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## PRIME MINISTER

### STATEMENT BY THE PRIME MINISTER, THE HON P J KEATING, MP THE AUSTRALIA SINGAPORE BUSINESS SEMINAR

Let me begin at a point, say twenty five years ago, and at one divorced from the world of business and the economy.

Twenty five years ago Australia was not known in the world for its openness. In fact, two thirds of the way into the twentieth century, for all our considerable achievements, Australia remained insular, inward-looking, not a little xenophobic.

In so far as we looked out at all, we looked past Asia.

As your Prime Minister said last night, we "leap-frogged over Asia" to keep the ties almost exclusively with Britain, Europe and America.

It was a symptom of our lack of cultural development, our unworldliness.

It is a measure of Australians' capacity for change that the barriers are now down, and that Australia is a complex, spirited, immensely varied multicultural society.

And it is a measure of how differently we see ourselves that we now actively pursue our future in Asia and the Pacific.

Those who doubt that we can change should consider how much we have changed.

In a sense these two great changes we are undergoing are one and the same.

As a nation we have opened up - culturally and economically.

Economically speaking, we realised a little less than a decade ago, that our future way of life depended on making ourselves relevant to the rest of the world - and especially relevant to the most dynamic region in the world which lay at our front door.

In the past few years we have confronted this reality.

We have become, as a consequence, more independent.

When I use the word "independent", I mean a sense of responsibility as much as a sense of pride.

I mean taking responsibility for our own destiny; having the will and the imagination, as Singapore had them, to make the leap into the world of the future.

Pride in what we have done, in fact, is following only slowly.

In any event, there is a long way to go.

Yet the effect of realising that we are on our own, and that to deny necessity would be an act of national self-destruction, has been remarkable.

More remarkable, I suspect, than even most Australians appreciate.

More remarkable, I'm sure, than many people in Asia appreciate.

That is one part of my purpose today - to explain to you the changes.

The other is to convey the message that we are very much open for business.

We believe Australia and Asia have much to gain from thinking in terms of strategic alliances; that, once we learn to enjoy commercial success together, the bonds between us will reach a new level of mutual awareness and respect.

Now, I think it is a reasonable supposition that most of you are still inclined to think of Australia in terms of empty space randomly populated with sheep. And cattle. And mines.

I think it is reasonable to suppose that you may still think of Australians as living on the cheap; riding on the back of the country's natural wealth. And riding for a fall.

You might also be continuing to think of us as a country with heavily protected manufacturing industries, an industrial relations culture of conflict and inefficiency, inefficient management, inefficient wharves, an inefficient transport and communications system, high taxes and high inflation.

The truth about all these things is quite different.

Our inflation rate is the second lowest in the OECD.

Our proportion of tax to GDP is virtually the same as Japan's - the lowest in the OECD.

Our transport system is undergoing a radical overhaul.

- . We have deregulated aviation, bringing substantial reductions in fares for both freight and passengers
- . We have invested heavily in a new National Rail Highway and major road developments
- . We have brought competition to our telecommunications.
- . And we've doubled productivity on our wharves

We are introducing competition into previously controlled industries, selling off government businesses, and, of course, we have deregulated banking and foreign investment.

Last year, in a continuation of a dramatic trend, Australia experienced the lowest number of strikes in thirty years.

We have cut tariffs.

But nothing has been so crucial in our quest for competitiveness as our reforms to industrial relations.

In the 1990s, Australians discovered that conflict was not a creative condition.

In a radical break with what had become a chronic national disease, the Government reached an Accord with the unions which not only dramatically lowered the level of industrial disputes, but restrained the growth of wages so effectively that our competitiveness improved 10 per cent over the decade.

More recently, we have begun another radical reform. We are moving away from centralised wage fixing - and we are moving at an extremely rapid rate.

By the middle of next year we expect more than half the Australian workforce will be covered by enterprise bargains.

At the same time, there has been very considerable improvement in workplace and management practices, including a very successful "world best practices" program - international benchmarking.

The concrete manifestation of these developments is to be seen in, for example:

- . Du Pont's decision to re-locate production facilities to Australia to supply East Asia;
- . or Toyota Australia winning export contracts throughout South-East Asia. Already Australia exports more than \$1 billion a year in cars and auto parts;
- . or Bremar-Woll-Kammerei investing in a wool processing plant in Geelong, Victoria under a single union coverage and enterprise agreement.

We are also aware that successful competition in the international marketplace ultimately requires a highly skilled and flexible labour force, and for this reason we have created the equivalent of twelve universities in six years, doubled our vocational education and training budget, and established a National Training Authority to give Australia a system of high quality, high status polytechnics.

I could detail any number of other reforms we have made in recent times.

Yet it is perhaps more important to make the point that it is open competition which is driving the essential changes.

In recent years we have learned that change breeds change.

Recognition of what has to be done has changed our perception of what can be done.

We do not believe for a moment that the process of labour-management reform is complete.

Plainly, we are not yet totally competitive.

But we are moving at a considerable rate.

We continue to produce and sell commodities - in fact more than ever before.

As a nation we now export more than twice as much product as we did a decade ago and today our exports account for over 23 per cent of total output.

That is gratifying enough.

But the really big change is this - we now sell more manufactured products overseas than metal ores and minerals.

In fact, Australian manufactured exports showed the fastest growth in the OECD in 1990 and 1991.

Our exports of manufactured products are as great as the value of our exports of rural products.

The fastest growing export category is Elaborately Transformed Manufactures (ETMs): in recent years we have had annual growth of over 50 per cent.

In this same last decade, Australia has also tripled services exports.

My point is simple enough: there has been an economic sea-change in Australia.

