



PRIME MINISTER

CHECK AGAINST DELIVERY

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SPEECH BY THE PRIME MINISTER
LUNCHEON OF COMBINED BUSINESS COMMITTEES
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Ladies and gentlemen,

As part of my visit to the United States last year, I had the pleasure of addressing a luncheon hosted by the Economic Club of Chicago.

After I spoke, the Chairman of the luncheon thanked me and, as was fitting in an international forum, he produced a classic definition of diplomacy.

Diplomacy, he said, was the art of saying "nice doggie, nice doggie", while you look for a big stick.

That line came to mind when I read the recent important speech your Prime Minister, General Chatichai, delivered to the Foreign Correspondents Club of Thailand last December.

The Prime Minister made the crucial point that diplomacy is changing.

In the past, he said, when battlelines were clearly drawn between friends and foes, diplomacy was all about strategic management - to use the Chicago analogy, it was all about looking for the big stick to fend off the snarling dog.

Now, as Prime Minister Chatichai said, diplomacy has become "the art and science of managing peace".

We see the proof of this critical transformation clearly in our region.

It is true that in the past the nations of the Pacific Rim, including Thailand and Australia, were greatly preoccupied with strategic issues, most notably during the Vietnam war years.

But it is equally true that those preoccupations are no longer paramount.

They are being replaced by difficult, but far more rewarding issues: how to remove the obstacles to economic growth and maximise the opportunities to raise the living standards of our people.

It is on that issue that I want to concentrate today.

Indeed, it is that issue that underpins my visit to your country.

For no-one in our region can ignore the fact that Thailand today is set to join the ranks of Asia's most dynamic countries.

Quite simply, the economic miracle that you have performed in recent years is impossible to ignore.

The rapid growth and structural change of the Thai economy over the last decade led to a crucial point of transition in the mid-80s : from a primarily agricultural economy to one where a greater proportion of GDP and export income derives from the manufacturing sector.

There are three specific lessons that your success teaches us.

The first concerns Australia, the second the region, and the third the global economy. Let me discuss each of them in turn.

First, it is crystal clear to me that Australia and Thailand can do a lot more business together than we are doing now.

Compared with our trade with other ASEAN nations, two-way trade with Thailand is surprisingly small.

Our two-way trade with Singapore is worth \$2.1 billion, with Malaysia \$1.2 billion and with Indonesia \$1.1 billion. With Thailand it amounts to only \$650 million.

However even this figure represents a significant expansion in our relationship.

In 1985, our two governments set a target for two way trade of \$500 million by 1988. That target was achieved twelve months ahead of schedule.

In my talks with the Thai Government yesterday, we have set a new target of \$1.3 billion by 1991. It is certainly an ambitious target - it would represent a doubling of our two-way trade in just over three years from now - but I believe it is certainly achievable.

Indeed those talks have, as I said yesterday, created a new framework for our relationship, with a number of agreements underway to facilitate our shared economic development.

This new framework is an unequivocal statement of the political will on both sides to further develop our economic relationship, and it is a clear lead to the private sectors of both our countries.

Private sector involvement in the Thailand/Australia Joint Trade Committee, which began last year, is a valuable contribution.

I pay tribute also to our hosts today, the Australian-Thai Chamber of Commerce and the Australia-Thailand Business Council, for their steady promotion of closer commercial ties between our two countries.

Australia sees particular opportunities to assist a rapidly growing Thailand with its infrastructure development in areas such as coal, power, ports, telecommunications, railways and agriculture.

We are also proud of our capacity to provide raw and processed material, manufactured components, consumer goods and services. More than 3000 student visas were issued in 1987 for Thais wishing to study in Australia.

Australia's private sector expertise and competitiveness is supported by my Government's major program since 1983 to implement more outward-looking economic policies. We have floated the Australian dollar, deregulated our financial markets, liberalised foreign investment guidelines, reshaped our tax system and achieved historic cuts in protection.

In other words, Australia and Thailand make natural partners for a much wider range of commercial activities. We should make sure, both of us, that we don't miss the opportunities that lie before us.

