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## PRIME MINISTER

**SPEECH BY THE PRIME MINISTER, THE HON P J KEATING MP  
KOREA FOREIGN TRADE ASSOCIATION  
SEOUL - MONDAY, 21 JUNE 1993**

It is a great pleasure for me to address this gathering of business people here in one of the most dynamic and influential capitals of the region.

Korea is important to us, of course, as one of our biggest trading partners.

But it is important in other ways as well.

Korea is an example of a country which, in recognising necessity, recognised great opportunities and found the way to grasp them.

A country which was determined to re-create itself, which imagined success in the world and found success.

Korea has been an outstanding example of successful change.

An example and an incentive but, of course, we are very different countries and we will find success in different ways.

In an entirely different cultural, political and historical environment, Australia is also undergoing a radical transformation.

A deregulated economy, a new psychology and new disciplines in business and industry, a new labour relations culture, new manufacturing and export priorities imperatives - most of all, a new orientation towards the region.

Today Australians do business in ways which had not been imagined a decade ago. And they do much more business in East Asia.

It has been an epoch-making decade in Australia - our decade of re-definition. And we defining it further.

In recent times Australians have recognised the necessity to compete in the world, to be less reliant on

commodities, to change the idea of Australia - from that of a country which needed to do little more than exploit its material resources, to one which also exploits its intellectual resources.

From one which exploits her vast reserves of natural energy, to one which also calls on the energy of her people.

Change is being vigorously discussed in other realms as well: about how to deliver justice to Aboriginal Australians for instance; about the institutional and symbolic representations of our nationhood, about projecting an image of Australia which reflects the modern cultural complexity of Australia, about whether Australia would be better served by a republican form of government.

In a significant sense all these debates derive from the same source, namely the recognition of the new realities facing us and the need to create a new Australia to meet those realities.

They are all debates about issues which, in the interests of expediency, or old loyalties and connections, or because we were for a long time carried along by our commodities, previous Australian governments and previous generations were able to ignore or defer.

Today we can't ignore them. We came to understand that in the 1980s. And the response from Australians has been, I believe, a reason for pride and confidence.

But in Australia we face new challenges - to keep raising our level of competitiveness, to find the means of concentrating our national energies: so too, I know, does Korea have to deal with the challenges of a more sophisticated economy.

Korea has also been important to us - to all of us in the region - for the foresight and skill of its contribution to the creation of an Asia-Pacific economic community.

It was here in Seoul four years ago that Australia and Korea launched the initiative that has today become the 15-member Asia-Pacific Economic Cooperation group.

Two years ago it was again Seoul which hosted the third meeting of APEC ministers.

When the history of APEC is written it will begin with that Seoul declaration of 1991 - the set of principles upon which APEC is founded.

Principles of open regionalism, of liberal and expanding trade connecting the two sides of the Pacific, which underlie the emerging Asia-Pacific economic community.

Over the years the Republic of Korea and Australia have continued to work closely together on this great objective of linking the Western Pacific and North America.

The objective of spreading a net of government understandings and cooperation under the booming growth of Pacific trade and industry.

In APEC we produce half the world's output.

Already the degree of regional integration is very high.

Of our total trade, two thirds is between APEC countries.

We can observe within the Asia-Pacific region all the signs of an increasingly rapid and unique economic integration.

We can see shifting patterns of production as labour-intensive industry is relocated to China and Indonesia, for example; while Singapore and Korea develop newer and more capital-intensive industries based on services or new technologies.

We can see successive waves of restructuring as Japanese industry is forced off-shore by the ever rising yen.

We can see the growth of trade within the same industry, but between different APEC countries.

We can see the growth of trade within the same corporation, but again between different APEC countries.

We can see the rapid growth of investment across APEC borders and the growth in services trade.

The notion that trade policy is only about access for goods, about tariffs and concessions, is dead.

That is why the trade-liberalising agenda being pursued in APEC is one which accommodates diversity and which focuses on changes from which all participants gain.

Today, only four years after the process was launched in Seoul, we have begun to give some real substance to APEC.

There is an APEC secretariat in Singapore, with an executive director and staff.

There are working groups developing agendas of trade-liberalising reform in customs procedures, standards, health controls, telecommunications, data bases and so forth.

There is an APEC Eminent Persons Group, including Korea's Kim Mahn Je, presently thinking about ways to deepen our integration in coming years.

And there is the Ministerial meeting in Seattle in November.

That is a meeting which will give all of us an opportunity to consolidate our progress and set new goals - and give the United States an opportunity to think through its economic and trading relationship with this side of the Pacific.

So we have come a long way in building APEC, but we are still only at the beginning of what might be possible.

The integration of markets and production in the region is so rapid that governments are going to have to work very hard just to keep up with it.

As our economies become more dependent upon each other it becomes ever more necessary to lay underneath them the political nets of cooperation, conflict resolution and dispute settling.

