



PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

**SPEECH BY THE PRIME MINISTER OF AUSTRALIA
THE HON. R.J.L. HAWKE, AC, MP
THE 1987 SINGAPORE LECTURE
"THE CHALLENGE OF CHANGE IN THE ASIA-PACIFIC REGION"
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Mr Prime Minister
Mr Rajaratnam
Professor K.S. Sandhu, Executive Director
of the Institute for South East Asian Studies

I was honored when my friend Mr Rajaratnam extended to me an invitation to deliver the 1987 Singapore Lecture.

Since its inception in 1980 the Singapore Lecture has been delivered by a number of distinguished speakers.

This is the first time however that you have invited a serving head of government to address you, and the first time you have invited a speaker from within the immediate Western Pacific region.

That I believe imposes on me a responsibility - which I am happy to accept - to outline to you my own perspective, based on my involvement in public affairs in Australia, on the ways in which we as a region might master the principal challenge facing us.

That challenge is the challenge of change and there can be few more appropriate venues than Singapore to discuss it.

It is the challenge to anticipate change and to channel it for constructive ends or, if events are unanticipated, to have the perspicacity and flexibility to adapt quickly.

It is the challenge to leaders and opinion makers to inform and guide those affected by change so that the pace and benefits of change are not impeded by fear or ignorance.

It is the challenge to individuals and societies to be open to change and to question whether precepts and practices inherited from the past are still appropriate for today.

In many ways Singapore is a model of the region's increasing importance in the world economy and a paragon of flexibility in the face of changing circumstances.

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Your economic performance makes you one of the success stories of our times - a story based on hard work and a capacity to grasp opportunities as they present themselves.

Only two years ago, Singapore's long burst of growth came to an end as the economy slumped into recession. But it is to the lasting credit of all Singaporeans that you were able to make the necessary sacrifices and adjustments to your economy. As a result, the nation is back on the growth path with the economy predicted to expand by 8 per cent this year.

Although this evening I want to suggest ways in which we can understand and master change, I say at the outset that, in the light of that recovery, the people of Singapore, and their Prime Minister Lee Kuan Yew, need no advice from me about bouncing back from unexpected adversity.

In talking of the region this evening, I am defining it to encompass the two superpowers, the United States and the Soviet Union; the world's most populous country, China; the economic power-house of Japan; the dynamic so-called NICs; the countries of ASEAN; the island states of the South Pacific; Australia and New Zealand; and the other nations of East and South East Asia.

This region contains the greater part of the world's population and produces the greater part of the world's GNP. Its economic growth has been such that in recent years it has been exporting and importing more across the Pacific than the older economies trade across the Atlantic. Yet it still includes societies which have failed to take advantage of the region's overall prosperity and whose people as a consequence still live in poverty and hunger.

The region embraces many of the religions and cultural traditions of the world. If one includes India, it holds the world's seven largest armies. It encompasses the principal exponents of free market capitalism and the principal interpreters of Marxism-Leninism.

The sheer dynamism of the Western Pacific region has led many commentators to predict the next century will be the 'Pacific Century'.

But before we start counting the rewards that will flow to us in the Pacific Century, our task must be to ensure that the prediction actually comes true.

The fact that things have gone so well for us in the recent past does not mean they will continue to go well.

We cannot assume, as I think too many observers do, that because the Japan of the 1950's and 1960's is today's South Korea then, tomorrow, the baton will automatically pass to other countries here in South East Asia.

And to assume continued political stability and harmony is a reassuring assumption, and certainly a polite one, but it is not necessarily one that will stand us in good stead.

I do not want to be misunderstood. The Asia-Pacific region holds the potential to fulfil its greatest expectations.

But those expectations will only be fulfilled as the result of hard work and a clear understanding of our challenges and our problems, as well as our potential.

The point must be to identify the pragmatic assumptions on which our planning should be based - and to do so before problems loom so large they cannot be handled except by wrenching dislocation.

The key assumption I believe should be the constructive power of enlightened self-interest.

