



PRIME MINISTER

FOR MEDIA

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ADDRESS TO THE AUSTRALIAN CHAMBER OF COMMERCE

Thank you very much Mr Chairman for that welcome. I would like to welcome on behalf of the Government all of those of you who have come from other countries amongst whom I have recognised a number of old friends. I understand that Michael Somare and myself were both affected by Mr Wran's industrial troubles this morning. I don't know what can be read from the fact that Michael Somare took to the air to get here and I took to the water, but not in the way that my one of my predecessors might have. It was just in a police launch crossing the harbour.

I am personally very pleased to be opening this convention whose objective is to achieve a stronger Pacific economy, a stronger Pacific community. I think that is vastly important for all of us. It is an important objective and it is very much worth working for. I would like to congratulate the Australian and Sydney Chambers of Commerce on this convention. Private enterprise, through organisations such as yours can achieve a great deal in building friendly relations around the Pacific, and encouraging the fullest co-operation between Pacific countries and partners.

The Pacific is plainly one of the world's most dynamic and exciting regions. It is the region for the future.

It is also one of the most diverse, with tremendous differences between the needs and capabilities of the countries within it, between their sizes, their strength, their potential and the degree of development which they have attained.

In thinking about Pacific development, this diversity has to be recognised as fundamental, as it is recognised in the existing network of Pacific institutions and arrangements. This network is extensive and effective, and I would like to say something about Australia's part in it because these matters are very closely bound up with the questions of trade and economic development which I shall turn to later.

Our involvement is substantial, at bilateral and multilateral levels, including governments and business, together and separately, covering questions of trade and economic co-operation, and development assistance.

With the ASEAN countries, we have the annual ASEAN-Australia Forum, a high level intergovernmental consultative mechanism, our Foreign Minister meets regularly with all ASEAN Foreign Ministers, we hold regular ASEAN Trade Fairs in Australia to assist those countries to develop markets here and the Australia/ASEAN business co-operation committees meet regularly.

There is a highly sophisticated pattern of contacts with Japan, especially through the two parallel business co-operation committees, and the Australia/Japan ministerial committee which is to meet next month.

The Australia/Korea business co-operation committee is a thriving body, and is next to meet in Australia in August. There are annual official discussions with China, and the Australia/China joint trade committee will meet in Peking later this month.

At a broader regional level, Australia is actively involved in the Asian Development Bank and the Economic Commission for Asia and the Pacific (ESCAP). Australia was the fourth largest contributor in absolute terms to the recent replenishment of the Asian Development Fund, which lends to poorer countries, and by far the largest contributor in terms of relative gross national product. We will continue to play an active and constructive role in the financing of the forthcoming general capital increase for the Bank, and we are encouraging the Bank to diversify its lending to smaller scale projects which have part relevance to a number of countries.

The Commonwealth Heads of Government Regional Meeting, itself an Australian initiative, brings together the Heads of Government of Commonwealth countries in Asia and the Pacific; the next meeting in October in Suva will have a particular focus on Pacific issues as indeed earlier meetings of this particular body has also.

In the South Pacific region, we were a founder member of both the South Pacific Commission and the South Pacific Forum, which comprises the independent nations of the South Pacific and will next be meeting in Rotorua in August. There are a wide range of practical co-operative bodies and arrangements under the auspices of the Forum, most importantly S.P.E.C. (South Pacific Bureau for Economic Co-operation), also the Regional Trade Agreement, SPARTECA, signed in 1980, a unique, one way trade agreement under which Australia and New Zealand are granting preferential and duty free access on a non-reciprocal basis to the widest possible range of island products.

We also have important bilateral relationships with New Zealand. The draft joint report on Closer Economic Relations has just been published, and with Papua New Guinea, with which we maintain a special relationship in both aid and trade areas, especially through our assistance to the PNG Budget, and through the Pactra Trading Agreement which has given PNG goods non-reciprocal preferential access to Australia's markets since 1977.

