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PRIME MINISTER

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FOREIGN CORRESPONDENTS ASSOCIATION
SYDNEY, FRIDAY 11 NOVEMBER 1994**

I am a well known enthusiast for APEC but when I first started talking about it, it wasn't an acronym which sprang readily to the lips of most Australians.

But things are changing. I was very pleased recently to come across the first reference to APEC I had seen in an Australian newspaper cartoon.

Once the cartoonists get hold of something you can be pretty sure it is sailing down the mainstream of public consciousness.

I am glad that is happening, because it is where APEC deserves to be.

It has always seemed to me to be the right idea for Australia, the right idea for the region and the right idea for the world at large.

It is the right idea for Australia because it defines a region which is critical to us. It includes the economies to which we sell 75 per cent of all we export, and our key bilateral relationships on both sides of the Pacific.

It is the right idea for the region because it encompasses its most important trade and economic links. It helps lock in United States economic and commercial interest in the region which in turn helps to 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 a greater say in the nature and shape of regional trading arrangements.

It is the right idea for the world because it links both sides of the Pacific in a co-operative endeavour and helps to prevent the division of the post-Cold War world into three competing blocs.

And it is the right idea because it is not intended to be, and will not become, a capital "C"-type Community which closes itself against the world, but a small "c" community of common interests, seeking prosperity with its international partners through trade liberalisation rather than closed barriers and subsidies.

One of APEC's great advantages, which we are seeing fully in play in President Soeharto's proposals for Bogor, is that it spans not only both sides of the Pacific but the full spectrum of the world's economies from the most industrialised and developed countries, through the dynamic Asian tigers, to developing economies like Indonesia.

So when APEC talks about trade and economic issues, when it frames its actions, it has to take into account the full complexity of eighteen economies, all looking for growth and liberalisation but at different stages of development.

That is important, because it is the way the global economy is going. Co-operation across different levels of development is the way we will have to address these trade and economic issues in future. In this sense, APEC is a template.

On Sunday, I will be leaving for Jakarta to attend the second informal meeting of APEC leaders. As I said recently, it promises to be the most significant meeting to have been held in Southeast Asia since the Bandung meeting established the Non-Aligned Movement in 1955.

When I first suggested, less than three years ago, that APEC leaders should get together to discuss the challenges facing the region, I hoped in this way to give the organisation some political horsepower and help it deliver some real benefits to business.

I must say I am well and truly pleased to be attending the second such meeting in November 1994. That it is happening is a reflection of the real benefit regional economies have seen in the APEC process.

The meeting at Bogor will include the leaders of eighteen economies representing half the world's production and nearly half its trade. And they are growing fast.

By 2000 these same economies will account for almost 60 per cent of world GDP and 55 per cent of world trade.

By 2020, seven of them - China, the United States, Japan, Indonesia, Thailand, Chinese Taipei and Korea - will be among the world's ten largest economies.

So what happens in APEC can have a long-lasting impact on how the world operates into the next century.

As in Seattle, this will be an informal meeting. Ministers and officials are meeting over the next few days to sort out APEC's formal work program. A lot of valuable work will be done there.

But the leaders, when they get together on Tuesday under President Soeharto's chairmanship, will have no formal agenda, no set texts. We will be alone in a room for several hours, without advisers, talking about our own

economic problems and opportunities and what we can do collectively about them.

No wonder the beads of sweat are breaking out on the brows of bureaucrats all around the region.

This is an unusual model for an international gathering, and as we showed last year in Seattle, it can deliver creative results.

We will be coming to Bogor with a real sense that APEC is beginning to coalesce.

In the year since Seattle a lot of progress has been made on the initiatives we set in train then.

Most of the recent press coverage of APEC has focussed on the trade liberalisation debate. This is understandable. It is a large and important issue. But it is also important not to forget the progress being made in cleaning out the region's trade arteries by removing administrative impediments to the flow of goods and services - the trade facilitation agenda.

This is important to business and will become more important as tariff levels decline. Differences in standards can add between five and ten per cent to the cost of entering a particular market.

So it is good to see the work on standards going well. We are now moving into the stage of negotiating Mutual Recognition Agreements between APEC economies.