What this means is recognising as an enduring fact of human nature that each of us wishes to advance our own standard and quality of life and that of those who depend on us.

This does not, I stress, mean responding to the selfish demands of individual groups. Quite the contrary - it means seeking ways in which individual wishes for self-advancement can be better advanced through mutual cooperation.

To draw an example from the domestic economy - one which has been repeatedly validated throughout my years as both a trade union leader and a politician - this means overcoming the traditional antagonisms and rivalries between employer and employee and winning their cooperation so as to enhance the interests of both groups through an expansion in the size of the whole economy.

Achieving this goal requires active involvement in the decision-making process on the part of those who will be affected by the decision and - of particular importance in this time of rapid change - it requires the sharing of information relevant to those decisions.

The challenge is always to create a secure and confident environment within which we can each rely upon, and build our strategies around, the continuation of cooperative responses of others.

These prescriptions are valid beyond the Western democratic tradition of Australia in which I have operated. I do not seek to underestimate the differences which exist among the systems of different nations. But I am convinced that whatever our system, the bottom line is that successful change ultimately requires the informed cooperation of those who will ultimately be charged with implementing it and those who will be affected by it.

That cooperation is most easily won if the reasons for change and its costs and benefits are understood and accepted by the whole community - which underlines the need for a leadership capable of winning that community understanding and acceptance.

For economic change unaccompanied by the necessary changes in social attitudes can only be stalled and frustrated, and the scale of the consequent losses can be enormous.

If fear or ignorance prevail over enlightened self-interest, the costs can be measured in lower living standards and poorer life chances, not only for those individuals affected but for the whole community.

It took the cataclysm of World War II to expose the assumed verities of the thirties, based as they were on narrow conceptions of national self-interest, and to fashion the consensus which led to Bretton Woods, the GATT and the trade-based growth era of the sixties and pre-oil-shock seventies.

In that case the cost of ignorance and fear was a lost decade of growth in the thirties and the disaster of World War II.

The lesson is that we can choose to live dogmatically entrenched in our old attitudes towards each other - or we can choose to seek areas of cooperation and routes to an era of growth which is all the more beneficial because it is mutual.

Ladies and gentlemen,

To help us find this path to growth and so ensure that the Asia Pacific region does in fact fulfil its potential I want to turn to the trends which I believe will endure as important influences on us and on our region over the next quarter century or so.

In embarking on this course, I am fully aware of the dangers awaiting those who seek to predict the future.

As George Orwell pointed out, it requires a constant struggle even to see what is in front of one's own nose.

Had an Australian Prime Minister been asked a quarter of a century ago, in 1962, to foreshadow how the Asia-Pacific region of today would appear, he could scarcely have imagined what was in store.

He would have been addressing you, not a week or so before a Summit, but a month or so after the Cuban Missile Crisis.

In 1962 the region was characterised by uncertain economic growth in nations still heavily reliant on the production and export of agricultural commodities.

In 1962, the gigantic bulk of China lay locked to the rest of the world, poised on the verge of the turmoil and economic regression of the Cultural Revolution. Who could have predicted either the extent of that turmoil or China's subsequent determination to achieve effective and rational modernisation and openness to the rest of the world?

In 1962, many Western observers still operated on the assumption of a monolithic Sino-Soviet bloc - several years after those countries had in fact entered a deep and enduring schism.

And could an Australian observer in 1962 have predicted that Singapore would today be the independent, vigorous, resilient city state that it now is?

Australian perceptions of Singapore in 1962 were indeed varied. I was interested to read one admittedly extreme view, put at the recent "Pacific 2000: Global Challenge" Conference held in Singapore. Professor Gregory Clark, who is now Professor of Economics at Sophia University in Tokyo, claimed that as a young Australian diplomat in Canberra in 1959 he found parts of the Australian government deeply concerned over a vigorous, intelligent, progressive Chinese politician in Singapore, whose possible electoral victory was seen as likely to result in the communisation of Singapore. Of course that politician won his victory. His name was Lee Kuan Yew.