Australian economic assistance to the Asia Pacific region is of major importance. We are currently committed to providing \$345 million to South East Asian countries in bilateral project aid; under the current three year program we are \$120 million to the South Pacific region which represents the region of greatest growth in Australian development assistance over the last 6 or 7 years; and we are

encouraging through our aid program joint ventures between Australian companies and Pacific governments. But we acknowledge that our financial assistance in no way matches the impetus for development provided by increased trade and business co-operation between our nations.

The Pacific region has long been a major trading area for Australia, but in recent years trade in both directions has increased strongly. Between 1974 and 1980, the value of trade between Australia and other regional economies virtually doubled in both directions and, at the end of that period, 70% of our exports and almost 50% of our imports were within the Pacific region broadly defined.

It is sometimes pointed out that there is a substantial imbalance in two-way trade, in Australia's favour. But it needs to be recognised that in most of those cases, Australia is exporting raw materials to countries which process them into manufactured goods to be sold to the major world markets. With a population of only 15 million people, Australia inevitably provides only a limited market for the exports of the western Pacific countries. But it is worth noting that by the standards of most other developed countries, imports already supply a large and growing proportion of our market. For example, in per capita terms our imports of clothing, footwear and textiles far exceed those of the United States, the European Communities or Japan. When people are talking about whether the Australian markets or are closed markets, it is worth noting what we do by comparison with other advanced industrial countries.

Moreover, in recognition of the importance of trade to the process of economic development, as well as the special arrangements for forum island countries, we provide preferential access to Australia's market for a wide range of goods produced by developing countries. And in the context of a new seven year program of assistance for our domestic textiles, clothing and footwear industries, not only will assistance be significantly reduced over time, and access to the Australian market further increased, but a new developing country preference scheme has been incorporated which extends preference to many goods for the first time, and which will allow developing countries to further raise their share of the Australian market. It is worth noting that when industries really seek to become competitive, sometimes remarkable things happen. There is one major textile firm operating in Australia which is now establishing offices in Hong Kong and Singapore because it believes it can compete and export effectively into those markets. That is not something that anyone would have expected a few years ago.

The economic links between Australia and the region also extend to investment flows. The development of Australia's resources, from which the countries of the Pacific as well as Australia obtain great benefit, requires large amounts of capital. Foreign investment, in partnership with domestic capital, has been welcomed by the Australian Government under clear guidelines that have been understood and accepted by the international community, and a series of decisions in recent years relaxing controls on outward portfolio investment have resulted in strong growth in investment overseas by Australians, much of it to Pacific countries.

It is particularly pleasing that investment in Australia from the Pacific region has been increasing strongly. Indeed in recent years, Japan and the ASEAN countries combined are rivalling the United States as the second largest source of foreign investment inflows, and the development of joint ventures between Australian and other Pacific country businesses has been welcomed by the Australian Government. The economic links, through trade and investment, between

Australia and other countries of the Pacific - indeed, the economic links between all countries of the region, are both a source and a consequence of economic growth, and it is through sustained growth that those links will be strengthened.

Growth rates and economic achievement already seen in this region must seem miraculous in many other parts of the world. For when one remembers the condition of the region as little as 25 or 30 years ago, its economic performance over more recent years has been truly remarkable, particularly against a background of world economic slowdown which has prevailed since the early 1970s. Japan, of course, has been one of the world's fastest growing nations for over 30 years, and has contributed in a very real way to regional stability and development.

Australia too has grown and developed immensely in the last three decades, and in recent years, we have had substantial success in swimming against the international tide of recession. Indeed, in 1981 when the average real growth rate in the OECD was only about 1%, and when some economies were actually shrinking, Australia's real growth rate was 5% - the highest growth rate of all the OECD countries. But even our growth rate was surpassed by those in the newly industrialising countries of the western Pacific, for in 1981, real GNP expanded in Hong Kong by over 10%, in Singapore by nearly 10%, in Korea by 8%, in Indonesia by nearly 8%, and in Malaysia by nearly 7%.

