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PRIME MINISTER

SPEECH BY THE PRIME MINISTER, THE HON P J KEATING MP
ASIA LECTURE TO THE ASIA-AUSTRALIA INSTITUTE
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I wanted to give this speech in Brisbane, and I wanted to give it to the Asia-Australia Institute, because in their respective areas of government and education Wayne Goss and Stephen Fitzgerald are showing the way forward for Australia and its institutions in dealing with the region around us.

From the start, the Asia-Australia Institute has been working to bring together the emerging leaders of the region - from Government, business and universities - in order to shape the region and help to create an 'Asia consciousness', not just to stand back and comment on developments.

Similarly, among our state Governments, Wayne Goss and his colleagues have been pre-eminent among those working to strengthen ties with Asia and the Pacific. They have had a strong sense of Queensland's place in the economic life of the Asia-Pacific and have worked with business to build the State's trade and investment links. Their active support for the teaching of Asian languages in schools has had a nation-wide impact - in time it will have a profound influence.

So I am very pleased to be delivering the first Asia Lecture to have been held by the Institute in Brisbane.

I am also very pleased that we have with us tonight Mr Huang Ju, the Mayor of Shanghai, whom I had the pleasure of meeting when I was in China last year. As evidence of the dynamism and ferment of economic growth in Asia we could hardly have a better example than Shanghai.

My speech tonight will be about Australia's foreign policy and it will be about the Asia Pacific.

Because, in a way which has never been true before in our country's history, we are talking about the same thing.

I don't mean by this that Australia has no interests outside the region now, or that we haven't been interested in Asia before.

Our economic and cultural links with Europe and the United States, for example, are very important to us.

The interests we have in preventing the spread of nuclear or chemical weapons, or in supporting multilateral approaches to economic co-operation, or in helping respond to humanitarian crises like Rwanda, are not confined by regional boundaries.

Above all, the globalisation of the world economy makes it impossible for us to ignore what is happening outside our region.

Nor am I claiming that Australia has not been involved in Asia before.

For the most part, our record of engagement is long and honourable, from our support for Indonesian independence, through the establishment of the Colombo Plan to the development of our great trading sinews with Japan and later Korea, which helped to fuel - literally - the astonishing economic growth in north Asia.

But that said, it is also true in a quite different way from the past - a deeper, more urgent and more intense way - that Australia's economic, strategic and political interests now coalesce in the region around us.

If we do not succeed in the Asia-Pacific, we succeed nowhere.

East Asia's economic explosion ranks with the end of the Cold War as one of the defining developments of our time.

Beyond all other things, its consequences will shape the 21st century for Australia.

In the twenty years from 1970, East Asia's share of world GDP rose from 12 per cent to 25 per cent.

At present, three of the world's ten largest economies are from the APEC region. But by 2020 the World Bank estimates that seven of the top ten will be APEC members. China, the United States and Japan in the top three positions will be joined by Indonesia at five and Korea, Thailand and Taiwan.

By the year 2000, the APEC region will generate nearly 55 per cent of world trade.

These developments represent a profound shift in the balance of economic power in the world from Europe to Asia, from the North to the South.

And it is an economic transformation which over the longer term will have deep implications for strategic power as well.

Coming to terms with this change and taking full advantage of it represents the single most important challenge for Australia in the 1990s. We need to shape ourselves and our region to prepare for it.

We have no great and powerful patron in this. We have to make our own way, **in** our own way.

In the past, it was possible for Australian governments and business people dealing with Asia to take the policy equivalent of a five-day package tour to Bali.

But dabbling in Asia is no longer an option for Australia. Our engagement with the region has to be uncompromising, unfailing, tenacious.

The task ahead requires a Government with a creative policy sense - a sharp awareness of the national interest and, indeed the national identity.

As I have often said, there is a cultural element at work in this - confidence, creativity an appropriate sense of national purpose and appropriate symbols for it - these are all part of the effort.

We will need to create abroad the structures and institutions which match the new times, just as we have done at home.

This Government opened Australia up to the world.

We dismantled the ring fence of tariffs and foreign exchange controls Australia had slumbered behind. We did it because we knew Australia did not need to fear the world, and that we could prosper with competition.

The result of that succession of policy reforms has been dramatic. This country is now far more integrated into the world economy.