I do not mean to be disparaging in recounting that story. After all, in Australia in 1962, there was a certain trade union official who, it is said, had attracted the unwanted and unnecessary attention of Australia's security people for his political work. And his name was Bob Hawke.

So with all the necessary caveats about the difficulties of the task of prediction, let me now - to use Orwell's phrase again - struggle to see what is in front of our noses today.

I have frequently said that the single most enduringly important event of our time is the emergence of China from its period of isolation.

Viewed from any angle - political, strategic, commercial, cultural - this is a truly momentous transition.

The recent 13th Congress of the Chinese Communist Party has done a remarkable thing: it has heralded a smooth transition of power to a younger generation of leaders while entrenching Deng Xiaoping's policies of modernisation.

These policies of modernisation are perhaps the clearest example in action of what I have referred to as enlightened self-interest.

The Chinese leadership is acting the better to fulfil the basic aspirations of the Chinese people for an improved quality of life. The nation is putting behind itself the days when mindless ideology was rampant - an era which led more to deprivation and national scarring than to progress.

I do not suggest that China is now about to abandon the political principles it holds and I certainly do not underestimate the differences between contemporary Chinese society and societies like Australia.

My point is that China's commitment to modernisation springs out of its realisation of the legitimate material needs of its people. The implications of that realisation are immense, not only for the Chinese people themselves but for those of us outside China who seek to involve our economies more closely with the Chinese economy.

From Australia's point of view, the prospects of greater enmeshment of our respective economies through, for example, joint ventures in mining and manufacturing projects in China and in Australia, offer both sides enormous mutual benefit.

Only this month, and despite the initial doubts of a number of sceptics, Chinese and Australian enterprises concluded an agreement which I had been convinced would bring real benefits to both China and Australia. It is the first major overseas mining investment by the People's Republic - a project to develop the iron-ore resources of Mount Channar in Western Australia for the Chinese iron and steel industry.

The difference between China and Vietnam in this regard is stark. More than a decade after achieving unity through the Vietnam war, that nation is still isolated, committed to economic principles which derive more from abstract ideology than from realism, and is consequently failing to take advantage of the enormous opportunities which the region presents to it. Vietnam is indeed an island of stagnation in a sea of development.

I have been convinced for many years - and with great confidence since my discussion in Canberra in early 1983 with the then Premier and now General Secretary Zhao Ziyang - that fundamental and long-lasting change is underway in China.

More recently, and I am sure partly as a consequence, there have been more and more signs that the Soviet Union has embarked on long-lasting and far-reaching change.

If China has embarked on its modernisation program substantially in reaction to the turmoil and disorder of the Cultural Revolution, the USSR has done so in response to a crisis of stagnation.

In the past quarter of a century, particularly in the years of the Brezhnev era, Soviet leaders opted for old thinking and old methods in the management of their economy.

But our world is one where, thanks to the information and communications revolution, comparative economic performance can be judged continuously, widely and relatively easily. The failure of the USSR's performance to measure up to what the rest of the world, and, importantly, what the Soviet people, could have expected of it, has been starkly revealed.

It was very clear by the mid 1980s that a new style of leadership was long overdue.

Before I became Prime Minister, I made four visits to the Soviet Union in the 1970s in my capacity as President of the Australian Council of Trade Unions. I had become deeply concerned about the plight of Soviet Jews unable to gain the permission of the authorities to emigrate. The difficulties and intransigence I encountered in that task gave me no illusions about the nature of Soviet society - but they also give me hope for the current phase of reforms proposed by General Secretary Gorbachev.

As you know, I will be making an official visit to Leningrad and Moscow immediately after my stay here in Singapore. I have not yet had the opportunity to meet Mr Gorbachev but I look forward to discussing these reforms with him.

Leadership can be judged, in part at any rate, from a willingness to acknowledge the existence and scale of problems. By that measure, Mr Gorbachev and his colleagues are providing real leadership. At the same time as they are employing disciplinarian methods to tackle corruption, drunkenness and sloppy work habits, they are discussing with an unprecedented degree of frankness where things are wrong and what needs to be changed.

