economic and the technological.

For the Pacific community to become a reality - rather than a very partially realised aspiration - a fourth revolution would have to take place: a psychological one.

We would have to think differently and feel differently.

If we are not to be overtaken by events - if objective changes are not to outrun subjective ones - this process will have to proceed.

I am not suggesting that in itself this will be enough, but it is a necessary condition for progress.

I believe that in an unsensational but sustained way, this Council, along with other regional organisations, is making an important contribution to this quiet revolution.