The countries which have done best in recent times have been adopting outward-looking policies, they have been willing to adapt their industrial structure to capture growth areas of the world market, they have worked hard for their success, by making the most of their advantages despite the lack of resources which many of them suffer. Almost all western Pacific rim countries achieved strong export volume growth rates through the 1970s. Korea averaged over 25%, Taiwan province over 13%, Singapore and Thailand both over 12%, and Indonesia over 10% and this very plainly tells the story of the basis of their remarkable success.

Economic interrelationships between the countries of the Pacific region have also grown apace. For all regional countries, except the United States and Japan, more than

half of their trade is with other countries within the region, and for most the proportion is much higher. In the case of Japan, almost half of its trade is intra-regional; and the United States trade with the Pacific is assuming increasing importance, as evidenced by the fact that in 1978 its trade with the west Pacific exceeded total trade with west and east Europe for the first time in its history.

It is also worth emphasising that while resource endowments within the region are unevenly shared, and while the lack of a resource base has not inhibited remarkable growth in several countries, the economic strength of the Pacific region is underpinned by a rich resource endowment. The region contains five of the world's major food exporters, Australia, Canada, New Zealand, Thailand, and the United States, and these same countries, together with Indonesia, Malaysia and the Philippines, produce between them most industrial raw materials. Indeed, the region provides 50% or more of the world market economies production of copper, lead, nickel, tin and iron ore, and a lesser but nonetheless significant percentage of many other minerals.

However, despite the regions considerable underlying sources of strength, despite its growing economic interdependence, and despite its remarkable economic performance against world trends in recent years, it is clear that no region, no country can remain immune forever against sustained recession in Europe and North America. We are all affected by stagnant world trade and depressed commodity prices, and the problems are especially acute for the Pacific islands, which are typically dependent on export earnings from one or a small number of commodities.

I would add that world recession is likely to make it more difficult for prosperous countries to provide the kind of assistance, and even pursue the kind of policies, which will help developing Third World countries to achieve growth. The outlook for the world economy continues to be bleak. Predictions of an imminent up-turn in growth and activity are repeatedly made, but that predicted recovery repeatedly fails to materialise. At some point those that say there will be American recovery in six months, will have to be proved right, but they have been saying that for the last 30 years, and I don't know yet which six months are going to be the crucial six months. Economic growth in the major OECD countries continues to decline. Last year, for the first time in over 20 years, world trade actually fell. Is it any wonder then that unemployment in the OECD countries will reach 30 million people during this year? If you asked any leaders of western countries 10 or 15 years ago could they envisage the circumstances in which unemployment in the advanced industrial countries would reach 30 million by 1982, they all would have said no, what nonsense, what stupidity, we know much better than that how to manage our economies. It is going to reach that number of 30 million this year and I wonder how much higher it will have to go before western leaders show the kind of imagination that will be needed to get the major world economies back on a growth path.

While tariffs have not increased markedly since the Tokyo MTN round of a short while ago, they remain high for many products of importance to exporting developing countries and non-tariff barriers have risen. That Tokyo round did not deal fairly with developing countries. That Tokyo round did not deal fairly with trade in agricultural countries. The GATT has never given protection to trade in agricultural goods which it has sought to give in trade and industrial goods. These matters were not dealt with adequately at the Tokyo rounds. There is no suggestion that they are being dealt with adequately yet.

On some estimates, about 40% of world trade faces non-tariff barriers and these barriers are far more prevalent for agricultural than industrial products. Many of the more recent non-tariff barriers such as voluntary restraint agreements which characterise the new wave of protectionism, fall outside the rules of the game and reflect a greater recourse to bilateralism. It is not surprising that significant concern is emerging about the effectiveness of the open multilateral market-orientated international trading system, as incorporated in the GATT and the MTN codes. I cannot say too strongly that a breakdown of multilateralism offers the greatest possible threat to small or middle ranking countries because it is the large and powerful that can enter into that bargaining game and make arrangements to suit themselves. If Papua New Guinea, Thailand or Australia need to get into a competitive subsidy business to keep an export market, how can they do that against the combined weight of the European Economic Community of 260 million people? We can be outbid every time and this is the question of wanting to establish a voluntary restraint agreement. Obviously the combined weight of North America or the EEC makes it much easier for them to establish a voluntary restraint agreement against Thailand, or the Philippines, or New Zealand or Australia than the other way around. If we sought to apply a voluntary restraint agreement against the great and the powerful, I suggest that we would find it a good deal harder.

