



PRIME MINISTER

SPEECH BY THE PRIME MINISTER, THE HON P.J. KEATING, MP

**"INTO ASIA" TRADE AND INVESTMENT CONVENTION
PERTH 17 NOVEMBER 1992**

Ladies and gentlemen

I am delighted to have this opportunity to address the "Into Asia" Trade and Investment Convention, and I congratulate the Western Australian Government and other supporters of the conference on the imaginative program you have devised.

Its appropriate indeed that you are meeting in this State, because Western Australia in some respects has been leading us into Asia.

With less than a tenth of Australia's people, this state now accounts for nearly a third of Australia's total exports.

And today, 70 per cent of Western Australia's exports go to Asia.

We are familiar of course with the great wealth that continues to be generated by exports from Western Australia's mining and energy industries.

Iron ore from the Pilbara and natural gas from the North West Shelf will remain sinews of interdependence between Western Australia and North Asia.

The State government recognises, however, in its "Into Asia" strategy that Western Australia's future prosperity depends not only on maintaining these traditional links of trade with Asia, but also on learning to exploit relatively new areas of competitive advantage in the dynamic Asian market.

This means expanding services and manufactures exports while continuing with commodity exports.

As Western Australia has found new markets in Asia, so too has Australia as a whole.

Nearly two thirds of Australian exports now go to Asia, and Asian markets continue to lead all others in export growth.

I would like to take a little time today to discuss what this powerful and consistent trend means for our international trade policy – and for the way we think of ourselves as Australians.

During the 1980s, the dozen or so countries and territories of North-East Asia and South-East Asia grew twice as fast as the rest of the world.

During the 1990s, they seem likely to repeat that performance.

At a time when the OECD has had to revise downward its growth forecasts for Europe, the United States and Japan, Australia's strengthening links with the more rapidly growing economies of Asia are of critical importance to our economic expansion in the 1990s.

The North-East Asian economies are more complementary to Australia in resource endowment and trade composition than any other economies in the world.

North-East Asia accounts for nearly half of Australia's exports.

North-East Asia is a major source of tourists, investment and business migrants, and is the single most important market for Australia's education exports.

While North Asia remains by far the single most important market for Australia, Australia's exports to the six countries comprising the Association of South-East Asian Nations (ASEAN) are now growing more quickly than our exports to any other part of world.

The ASEAN countries now account for more Australian exports than either the United States or the European community.

Even more striking is the fact that Australia's manufactures and service exports to South-East Asia are growing more quickly than exports of primary commodities.

As South-East Asian economies have modernised we and they have discovered greater and greater opportunities in trade.

Indonesia probably best exemplifies the need for Australians to revise their image of South-East Asia.

Despite the fact that it has already become our ninth largest export market and second largest in ASEAN, too many Australians still have an image of Indonesia as a poor and backward country which is somehow threatening to Australia's interests.

My visit to Indonesia in April this year served various foreign policy objectives.

But, just as importantly, I wanted to underline new realities for the Australian public.

I made a point of highlighting the enormous strategic benefit Australia has obtained during the past 25 years through the success of the Soeharto Government in consolidating political stability and economic development in the Indonesian Archipelago.

Between 1966 and 1991, Indonesian's real GDP rose 450 per cent.

In the late 1970s, Indonesia was the world's largest importer of rice. In 1984, Indonesia became self sufficient.

The people of Indonesia are now better fed, housed, and educated than ever before. Infant mortality rates are approximately half of what they were.

In recognition of the dynamic economic relationship Australian and Indonesia now enjoy, President Soeharto and I agreed to establish a regular Ministerial Forum to discuss at a high level trade and economic matters of shared interest.

Establishing this body reflects a new maturity and mutual confidence in the relationship.

I am pleased to note that yesterday and today the first meeting of the Ministerial Forum is taking place in Jakarta with five Australian Cabinet Ministers participating.