We still sell the minerals, the beef and the wool, and the liquefied natural gas and the coal.

But we are also selling processed foods, motor vehicles, computer software, ocean-going ferries, bionic ears and education.

And, what is more, we increasingly sell them in Asia and the Pacific.

The APEC region is the destination for almost 75 per cent of Australian exports.

East Asia takes almost 60 per cent.

Exports of ETMs to North-East Asia increased eight-fold between 1981 and 1991.

Last year we sold more ETMs in North-East Asia than wool.

Seven out of the top ten Australian manufacturing markets are in East Asia.

I trust you see what I mean by a sea-change.

To give you another example - last year our service exports to Japan alone were worth as much as our total wool and iron ore exports.

Ten years ago we scarcely had a tourist industry worth the name. In the eighties it was our fastest growing industry, and the majority of tourists came from Asia.

This year, over 600,000 Japanese tourists will visit Australia. More than 1 million are expected to arrive in the year 2000.

There is no more striking example of Australia's new economy and its new relationship to Asia than in its emerging trade relationship with ASEAN.

For the last five years, our exports to ASEAN have been growing at an annual average of 30 per cent, to well over \$6 billion.

Last year ASEAN became our second largest regional market, ahead of both the EC and North America: and Australian exports to Singapore have grown by an average of 33 per cent per annum over recent years.

And while we continue to export food and minerals, 23 per cent of our exports to Singapore are now manufactures.

Just as Singapore has transformed itself, so is Australia being transformed.

And our changing relationship with Singapore reflects the speed of change and the kind of change which Australians now agree is both necessary and right.

We have had similar objectives and we have changed in similar ways.

And today this seminar of distinguished Australian and Singaporean business people will be talking about the opportunities for businesses in both countries to join forces in reaching into the growing markets of Asia.

For our part, we have raw material resources, a depth and variety of workforce skills, a large base of sophisticated services, a broad and well-developed research industry, and a relatively affluent population supporting a sophisticated construction, services and distribution sector.

Singapore has a well-educated and flexible workforce, a high savings rate and a current account surplus, a strong outward orientation, and a geographical and political position at the centre of one of the world's fast growing regional economies.

Already we have the example of the strategic alliance between Australian and Singaporean business in Unilac, a joint venture which processes Australian dairy products for export through the region.

We have another example in Kinhill Tan, which undertakes engineering projects in Singapore, Malaysia, Indonesia and Thailand.

Other alliances are exploring projects for third country market ventures in construction, engineering, energy, telecommunications, refining, entertainment, and food processing.

In the future we may well find profitable cooperation in areas in which Australia has developed considerable technical expertise - including infrastructure development, environment and waste management technologies, biotechnology, aerospace industries, pharmaceuticals and various consulting services.

So there are plenty of opportunities there for joint ventures, and lots of things are happening.

But while joint ventures are fine, let me be quite clear that we would not in any way wish to restrict our partnership to joint ventures.

Singaporean businesses acting independently are welcome in Australia, as I know Australian businesses acting alone are welcome here.

Partnership can take many forms, and the Australian Government's commitment is to the result, not the form.

It is not just Australian and Singaporean businesses forming partnerships; in a sense, it is Australia and Singapore which increasingly are partners.

Singapore will now be home to the first concrete embodiment of the APEC process, which our two governments contributed to creating only a few years ago.

The Singapore location for the secretariat of APEC - modest though it is intended to be - will put this country at the very centre of what I believe will be important trade policy choices in the years ahead.

We share with Singapore a commitment to the APEC process, and to the overriding importance of securing a successful outcome to the Uruguay Round of the GATT. We know that the interests of open trading economies like ours are best served by a strong and widely observed set of international trading rules.

But with Singapore, we also recognise that there is much to be done on a regional basis which can build on the benchmarks of GATT.

There is AFTA, which we believe can work to markedly enhance trade between ASEAN countries; and, by increasing their prosperity, increase their trade with non-ASEAN countries.

And there is APEC, which has the potential to develop into an open regional arrangement which enhances trade between members without hindering trade with other regions.

Like Australia, Singapore shares a deep interest in the continued involvement of the United States in the region, both as the world's largest economy, and as its only superpower.

There is no need for Australia, which shares a long standing security treaty with the United States, to re-emphasise its belief that the continued involvement of US forces in the Pacific region is a powerful stabilising influence and a significant contribution to the remarkable stability and growth we have witnessed in recent decades.

But I do want to reassert Australia's belief that US economic involvement in the region is also vital - both for our prosperity, and for its own.

For this reason we supported the APEC concept which includes both the Western Pacific and the United States, and have queried other regional concepts which omit the US.

And of course it is for this very reason - to secure American economic involvement with Asia - that we have expressed reservations: both about the extension of NAFTA to Central and South America, and the recent proposal for the US to create a set of bilateral trade agreements in the region on the hub-and-spokes model of its security relationships.

The extension of NAFTA might well lead the US into thinking it could sustain its economic weight merely through involvement in its own hemisphere to the neglect of this region - a notion which would I think be a grave error.

And the hub-and-spokes model in trade maximises some bilateral advantages for the US, but minimises the multilateral advantages for its partners in the region.

On the face of things, our countries could not be more different - I need not go into the obvious dissimilarities between an island continent and an island city state.

But in 1992, I believe it is the commonalities which are more striking. The complementarities. The potential for cooperation - for mutual advantage.

All this is only becoming apparent now, as Australia makes the leap for change.

The potential can only grow.

Your deliberations today are both a manifestation of this fact, and an agent of the process.

Thank you all very much for your commitment to the cause of our two countries. Thank you for coming.

SINGAPORE

25 September 1992