Over the decade of reform, the ratio of our exports plus imports to GDP has risen from 30 per cent to 40 percent. Australian equity abroad has grown from around 3 percent of GDP in 1983 to almost 20 percent today.

The effective rate of industry protection in Australia is now about one-third of what it was in the early 1980s and yet our exports now represent 22 per cent of our GDP compared with less than 14 per cent in 1983.

Our exports to Asia have been booming, growing at a rate of 20 percent per annum to the ASEAN countries and 12 percent to East Asia as a whole. Three quarters of our exports now go to other APEC members.

But we also understand that just dismantling the barriers is not enough. All of us - government and business - have to go out into the region and help to shape it in ways which serve our interests.

And that is happening with a gathering momentum.

Our relations with the individual countries around us are in excellent shape.

In Northeast Asia we have relationships of the highest importance. They are grounded in economic complementarity but are growing well beyond that.

Japan remains overwhelmingly our largest trading partner and a country with which our longstanding economic links are being matched increasingly by a broad policy dialogue and partnership.

Japan is now going through fundamental change, both political and economic.

I am convinced from the discussions I had in Tokyo last month that the reform process which is now reshaping the Japanese political system will have over time a very positive impact on Japan's role in the region and the world.

Policy debate will become a much more important element of Japanese politics. This will help nurture stronger political leadership with greater initiative over the bureaucracy and a clearer sense of Japan's modern international role.

Simultaneously, the Japanese economy is becoming more open and market-oriented. Business is demanding economic reform and deregulation. Consumers are taking advantage of wide-spread price discounting. The economic integration of Japan with the rest of East Asia is proceeding apace.

Above all, there is a need for Japan to unleash some of its 157 trillion yen in savings and to invest in itself, in the living standards of its own people.

Australia's relationship with the Republic of Korea is one of great potential. Korea is now our third largest export market and may soon be our second.

In addition to a thriving bilateral trade relationship, Korea has been one of our key partners in developing APEC and we have a security relationship dating back to the Korean War.

I am looking forward to the opportunity to set new directions for future cooperation when President Kim Young Sam visits Australia immediately after the APEC leaders' meeting in November.

Our relations with China are deep and growing. China has more foreign investment in Australia than in any other country - a mark of the deep complementarity in our relationship.

By some measurements, China is already the third largest economy in the world. The World Bank expects it to be the largest within 25 years. Its economy has been growing at an average of 9 per cent each year over the past decade.

As China's economic weight grows, so will its military and political power.

If anything is inevitable about the 21st century, it is the growing weight and influence of China in the region and the world.

Australia has nothing to fear from this. We have been a firm supporter of China's full integration into world and regional institutions. We regard it as essential to engage China productively in the global economy.

But China's growth is nevertheless one of the great shifts to which the region will have to adjust in the coming decades.

In Southeast Asia, our core relationship is with Indonesia. As I have said many times, no country is more important to us.

The progress we have made in the past couple of years in broadening the relationship is a matter of great satisfaction to me.

But we can do more. There is great potential for more Australian businesses to establish themselves in Indonesia.

Neither Australia nor Indonesia has designs on the other and our strategic interests in the broader region are similar. Our defence relations are growing rapidly and I think they can be strengthened further.

We have deep and solid relationships with all the other ASEAN countries - Malaysia, the Philippines, Singapore, Thailand and Brunei. Each of these relationships has its own distinct strength, history and potential.

With Singapore, for example, we have a very close defence relationship involving regular exercises and training.

And Prime Minister Goh and I have agreed to press ahead with building strategic linkages between Australian and Singaporean companies operating in third markets.

With Malaysia, we have an old and deep relationship, strengthened by the fact that more than 100,000 Malaysians have studied and trained in Australia.

This is already having its impact in the business area.

Outside ASEAN - but not for long - Vietnam is a country of growing importance to Australia. It is a strategically significant country with a resilient hard-working population of 70 million and a strong national sense of purpose. It will become a much more important influence as it becomes steadily more integrated into the region.

For Australia, the island countries of the Pacific are an important part of the Asia-Pacific too. In August, I chaired the 25th meeting of the South Pacific Forum here in Brisbane. The emphasis at the meeting was on ways in which we can address the pressing practical problems of sustainable development in the area.