Mr Gorbachev has said that the country has entered a "pre-crisis situation" calling for measures "amounting to a revolution" - as he put it "a revolution without shots".

I do not seek to equate the situations in the Soviet Union and China. But it is worth noting that both countries, in their efforts to lift economic performance, are clearly reducing the emphasis on central planning, and are making greater acknowledgement of the merits of the market, of incentive and of competition.

I am not suggesting that either country is embracing capitalism. They are certainly not embracing Western democratic ideas. But they are devolving responsibility in economic management from the centre and that will certainly raise expectations and generate political and social pressures.

The Chinese leadership has made a number of adjustments in dealing with these problems while maintaining the firm direction of modernisation. The capacity of the USSR, a huge, complex, multi-national society with a sizeable and sophisticated intelligentsia, to make similar adjustments is still to be tested.

The key long-term question for the rest of us will be the impact which these major internal changes have in the international arena. That they have already begun to have an impact is abundantly clear.

As for China, for well over a decade now, it has developed important and constructive relationships with many countries in our region, including Australia.

As for the Soviet Union, we are seeing a more imaginative and subtle Soviet diplomacy in the world and particularly in our own region. We not only have the evidence of Mr Gorbachev's speech in Vladivostok. I was very struck by the detailed attention he gave to our part of the world in his book, Perestroika, New Thinking For Our Country and Our World, excerpts of which were published recently in the Australian press.

We must watch very carefully to see how this approach is developed. For my part, I would welcome a constructive involvement by the USSR in political and economic developments in the Asia-Pacific region. We seek mutually beneficial cooperation with the Soviet Union in a sincere and open-minded way. But we will be observing Soviet action in, for example, Indochina and Afghanistan as indicators of good faith.

Mr Gorbachev's period in power has certainly seen a welcome reduction in tension with the United States. I think it is fair to assume that there is a large measure of economic self-interest in the Soviet pursuit of arms control agreements. Massive military expenditures have clearly had their impact on the failure of the Soviet economic performance to measure up internationally.

I welcome the INF Agreement as an intrinsically important step, not least for its Asian dimension in that Soviet missiles will be removed from our region. I congratulate the United States and the Soviet Union on achieving it. I hope it leads on to major reductions in strategic weapons. Beyond that, I want to see continuing dialogue and cooperation between Washington and Moscow at the forthcoming Summit and into the future.

Let us not forget the fact that our region saw the super-power confrontations in Korea and Indo-China. A resurgence of damaging super-power rivalry in this part of the world would pose a threat to the stability which has underpinned the region's economic growth and increased prosperity.

I firmly believe that the importance of the changes underway in China and the USSR cannot be over-estimated. Those in China have proved positive. The more rational and creative path suggested in the USSR holds out positive prospects. I feel privileged to be leader of my country at this fascinating juncture for our region and the world.

Ladies and gentlemen,

I am not an expert in Russian. But I understand that 'perestroika' means 'restructuring' and 'glasnost' means 'openness'.

At their face value, these are concepts which are not only familiar to Western economies but which have indeed been critical to our economic success.

So surely it is a paradox that at a time when both Communist giants, for different reasons and in different ways, are giving some recognition to the Western concepts of competition and open markets, the leading Western economies are making disturbing moves in the opposite direction.

If those moves are not reversed - in particular if the trend towards protectionism is not halted - we face, to put it bluntly, the prospect of jeopardising the prosperity and stability of those countries fortunate enough to have it, and the hopes of those that do not.

Anybody who has heard me address international forums in the United States and Europe recently - not to mention within Australia - will know that I have not wasted an opportunity to argue the merits of free trade.

It is a message which needs to be trumpeted loud, clear and often - and I shall continue to do so at every appropriate opportunity.

But it is a pleasant change to address an audience like this in the knowledge that you appreciate, probably as keenly as any group in the world, the advantages which flow from free trade. The growth of Singapore and of the ASEAN countries in general has been heavily reliant on access to a liberal trading system.

