



PRIME MINISTER

**EMBARGOED UNTIL 9.00 PM - 15 FEBRUARY 1995
CHECK AGAINST DELIVERY**

**ADDRESS BY THE PRIME MINISTER, THE HON P J KEATING MP
TO THE CHINESE CHAMBER OF COMMERCE - "AUSTRALIA AND ASIA:
THE NEXT STEPS", PERTH, WEDNESDAY, 15 FEBRUARY 1995**

It is a real pleasure to be at this coffee shop forum and to see so many people here.

This is now a Perth institution. And I hope groups like it will soon be an Australian institution. Because all of you here are participants in a great and important enterprise - the shaping of our involvement with Asia.

I have said before that this engagement with Asia is not a take-it-or-leave-it affair for Australia. Asia is not a target of convenience for us. It is not a fashion, or a flavour-of-the-month, or a political gimmick.

I have long believed that Australia's relationship with Asia has to lie at the very centre of our external interests.

I am convinced that we came perilously close in the 1960s to marginalising ourselves in the world. The White Australia Policy and the barrier of protection and regulation behind which our industry and financial institutions slumbered were all of a piece. Both were the product of the same defensive and inward-looking cast of mind.

Just in time, I believe, we saw the need to open ourselves out to the world, to break through all those protective barriers which held Australia's economy and our minds in check.

A sea change has since taken place in the views of all sorts of Australians and I am very glad of it.

It has been common in some quarters to hear Australia's interest in Asia portrayed as a simple example of economic determinism: the charge, crudely, that our policies have been foisted on us by the realities of our markets.

Of course it is true that our economic links with Asia are vital. The percentage of our exports going to Asia has risen from around one third in 1965 to about 63 per cent in 1993. And Asia's importance to us will continue to grow.

But it is a profound error to see that as the whole story. For me and for this government our interest in Asia has a much broader focus and a much wider purpose.

Success in the efforts we make in Asia will affect not just Australia's prosperity but our security. As the Government's recent White Paper on defence made clear, strategic partnership with regional countries will be an increasingly important part of our security policy.

And, more than that, closer engagement with Asia is already helping to transform Australian society: the face of our society, as anyone who has looked around the streets of our major cities knows. But also the heart of our society.

Asian culture and Asian values will, in a very short time I believe, begin to work their impact on mainstream Australian culture just as earlier waves of European migration have done.

It is not surprising that this Chamber, which is part of this whole process, has flourished here in Perth.

On this side of the continent, more than almost anywhere else in Australia, a strong sense exists of Asia's proximity and its relevance.

Western Australia has long provided the sinews of our great trading links with Japan and China. Over a quarter of our exports to Japan and more than 40 per cent of our exports to China come from this state.

And both Japan and China have major investments here, ranging from mining interests to food.

We should never lose sight of the importance of our traditional commodity exports, but it is also important to keep the economic relationship moving into new areas.

We need to continue the push into manufacturing exports, services, tourism and investments.

But for success to come in these areas we will need to depend much more on personal contacts, on the creation of denser networks of contact across all areas of our society - business, education, government, culture.

The role of groups like yours will be critical to this process.

Your 450 members and supporters have already formed contacts with a whole network of Chinese Chambers of Commerce and business groups throughout Asia.

You have taken business missions to Vietnam, Indonesia, Laos, Hong Kong and China and have hosted incoming groups from countries in the region.

And in the long tradition of Chinese philanthropy you have also been trying to put something back into Australian society with your Foundation to support exchanges of junior executives in the region.

In other words, your Chamber is an outstanding example of the advantage that cultural diversity gives Australia.

It used to be argued that the appropriate image for Australia's policies towards newly arrived migrants was that of the melting pot, simmering away the differences of our ethnic communities until they became part of one great Australian soup.

But if we need a culinary metaphor for Australia's approach to migrants in our society, a much better one is the Chinese wok, in which all the ingredients retain their own distinct identity but become part of a harmonious and balanced whole.

Contemporary Australia thrives on difference. It imposes few conformities beyond the one that says the first loyalty of all Australians is to Australia and to its fundamental democratic values including, especially, tolerance.

One of the most significant productivity reforms this country can make is to make full use of the knowledge and energy of all our ethnic communities.

To take an example relevant to all of you in this room, the East Asia Analytical Unit of the Department of Foreign Affairs and Trade - which the Government established to increase our store of expertise on Asia - will soon be publishing a comprehensive report on Chinese business networks in Asia. The report will provide a compendium of information for Australian business people to help them use these networks to do business in China.