Voluntary restraint agreements are just as much a restraint of trade as formal quantitative restrictions. They operate in exactly the same way and it is not good enough for people who have voluntary restraint agreements and who apply them, to be pious about it and say they don't have quantitative restrictions, that they don't have barriers to trade because the exporter whoever it is, has voluntarily agreed to limit exports. It is a very effective mechanism. It happened to one of our major industries in relation to Europe and it was not an agricultural industry. The underlying threat of course is that if you don't accept the voluntary restraint agreement, you won't have any access at all. That is the underlying threat, and that is how voluntary restraint agreements come into being, it is how they are applied. Middle ranking countries find it very difficult to compete actively in that kind of game.

I can remember that John McEwan always used to say that the only protection in trade for countries such as Australia, the only protection of trade for the developing world, is an open, fair, multilateral system whereby bilateral agreements are outlawed. That has been very significantly and substantially broken down in recent times. I must say that I am not entirely persuaded that the recent economic Summit at Versailles tackled these problems with the kind of vision which I believe the world currently calls for.

The impact of the current world economic downturn not only threatens the rising living standards which people in the west have come to expect, it is particularly damaging to the prospects of the countries which are economically weak.

It was against this whole background that Australia proposed a number of initiatives for consideration in the context of last weekend's Versailles Summit. Our proposal focussed on the importance of trade in generating sustainable economic recovery, and sought to get growth restarted in the major economies by proposing a standstill, and a subsequent winding back of protection devices as well as of export incentives and subsidies.

It is the easiest thing in the world for countries to say we are not going to increase protection, but if countries are not prepared to make that proclamation then obviously they are reserving themselves the right to increase protection further. There have been one or two suggestions in Australia that we speak with two voices in this issue, one at home and one overseas. That I suggest is not correct and shows a naive analysis of what a country acting alone can do. We speak with one voice, but if the principles of comparative advantage are in fact to work, and if a country is to get any benefits from lowering its own trade barriers, we have got to know that we can get better access into other markets overseas. There is no point in taking away all protection from a particular country, whether it is Australia, or New Zealand or whatever unless at the same time you can get better access to those things which you know you can do best whether it is in the agricultural, or the mining or the industrial areas. That is why it has to be multilateral, that is why it has to be many sided and not just one country acting alone.

It applies in particular to countries that have quantitative restrictions against a very large percentage of our exports. If you got quantitative restrictions against a larger percentage of your exports, how can you possibly get better access into your own markets by lowering barriers into your own markets unless there is a reciprocal multilateral move. It is not just possible.

That is why I believe it is immensely important for nations acting together to be prepared to move in these directions, but it is not possible, I don't believe it is possible for a great powerful country like the United States, or Britain or

Germany to act in these areas alone, unilaterally. It is possible to act in concert and to act together, and it is then that the theory of comparative advantage would truly operate and it is then that living standards in the countries concerned in trade around the world would grow and we would all prosper.

Although the Versailles Summit did not itself take any specific action, it has recognised the need for action to be taken along these lines. While the Communique is of course only a declaration of broad intent it is to be welcomed and contains much with which Australia can agree. It not only re-affirms the commitment to resist protectionist pressures and trade distorting practices, and to complete the work of the Tokyo round, including improvements to GATT's capacity to solve current and future trade problems, it also undertakes to work towards further opening of markets to co-operate with developing countries, in particular NIC's to expand trade opportunities, and it endorses full participation in the forthcoming GATT Ministerial Conference in other to take concrete steps to achieve those ends.