Ladies and gentlemen,

I didn't come here solely to advance Australia's direct bilateral commercial interests - as important as they are.

For the second area I wish to address today is a broader message, of relevance to our region as a whole.

We have become familiar with the glowing predictions that are frequently made about the Pacific Century - predictions that the next era of international economic growth will be dominated by the nations that border the Pacific.

We have seen example after example of nations proving they have the capacity, through flexible and competitive policies, to capitalise on the pervasive dynamism of the region.

This process saw Japan become an economic superpower, with nations such as Korea and Singapore following in its wake, and now with Thailand following in turn.

All have recognised the truth of the complementary and interdependent nature of our region, and all have prospered as a result.

This dynamism has been sustained heavily in the past by US demand, but regional trading and investment patterns are now undergoing significant changes, particularly as a result of the increasing role played by Japan as an engine for growth in its own right.

Not all nations in the region have been able to exploit the opportunities available. Vietnam stands out as an isolated and relatively backward economy - but even there, evidence is emerging that the leadership, encouraged no doubt by the positive attitudes of the Thai Government, is willing to explore closer economic links with its neighbours.

It is clear from all this that we should as a region be working at ways of improving our co-operation so as to expand the opportunities for regional prosperity.

In Korea earlier this week I urged the region to look closely at the model provided, in a different context, by the OECD.

What Australia seeks is for the region to develop a capacity for analysis and consultation on economic and social issues, so as to help inform policy development by our respective governments.

We are currently assessing regional attitudes towards the possibility of creating a more formal intergovernmental vehicle of regional co-operation - and we believe a ministerial meeting would be a useful forum to investigate the question.

The Korean President, Roh Tae Woo, endorsed these proposals and enthusiastically supported the idea of pursuing them further through regional consultations.

I am particularly pleased that the Thai Prime Minister, General Chatichai, yesterday also welcomed the proposals.

This leads naturally to my third point - the implications for the global economy.

For given the impasse at Montreal, a prime focus of any new institution of regional co-operation must be to foster a fair and open multilateral trading system.

Let me describe the significance of this task in this way.

I have already referred to the potential of the Australian-Thai relationship as significant.

We are both undertaking substantial adjustment programs to improve that relationship, and to exploit the potential of the region as a whole.

But there is a limit to the extent that any country or any region can determine its own fate in this increasingly interdependent world.

All those efforts we are making, and all those efforts of our regional partners, will be put in jeopardy if the world's multilateral trading system is allowed to disintegrate.

The GATT system has provided the backdrop to decades of sustained post-war growth.

But it is clear that the major economies today are unwilling to be governed by the spirit of multilateralism that inspired the original GATT parties more than forty years ago.

There is now a wide recognition that the GATT system is unfair. For the main players, the United States, the European Community and Japan, whose main exports are of manufactured goods, the GATT system has rules which, while not always clear and comprehensive, at least provide a recognisable framework within which trade can prosper.

For other players such as Australia and Thailand, and many less developed countries, agricultural goods form a large part of our exports. And for these exports there are few formal rules to restrict blatantly unfair trading practices and to prevent massive subsidies, sometimes amounting to many times the market price, from perverting the trading system.

It is the subsidies provided by countries whose main exports are manufactured goods - those who benefit most from the GATT system - that are so polluting trade to the detriment of large agricultural producers.

The dumping of agricultural surpluses on world markets by the European Community, and policies of retaliatory subsidisation adopted by the United States, have severely depressed and destabilised world agricultural prices and contributed to massive inefficiencies in the world economy.

A study by the OECD estimates that the farm policies of the European Community, Japan and the United States have cost taxpayers and consumers in these countries \$US200 billion a year over the last few years.

The European Community and the United States talk of their low tariffs on manufactured goods. That is commendable. But it is not a relevant response to the complaints of those who export predominantly agricultural goods.

