



120  
①

## **PRIME MINISTER**

### **STATEMENT BY THE PRIME MINISTER, THE HON P J KEATING TO THE HOUSE OF REPRESENTATIVES, 6 DECEMBER 1994 THE APEC INFORMAL LEADERS' MEETING, BOGOR, INDONESIA**

I want to report to the House on the results of the second informal meeting of the leaders of APEC economies, which I attended in Bogor, Indonesia, on 15 November.

It is not overstating the case to suggest that the Bogor meeting, and the Declaration of Common Resolve which leaders issued afterwards, has permanently changed the nature of our region and the future of Australia.

For nearly forty years, Australians have spoken loosely about what we have called "our region" of the world. We have regularly talked about our "northern neighbours". But until now these phrases have been statements of aspiration - or hollow cliches - rather than descriptions of reality and real national intent.

What our region was, where it extended, who was in it, whether the others we claimed as partners accepted that role, was always uncertain - indeed unknowable.

With Bogor, however, Australians can say for the first time that the region around us is truly "our region".

We know its shape; we have an agreed institutional structure; we share with its other members a common agenda for change.

Historical turning points are rare and, like phantoms, they are seen more often than they are found to exist.

But I am certain, Mr Speaker, that the Bogor meeting will be seen as such a turning point - as the beginning of the Pacific century.

Just as the Bretton Woods agreements after the Second World War established structures in the IMF and the World Bank which enabled the world to grow and prosper, so in APEC we have established a model which will serve the interests of the post-Cold War world.

It brings together in one multilateral framework a grouping which by 2020 will include, according to some estimates, seven of the world's ten largest economies, and which by the end of the century will account for 57 per cent of world trade.

It gives all the economies of this region - developed, newly industrialised and developing - a stake in a cooperative enterprise whose aim is to maintain the dynamism and growth in this part of the world.

It offers business people the opportunity to plan with confidence as Governments work to remove unnecessary blockages to trade and investment.

It engages the United States, China and Japan in a structure which minimises the danger that trade frictions will eventually lead to strategic tension.

Between my arrival in Jakarta on 13th November and my departure on the 16th, I held bilateral discussions with Prime Minister Chretien of Canada, Prime Minister Mahathir of Malaysia, President Jiang Zemin of China, Prime Minister Chuan of Thailand, President Clinton, President Soeharto, President Ramos of the Philippines and Prime Minister Bolger.

The day before I left, on 12th November, I met President Frei of Chile in Sydney. And, of course, President Kim Young Sam of Korea visited Australia immediately after the Bogor meeting.

APEC was, of course, a central element in all these discussions, but they also enabled me to cover some important bilateral issues.

Dr Mahathir and I were able to agree, for example, on the need to improve exchanges between Malaysia and Australia in the area of science and technology.

President Frei and I agreed to encourage Chilean and Australian business people to use each country as a base for expanding business in South America and Asia respectively.

I was able to have a very frank and productive discussion with Prime Minister Chuan about Cambodia and Thai-Australian relations.

My own experience was replicated by the other leaders. The easy opportunity to hold high-level discussions like these gives APEC leaders' meetings a value additional to APEC's economic agenda.

The informal leaders' meeting was hosted by President Soeharto on 15 November in Bogor.

I want to pay tribute, Mr Speaker, to President Soeharto's chairing of APEC during the year and at the Bogor meeting. A consensus of the 18 APEC economies on these very large issues was an extraordinary achievement. It required great leadership and vision, and President Soeharto provided that. We would not have achieved this outcome without him.

As was the case in Seattle last year, the Bogor meeting was held without officials present and without a pre-set agenda.

Following consultations between leaders' assistants, President Soeharto had prepared a draft declaration covering our common ambitions for APEC and its economic goals. These subjects formed the focus for much of our discussion.

The central element in the Bogor Declaration of Common Resolve is a commitment to free trade and investment in the region by 2010 for industrialised economies and 2020 for developing economies.

And what underpins that commitment is our recognition of the growing interdependence of regional economies and the need to work together if we are to maintain high rates of economic growth.

APEC's commitment to free trade was made in the context of our support for the multilateral trading system and our desire to strengthen it.

