



PRIME MINISTER

ADDRESS BY THE PRIME MINISTER, THE HON P J KEATING MP
BUSINESS ASIA CONVENTION, ADELAIDE, 8-9 NOVEMBER 1993

Ladies and gentlemen

I am delighted to have this opportunity to address this very well-timed Business Asia Conference.

It comes at the end of the Grand Prix, which has been an opportunity for South Australia to demonstrate its capacity to successfully organise world class events and its ability to provide world class products.

I am sure that no business visitor could be left with any doubt that South Australia is a State which intends to succeed.

South Australia's commitment to success in the export market and particularly to markets in our region is exemplified here today.

Today, half of South Australia's exports go to the Asia Pacific region. I know the South Australian Government is determined to double its exports to Asia in the next five years.

Of South Australia's ten most important export markets, nine are in the Asia Pacific region.

The reasons for Australia's success in Asia go beyond the simple fact that the Asian economies are growing. Australia is uniquely positioned to benefit from economic growth in Asia. And we have strong complementarities with the dynamic Asian economies.

Australia's exports to East Asia now account for almost 60 per cent of our merchandise exports.

Last year, South East Asia was the fastest growing regional market for our exports. Exports grew by 19 per cent during the past year. And our manufactures exports to South East Asia have grown annually at an average of over 27 per cent in recent years.

Over the last five years, Australian manufactures exports to the rapidly growing economies of Singapore, Taiwan, Hong Kong and Korea accounted for over 60 per cent of Australia's growth in manufactured exports.

And demand will further increase as the economies of Indonesia, Thailand and Malaysia continue to grow and diversify their imports.

The Asia Pacific region is forecast to continue to grow by 7 per cent over the next two years.

As Asian economies are maturing their consumers are growing in affluence. In Indonesia alone there is a middle class of 15 million which represents a huge potential market for Australia.

In 1990 there were 6 million people in South East Asia with annual incomes above \$5,000. In 2010 there will be some 45 million.

So the opportunities are there and my Government has done much to get the right macro- and micro-economic settings for business in this country to capitalise on them.

There are now stronger signs of economic recovery and of an improvement in business conditions and the economic outlook.

There are also signs that improvements in business conditions are being reflected in employment.

Economic growth was 3.3 per cent to the June quarter, the seventh consecutive quarter of growth.

Last week's balance of payments numbers showed a strengthening trend to higher exports.

Conditions are right for further strengthening in business investment growth. Interest rates are at an historically low level.

The world economy is picking up and this will further strengthen our own recovery.

Australian industry is beginning to turn the corner. Orders are picking up.

An important factor behind the recovery in manufacturing production has been the growth in manufactured exports over the past year.

I commend the South Australian Government for actively supporting its exporters with the establishment of the Strategic Trade Development Scheme and the New Exporters Challenge Scheme.

To further assist South Australian companies in their export endeavours my government this week announced an \$8 million expansion to the Export Access program.

I am also pleased to note that Mike Rann, the South Australian Minister for Business and Regional Development is working with Shane Stone of the Northern Territory to pursue business opportunities in ASEAN, and particularly in Indonesia. As you know the Northern Territory has important business connections with Eastern Indonesia.

This partnership sends an important signal that our States are not always competing with each other in trade, but can collaborate in the national interest. Any assistance that States can offer to each other can only assist the overall future development of Australia.

We all know of the strong manufacturing base in South Australia.

South Australian exports of manufactures products have been a notable highlight in the South Australian economy in recent years.

And for every \$1 million of extra manufactures exports, it is estimated that around 10 to 12 new manufacturing jobs are created - and this does not include flow-on benefits to jobs in other sectors.

The world's major car manufacturers have gained confidence in Australia's ability to produce world class and competitive vehicles and components.

In South Australia General Motors Holden's Automotive Ltd invested some \$150 million in the construction of a state of the art paint facility over the last year. It is expected that further investments of over \$500 million will be made over the next four years.

Mitsubishi Motors Australia Ltd has also made significant investments in recent years with \$168 million being invested in plant upgrade and a further \$400 million being invested in the development of new Magna/Verada cars due for release in 1997.

South Australia accounts for some 30 per cent of Australia's automotive component exports.

There are some 20 automotive component manufacturing companies in South Australia producing world class products. Exports of automotive components totalled \$150 million in 1992.

One example is Air International's South Australian production of automotive air conditioning systems, which has gone from employing 20 people and annual sales of \$1 million in 1991 to employing 160 people and sales in excess of \$100 million today.

But there is also an important agricultural base in South Australia. South Australia has made a serious commitment to develop and exploit its reputation as a producer of "clean food".

A major focus for the Commonwealth and States is to maintain the momentum of micro-economic reform. It is these reforms which directly influence business costs and the capacity of individual enterprises to compete successfully.

We have already made a lot of progress. We have opened up the economy, floated the exchange rate, implemented reforms on the waterfront, in the rail, road transport, aviation and telecommunications industries. We have established an orderly program for reducing protection for our industries, and improving the capacity of the economy to respond to the challenges of the international marketplace.

