



PRIME MINISTER

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SPEECH BY THE PRIME MINISTER
PACRIM 1986
PERTH - 16 NOVEMBER 1986

Premier Burke, Distinguished Guests, Ladies and Gentlemen.

I am delighted to be able to welcome you all here to Perth for PacRim 1986. For those of you who have travelled from overseas, I hope you'll enjoy your stay in Australia and I trust that when you leave our shores you take with you fond memories and warm friendships from your time here.

The timing of the conference will allow you to enjoy the excitement of the America's Cup in the free time you have available to you. I would like, therefore, to extend a special welcome to our friends from the United States and New Zealand. No doubt your yachting compatriots and enthusiasts will receive an equally warm welcome when they return to Australia in four years' time for the next America's Cup challenge series.

By any standard this is a major international conference, bringing together more than 400 delegates from around the world. The theme of your symposium is indeed well chosen: Finance, Trade and Investment in the Pacific Rim area. It is a theme which encapsulates some of the major forces which have shaped the world economy over the past decade or so - and which will continue to do so for the foreseeable future.

As I looked through the list of participants, I was struck by the number and calibre of people from throughout the Pacific Rim who have recognised the value of this meeting and have backed up their judgement by travelling long distances to participate. There is a further message about the importance of this conference in the fact that several delegates have travelled from beyond the Pacific region to be with us.

It is fitting to recall at the outset a very significant Australian whose work was crucial in developing the notion of Pacific cooperation. I refer of course to the late Sir John Crawford, who died in October 1984. For Australia and the whole Asia/Pacific area, Sir John Crawford was a pioneer in thinking about the immense potential for the growth of economic relationships in the Western Pacific.

It is particularly appropriate that we remember Sir John's work because as we meet here, the Fifth Pacific Economic Cooperation Conference is taking place in Vancouver. Sir John was one of the architects of that conference and he would have been delighted to know of the success both of PECC and of this Pac Rim conference. I note in passing that China will join the PECC conference as a full participant at Vancouver.

These conferences are a clear reflection both of the extent to which the Pacific Rim has become the hub of global economic activity and of the promise the area holds for the rest of this decade and beyond.

If there is one single fact which summarises the reasons for our being here it is this: two years ago, for the first time, the value of trans-Pacific trade surpassed that of trans-Atlantic trade.

That fact symbolises the enormous economic growth in the region which you are here to discuss over the next few days. The Pacific rim - particularly its western half - is truly one of the great new engines of the world economy and is playing an increasingly vital role in international affairs.

However that single fact - and the rapidly growing trade among the nations on the Western rim - also illustrates our great and increasing inter-dependence. It is a reminder to us that we must develop complementary skills and specialisations, and that we must facilitate investment and trade among the members of this vast region. We literally cannot afford to fail.

And yet we are so varied in our economic structures and levels of development! The Pacific Rim includes the world's two major economic powers - the United States and Japan. It includes one of the world's most rapidly growing and populous countries - China. It includes an array of developing countries of diverse size and resource endowments.

I do not intend to dwell in detail tonight on the developments within the many nations and groupings of the region. Yet I would be remiss if I opened our conference without at least sketching some of the principal advances and transformations.

In China, where history has always been played out on a grand scale, the process of dramatic change is continuing today.

Since 1978, Australia, like other countries, has watched with intense interest the bold program of modernisation on which China has embarked.

It is necessarily a long-term vision, seen by Deng Xiaoping and his colleagues as requiring a sustained effort through the years ahead. The program has already been subject to major revisions and may well be the subject of more.

Nevertheless we and others firmly believe that this latest chapter in Chinese history can have profound implications for China, for Australia, for the Asia-Pacific region and, indeed, for the world. We recognise its potential to rank with the great beneficial landmark developments of our times.

In the ASEAN nations, we see one of the most successful political and economic groupings in the world.

I am aware of course of dissatisfaction within ASEAN about the limitations on economic cooperation and trade within the group.

But, if we compare today with 1967, when the Association was formed, it is impossible to gainsay the advances which have been made by its members. The rate of economic growth of each ASEAN country in the past decade has easily outstripped that of most industrialised countries, including Australia's. ASEAN's economic managers and entrepreneurs have made a major contribution to the dynamism of the Asia-Pacific region.