In other words, Mr Speaker, APEC leaders showed that they were opposed to the establishment of a closed and inward-looking organisation, but wanted whatever we did in APEC to be additional to the GATT agreement - GATT-plus.

We agreed, for example, to accelerate the implementation of our Uruguay Round commitments and to undertake work aimed at deepening and broadening the Round's outcome.

We called for the successful launching of the World Trade Organisation in January 1995 and for all APEC members to work with non-APEC members to achieve further multilateral trade liberalisation through the WTO.

One of APEC's major benefits, in fact, is that by engaging the United States and East Asian economies in a common framework it helps prevent the spectre of a world divided into three hostile trade blocs in Europe, Asia and the Americas.

We agreed to a "standstill" commitment on a best endeavours basis to refrain from increasing measures of protection.

We also decided to expand APEC's trade and investment facilitation program.

As a result of a proposal I made in Seattle, for example, we have now endorsed non-binding investment principles for the region which we will develop to make investment flows in the region easier.

The trade facilitation program, on which a good deal of progress has already been made, will become even more important to our business people as tariffs in the region come down.

Ministers have been asked to draw up proposals for APEC arrangements to improve customs procedures, establish common standards and lower administrative barriers to market access. In this area of trade facilitation, APEC economies that are ready to implement a cooperative arrangement may do so, while those that are not yet ready to participate may join at a later date.

In Australia's case, for example, we are already discussing with a number of APEC economies, such as Malaysia, Korea, Canada, New Zealand and the United States, the possibility of an agreement under which we would mutually recognise each others' testing and conformance arrangements.

The Bogor Declaration also gives further impetus to the dialogue on economic policy which began with the first meeting of APEC Finance Ministers earlier this year. In my view, these consultations on economic growth strategies, regional capital flows and other macro-economic issues will become more important for APEC over the next few years.

Another new approach in the Declaration comes in the decision to examine the establishment of a voluntary consultative dispute mediation service, to supplement the World Trade Organisation's dispute settlement mechanism. APEC's informal and non-binding approach offers a useful, non-adversarial way of dealing with regional trade disputes.

One of APEC's most valuable dimensions is the way it brings together developed economies, newly industrialised economies and developing countries.

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.

As I have said before, this 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.

That is what made the Bogor agreement remarkable - it was an agreement reached within the framework for the future. Bogor was not about catching up or rectifying past mistakes. It was visionary in a rare sense and a true sense.

We agreed at Bogor, for example, that in addition to our trade liberalisation and trade facilitation agendas we should expand co-operative activity across the fields of education and training, science and technology, small and medium enterprises, economic infrastructure - including energy, transportation, telecommunications and tourism - and sustainable development.

In all these areas, in fact, APEC is already building linkages and discovering new areas for co-operation.

Leaders at Bogor recognised the important contribution made to regional debate by the Eminent Persons Group and the Pacific Business Forum, representing large and small businesses throughout the region.

It was decided to ask these two groups to continue in operation to advise us on ways we can step up APEC co-operation.

I am pleased to announce that Australia's participants in these groups - Mr Neville Wran on the EPG, and Mr Philip Brass, Managing Director of Pacific Dunlop and Mrs

Imelda Roche, Managing Director of Nutri-metics on the Pacific Business Forum - have accepted my invitation to continue in their positions.

All three of them have put enormous effort into the APEC task and I thank them for it. I am confident that their experience and commitment will help us meet the new challenges APEC has set itself.

But the most important new decision to come from the Bogor meeting was on trade liberalisation.

The Bogor commitment is precise, wherein the leaders agreed to "complete the achievement of the goal of free and open trade in the Asia Pacific no later than 2020", with industrialised economies achieving the goal no later than 2010.

The goal involves a multiple year effort but, as the declaration says, "we will start our concerted liberalisation process from the very date of this statement. We direct our Ministers and officials to immediately begin preparing detailed proposals for implementing our present decisions."

We have a long way to go before free trade is implemented in APEC. Much detailed work remains to be done before we get an agreed plan of action for our meeting in Osaka next year. No doubt there will be difficult negotiations and hard talk as we chart the way forward.