Papua New Guinea and the other countries of the South Pacific will continue to deserve Australia's careful commitment as they confront the pressures of development.

New Zealand is a firm partner with Australia in the Pacific, as well as in APEC.

But beyond these bilateral links we need to create and sustain a multilateral framework which can engage all the interests of the region.

Over the next few years the countries around the Pacific face a major decision about what sort of region this should be - whether its institutions and structures should be focussed on East Asia or on the broader Asia Pacific.

The signs of this debate are evident on both sides of the Pacific and its outcome will have a profound effect on Australia's future.

The growth of regionalism has been one of the great global trends since the Cold War ended and ideological competition between East and West ceased to be a determining influence on regional developments.

We have seen it at work in the expansion of the European Union, in the speedy development of economic co-operation in Asia and Latin America, in the creation of the ASEAN Regional Forum.

Regionalism should be a positive force, building on the common interests between neighbours. But it can also have a darker side if it promotes the emergence of competing and exclusive blocs.

My own very strong view is that the sort of region Australia wants to see, and the sort of regional structures we need to encourage, are trans-Pacific.

This doesn't stem from any lack of comfort on my part with Australia's place in Asia, but from my conviction that Australia and the western rim of the Pacific - all of us - are better off in a region which is shaped by, and sustains, our major economic and security linkages. And these remain heavily trans-Pacific.

Despite rapid growth in trade between Asian countries, trade and economic links across the Pacific remain important to all of us in this region.

The United States remains Asia's single largest market, its major source of capital and a vital supplier of technology.

One fifth of all East Asian trade is with the United States. And in 1992 the United States accounted for more than a quarter of the total stock of foreign direct investment in East Asia.

Because, despite the astonishing growth of some of the emerging economies, the United States remains a formidable economic power. An economy of nine thousand billion dollars growing at three per cent a year generates a lot more

purchasing power than smaller economies growing at six to eight per cent a year.

The United States remains central to the region's security as well. Its alliances with a number of regional countries, including Australia, are a vital part of the regional security network and its capabilities provide strong re-assurance to the countries of the region that a balancing military presence is available in the region in time of crisis.

At present we have a highly unusual situation in which the world's second largest economy, Japan, is a strategic client of the world's largest economic power, the United States. This is unprecedented historically. Try to imagine Britain and Germany being in such a position early this century.

And all our interests - those of the United States, Japan, Australia and the other countries of the region - are served by the preservation of this relationship of strategic co-operation.

It is the core of US strategic engagement in the Western Pacific. It legitimises Japan's defence role. And it removes the need for Japan to acquire strategic capabilities.

Without the alliance, the pressure for Japan to throw off the constitutional restraints on its defence posture would grow. The risk of regional instability and a spiralling arms build-up would increase.

Australia strongly supports a more active international role for Japan. We believe it has much to contribute to regional and international affairs.

I have said before that Australia regards it as an anomaly that the world's second largest economy is not one of the permanent members of the UN Security Council. But, as I have also said , it does not have to be "in uniform" to perform this role.

These are some of the important economic and strategic reasons why I hope we will continue to see the active engagement of the United States in the region, and I believe we will.

But it is not pre-ordained.

The United States always has choices about its role in the world and where and how it plays that role - for example, the extent to which it focuses its energies in the western hemisphere. We have seen it exercise such choices in different ways in the course of this century.

Trade tensions between the United States and the North Asian economies have the potential to fester and to attenuate the existing bonds across the Pacific.

Inevitably in an economy that size, a tension exists within the United States between those who think that unilateral pressure is the best and easiest way

to achieve trade results and those who see the broader virtues of a multilateral approach.

This is where APEC fits in.

In the background to all my thinking about APEC has been a conviction that the greatest danger to the economic dynamism which has been so important to Australia's development and the region's, would be a fracturing of the post-Cold War world into competing blocs.

By bringing both sides of the Pacific into a broader partnership, APEC offers the best way of avoiding this sort of outcome.

It helps to lock in US economic and commercial interest in the region, which in turn helps ensure US strategic engagement. It provides a framework to help contain or manage competition between China, Japan and the United States. And it gives the smaller countries of the region a greater say in the nature and shape of the trading arrangements in the region.

It should be clear from what I have said that the last thing Australia wants is for APEC to develop into a protectionist or inward-looking trade bloc. That is just the sort of global outcome we think APEC can help to prevent.