In South Korea, too, our region has seen a striking economic success story. Its emergence from the devastation of the Korean War as a rapidly industrialising growth economy has had a significant regional and global impact.

Nor should we overlook the economic success of Taiwan.

Indeed taken as a whole, East Asia's share of world GNP has almost tripled over the last quarter century; its share of world trade has doubled and it now accounts for almost one-fifth of all international trade.

Finally, in Japan and the United States, the two most mature economies of the Pacific Rim, we see fundamental changes taking place.

Japan's annual trading surplus is now so large that it has become the major net lender nation each year, and the United States the largest net borrower.

Major structural imbalances on this scale are worrying enough. But the fact that they involve two of the world's largest economies and the world's reserve currency has added to the urgency with which this issue must be addressed.

The corrective realignment of the Japanese and American currencies which has occurred over the past year or so is creating new opportunities for trade and investment in the Pacific Rim area.

With the large appreciation of the yen, Japan is on the threshold of a natural economic restructuring process. In particular there is the potential for larger imports of agricultural products, simply transformed manufactures, and a range of services including overseas tourism. But, by the same token, it is likely to lead to slower growth of imports of raw materials, which will require exporters like Australia to seek out new markets, including within the region.

Australians have, over the last decades, been gradually coming to a recognition of the importance to them of their immediate region. Perhaps this recognition has been too slow in coming. But without doubt the dynamism of the region's economic growth, the productivity of its workforces, the crucial and complex issues which dominate the region's security, its growing technological capabilities - such issues have decisively forced Australians to acknowledge that their welfare is irrevocably enmeshed with that of the Pacific Rim.

This is a sobering thought, since it will force on us the necessity of more productive work, serious competition, and genuine inventiveness and resourcefulness to exploit the opportunities presented by the newly affluent markets to our north.

For my part, my Government has sought to respond positively to this new awareness. We cannot alone determine the pace or pattern of our developing relationships with the region. But we are aiming to fashion a range of policies calculated to build a flexible and fruitful relationship. We are seeking to coordinate all our regional policies - political, security and trade - so that we can speak with one voice to the region and so we can build a durable and mutually beneficial relationship with it.

But it is not enough simply to recognise our inter-relationship. We must also be ready to respond to the changes in the region.

And the future is not without its difficulties. Lying before this region are structural changes which are at least as profound as any which have taken place over the past couple of decades.

Most immediately, for the countries in the region that are major commodity exporters - including Australia - the slump in world prices has placed added strain on their economies and brought into sharper focus the long-term decline in the terms of trade of commodity exporters.

The volatility of commodity prices is a major source of disruption to many economies. Long-term solutions can be found only if all nations have equal access to the world's markets, including for manufactured goods - and if trading decisions are made fairly on the basis of relative prices.

Therefore we must overcome the major obstacle formed by the onset of protectionism, especially agricultural protectionism.

Trade has been the engine of growth in this region. I noted earlier the sharp growth in trans-Pacific trade. There has also been enormous growth in trade among the Western Pacific nations. This intra-regional trade has grown at just under 20 percent a year over the 13 years to 1984.

Yet sadly we now find ourselves in the midst of a global conflict in international trade that is reducing our collective opportunities to raise living standards through international specialisation.

The international rules on fair trade are being manipulated and broken to the detriment of all nations including, ironically, those which have been active in stifling trade.

The dawning realisation of the futility of trade conflicts has spurred the recent launch of the Uruguay Round of Multilateral Trade Negotiations. While those negotiations no doubt will be protracted, they at least offer the prospect of a reversal of protectionism - of the liberalisation once again of world trade.

Nations in the Pacific Rim area, I am pleased to say, have been active in that process of liberalisation. The United States took a leading role in the successful launch of a new round of Multilateral Trade Negotiations; the Cairns group of 14 fair traders that successfully pushed for the inclusion of agriculture on the MTN agenda was heavily represented by PacRim countries; Japan has undertaken to play its part in the freeing up of world trade; the countries involved in the Regional Initiative on Trade that I launched in Bangkok in November 1983 actively supported a new MTN round; and China has indicated its interest in joining the GATT.

The task now is to convert into action the principles and undertakings articulated in the text of the Ministerial statement launching the new MTN round. None of us can afford to let pass this opportunity for permanent reform.