An APEC network of these agreements will mean that any product tested once will be accepted as having been tested everywhere. And standards throughout the APEC economies will be progressively harmonised with international standards

We have also made good progress on a set of APEC investment principles.

Investment is an urgent issue for the APEC economies. Foreign investment has been one of the driving forces behind APEC's growth.

But if that growth is to continue, it is critical that foreign investment to and within APEC keeps flowing. For example, over the next decade East Asia will require an estimated US\$1.7 trillion for investment in infrastructure alone. Much of that will have to come from foreign investment.

At the same time, we will be seeing intense competition for investment funds from Eastern Europe and other economies outside APEC.

So there is a growing appreciation that to keep investment coming, the APEC economies need more open and transparent investment regimes. The reforms which Indonesia introduced in July reflect this recognition.

I hope we will be able to announce at Bogor a set of non-binding APEC investment principles. That will enable us to take forward the dialogue within APEC about how we can improve our investment regimes.

It is also worth noting that the first meeting of APEC Finance Ministers was held earlier this year. As the Asia-Pacific becomes the world's new centre of economic gravity the economic dialogue instituted at this meeting will be increasingly important.

APEC is also building people-to-people links. We decided at Seattle to establish a network of APEC study centres throughout the region.

I am happy to announce that we have decided to establish the Australian study centre in a joint operation between the University of New South Wales and Monash University in Melbourne.

These two universities not only have a high standard of academic research on APEC-related issues but they will be pursuing some innovative ideas for educating Australians about APEC - for example, through Monash's experience with the Open Learning scheme.

APEC's progress in these and other areas, such as small and medium enterprises, has been useful and welcome.

But I have been convinced of the need to lift the APEC debate to a higher level. If we are to maintain the region's remarkable growth rates we need to tackle the task of bringing down tariffs and non-tariff barriers for goods and services.

President Soeharto shares this view. He has suggested that APEC set at the Bogor meeting a far-reaching objective of free trade in APEC by a specific date and on a GATT-consistent basis.

I have spoken with President Soeharto several times during the year and I know how committed he is to achieving this goal. He knows from Indonesia's experience just what the benefits of liberalisation can be.

I told him recently that my support for him on this is total and unqualified.

Because this is a remarkable development.

Past pressure for trade liberalisation has come from the industrialised countries. They have set the agenda. They have put the pressure on.

Now, for the first time, a developing country has said we should commit ourselves to a free trade outcome. It is vital that we respond positively to this challenge.

Over the next few days something like a sense of awe would not be inappropriate - such is the boldness of what is being proposed.

This is no simple task - to get down all barriers to goods and services in the region by a defined date.

It is an extraordinarily difficult thing for most Governments to contemplate. The benefits of freer trade are clear but they are spread throughout our economies. The impact on special interest groups and protected sectors offers immediate pain. This is a problem we were very familiar with in Australia as we cut our own levels of protection.

So as Bogor has got closer, and the scale of the proposals has become clearer, it is little wonder that around the region a slight clearing of the throat has turned into the odd nervous cough and then, in a few cases, into significant breathing difficulties.

I have been in touch with leaders from most APEC economies over the past few months and I hope we will get the commitment we are looking for at Bogor, but I am certainly not taking it for granted.

For Australia, the important thing is to get the process going. The end-date matters less, so long as it is not too distant. Because, as we have seen in Australia, once the decision is made, business will begin to incorporate it into its planning, and things will begin to move.

No one is expecting fine detail out of the meeting in Bogor.

Even if we reach agreement on a free trade outcome, some very important questions will remain: What form will the liberalisation take? What coverage will it have? Will it extend to all GATT members under an MFN arrangement or will it be preferential?

I don't underestimate the importance of these questions or the difficulties in filling in the gaps. Some long and arduous talking lies ahead.

But getting the political commitment by leaders is the immediate requirement. That decision would set the region's economic agenda for the next twenty years.

None of what APEC is doing should be seen as a threat to the global system.

I have said all along that anything APEC does should be GATT-consistent and - equally importantly - that it should contribute to global trade liberalisation.