I am also pleased to note that one of your distinguished speakers yesterday was His Excellency Governor Soelarso of Indonesia's East Java Province, whom I met during my visit to Surabaya last April.

No visitor could help but be impressed by the vitality of economic development in Surabaya and its environs.

I congratulate the State of Western Australia for its foresight in establishing a sister relationship with East Java.

A new study by the East-Asia Analytical Unit of the Department of Foreign Affairs and Trade demonstrates that Australia has held its market share in South-East Asia during the past five years.

If we continue to hold it for the rest of this decade - and I am confident we can - we will put an additional \$12 billion onto our annual exports.

So you can see that because of their rapid growth, South-East Asian markets will become increasingly important to Australia's prosperity.

Now, of course, we won't get the growth and we won't get the exports unless we can continue to transform our culture, but if you want proof of our ability to transform ourselves in a decade ahead, you need only look at the way in which we have transformed ourselves in the decade behind.

We have transformed ourselves from a high inflation nation to a very low inflation nation.

We have increased our competitiveness by well over one tenth.

We have replaced industrial disputation with a cooperative system which has delivered the lowest strike rate for 30 years - a system of consensus which I think the Australian people are very reluctant to abandon.

We have opened the economy to the world with a floating exchange rate, financial deregulation, and cuts in protection.

We have succeeded in putting government behind trade with the unification of trade and foreign affairs policies and departments, the creation of Austrade, the successful leadership of the Cairns group in the Uruguay Round, and the initiative which led to the creation of the APEC group of Pacific trading nations.

A decade ago, we exported one seventh of what we produced.

Today we export nearly one quarter of what we produce.

And as the quantity of exports changed, so too has the composition and direction of exports.

Today our manufactured exports are equal in value to our rural exports and our mining exports.

And more and more of our exports are going to Asia.

As trade becomes more important to our national prosperity, international trade policy becomes more critical in national government.

As I have already made clear, our core interest is in protecting and enhancing our trade with Asia.

We Australians should see it as our historic good fortune to be located close to the world's fastest growing economies and one of its great economic powerhouses, and to have already established close economic ties with it.

We have the further advantage that the regional emphasis of Australia's foreign policy and our shared strategic interests with neighbours to our north correlate very well with the regional focus of our trade and commercial interests.

As I said, it is our good luck. It is not the first time we have been lucky, of course. For years we were able to rely on special relationships and our rural and mineral products to see us through.

But our good luck this time is an opportunity to be seized, both by governments and by business.

It won't come to us as a branch office, or as a quarry and a farm.

As never before in our history we have to seize the time ourselves.

Of course, our trading interests are not confined to the Asian region.

We strongly believe in maintaining and strengthening the open, non-discriminatory multilateral trading system based on the General Agreement on Tariffs and Trade or GATT.

This interest is shared by Japan and other East Asian trading partners because each of them pursues outward-looking economic policies and depends, on access to a wide spread of international markets.

The benefits of a new multilateral agreement would be considerable.

It would extend international trade rules to cover agriculture and services, and also strengthen the disciplines and dispute-settling procedures of GATT.

We have been deeply disappointed at the apparent lack of political will in Europe, and in France in particular, to agree on reasonable understandings on agriculture.

Sobered by the prospects of trade conflicts in a climate of slower OECD growth, negotiations between the United States and the EC have now resumed.

An agreement is, I believe, the most important thing that Europe and the United States can do to stimulate world growth and confidence.

But whatever the outcome of the Uruguay Round, we are now in a period of fluidity in the world trade system.

There is an increasing tendency towards regional, subregional and bilateral trade arrangements. We may or may not like this trend, but it is indisputably there and we must seek to use it to our advantage.

At the same time, there are powerful forces enhancing globalism, including the extinction of communism and the new universality of market economics, and the more powerful role the United Nations is now able to play in world affairs.

In this new era in international affairs, our overriding objective is to do all we can to preserve and enhance a trading environment in which our major markets remain as open to us as possible, and these markets remain open to each other.

