



## PRIME MINISTER

### EMBARGOED AGAINST DELIVERY

**ADDRESS BY THE PRIME MINISTER THE HON P J KEATING, MP  
TO THE UK/AUSTRALIA TRADE AND INVESTMENT CONFERENCE  
MELBOURNE, 27 JANUARY 1994**

Mr Premier and Mrs Kennett, Mr and Mrs Heseltine, Sir Derek Hornby, ministerial colleagues, ladies and gentlemen.

I am grateful for the opportunity to open this very important conference.

And let me begin by extending to our guests from the United Kingdom a very warm welcome to Australia - thank you for coming.

For those who interpret the current debate about our constitutional arrangements as marking a decline in the relationship between our two countries this conference offers a timely corrective.

It is further proof that, far from declining, the relationship has reached a new level of maturity.

It should surprise no one that in 1994 we Australians are debating questions of identity and sovereignty and, because it is germane to the debate, our remaining constitutional links with the United Kingdom.

And it should surprise no one that last night His Royal Highness also formally recognised the truth of this - it should not surprise us because few Englishmen have taken such a close interest in Australia for such a long time and few, I suspect, have such a sympathetic understanding of the issues which concern us.

These debates reflect nothing more or less than recognition of a changing reality. And the pivotal change is the change in our trading and investment relationship.

That is why this conference comes at such a strategic moment - it underlines the unarguable, but little appreciated, fact that the business relationship between our two countries is stronger than it has been for many years and it has the potential to grow much stronger.

It underlines the fact that our new more independent relationship is mutually rewarding.

It is, to quote Mr Major just a year ago, a "new relationship which is well suited to the late twentieth century and which holds plenty of promise for the future".

A new relationship which builds on our common heritage, cultural and institutional affinities and substantial commercial links, while acknowledging that the direction of policy in each country has, of necessity, changed.

To put it in the baldest terms: as Europe has been to Britain in the last twenty five years the Asia Pacific has been to Australia in the last decade - namely, the place where our principal interests lie, the place where our future lies, the place where Australia simply had to find a role.

As Mr Major said "it is perfectly natural for two nations on opposite sides of the world to develop distinctive characters, to carve out particular roles in their own regions, to pursue policies which promote their own economic interest..".

There is no doubt that this is much more widely understood and accepted than it was even a year or two ago.

But much less understood, I am sure, is the degree to which the pursuit of our own interests creates complementary interests and considerable new potential for both of us.

The fact is, the maturing and modernisation of our relationship has enlivened and enlarged it.

And I might add I am in no doubt that maturing and modernising our constitutional relationship would have a similar effect.

Let me quote a few figures to illustrate the strength of the economic relationship:

- . The UK is Australia's fourth largest trading partner
- . our largest services trade partner
- . our eighth largest export market
- . our third largest source of imports
- . our fastest growing European export market
- . our third largest source of tourists
- . our second largest foreign investor
- . our second largest destination for investment
- . our largest foreign investor in manufacturing

The exciting dimension to this profile is, of course, the change in the nature of investment.

No longer do British firms invest in Australia because they can get behind tariff wall in order to service the domestic market.

No longer does Australia have such a tariff wall.

Instead, Australia has the confidence and ability to compete internationally in manufacturing and services, just as we have done for many years in agricultural and mining products.

The Australian domestic market continues to attract British investment because, with our population steadily increasing, the market is expanding.

But today British firms - along with firms from other countries - also invest here because they know they can compete internationally from an Australian base.

And, in particular, they know that Australia is an ideal beachhead for the most dynamic markets in the world - the Asia-Pacific markets.

Some of you will have seen in today's *Financial Review* a summary of a report by Clayton Utz called *Doing Business in Australia*. The report details just how attractive the Australian beachhead is. For instance:

- Operating costs are 40 to 105 per cent cheaper than Singapore. 105 to 286 per cent cheaper than Hong Kong.
- IDD phone costs are 50 to 85 per cent cheaper than Singapore, up to 50 per cent cheaper than Hong Kong.
- Managerial costs are substantially lower.
- We have a distinct skills base advantage.

The report concludes: "Looking ahead five to ten years and beyond, one cannot be other than optimistic about Australia's future."

And that is the truth of the matter.

The simple fact is that we are a low cost, efficient location for business.

And a low tax location - last year the corporate rate was reduced to 20%, along with provision for accelerated depreciation, an investment allowance of up to 30 per cent, and a 150 per cent tax concession for research and development expenditure.