As I said earlier this year, we should be seeking as our goal an integrated market which includes Australia and New Zealand, the ASEAN countries, the three Chinese economies, Korea, Japan and North America - a market of two billion people producing half the world's output, bound together with harmonised trade rules, harmonised investment rules, harmonised standards and certification, and an agreed way of settling disputes between members.

It would be a market where trade between its members already accounts for two thirds of their own trade and where the total exports of the region already account for 40 per cent of world exports.

It would be an integrated regional market which works towards commonality and minimum restriction in all areas in which these can sensibly be advanced.

That is something way beyond the initial APEC information sharing, trade liberalising agenda - to a true economic community.

All it takes is mutual agreement that it should be done, and the time and intelligence of governments to decide on appropriate standards, the appropriate forms of mutual recognition, the appropriate harmonisation of conflicting rules.

There are great opportunities, but right now there are many challenges to Asia-Pacific economic cooperation.

There are the bilateral trade negotiations between Japan and the United States, which require great sensitivity and imagination on both sides.

There is the end game in the Uruguay Round, which means so much to the future of the world trading system on which Pacific prosperity is based.

There is the latest yen appreciation, which may see another wave of restructuring of Japan's industry throughout the region.

Within a few months we will have the Eminent Persons Group report and the November APEC meeting, which will set out goals for the organisation over the next few years.

We will be looking at the possibility of a framework agreement which will formalise the objectives and process of APEC, and strengthen the structure of government understandings underpinning the Asia-Pacific economic community.

We will be looking, too, at a work program designed to remove obstacles which business people encounter in trade within the region.

Finally, there is the need for a meeting of Pacific leaders to give greater weight and authority to the APEC agenda.

If the United States administration moves to host such a meeting this year, we should all be delighted to attend.

Above all we would like to convey to the United States the message that the Asia-Pacific region represents much less a threat than an extraordinary opportunity: much less an area of difficulty than one of almost limitless potential.

It is very much in the interests of all Western Pacific countries that the United States sees things this way.

There is a great deal to be done, and I know from my talks with President Kim that Australia and Korea continue to find ourselves in close agreement on the main issues before us.

In a way this alliance between our two countries to advance the creation of an Asia-Pacific economic community is less surprising than it seems.

True, we are at opposite ends of the Pacific.

True, we often have so few difficulties in our relationship that the media have little cause to report on it.

True, the strength of our mutual relationship is sometimes overshadowed by the relationships each of us have with the regional giants of China, Japan and the United States.

But the logic of our relationship in fact depends on these characteristics.

The economic weight you wield in the world is about the same as ours.

Like us, you are always aware you are a big player in relation to some countries, and that Japan, China and the United States are big players in relation to us.

Like us, you are a security ally and trade partner of the United States, but also an important participant in the Western Pacific economy.

Like us, you depend on trade to expand your economy and increase your living standards.

Like us, you have an interest in keeping both sides of the Pacific together.

And of course the truth is that the bilateral relationship between Korea and Australia is now very well established, deep and stable and continuing to grow.

It was in response to this growth and the growing depth and diversity of our dealings that President Kim and I agreed this morning to establish a new Joint Economic Committee, bringing together all the relevant government agencies, and meeting annually to oversee the development of our economic relationship.

Korea is now our fourth largest export market.

Commercial links between Australia and Korea underpin a relationship from which both countries have prospered.

Australia supplies high-quality competitively priced industrial raw material inputs for Korean industry including coal, aluminium, iron ore, non ferrous metals, uranium, wool and cotton.

Australia is a significant market for Korea in motor cars, textiles clothing and footwear, chemicals and electronics.

Today we are striving for a further expansion of two-way trade.

Korean industry is still growing in areas which match Australia's export strengths, particularly energy.

Australia is broadening its trade profile with Korea as the Korean market expands and diversifies.

Australia remains well placed to supply coal and uranium. Commercial appraisal is underway of Australia's capacity

to supply Korea's long-term demand for liquid natural gas.

Australia is now becoming a supplier of manufactured goods such as food, film, building products, automotive engines and components.

We are selling services such as telecommunications, banking, computer software, education and tourism.

Korea is also improving its share of the Australian market. Last year your exports to Australia rose 20 per cent, with cars leading the surge.

While Australia's reputation as a supplier of mineral, energy and agricultural commodities is well known within Korean industry, we are much less well known by Korean business as a source of industrial goods and technology.

Australia has recognised Korea's priority to develop and access industrial technology as a part of the economic reform program.

I am pleased to note that, coinciding with my visit, Australia and Korea will sign tomorrow an industrial technology cooperation agreement which will provide a framework for collaboration in this field.

The extent of business cooperation between Australian and Korean companies is also encouraging.