But that does not mean, in my view, that APEC does not have an important role to play in regional trade liberalisation in this part of the world.

So long as APEC's approach is GATT-consistent, and - equally importantly - so long as it contributes to global trade liberalisation, it seems to me that, as the weight of economic development in the world shifts towards Asia and the Pacific, we have a responsibility to show that countries in this part of the world can take a decisive step towards a free trade goal.

I am equally convinced that anything that we do inside APEC will have beneficial consequences in bringing closer a new global trading round.

But it is not only in the area of trade liberalisation - bringing down tariffs and non-tariff barriers for goods and services - that APEC is important.

It also has a very important role in trade facilitation - that is helping to eliminate administrative and other impediments to trade and investment in the region.

Indeed, matters like the harmonisation of product standards and certification arrangements, which make it easier for manufacturers in one part of the region to sell in the other parts of the region, will have even more importance as trade barriers come down.

It was in my first speech to the Asia Australia Institute in April 1992 that I first put forward publicly the suggestion that a process of periodic meetings between leaders of the APEC economies should be established.

Even at my most optimistic I did not expect that a little over two years later I would be about to attend the second such meeting.

In two weeks' time the leaders of eighteen economies, representing more than half the world's production and nearly half of its trade, will meet in Bogor, as in Seattle, in a room without officials or a detailed agenda, to talk about the economic challenges in our region.

I don't think there has been a more important meeting held in Southeast Asia since the Bandung Conference of 1955 established the Non Aligned Movement.

In part, its importance lies in the very significant issues the meeting will address - how we can maintain the velocity of trade in this region by getting down the formal and informal barriers.

We have been shown a path forward in two important reports from the Eminent Persons' Group, and the Pacific Business Forum. The Australian participants - Neville Wran on the EPG and Philip Brass of Pacific Dunlop and Imelda Roche of Nutrimetics in the Business Forum - made a very important contribution to the development of the APEC vision and I am grateful to each of them.

For our part, what we hope to see come out of Bogor is a commitment to free trade in the APEC region by a realistic date, in a GATT- consistent manner.

I'm not worried about the end date we set, so long as it is not too distant. As we have seen in Australia, the main thing is to get the political commitment to make a start. Then, with business factoring further liberalisation into its decisions the momentum builds up and becomes unstoppable. That is the process we want to start at Bogor.

Free trade through the Asia-Pacific is a huge enterprise. There are commentators who are already talking as though it is an accomplished fact. It isn't it will require major adjustments from all the APEC economies.

Free trade in the APEC region would bring Australia benefits several times those of the Uruguay Round. And the benefits in terms of increased competitiveness and integration with the region would be far greater.

It can underwrite Australia's future. It can give us sustainable growth, employment, a role in technological innovation, cultural stimulation and enrichment. It can substantially underwrite the democratic, rich and dynamic nation we want to be in the 21st century.

But the Bogor meeting is important at another level too.

It represents a new level of leadership from Asia and a new level of leadership from the developing world.

In the past, the great initiatives in trade liberalisation have come from the industrialised countries. For the first time in Bogor, one of the leading developing countries is issuing the challenge. This vision is President Soeharto's and it is vital that we respond to him.

Ladies and Gentlemen,

It could be argued that the end of the Cold War has changed the world more profoundly than any other single event since the Napoleonic Wars - since Lachlan Macquarie was Governor of New South Wales.

None of us has any experience of the sort of world we are moving into.

It will be more integrated than ever, a globalised environment in which commerce is freer than ever in history; in which communications are instantaneous and open to all; in which more and more aspects of national government have an international dimension.

This prospect frightens some people, as change always does.

Our opponents, for example, wring their hands because Australia is party to an increasing number of international agreements. They fret that these agreements sometimes shape our domestic policies. They complain that our sovereignty is being infringed and pine for a clearer, simpler world in which foreigners kept a decent distance.

But it's not like that any more. From saving Antarctica as a wilderness park, to protecting our security by banning chemical weapons, to expanding Australia's access to other markets through the Uruguay Round negotiations, to getting agreements on the harmonisation of product standards, we need at an ever-increasing rate to talk and deal with the rest of the world.