We must never lose sight of the fact that most of our trade, and the fastest growing part of our trade, is now with other countries in the Western Pacific.

We must also not lose sight of the fact that many of these countries are highly dependent on the US market.

At the regional level, an important element of Australian policy is the promotion of a trade-liberalising agenda in the APEC group.

The grouping includes the United States, Canada, Japan, Korea and the other main economies of the Western Pacific.

Its members account for 50 per cent of world output and over 40 per cent of world trade.

The importance of APEC underlines the pivotal role that the United States will have in determining the trade environment in the Asia-Pacific region.

The United States is the world largest economy and trading nation.

As shown in the Uruguay Round, it retains a vital leadership role in helping maintain a sound multilateral trading system.

Despite the growing economic importance of Japan, the United States remains the leading export market for most East Asian economies.

And much more of the United States' own trade now takes place across the Pacific than across the Atlantic.

Against this background, the policies of the Clinton Administration will have a decisive bearing on trade alignments in the Pacific.

I have been much impressed by President-elect Clinton's conviction that foreign and domestic policy are two sides of the one coin.

By his recognition that the United States must be able to compete successfully in the global economy if it is also to succeed at home.

We also noted that he affirmed strong support for the multilateral trading system and avoided the temptation to engage in the Japan-bashing that some in his party have indulged in.

In Australia's dealings with President Clinton and his Administration, we shall make every effort to encourage Washington to think more deeply about the future institutional structure of economic relations in the Pacific.

We think it is very important not only for ourselves but also for Japan, the United States and other trading nations in the region, that the United States and Japan increase their economic interdependence rather than diminish it.

We will resist any process which has the effect of dividing the Pacific into trade allies of the United States and trade allies of Japan.

As I explained during my visits to Japan and Singapore last September, Australia's core interests lie in maintaining the most favourable possible environment for our bilateral trade relationships with Japan and the other economies of East Asia.

This reflects a situation where East Asia now accounts for nearly six times as much of our total exports as does the United States.

But the regional trading environment for Australia will be so much better if the Western Pacific and North America remain part of the same thriving trading community.

As important as they are, the initiatives of the bigger players cannot of themselves guarantee Australia's success in international trade and commerce.

We have a big responsibility at home for maintaining the drive towards making our economy internationally competitive, and developing a creative culture of entrepreneurship.

While there is much that the Australian Government can do to help create the right policy environment, we have to recognise that the ultimate challenge of succeeding in the region rests with Australian business.

Many of our private companies have accepted their responsibilities and are already demonstrating how well they can succeed.

But there is a broader challenge for the whole Australian community.

It is a question of attitudes, to do with how we see ourselves as a nation and how we perceive our relations with the region.

Australia can no longer afford to be a society located with its geographical feet in Asia, but with its intellectual head and emotional heart in Europe or North America.

Part of this is being confident in ourselves and knowing that our political and social values do not have to be compromised in a closer association with Asia.

Indeed, I would argue that Australia's reputation for openness and multiculturalism are definite assets in a region which is already very diversified politically and is showing increasing pluralism as it advances economically.

We should recognise the increasing contribution that our Asian migrant community is making to commercial links with Asia.

It also serves our economic purposes that an increasing number of Australian students are studying Asian languages at secondary and tertiary level.

During my recent visit to Japan, government and business leaders were very impressed to hear that we now have around 100,000 students studying the Japanese language.

This number is greater than the number of Japanese-language students in any country in the world outside North Asia.

There are now 41 centres or institutes of Asian studies at Australian universities and there is a growing number of educational exchange programs between Australia and Asian universities.

Increasingly, we are recognising that just as the changes we have made in the way we do business at home and in the way we conduct our industrial relations involve cultural questions, so too will our continuing success in integrating ourselves with the economies of Asia depend upon cultural changes that allow us to adapt our basically European society to Asian cultures.

It is here, I think, that the Australian people and government will find its greatest, most absorbing and most rewarding challenge in the coming decade.