We understand fully that the growth of the Asia-Pacific economies has been underpinned by the open multilateral trading system, which itself has turned largely on the United States's willingness to lead the world in trade liberalisation.

Now it is the Asia-Pacific's turn to lead the way. This is where the growth is. And despite strong liberalising moves, protection remains high in many East Asian economies, offering them great scope to benefit from liberalisation.

Our ultimate objective, and our best interest, lies in global free trade.

But there is no enthusiasm now for a new global and comprehensive round.

We have to look for other strategies, and APEC is the best we've got.

APEC trade liberalisation will lock in an outward-looking sense of regionalism and will reinforce global trade liberalisation.

An APEC-wide approach would bolster the economic gains we would get from unilateral trade liberalisation, and it would reduce the political costs - because governments will be able to point to new opportunities opened up by trade liberalisation elsewhere in the region.

The benefits of APEC trade liberalisation for Australia and the region would be enormous. Economic modelling tends to understate the gains because it does not capture the full effects on competitiveness and productivity.

But initial Australian modelling work shows that, while APEC members do well out of the Uruguay Round, they would do even better if APEC was to embrace full free trade. The annual gain to APEC aggregate national income from the Round is around \$112 billion by 2002 - when the Round effects have flowed through fully. But this rises to \$366 billion by 2010 if APEC free trade is achieved by then.

Under APEC free trade, Australia's real output would rise by an estimated 3.8 per cent and real national income by 1.2 per cent or \$6.8 billion annually. This would more than double the projected real income gains for Australia from the Uruguay Round.

The scale of APEC's advantages to Australia is something which, not surprisingly, few Australians have yet appreciated.

But already three-quarters of our exports go to APEC, and 31 per cent of these are manufactured exports. Over the next two years, increased exports to APEC members are expected to create 70,000 new jobs in Australia.

For Australian business, APEC trade liberalisation is good news, because Australia is already so far down the path towards free trade.

We have eliminated quotas and, by 2000, average trade weighted tariffs will have fallen to 2.9 per cent. Motor vehicle and textiles, clothing and footwear tariffs will be the only stand-outs.

Clearly, going further would be in our interests if other APEC economies also liberalised. When and at what rate we did so would be a matter for discussion after Bogor.

Australia's agricultural and minerals exports would flourish in open regional markets. But our manufactures and service industries would also be well-

placed to take advantage of the opportunities that would open up. The decade of trade liberalisation has made them much more competitive. Our exports of elaborately transformed manufactures to APEC have been growing at 18 per cent a year since 1988-89.

Ladies and gentlemen,

The future trade and economic agenda will be the core of our discussions at Bogor. But the meeting has other less obvious advantages

It facilitates contacts between leaders which would otherwise be difficult to arrange -either for political reasons, as we saw in Seattle last year when President Jiang Zemin met President Clinton, or for geographic reasons.

For example, in Sydney tomorrow I will meet President Frei of Chile on his way to Jakarta. After the meeting President Kim Young Sam of Korea will visit Australia.

And at the meeting itself a lot of bilateral work will be done. I will be having separate meetings with President Soeharto, President Jiang Zemin, President Clinton, President Ramos, Prime Minister Chretien, Prime Minister Chuan and Prime Minister Bolger.

I will have opportunities to talk informally to the others as well.

And this sort of thing is multiplied eighteen different ways.

Ease of communications between political leaders is important and the dynamics of international relations within the Asia-Pacific have, in my view, been changed fundamentally by APEC. The leaders meetings offer opportunities for contact which can cut through problems and resolve uncertainties. And, as we are seeing with the visits here of President Frei and President Kim, they can facilitate contacts between our business people.

So I don't doubt that this will be two and a half days well spent.

Ladies and gentlemen,

Today, of course, is Remembrance Day.

There is something appropriate about the fact that I am talking to you about the future of the Asia-Pacific on the 11th of November, when we remember the sacrifice of those Australians, and the countless millions from other nations, who fought and died in the wars which shaped this century and which, for better and worse, shaped Australia's history.

What comes next - the legacy of peace, security and prosperity, we owe to our past - will in no small way be formed by what happens in Bogor over the next few days.

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