The United States has become a particular focus of the present world debate about protectionism, and for two reasons. One is the gross distortion of agricultural markets stemming from the actions of Europe and Japan, against which the US has reacted through its own subsidies, and against which some Americans are contemplating an even more drastic response; the second relates to the apparent inflexibility of US fiscal policy.

As we know all too well, fiscal inaction in the face of the massive current account imbalances between the United States, Japan and West Germany was the underlying cause of the October stock markets crash and the associated realignment of the major currencies.

US post war economic history has, until recently, been that of a lender. That fact, combined with the relative size of the US economy, had given it a degree of immunity from international financial developments which few other countries could expect.

The emergence of the US as the world's largest borrower has been a more recent event. But it would have happened much earlier except that US trade deficits since the early seventies had been mostly offset by interest earned on investments.

So even if the US were to begin to run a trade surplus tomorrow, it would take many years before it could expect to regain its net lender status.

This presents a major challenge for economic leadership in the US: to recognise in a way which has not been required previously both the interdependence of global economic policies, and the increased dependence of the US economy on the favourable judgements of foreign investors.

It is heartening to see that the US Administration has negotiated a new fiscal package. President Reagan has described it as "a beginning" in winding back their fiscal deficit. Clearly much more work remains. The Reagan Administration is also to be praised for its efforts to resist the rising protectionist tide.

Ladies and gentlemen,

It must be remembered that this is not a task solely for the United States. Western Europe and Japan also have crucial reform roles to play.

Indeed, the rapid escalation of the Japanese trade surplus over recent years, the corresponding emergence of Japan as the world's largest lender each year and the growing internationalisation of the yen will continue to test the leadership qualities of Japan for some time to come.

Japan's economy is likely to experience continuing pressure to open its markets further and restructure its industrial base, certainly for as long as world trading balances remain at their current unsustainable levels.

The change required in the economic structure of Japan over the longer term, especially a greater reliance on imported foodstuffs, is likely to raise quite fundamental political and social sensitivities.

The question is frequently asked whether Japan should adopt a more active international political role, one more commensurate with its position in the world economy. To ask this is, I believe, to ask the wrong question.

The fact is that Japan's economic power will inevitably translate into a higher international profile.

Such major economic interests carry the need to protect them through activity in the international political sphere. This is a natural link.

The relevant question to ask is therefore what the nature of an increased Japanese political role will be. It would be a mistake if we think that Japan will, in taking on a heightened role, automatically do what we want - whether "we" be the United States, other Western allies, ASEAN, Australia or whoever. Like every other country Japan will pursue its own interests - which at times will coincide with those of others but at other times may not.

That Japan has been moving to a more active foreign policy is evident in a number of areas. Japan has sought to contribute to a solution to the war in the Persian Gulf. It has signalled an intention to take a closer interest in the South Pacific. The Nakasone initiative to contribute to regional development through re-cycling part of the Japanese surplus is another manifestation of a foreign policy interest in the stability of the region which goes beyond the mere pursuit of commercial interests here.

We all know that Japanese defence is an issue which arouses debate and emotions. Given its interests, Japan will want to ensure that its defence is secured. Over time it will no doubt do more for itself. I would say the important thing is that it do so in the context of a tight integration with the Western alliance and in the context of collective perceptions about what serves the security interests of this region.

For all these reasons, we must develop a greater habit of consulting with and talking to Japan about international political and security issues, not merely economic ones. We have consciously sought to do this in Australia's relationship with Japan over recent years.

Most pressingly however the crucial test of Japan's leadership will not come in some new political arena but in its performance on the crucial issue of economic adjustment - an issue whose resolution will directly affect the claim of Japan, and the rest of us, to continued prosperity.

The Maekawa report provides clear guidelines for Japanese economic reform which would yield great benefits to the Japanese people themselves and to the rest of the world. These guidelines involve a reduced Japanese reliance on exports and a greater willingness to open its domestic markets to imports.

If Japan were able by such means to exercise the same kind of beneficial world leadership as the United States provided in the 1950s, through open trading policies, then we would all welcome that kind of leadership without reservation.