Australia's real unit labour costs are almost ten per cent lower than a decade ago and our labour markets are infinitely more flexible and responsive.

Today you may have read that the Australian company, Transfield, outbid all other international competitors for the construction of a \$80 million oil and gas platform in Bass Strait.

And the principal reason for their success was a benchmark enterprise agreement which cut costs by 16 per cent by increasing labour and equipment efficiency.

Australia has free financial markets operating in the East Asia time zone, sophisticated cost efficient telecommunications and highly developed linkages into the countries of the Asia Pacific.

For all these reason an increasing number of companies are now making Australia their springboard into those Asia Pacific markets - companies like Cathay Pacific, Data General, Microsoft, Dow Corning and Kellogg which have located their regional headquarters here.

British companies are doing the same. A recent Australian British Chamber of Commerce study found that eighty per cent of the companies surveyed were using their local subsidiaries to service other markets in the region.

Almost half use their subsidiaries as a springboard into South-East Asia, and more than twenty per cent are using them as a base for operations in North-East Asia.

Behind these trends we can find individual companies positioning themselves for the future.

For instance, British Airways' 25 per cent holding in Qantas will give it improved access to the Asia-Pacific region and provide Qantas with an opportunity to boost its presence in world markets, including Europe.

To quote a few other examples:

Cadbury Schweppes is doubling its capacity with a view to supplying the Asia-Pacific which happens to be the fastest growing chocolate market in the world.

Vodafone has decided to establish its Asia-Pacific headquarters in Sydney.

British Telecom will locate its Asia-Pacific Centre for Network Management and a software engineering centre in Sydney.

Tate and Lyle, United Biscuits, BTR, ICI, BP Oil, Bond Helicopters - among others - are all using Australia as a base for their trade with the region, and demonstrating beyond doubt that this is a competitive and cost effective country in which to do business.

Meanwhile the implementation of the single market in Europe and further economic integration promoted by Maastricht has created opportunities for Australian companies to expand their operations in Europe, using the United Kingdom as a base.

I imagine it would surprise a lot of Australians to know that Australia is the fourth largest investor in the UK - a larger investor in fact than Japan - and that the increase between 1984 and 1992 was fourteen fold.

If it is true to say that in recent years Australia has become a good place to do business, it is equally true that in 1994 and the years to come it is going to be an even better place.

Over the twelve months to the September quarter, Australian GDP increased by about three and a half per cent.

Some commentators think that we will see growth rates reaching four per cent or more before too long, and I believe they are right. I believe we are now well placed to grow at four per cent or more for a number of years.

At the same time the OECD is looking at a rate for this year of two per cent.

We have had inflation of two per cent or less for the past two years, and Tuesday's figures confirm our ability to keep it among the lowest in the OECD.

Where once we survived on the margins of the world's most dynamic markets, we are now strategically placed alongside them and increasingly integrated with them.

But as Max Walsh pointed out today in the Sydney Morning Herald - even Max has acknowledged it now - the growth we are achieving, like the new role we are carving out in the Asia-Pacific, did not happen by accident.

We have been achieving our current growth rates despite a very weak world economy, and with a business sector more concerned with clawing back debt than looking for new investment opportunities.

The growth can be directly traced to the stimulus lower interest rates provided in the housing market, the strength in exports flowing from the lower dollar, and the direct boost to spending we provided through the Budget.

Interest rates are now at their lowest levels for 20 years.

We are now around 30 per cent more internationally competitive than a decade ago.

And, since the One Nation statement of February 1992, we have provided stimulus from the Budget equivalent to more than two per cent of GDP.

Out of respect for our British guests I will not record here the unending criticism of these policies we have received from the Opposition, some business groups and many in the financial press.

The figures speak for themselves.

But what also should be spoken for is the fact that Government policies have provided more than short term stimulus: by focussing on the skills of our people, on infrastructure, research and incentives for business investment, they are providing long term benefits to the operation of the economy and the operations of business.

Really, the time has come, I think - Australian business ought to recognise that the present recovery and the outstanding prospects for the future have been made possible by these policies and policies implemented in the eighties.

Long experience tells me it is pointless to expect the equivalent of a Paulian conversion among Australian business - I can assure our British guests that political affections die as hard in the New World as they do in the Old.

Despite the logic of it, I don't expect to see a mass defection from our increasingly inchoate and rudderless political opponents.