It is disappointing - not to mention paradoxical and irrational - that at a time when international financial markets and exchange rates are being freed up, and many domestic economies are adjusting to become more efficient and competitive, international trade is being subjected to ever more restrictive, inefficient and fundamentally short-sighted measures.

These measures - including non-tariff barriers and other means of restricting market access, escalating subsidy wars in agriculture, and the exclusion of whole product groups, such as textiles, from effective international competition - are all clear examples of the diminishing commitment by the major economies to the spirit and objectives of the GATT system.

This deterioration appears now to have reached a critical stage. We are at a turning point.

The recent Mid-term Review of the Uruguay Round in Montreal saw the process of GATT reform stall - primarily because of the impasse on agriculture between the European Community and the United States.

Progress in all 15 GATT negotiating groups, covering the spectrum of GATT activities, is now suspended.

The GATT Trade Negotiations Committee is to reconvene in April to attempt to break the deadlock.

By general consensus, agriculture is now the central issue of this GATT round.

Without substantial progress towards reforming agriculture, it appears no progress will be made.

Without such progress the GATT system must, slowly but surely, disintegrate.

Anyone who has heard me address an international audience in the past couple of years would know the importance I place on this issue.

Quite simply, I see it as fundamental not only to the maintenance of economic growth but also, ultimately, to the continued stability of international relations into the 1990s.

When I last visited Thailand in 1983 I initiated a series of Regional Consultative Meetings designed to promote a stronger regional voice in, and commitment to, the Multilateral Trade Negotiations.

Strong support by Thailand for this concept has greatly contributed towards its success.

Indeed, Thailand and Australia have been close partners in seeking to restore and extend the multilateral trading system.

I pay tribute to your contribution, through membership of the Cairns Group, to the collective effort of fair traders to get the major powers to see sense, particularly on this vital issue of agricultural trade.

As Australia and Thailand have consistently argued, liberalisation of agricultural trade is in the longer term interests of us all.

It would of course have direct benefits to producers of agricultural goods.

It would also make important inroads into the United States twin deficit problems.

It would also significantly boost real incomes of developing countries, allowing them to reduce their debt burdens.

So what is the way forward?

The impasse in Montreal reflected the inability of the United States and the European Community to move from their diametrically opposed starting positions.

The European Community was unable to commit itself to substantial reform.

The United States wanted all participants to commit to eventual complete liberalisation of agricultural trade before discussion of detailed issues could commence.

Both used the intransigence of the other to justify their own inflexibility.

The solution, surely, is clear.

The stand-off must be broken by simultaneous action by both sides.

Simultaneously the European Community must commit itself to reforming substantially the support systems underlying the Common Agricultural Policy; and the United States must agree to discussion on this basis.

This can be achieved - but political leadership is needed.

That is why I have, very recently, written to President Bush, European Community Commission President Delors and heads of a number of governments in the European Community urging that they follow this path.

And we are also proposing that a further Cairns Group ministerial meeting be held in Wellington in March.

Ladies and gentlemen,

I have seen reports that the MIT economist Lester Thurow believes "GATT is dead".

GATT is not dead.

But if the current deadlock is not broken, then we will have moved - not to the end of GATT - but quite possibly to the beginning of the end.

Ladies and gentlemen,

The problems which I have discussed today are difficult and at times may appear intractable.

What is required to solve them is vision, leadership and a high sense of responsibility.

As I look at Thailand, and the courageous and creative way in which it is approaching the difficult and, as we used to think, apparently intractable problem which it has faced in Indo-China, I believe that your country sets an example which should inspire us all.

During my talks in Bangkok I have been deeply struck by the far-sighted vision being shown by Thai planners and decision-makers, as they contemplate a South-East Asia in which the wound of Cambodia has been healed.

Prime Minister Chatchai has talked of turning Indo-China from a war zone into a peace and trading zone.

It is precisely that vision which has led my Government to offer to build the Mekong Bridge between Thailand and Laos.

With the same spirit of friendly co-operation, Australia and Thailand must work together to build our own economic wellbeing, to build economic relations throughout the region and to build a world of prosperity, stability and peace.