Let me also stress how crucial it is that the United States and Japan are able to manage their relationship effectively. It is a relationship which has the greatest significance for the security and economic prosperity of others of us in the region.

Ladies and gentlemen,

If I have concentrated so far on the major political and economic powers of the region, I most certainly do not want to leave the impression that the medium and small nations can avoid the challenge of change or have no role in mastering it.

The various organisations of regional co-operation which exist bear witness to the way in which the smaller nations can strive to advance their collective goals and to exert their collective influence on the political and economic giants.

ASEAN is entering its third decade as one of the most successful regional organisations in the world; the South Pacific Forum is also emerging as a valuable voice having among other achievements conceived and implemented the South Pacific Nuclear Free Zone Treaty; the Cairns Group of Fair Trading nations, which includes six countries from our region, is playing a pivotal role in the multilateral negotiations on the liberalisation of trade in agriculture.

Such co-operation is likely to become more important to achieving our shared aspirations as our region faces the legacy - and in some cases the continuing experience - of colonialism.

As the situation in New Caledonia bears witness, France has not yet found the way towards a constructive durable role in the South Pacific.

In many nations which achieved independence in the 1970s, a new generation of leaders is emerging to face the issues not of immediate post-colonialism but of established membership of the world community.

In many of the South Pacific nations, the issues now are ones of complex economic management, sophisticated foreign policy choices, profound social questions.

In the former Australian territory of Papua New Guinea, the second decade of independence is bringing new solutions to the management of our relationship.

And in Fiji of course a military dictatorship has snuffed out a democratically elected Government.

If these issues are to be resolved, close and patient cooperation and mutual goodwill will be required of us all.

In the context of regional co-operation, it is my hope that all nations will support the efforts of the Aquino Government as it negotiates the adjustment process following the overthrow of the Marcos dictatorship. The bloodless political transition from oppression to People's Power has earned the continuing respect, and warrants the continuing support, of all who are committed to decency in government.

Indeed, if we are committed to achieving the goal of the Pacific Century, we cannot ignore the fact that despite our region's optimism and its overall prosperity, some countries are burdened by crippling debt levels and appear to be doing little more than treading water. In some countries indeed, people are still not being fed, clothed or sheltered adequately.

Paradoxically, other nations face dramatic social and political problems which result directly from their increasing economic prosperity.

Tens of millions of would-be entrants to the workforce have left their close-knit rural communities to seek a better life in the cities. This is true throughout our region from Shanghai to Jakarta. The population of those two cities alone are estimated to total some 42 million people by the end of this century.

And in South Korea, for example, there is a clear connection between the country's outstanding economic achievements and the unfulfilled aspirations for greater political expression.

Ladies and gentlemen

I have so far traversed just about the whole region. I have left to last a discussion of Australia's role in the region and Australia's capacity to cope with change.

I could not stand here, of course, and describe the challenge of political leadership and economic adjustment in our region unless I were willing to meet that challenge in Australia.

I think there have been times in the past when Prime Minister Lee, believing that Australians had protectionism in their blood, wondered whether we were beyond redemption. At the time of the ASEAN's consolidation and development and of the growth of the NICs a sceptical eye was cast on Australia. But I can say with confidence that the era of Australian complacency - of postponing the task of adjustment - is now behind us.

Australia's economic history is replete with examples of a promising economic upturn cut short by an inflationary spiral.

In the old days Australians habitually found it hard to reconcile their differences about how best to share the fruits of growth. Excessive industrial disputation was one result. Wage-push inflation was another. Poor economic performance was yet another.

But as I said at the outset, the constructive role of enlightened self-interest has a central role to play in securing sustained economic growth.

In the Australian environment, that required each party to understand the role of income restraint and the need to encourage investment and job creation through mutually supportive economic policies.

That is the approach which I have attempted to bring to my stewardship as Prime Minister of Australia.

