



PRIME MINISTER

FOR MEDIA

MONDAY, MAY 24 1982

SPEECH BY THE PRIME MINISTER AT THE
ECONOMIC ORGANISATIONS LUNCHEON, SEOUL

I would like to express my appreciation for your welcome. I am grateful for the opportunity to speak to the most important business and economic leaders of the Republic of Korea.

This is my first visit to your remarkable country and I am most impressed with what I have seen. My ministerial colleagues who regularly visit you here speak highly of your economic achievements, not to mention your warm hospitality.

Before raising some of the issues in the Australia-Korea trading relationship which I believe are of interest to you as businessmen dealing with Australia, I thought I would share with you some impressions of how leaders in Washington, Ottawa and Tokyo view the prospects for the world economy.

As you know, I visited these capitals just prior to arriving in Korea and had the opportunity to talk in all three places with government leaders, and in Washington, New York and Tokyo with industry leaders as well. Those visits have taken place as the major Western powers are preparing for the summit meetings to be held in Versailles and Bonn next month. While Australia - like Korea - is not represented directly at those summits, our interests are involved, and we have views and concerns we wished to put.

There was complete agreement in all three countries with the view that I put that there is a genuine economic crisis in Europe and North America which affects the entire free world, and that the economic summit at Versailles must produce results, must result in actions, not just words.

The nature of the economic crisis is well known. Last year, for the first time in over 20 years, the value of world trade fell; in the latest recorded 3 month period, industrial production fell in 6 of the 7 major economies, and by the end of 1982 it is clear that unemployment in the major industrialised nations will exceed 30 million people.

Despite substantial success in some countries - including Korea - in getting inflation rates down, interest rates remain high restraining the new investment that is needed to help get durable growth going and there are increasing pressures in all countries to build up protective barriers. Nothing I heard in any of the countries I visited gave me great confidence that significant and sustainable recovery is imminent in the all important United States economy. And even on the most optimistic view, any recovery which might eventuate is unlikely to be sufficiently strong to lift world trade and growth enough to significantly alleviate the massive unemployment problems that now exist.

In a situation such as this, nations can do one of two things - work together or fall apart. The dangers of falling apart are all too real, and it was for this reason I took to President Reagan, Prime Minister Trudeau and Prime Minister Suzuki a concrete proposal for breaking-out of the current economic recession. The proposal, which has the support of the Australian Government, focusses on global protection which affects growth, inflation and government expenditure.

What I have suggested is that the participants at the Versailles Summit agree:

- 1) that there be a standstill on increases in protection and on the introduction of new protectionist measures, particularly on non-tariff forms;
- 2) that there be no new or increased export incentives and subsidies, and that there be an international commitment to the abolition of existing export incentives and subsidies over a period of five years; and
- 3) that there be a commitment to significant and progressively implemented reductions in all forms of protection, in accordance with a set formula to be determined through the mechanisms of the general agreement on tariffs and trade.

Details could then be worked out at the GATT Ministerial meeting in November.

All three leaders were in agreement with the general principles that underlie this proposal. All agreed that action was needed, and none to my knowledge have come up with any other concrete proposals for action.

I have put forward this proposal because I genuinely believe that something must be done, and while action of this sort would be difficult for any industrial country acting alone it could be done if all major countries agreed to work at it together. The Australian Government has indicated that it would implement these proposals if the seven major countries agreed to do so.

In recent days, the proposal has received significant support from U.S. Special Trade Representative Brock, and from Secretary-General Van Lennep of the OECD, and World Bank President Clausen has made a call for liberal trading policies and resistance to trade protectionism.

The aim of getting world trade moving again is one which must be shared by all nations, and certainly Korea and Australia have a profound interest in doing so, for we are both great trading nations.

Turning now to our bilateral economic relationship, the value of two-way trade between Australia and Korea has grown significantly over the years - from US\$17 million in 1971 to over US\$1.2 billion in 1981. Clearly there is an underlying strength to our trading relationship which is not easily shaken by adverse movements in the business cycle. Australia is a major supplier to Korea of industrial raw materials, energy resources and agricultural products. I understand that Korea is now considering a move away from its tradition of sourcing some of its food grain purchases from a single supplier. As a major producer of food grains at internationally competitive prices Australia welcomes this development, for Australia has long indicated its interest in supplying food grains to Korea.