But I do expect, and I think it is reasonable for the country to expect, that Australian business will increasingly go out and invest in those areas which will deliver long term rewards to their companies and the nation.

I mean investment in plant, in technology and in people - in training and employment.

The capacity to do it is there: In the past year profits have grown 20 per cent and are now above the 1989 peak. As a share of GDP, profit share is now approaching the peak of the late 1980's - and that was an all-time record.

As volumes pick up in the recovery, profits will increase further.

Those who made the effort to export in recent times are today reaping very substantial rewards.

Those who make the effort now will also reap them as the markets grow.

And the markets will grow. They will grow in no small measure because of the successful conclusion to the GATT; and, in due course, because of the substantial work now underway in APEC to remove barriers and facilitate trade and investment in the region.

You are all aware of the role the Australian Government played with the Uruguay Round and the creation of APEC.

And I can assure you that implementing the GATT outcome, achieving concrete results in APEC, and removing bilateral barriers to trade will continue as issues of the highest priority for the Government in the coming year.

Our major domestic priority this year might go under the simple heading of "efficiency".

We will be working very hard on the microeconomic reform agenda; pulling together the rail, port, road interface; driving the enterprise bargaining program as hard as we - and you - can; and implementing the White Paper on employment.

We will be developing and refining industry policy.

Our industry policies bear no resemblance to those of earlier decades.

No longer are inefficient industries protected.

Rather, policy is directed at helping industry grasp new opportunities at home and in the world trading environment.

The transport program we undertook almost two years ago in One Nation - particularly the national rail highway - has begun to materialise, and you will see it materialise much more rapidly in the next twelve months.

Our industrial relations reforms demand your cooperation and that of the unions. Cooperation demands recognition of realities.

One of those realities is known to every Australian business leader in this room.

It is that Australian workers have made a massive contribution to the greater competitiveness of this country, and that the results we are now seeing, the opportunities now presented, would have been impossible without the trade unions' willingness to cooperate in necessary change - indeed, often to drive the change.

The Accord between the Government and organised labour, in place now for 11 successive years, has been instrumental in giving us sustained industrial peace, low inflation - and the profit share which business is now enjoying.

The unions of course must continue to embrace change.

I noticed the other day the ACTU President, Martin Ferguson, urging unions to move more quickly towards enterprise bargains.

Today I urge Australian business to do the same. The new industrial relations legislation ensures that minimum standards are maintained, but provides for great flexibility.

Each and every business can now tailor its arrangements to meet its business needs - and each and every business this year should make the effort to do so.

Many will want to strike their deals with unions, but there is no imperative. As long as a majority of employees want to, management can negotiate directly with their employees rather than with unions.

I said yesterday that this recovery is not for the top end of town. Our hard work has not been for the benefit of speculators and fly-by-night developers.

It has been to create a competitive economy of depth and quality which will assure Australia's prosperity in the next century. It has been to deliver opportunity to every community and every Australian.

The responsibility is on business as well as government to see that this great opportunity is not wasted.

Together we also share responsibility for employment and training. There is surely no greater inhibition to national efficiency than a large pool of unemployed men and women.

The White Paper to be delivered in April will form the basis of a major strategic assault on Australia's unemployment.

The emphasis will be on putting the long term unemployed back in touch with the labour market.

Education and training will be a priority.

In short, our approach to unemployment will be to give those presently unemployed a chance to share in the new prosperity and to contribute to it.

In doing so the whole nation's economic performance will be that much more efficient.

If this is to be what it should be - a recovery for the whole nation - the responsibility falls on the whole nation to make it so.

For this reason above any other I am pleased to be with you tonight. This conference can be another step on the road to greater prosperity for the people of both our countries.

Today the relationship between the United Kingdom and Australia is built on both continuity and change.

The continuity of 205 years of shared history, culture, investment and trade.

The change in which we are both engaged, the change which offers us extraordinary new opportunities at home and abroad - and the change which will, without doubt, ensure that our relationship is strong and enduring.

MELBOURNE  
27 January 1994



OFFICE OF THE PRIME MINISTER  
CANBERRA

**Correction**

In UK - Australia Trade and Investment Conference speech, paragraph 4 on page 3 when delivered will read :

" ... last year the corporate rate was reduced to 33 per cent, along with provision for accelerated depreciation, an investment allowance of up to 20 per cent ..."

27 JANUARY 1994  
MELBOURNE