It was the approach which underlay my calling of the historic National Economic Summit Conference immediately on coming to office in 1983 - an approach which promoted a shared understanding between competing groups and which healed the divisions and discords which had marred much of the seventies and the early eighties.

Few would deny that the approach has worked well. The pay-off has been an absence of wage push inflation, a more than halving of industrial disputation, a consistent decline in the real costs of employing labour, sustained economic growth, a growth in jobs at twice the rate of the industrial world, greater confidence in the stability of the Australian economy and an improved climate for investment.

The Australian union movement now well appreciates the importance to our future growth prospects of progressively higher productivity.

That awareness lies behind the current willingness of organised labour to cooperate with management to reform work and management practices, to restructure Australia's economy to make it more outward looking and more internationally competitive, and to cooperate more closely with potential new foreign investors in Australia.

A complementary change in attitudes has taken place regarding protectionism.

Business groups in particular have come to recognise the benefits to themselves and to Australia of an open trading system. They acknowledge the role of reduced protectionism in improving their ability to export and to meet competition from imports.

One manifestation of this has been a general community acceptance of the need to reduce gradually the protection afforded to some of our least efficient industries in the context of industry specific plans.

By the end of the current plan for the textiles, clothing and footwear industries, for example, Australia will be the only country in the developed world not relying on quantitative restrictions on TCF imports.

Another manifestation has been the recent call by business groups in Australia and New Zealand to go beyond the existing framework of the Closer Economic Relations agreement between our two countries.

Yet another manifestation is our role in the Cairns Group, fighting for an end to the madness afflicting agricultural trade, and our firm and clear offer to the contracting parties of the GATT to reduce our border protection, including non-tariff protection, in a multilateral context.

Australia in short has recognised that its future is one of a trading nation which must diversify its export base.

We are no longer passively responding to developments elsewhere.

We have become a force for change in our region.

Ladies and gentlemen

Let me close by drawing together the strands of the argument I have put tonight.

- . First, change is a constant of our region and our newspapers, textbooks and government reports are littered with assessments which failed adequately to understand the essential dynamics of change.
- . Second, we can nevertheless identify today some of the facts of our regional life which will undoubtedly assume greater importance to us all up to the early decades of the next century. I have discussed the essential ones this evening: the emergence and modernisation of China; the current reforms in the Soviet Union; and the need for sustained action by the major economies of the West to solve their current account deficits and to resist protectionism.
- . Third, beneath this level of the major political and economic powers all of us have a duty to undertake appropriate domestic reform which will contribute not only to our own efficiency but to increase trade among us.
- . Fourth, these economic reforms are encouraged and advanced where they are accompanied by changes in social attitudes and practices. This means in effect that efforts to increase the material well being of the community - which is after all the desired end point of such reforms - will be enhanced where separate interest groups in the community are prepared to abandon traditional antagonisms and work together for the mutual benefit of all.
- . Fifth, it is the task of community and political leaders to recognise ways in which the interests of the community can best be advanced - and it is their task as well to ensure that all those who will be affected by a decision appreciate and understand the reasons for it.

- . Sixth, and finally, any democracy whose institutions are created for the purpose of public involvement in public affairs should regard this task as possible and certainly desirable. But it is an essential task for all societies, whatever their political system, to win the understanding and acceptance of the whole community in the making of the necessary changes. Without that involvement, the needed economic changes cannot be made.

For it is ultimately the people - those in the factories, on the farms, in the classrooms, in the offices - who will determine whether those economic reforms succeed or fail.

Ladies and gentlemen,

I do not advance these thoughts with any pretence that they provide comprehensive prescriptions to the broad field of issues I have addressed this evening. I do believe however that they are the kinds of general guidelines which are relevant to the tasks of policy makers in our region - including in Australia and Singapore.

When confronting change, many of us can readily and clearly articulate the problems resulting from a change to the status quo.

What I find most distressing is that there is a relative poverty in the intellectual effort devoted to the task of addressing the problems - indeed the disasters - which can result from avoiding or ignoring change.

It is only by a preparedness to meet the challenge of change head on that we can overcome that challenge rather than be overcome by it.