There is much more to do and governments are currently considering reforms to the structure of our electricity, water and gas industries.

I am pleased to say that South Australia is one of two states which has made definite moves toward this goal. Because of the efforts of Premiers Arnold and Goss the construction of a second Moomba-Sydney gas pipeline to supply South Australian ethane to the ICI petrochemical plant at Botany, NSW, is likely to go ahead.

One of Australia's great export success stories is wine. It has been going on for some years now, but none has been more impressive than the past year. The record export performance for the month of September of 16 million litres exceeded the level of exports for the whole of 1985-86.

South Australian wine exporters, as the premium wine producers in Australia, have been at the forefront of that export drive. They have proved that with the right product and the right marketing there's enormous potential for Australian agriculture and horticulture.

Asia represents enormous potential for wine exports. South Korea alone is now importing over a million litres of Australian wine per annum.

This willingness to seek out overseas markets for quality products, in many cases to markets in our own region, is a model for all.

The submarine project is an example of government and industry working together. When I spoke at the launching ceremony of the Collins submarine in August I congratulated the South Australian government for its foresight in backing the project.

My Government recognises that it has a role to play in assisting Australian business change its approach and move into the global marketplace.

Without that support and the support of South Australian industry the project would never have achieved the current high standards.

Over 1000 new jobs have been created at the Australian Submarine Corporation.

And several thousand other Australians have gained work through sub-contracts. Here is an example of a commitment by a state government helping the growth not only of their own state's industry, but also the growth of Australia as a whole.

A project of the scope of the submarine project has brought to Australia valuable technology transfer. In addition, many Australian companies have refined previously available technology.

The project is a catalyst for research and development, design initiatives, improved production techniques, new ways of testing and proving equipment, and so on.

The development of computer software to be used on board the submarine, the development of special tiles and the successful reduction of noise in the pumps represent fine examples of the development of previously available technology. A number of those companies are South Australian companies and represent potential exports for Australia.

On the broader front, my government's trade policy priorities are the successful conclusion to the Uruguay Round and further development of APEC.

We strongly believe in maintaining and strengthening an open, non-discriminatory multilateral trading system based on the General Agreement of Tariffs and Trade (GATT). This interest is shared by our Asian trading partners because they depend on access to international markets.

We are concerned that some countries are taking a particularly parochial and defensive approach in the negotiations on the Uruguay Round. A comprehensive, balanced agreement covering all sectors would benefit not only Australia, but all nations.

Such an agreement is the most important achievement that nations can make to stimulate world growth and confidence.

My visit to Seattle to attend the APEC leaders meeting next week will further underline the importance Australia attaches to developments in our region.

The Asia-Pacific region has emerged as the world's pre-eminent economic region.

It has led the world in growth over the past two decades.

It now accounts for half the world's GDP and over half the world's manufacturing production.

And the region's growth has been outward-looking. The Asia-Pacific region is the fastest growing and most integrated trading community in the world.

The Asia-Pacific region accounts for some 40 per cent of world trade. In 1992, 66 per cent of Asia-Pacific exports stayed in the region. Trade within the region now exceeds that of the European Community.

And regional investment is growing even faster than trade. In the period to 1997, 40 per cent of new global investment demand will come from Asia.

The key challenge is to unlock the full economic potential of the Asia-Pacific region. I believe Asia Pacific Economic Co-operation - APEC - can play a decisive role in meeting this challenge.

APEC shows great promise as a forum for promoting regional economic co-operation on a basis of open regionalism. APEC is about removing impediments to doing business in the Asia-Pacific region and increasing the velocity of trade and investment - for example by harmonising standards.

I have made clear that the Government does not see APEC as an alternative to GATT but as a "GATT-plus" structure which builds on GATT outcomes. We do not have in mind anything like the European Community, which is a much more formal, highly-structured and inward-looking grouping.

The informal Seattle meeting of APEC leaders in November is a historic opportunity for the region. It will build on the increasing economic integration of the APEC economies and give expression to the growing sense of community in our region. And it will focus the world's attention on the dynamism of Asia.

As I said recently in Jakarta, that meeting will be supremely important for the region. It will give APEC leaders a chance to clear our collective minds about the development of what is going to be a very significant open regional grouping of countries.

The active participation of the private sectors of the APEC economies - including Australian business - is integral to the success of APEC's further development. Governments can set in place structures such as APEC to help create the right environment for trade and investment. But ultimately it is for business to trade and invest.

To assist me in preparing for the Seattle leaders meeting I have established an APEC Business Consultative Panel, which met for the first time last week. In the meeting I heard first hand the views of a group of senior Australian business people on their ideas for the way ahead for APEC.

As I said to the panel members, there is no road-map for APEC. It is important to get the business community involved. Through APEC Australia, as a well-regarded member of the Asia-Pacific region, can help put in place structures which encourage economic co-operation and integration. APEC will have done its job if it achieves this.