I refer particularly to areas such as the cooperation taking place between

- . The Australian telecommunications carrier, Telstra, and the Korean company, POSDATA. On Wednesday I will be witnessing the signing of a letter of intent between the two companies for a strategic alliance with a view to becoming one of the leading telecommunications companies in Korea.
- . In the information-technology field; the supply of industrial software to Hyundai Electronics by Adelaide company, The Cadds Man Australia, and the success of Moldflow Korea in selling Australian computer-aided engineering software for the plastics industry.
- . In the area of environmental technology; the supply of new water-related environmental technology equipment by Chemtronics to several organisations in Korea, including the Seoul Metropolitan Government, and the agreement between the West Australian company, Environmental Solutions International, and Samsung on the supply of oil-from-sludge technology.
- . In the automobile industry; the supply of sophisticated machine tools by Kirby Engineering for

the manufacture of automobile steering mechanisms and the supply of automobile engines by Australia's Holden Engine Company.

- And the supply of engineering services by Kaiser Engineering for the construction of a new aluminium hydroxide plant in Korea General Chemical Corporation.

In this context, I welcome the joint management consortium between the Australian company Intag International, Deutsche Aerospace of Germany and Samsung of Korea to use Australian technology for electronic baggage and freight handling. This is an agreement which will open up new manufacturing opportunities in both Australia and Korea for markets world-wide.

I am also pleased that Austrade will be expanding its role in Korea with the establishment of an office in Pusan.

The growth of our trade has been more than satisfactory although Australia still encounters difficulties in the Korean market over access for agricultural commodities, particularly for beef and dairy products, and over Korea's wide-ranging quarantine restrictions on the entry of Australian horticultural products.

The business environment between our two countries is being enhanced by the rapid increase in non-stop direct air services between Australia and Korea. Six flights per week will be in place this coming July compared with no services at the beginning of 1990.

For those of you who haven't visited us recently, let me say that everything you hear about our wonderful beaches, about the forests and wilderness and the outback is true.

But, as I said when I began, it is also true that Australians have over the last decade transformed their economy.

It is most visible in our trade performance. Over a decade, exports have more than doubled. A decade ago barely one dollar in eight in Australia came from exports. Today it is one dollar in five, and climbing.

Today manufactures and services each rival rural exports, and both are growing. The fastest growing manufactured exports are elaborately transformed goods.

As our exports have grown and the nature of our exports has changed, their destination has also changed. A decade ago less than half of our merchandise exports went to East Asia. Today nearly two thirds do - and our exports to Asia are far and away the fastest growing part of our trade.



Behind these changes in our trading performance are the efforts of Australian industry, and deliberate changes to government policy.

We have opened up the economy by floating the Australian dollar, abolishing capital controls, and putting in place a sensible, consistent program of tariff reductions.

We have introduced competition into telecommunications and deregulated air transport.

We have introduced a national system of enterprise bargaining by management and labour, which we intend to sustain and encourage through comprehensive legislation later this year.

We have over a decade maintained an Accord with the trade union movement which has been a significant factor in reducing inflation to 1.6 per cent - one of the lowest rates among industrial countries.

And as a result of tax reforms we now have one of the lowest ratios of tax to GDP in the OECD.

The change continues today. We are cutting the company tax rate from 39 per cent to 33 per cent. We have introduced a conditional 10 per cent investment allowance for plant and equipment, and an additional 10 per cent development allowance for approved projects with a capital cost over \$50 million.

We now have consistently higher productivity growth than we have had for a generation, low inflation, and the lowest level of industrial disputes for decades. We have a trade surplus, and manufacturing production is rising.

There is no doubt the structure of the Australian economy is changing, and that we have the policies in place and under development to maintain the pace.

Certainly our recovery has not been as fast as we would like. Economic growth, though faster than virtually any other OECD country, is not sufficient to make an impact on our greatest problem - unemployment.

Of course, we are not helped by the slow pace of world recovery, or the low prices presently being fetched by some of our commodities.

But we have no doubt about the path we are on. Indeed it is all the more reason to push on with our programs of reform, especially our efforts to encourage more world class small and medium sized businesses to flourish, to flourish as exporters, and to flourish particularly in Asia and the Pacific.

Fifteen years ago, with some of my colleagues, I imagined an Australia which exported not only commodities but

sophisticated manufactures. I sometimes ask those same colleagues to imagine for a moment where we would now be had these reforms not been made - if we had continued to drift in the world, instead of going out to meet it.

The reforms represent a huge step for any country to take - they involve cultural change as well as structural change in the economy. It all takes time, and the world does not always cooperate with our ambitions. Although in Australia we are determined to soften the impact, there has been hardship for a lot of people.

But there is no question these reforms were essential and that they have given us unprecedented opportunities - and there is hardly a more persuasive testimony to this than our flourishing trade with Korea.

I said at the beginning Australia has had to re-imagine itself and re-define itself. And because Korea has done this, and because Korea continues to meet the new challenges, I know my audience here today will understand what I mean.

I have no doubt we will continue to re-define ourselves. And I am sure that our two countries will be able to call on this experience in our efforts to re-imagine the Asia-Pacific region and help re-create it as a genuine economic community.

If we do that, every country's interests will be served, and so will future generations of Koreans and Australians.

Thank you.