That is the sort of international system we are now entering; with fewer clear lines between domestic and external interests, and one in which these external interests - economic, strategic, political - are intertwined in a way we have never seen before.

The best guarantee of our national sovereignty will not be any walls we build around us, but the resources we can call upon within ourselves. The degree to which our industrial culture operates to principles of world's best practice and within a culture of innovation and creativity will be essential to our national sovereignty: the degree to which we are able to engage and compete on the international front line will be essential. Our national sovereignty will depend on our worldliness and integration with the world.

Equally it will depend upon the less tangible resources of tradition and culture: the values of democracy and tolerance will continue to serve us well, so will our language, so will all those things which remind us of our common heritage and interest.

We have no need to be defensive about our place in the Asia-Pacific.

Australian engagement with the region is important to us but, equally, it is important to the region.

Our relationships with Japan, China and Korea show how important the economic complementarities between Australia and our neighbours are. And they will continue to be important as economic growth spreads to the countries of Southeast Asia.

Our services like education have long made an important contribution to the development of the region, and we are now seeing other Australian services like health, housing, engineering, communications and law being exported to the region and helping to sustain its economic dynamism.

Our skills in basic scientific research, and increasingly in the application of that research through government initiatives like the Cooperative Research Centres, are a regional resource.

Information technology will play an increasingly important part in our relationship with the region - and the multi-media initiative among other elements of the Government's cultural statement will significantly boost our role in the information revolution, particularly as an international software provider.

Our security links, both bilateral and multilateral, make an important contribution to regional stability.

But we also contribute because we think broadly about the region. We are a source of ideas and we are good at implementing them. Our contribution has been seen in many regional initiatives including APEC, the ASEAN Regional Forum and the Cambodia settlement.

And, beyond that, Australia itself - the sort of society we have created here - is an asset to the region.

I make this point not out of national vanity but because we see too often in Australians the reverse of this - an excess of national self-deprecation.

Australians can take a justifiable pride in the achievements of this country, in the egalitarian, multicultural and humane democracy we have built.

It is a society in which the rights of the individual are protected against the demands of the state.

This sense of human rights is intrinsic to our sense of ourselves.

The difficult task is not deciding whether human rights are universal. Of course they are. It is deciding how to apply our own beliefs in the international arena.

It is not surprising that many of Australia's neighbours have different standards from our own.

Sometimes that is the result of different levels of political or economic development.

Sometimes it is the result of a belief that the good of society at large is more important than the rights of individuals.

Sometimes, there is no question that human rights are abused, by any standards.

Picking our way through this moral thicket is one of the most difficult things we have to do.

But I am utterly convinced of one thing. We will get much further in advancing human rights by talking to our neighbours than by shunning them. Cutting off contacts is less likely to succeed than making human rights part of a broadly-based relationship in which we are able to talk freely and openly about our differences.

We do not, and cannot, aim to be "Asian" or European or anything else but Australians.

But we can and should aim to be a country which is deeply integrated into the region around us. Which understands that our neighbours are increasingly proud - and justifiably proud - of what their societies have accomplished : the amelioration of poverty, the growth of education, the massive improvements in health standards.

By the turn of the century, by the centenary of our nationhood, I hope this will be a country:

- in which more and more Australians speak the languages of our neighbours

- in which our businesspeople are a familiar and valued part of the commercial landscape of the Asia-Pacific

- in which we are making full use of the great resource of the growing number of Australians of Asian background

- in which our defence and strategic links with the countries around us are deeper than ever

- in which our national identity is clearer to us and our neighbours through the appointment of an Australian as our head of state

- in which our national culture is shaped by, and helps to shape, the cultures around us

Political scientists have recently been asking themselves what will be the next big thing in global conflict to replace the ideological struggle of the Cold War.

Much of their discussion has centred around the prospect of a "clash of civilizations" with suggestions that the coming great strategic divide will fall between the western, Confucian and Islamic worlds.

If that is in any sense a real prospect, it is one which Australia, by nature and inclination, stands strongly against. Contemporary Australia itself is evidence that cultures can coexist and build on each other to create a strong and cohesive society.

The enterprise in which we are now engaged, the creation of a thriving community of nations across the Asia-Pacific - the enterprise of APEC - is an extension of this model.

It is the best assurance we have that this will be the model for the world as the next millennium approaches.

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