Complex issues will need to be addressed, including modalities, coverage and whether benefits will be extended on a Most Favoured Nation basis.

It may be that APEC will need to approach these issues in quite a different way from past trade negotiations.

But contrary to the belief of some commentators, I do not think these next steps will be the most difficult part. Perhaps the most complicated. Perhaps the most time-consuming. But not the hardest.

That part was getting the political commitment to a free trade goal for all APEC economies made by the 18 leaders at Bogor.

**That** was what has given the region the negotiating agenda which will carry us forward.

My views of the Bogor outcome were shared by my colleagues there. As Prime Minister Bolger has said: "The level of commitment from leaders was remarkable ... it is truly going to change the nature of trade in the world in the next five years."

President Ramos has described the Bogor declaration as "A truly momentous decision ... a very solid road map that we are all committed to follow." President Clinton said he was convinced the declaration will be of historic importance. Prime Minister Goh of Singapore said the declaration has "sown the seeds for prosperity in the region".

Like Mr Vincent Siew of Taiwan, Prime Minister Goh has committed his country to the 2010 timetable for free trade for industrialised economies.

The advantages for Australia and the region of the commitments made in Bogor are very great.

Modelling by the Office of National Assessments and the Industry Commission suggests that free trade in APEC would more than triple the national income gains from the Uruguay Round outcome alone to more than \$300 billion.

For Australia, we estimate that under APEC free trade, Australia's real output would rise by 3.8 per cent and real national income by 1.2 per cent.

This would include a 27 per cent increase in Australian exports and a 20 per cent projected rise in imports. Once the effects of APEC trade liberalisation have fully flowed through, we can expect a permanent increase in employment of over 200,000 jobs.

The great advantage for Australia will come from the opening up of the fast-growing APEC markets that already take three quarters of our exports.

It will come, too, from making Australia more attractive to investors from the rest of the world.

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

As Philip Brass of Pacific Dunlop has said "For Australia, it is all up-side."

By 2000, a full decade before we are committed to achieve free trade, Australia's average trade-weighted tariff will be just 2.9 per cent. In 1986/87 it was 10.7 per cent.

Even in industries we have come to think of as highly protected, such as textiles, clothing and footwear and motor vehicles, tariffs will be low by 2000 - only 15 per cent in the case of motor vehicles and between 5 per cent and 25 per cent for TCF.

This is amongst the lowest in the region. Tariffs on passenger motor vehicles range from 100 to 300 per cent in some APEC economies, for example, and non-tariff barriers are common.

So a great deal of our adjustment has already happened. Australian industry has already shown it is more than capable of competing in a low tariff environment.

While average trade-weighted tariffs have come down by 44 per cent over the past decade, Australia's exports of manufactures have grown - by more than 17 per cent a year in the case of elaborately transformed manufactures.

Even in the areas of passenger vehicles and textiles clothing and footwear, companies like Toyota, which plans to lift exports from Australia from \$47 million in 1990 to \$600 million by 2000, will benefit from lower APEC barriers.

I have said before that APEC gives Australia for the first time a seat at a very large table. But the extent of the benefits we or any of the others will gain, and the extent to

which our voice is heard at this table, will depend on each of us; on our recognition of the need for change and improvement; on our ability to use the resources we have effectively and efficiently; on our imagination and creativity.

This is a large challenge that lies ahead for all of us in Australia - for governments, for business, for our unions, for our education and training system.

Our officials at home and abroad will have to liaise even more closely with industry. Our business people across the board will have to understand the region better.

We will have to maintain the pressure for micro-economic reform.

To coordinate our response to these challenges, the Government has decided to establish an ad hoc APEC committee of Cabinet.

I will chair the committee, with the Minister for Trade as Deputy Chair. Other members will include the Minister for Foreign Affairs, the Treasurer, the Minister for Industry, Science and Technology, the Minister for Employment, Education and Training, the Minister for Primary Industries and Energy, the Minister for Transport and the Minister for Communications and the Arts.

Detailed sectoral consultations will be undertaken by all the relevant Industry Ministers to make sure we understand industry concerns and aspirations.