I also want to record the value we place in Australia on the annual talks between our Trade Ministers and between government officials on resources and the processing of raw materials. These talks facilitate trade, address problems that inevitably arise in a relationship as large and as complex as ours, and explore new avenues for co-operation such as technical co-operation, for our mutual benefit, covering such diverse fields as coal utilisation, exploration, processing of minerals and mine safety.

A new dimension of the economic relationship between Australia and Korea relates to the possibilities for construction in Australia, and the supply of industrial products and components needed to develop new resource projects coming on stream in Australia. In this regard, the Australian Government has noted the initiatives currently under negotiation in Western Australia dealing with the construction of gas pipeline, an aluminium smelter and a coal-fired power station.

But in the final analysis it is you, the businessman, who must survey the market, make the necessary contacts with Australian businessmen and take the eventual decisions to trade or invest. It is this free contact between businessmen which is the very basis of our market economy systems. I am therefore glad that the Korea/Australia and the Australia/Korea Businessmen's Co-operation Committees are both active again.

I understand it is your turn to visit Australia this year, and I hope you will profit from your discussions with your Australian counterparts and benefit from the first-hand experience of Australia. I know that you are concerned and have to be concerned about security of supply of your raw materials. There are two things to remember in relation to this issue. One is that the negotiating process to resolve industrial problems in Australia is not easy, because we have a free and open social and economic system. The second and fundamental point is that Australia enjoys an underlying long-term stability as a supplier the equal of anywhere in the world, and superior to many.

I am also aware of concern that is sometimes expressed about an imbalance in our trade with Korea, which as you all know is in Australia's favour. The reasons for this imbalance are clear. Australia is a small market of 15 million people. It does not and cannot offer the same sales opportunities for your finished goods as the larger markets of Japan, North America and Western Europe. However Australia is a country which has abundant resources which you need. You buy them from us in large quantities because the price and quality are right and the fundamental long-term supply is stable. Korea will go on requiring these resources. Indeed, your impressive programme of energy diversification foreshadows substantially increased imports of steaming coal and uranium. And ultimately a good proportion of what you import from Australia is re-exported in processed form. Our coking coal and iron ore are turned into ships and machinery, our sugar refined and exported, our wool spun into textiles for markets outside Korea.

This underscores the need to look at trading relationships not in a narrow bilateral sense but on a global scale, balancing surpluses with one country against deficits with another. The prime objective of all of us should not be to cut back trade to create artificial bilateral equalities, but to promote the overall growth of world trade as a whole.

Let me also say that while Australia is a small market, it is a profitable one for those willing to explore its potential and it offers good opportunities for exporters of a large range of products.

Methods of doing business vary widely in Australia depending on the items traded but some basic principles can be stated. The Australian market is very competitive and substantial effort and regular visits are essential to establish most imported products on the market and to maintain sales. It is important for exporters to keep in regular contact with Australian importers and to study changing market requirements and consumer preferences, and for some products effective after-sales service and a ready supply of replacement parts are most important.

The establishment of representative offices in Australia, staffed by senior people, is an important way of promoting Korean exports to Australia. There is nothing like first-hand knowledge, especially of the vast range of resources development projects that are underway or being planned over the next decade in Australia. Another important opportunity for Korean enterprise is to involve itself in Australia's growth through equity investment in these resource development projects. The development of Australia's resources is a mammoth task and the total finance required is not available from within Australia. The Australian Government has therefore developed clear and non-discriminatory guidelines for foreign investors interested in equity participation in resource projects. Korean enterprises interested in this investment will be warmly welcomed.

The Australian Government cannot direct Australian companies to accept such overseas participation, but I can assure you that we are fully prepared to encourage their involvement with our major resources customers. It makes enormous good sense for us both.

The year 1981 witnessed a milestone in Korean equity investment in Australia when two resources joint ventures were finalised. There was a 20 percent equity participation by Pohang Iron and Steel Co. in the Mt. Thorley coal mine, and a 5 percent participation by Hyundai Corporation and Daesung Consolidated Coal Mine Co. in the Drayton coal mine.

In addition, Cheil Wool Textile and Samsung companies successfully initiated a joint venture to establish a wool processing plant not far from our national capital, Canberra.

I hope these investments will be the forerunner of others involving Korean enterprises. The continued development of economic relationships between Australia and Korea is important to the well-being and prospects of both our peoples, just as the development of trade world-wide is vital to the prospects of people everywhere.

I thank you again for the opportunity to speak to you today about issues that are of central concern to both our countries, for our common interests are substantial indeed.