Now while that much has been said and that much we can agree with, the test is going to depend on what happens at that GATT ministerial conference as to whether concrete action is in fact taken or whether it is just again a statement that is a desirable objective, without a political will and a commitment behind it to achieve that and that is what the world very sorely needs right at the present time.

While the Summit identified a number of desirable objectives, and indicated support for a number of desirable actions, the deferral of specific action until the GATT Ministerial Meeting in November means that the whole trading world will now be looking even more keenly to the United States to achieve an early resolution of its dispute over its 1983 and subsequent budgets. If I learnt anything in the United States in my recent visit, and if there is any unanimity about the future course of the United States economy, it was that one, there must be an agreement about the Budget deficit, there must be agreement that shows that that deficit will decline not only this year but in also in subsequent years. It is only then that the United States interest rates would start to fall. There might have been many differences about the level of the deficit and all the rest, but amongst everyone I met there was agreement about those two critical elements, the need for agreement about the deficit and a clear perception that arrangements that are made which will reducing the deficit in later years and it is only then that there would be a fall of significance in the US interest rates.

While this is going to be vastly important for the United States, it will be vastly important to the whole trading world, for countries like Australia, because the maintenance of high interest rates is going beyond a certain point, established situations which are not sustainable within any country, within any industry or activity.

Australia will continue to press for positive action by industrialised countries in co-operation because the economic prospects and prosperity of peoples throughout the world depend upon it, none more than the outward looking, export-oriented economies of the developing countries of the western Pacific.

When I addressed the Pacific Basin Economic Council two years ago, I outlined a series of obstacles in the path of the Pacific community idea, but I then expressed my conviction that at some point, whether sooner or later, the Pacific concept will be given greater substance, greater meaning by institutional means of one form or another. Since then the search for the most appropriate means and practical study of the issues involved has progressed. Australia subsequently sponsored a seminar at the ANU late in 1980 under Sir John Crawford's direction. A second seminar was held in Bangkok last week with further encouraging results. There was recognition at Bangkok of increasing interdependence, the importance of Pacific contacts for all Pacific countries. Task forces have been established to study investment and technology, transfer between Pacific countries and also trade and manufacturers in primary products and Indonesia has invited participants to a further conference in 1983.

I would particularly like to thank the Deputy Prime Minister of Thailand who is here today for his key role not only in making the Bangkok seminar the success that it was, but also in making it possible. The objective of a stronger Pacific community and economy is one that we obviously all share and by pursuing it through a variety of avenues, it is possible to take account of all the factors involved, including the regional groupings which have become important in achieving economic development.

It is obviously a more difficult concept than that of the establishment of the European Community because in the original establishment of that community, you had countries that were more similar either in size or history or from the nature of activities, the degree of industrialisation, the stage of their development, than you would find through the great diversity of countries in the Pacific. It is that very diversity I believe which poses the challenge and establishes some difficulty in determining what the true shape and form of the Pacific community as it one day will emerge and might ultimately be.

During my visit to Korea, President Chun raised with me the idea of a summit meeting of heads of government of Pacific countries. Other regions, for example the Europeans, the Africans, the Americas have arrangements of this kind, but no single meeting pulls together Pacific countries. It is an idea worth pursuing, for meetings of heads of government help to focus minds on issues in a way that cannot otherwise I believe be achieved. Heads of government when they meet, hopefully want the meeting to be successful so they

put their officials to work before the meeting saying: "what can we do that will be positive and well-received?" and it really does focus the mind on the problems to be solved and solutions to be reached. So it is an idea worth pursuing and we are examining it closely.

It goes without saying that for such a summit to take place, the groundwork would need to be carefully laid and it would need a consensus to emerge in support of the proposals among an appropriate group of Pacific countries. The summit could have a useful place as part of the overall strategy of evolutionary progress through wide-ranging discussions in which your convention will, I am quite certain, play a very significant part.

I wish you every success in your deliberations. You have a noted group of speakers coming later during the day and again, I welcome all those that have travelled overseas to be with you on this occasion. I have great pleasure in declaring the convention officially open.

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