The Government's White Paper on employment, **Working Nation** provided for TCF and PMV assistance arrangements to be reviewed so decisions can be taken in 1997 on post-2000 arrangements. These reviews will take account of what progress is being made on trade liberalisation in APEC. Through my colleagues Senator Cook and Senator McMullan the industry will be fully involved in these decisions.

APEC has consistently confounded the sceptics.

Just twelve months ago the British journal, The Economist, described suggestions that APEC should aim to form a free-trade area as "the stuff as dreams are made on".

In a sense they were right, but not in the way the Eurocentric editorial staff meant.

Last year, Australian newspapers were claiming that my ambition for APEC to become an Asia-Pacific community was premature.

Yet, this year, without the slightest controversy, the Bogor declaration spoke of our "moving toward a community of Asia-Pacific economies".

Why has APEC continued to go further, faster, than the doubters expected?

Because it makes sense for all the diverse economies of the region.

I have said before that APEC did not have to happen. When the Cold War bindings were removed, the development of a cooperative structure like this was neither predictable nor inevitable. The next generation would probably have forgiven us for

failing to see the possibilities - for letting the opportunity pass because it was "premature" or the "stuff of dreams".

There was certainly nothing inevitable about the Bogor declaration. It was an act of will by regional leaders - and an act of goodwill. It was the result of imagination and co-operation.

Alternative Asia Pacific futures were possible.

We might have seen the growth of a self-confident but inward-looking Asian grouping, building on East Asian trade and investment flows and excluding Australia.

In my view that would have had the most serious consequences not only for the economic growth of Asia and the Pacific but for the strategic stability of the region. Over time it would inevitably have attenuated the defence and security partnership between the United States and Japan with a broader impact throughout the region.

On the other hand, the region might have drifted along as before, buffeted by internal and external frictions, but developing no institutional framework to deal with them.

It is true that the economic integration of Asia was underway before APEC began and that even in the absence of such a structure it would no doubt have continued.

But it would be a very different sort of integration - more ad hoc, driven by companies working in their narrower interests and less open to Australia and Australian business.

We would have failed to engage the rapidly developing Chinese economy, or Indonesia and the other South East Asian countries, in a broader regional framework. A critical opportunity - and one which is open for only a very short time - would have been lost.

For Australia, either of these paths would have made for a stultified Australian economy, strategic uncertainty and political isolation.

Instead, this Government chose the path of shaping the future for ourselves and the region. Australia proposed APEC. We worked with other regional countries like Korea to develop it. And now we have given it new institutional focus and energy by proposing regular meetings of leaders to give it the executive authority that the ministerial level meeting could never have had - to give it the power to make the sort of decisions taken at Bogor. I am very proud of what Australia has been able to do.

The Bogor declaration will help ensure that this generation of Australians and our successors, have a dynamic role in their own region.

I said recently at the National Strategies Conference in Sydney that our most fundamental responsibility is to provide for the next generation as we were provided for - to provide the conditions for security and prosperity and opportunities for talent and energy.

Simple hard work and earnest intentions will not of themselves deliver these things.

The world has changed and we all must change with it.



The Bogor agreement was a recognition of this fact.

It is, of course, no reason to make less of our effort here in Australia. On the contrary, because Bogor has, in an unprecedented way, taken on the responsibility to provide a better world in the 21st century, the challenges for us are more obvious and immediate.

The Australia in which I grew up was a prosperous and secure place. It was then and it is now an extraordinarily good place to live.

But if we are to maintain our way of life, the Australia of the 21st century will need to be built on different foundations. Our success in the world will depend on our effective integration with it. Our success in the world's most dynamic region will also depend on this.

Bogor does not assure us of prosperity. It does not guarantee the future for the next generation of Australians. That will continue to depend on the efforts of Australian governments, Australian businesses and Australian workers.

But Bogor creates a massive opportunity and I think every Australian should be aware of it.

I think every Australian should know that the chance really is there. In the next century, to be Australian should mean not only the privileges we currently enjoy, but a share in the extraordinary economic and cultural riches of the Asia-Pacific, and a creative role in our region's remarkable progress. This opportunity is, I think, an exciting prospect.