With this ferment of change and restructuring, we cannot be sure of the magnitude of the new trading opportunities that will arise. But we can be sure that the countries benefiting most from these opportunities will be those that are flexible and adaptable - that have economic, political and social structures capable of responding readily to changing international circumstances.

The major economies of the region have certainly demonstrated that capacity in the past. But as trade has grown and international financial flows have become more integrated it is also becoming clear just how costly is the regulation, which in the past, frequently underpinned structural change in this region.

Greater emphasis needs to be given in several areas to deregulation, to more liberal investment regimes and to reform of the financial system.

That has certainly been a major emphasis of economic policy here in Australia.

My Government has taken a series of major policy initiatives to place Australia in a position where it is capable of both creating and quickly seizing upon new trading opportunities.

Protection has been cut, starting with the most protected of our manufacturing industries. We have developed policies to make our manufacturing industries more outward looking. We have substantially upgraded incentives for research and development and for the provision of venture capital. We have reformed the taxation system to encourage incentive and remove distortions. We have floated the Australian dollar. And most fundamentally, we are converting a substantial nominal depreciation of our currency into a real depreciation by sustained wage moderation and a genuine effort to improve productivity by reforming working practices. That real depreciation has produced a level of competitiveness of Australian industry not experienced for the best part of two decades.

Lest there be any doubt, let me also make it plain to this audience that we in Australia recognise the value of foreign capital in promoting national economic development. Australia insists that there be a fair sharing of the fruits of investment as between the host and lending country, but we have systematically removed any unnecessary impediments to the free flow of investment capital and we certainly welcome worthwhile direct investment in this country.

The opportunities are there for those willing to work with Australian industry, and the private sector response is beginning to emerge.

Australian manufacturers are reporting greater success against imports and are signing new contracts with overseas purchasers. Indeed, I have recently visited a number of companies which have been successful in securing export contracts against intense international competition in such non-traditional Australian products as heart pacemakers, bionic ears and pharmaceutical products. There is truly an enormous range of opportunities now open to Australian industry.

Clearly Australia is playing its part in promoting a more open, more growth-oriented world and regional economy - and we are prepared to do more.

We appreciate that the world's major economies recognise the need for global trading reform. But if there is any message to come out of this symposium over the next few days it surely must be this : that the small-to-medium sized countries of this region are looking to our largest trading partners to give full effect to those commitments.

In that context, the large losses being sustained by the Japanese steel mills make it imperative that Japan makes its purchasing decisions on coking coal on fully commercial grounds. As I said earlier equality of access and free competition based on price are essential for the long-term viability of commodity traders.

I have so far dwelt on the exciting economic aspects of the Pacific relationships - and that will be your principal theme throughout this conference. But I want to conclude by mentioning some of the security aspects of the Pacific region.

For as a region we can only fulfil our vanguard role in the world economy and continue to improve the living standards of our people if we can maintain regional peace.

Stability in the Asia-Pacific region has improved immeasurably since the devastation of the Pacific War, the violence of the Korean War and the protracted suffering in Indo-China.

But we cannot afford to become complacent about developments.

Dangers persist on the Korean peninsula.

Southeast Asia cannot be free of tension while Vietnam remains isolated and dependent on the Soviet Union as a result of its military occupation of Cambodia.

And may I take this opportunity to say that nothing could do more to set back the long-term prospects for stability in our region than any attempt to overthrow the Government of President Aquino, whose coming to power at the beginning of this year lifted a dark cloud from our midst and offered the promise of restoring the Philippines to the mainstream of regional politics and constructive cooperation.

Governments of the Pacific Rim must never accept that peace is an issue of legitimate interest only to the nuclear powers.

South Pacific countries have taken an important initiative in the creation of the South Pacific Nuclear Free Zone, which is a significant contribution to arms control and disarmament, as well as a major step towards regional security.

This initiative, and others such as ASEAN's concept of South East Asia as a Zone of Peace, Freedom and Neutrality, will help to enhance the Asia-Pacific region's prospects as an area of progress and prosperity.

Mr Premier, let me congratulate you, the Western Australian Government and the People of Perth for having the foresight and skill to bring about this important conference. It is a privilege for me to declare the PacRim '86 conference open. I wish you well in your deliberations. And I trust those visiting from overseas will not make this their last visit to Western Australia.

I now have pleasure in introducing the United States Ambassador to Australia, Ambassador Bill Lane.