The report points out that overseas Chinese are the largest source of investment in China. Around 98 per cent of all foreign investment in Guangdong province, for example, is from Chinese investors living overseas. Clearly, one of the best ways of getting into China is by having an overseas Chinese partner.

I know your members have been involved in the preparation of this report and will recognise the sense of its conclusions.

Groups like yours are critical to developing commercial relationships, and State Governments also play a complementary trade and cultural promotion

role. But in the end there are some things that only the Commonwealth Government can do - and that it must do well if Australia's national interests are to be properly protected.

It alone can establish the environment of trust with neighbouring governments within which business can flourish; it alone can create the structures which will support the development of a more prosperous, more secure region.

And that task has been central to the Government's foreign policy efforts over the past couple of years. It has been a period as busy and productive as any Australia has experienced.

I wanted to take the opportunity this evening to reflect on how far we have come over the past twelve months or so and to look ahead to the next stages. Because our agenda in Asia is far from finished.

With the end of the Cold War, the structure of the international system has changed as profoundly as at any time in modern history. Technological developments, particularly with information and communications, have magnified the force of that change.

And although the changes have been most immediately obvious in Europe, with the break-up of the Soviet Union and the Eastern bloc, developments in Asia are in some ways more remarkable. The economic growth of Asia is one of the dominant themes of the late 20th century.

In the twenty years from 1970, East Asia's share of world GDP rose from 12 per cent to 25 per cent. It is inevitable that over time this economic shift will bring with it strategic changes as well.

To take the most obvious examples: China's weight and influence in the world will inevitably increase; Japan will continue to seek a political influence more commensurate with its economic importance (one reason we support its permanent membership of the UN Security Council); the inevitable reunification of Korea will change the political dynamics of Northeast Asia; and Vietnam's membership of ASEAN will just as significantly affect relationships in Southeast Asia.

In these circumstances, it is vital that we have in place structures which give Australia and the region a sense of certainty, which keep countries talking about their common concerns, which provide a framework for the containment or management of tension.

That is why I have placed such importance on APEC, which encompasses all the most important regional economic and trade links.

And it is why I suggested in 1992 that we should give APEC a bit of horsepower by establishing meetings between the leaders of the APEC economies.

President Clinton took up this idea in Seattle in 1993 and then President Soeharto hosted a second meeting last November at which leaders of all eighteen APEC economies were present.

That meeting at Bogor, and the visionary Declaration of Common Resolve which it produced, has permanently changed the nature of our region. It has cemented APEC's status as the key regional body and has ensured that we maintain a trans-Pacific approach to the region. This avoids the danger of the world dividing into three contending blocs in Europe, Asia and the Americas.

The central element in the Bogor declaration is a firm commitment to free trade and investment in the region by 2010 for industrialised countries and 2020 for developing countries. This will create a dynamic and integrated market of 2 billion people.

The leaders' meeting also decided to expand the trade and investment facilitation program, on which a good deal of progress has already been made. This will become increasingly important as tariffs decline and services trade is liberalised.

Also at the regional level, we began last year the process of discussing possible links between the ASEAN Free Trade Area and the Australia- New Zealand Closer Economic Relations arrangement, following a suggestion from the Thai Deputy Prime Minister, Dr Supachai, which I discussed during my visit to Thailand in April.

In the security area, Australia has played an important role in the establishment of the ASEAN Regional Forum which held its first Ministerial meeting last year. The ARF engages the countries of the broader region for the first time ever in a dialogue about security issues.

And we made similar progress in our bilateral relations with regional countries over the past twelve months.

To take just a few examples.

With China, in addition to a steady stream of high-level Ministerial visits, we had a visit in November from Mr Qiao Shi, the Chairman of the National People's Congress and the third most senior member of the Communist Party. In June, the largest ever Chinese trade and investment delegation came to Australia.

Qiao Shi's remarks at the end of his visit that Australia-China relations have "extremely good potential" are ones I can only endorse. China is now our 6th largest trading partner and China has more foreign investment in Australia than in any other country.

Both Hong Kong and Taiwan, the other two Chinese economies represented in APEC, remain very important to Australia. Taiwan is our seventh largest trading partner and Hong Kong our tenth largest. The Government is committed to building our commercial relationship with both. The Australian Commerce and Industry Office in Taipei has been expanded and last year my colleague Michael Lee made an unofficial visit as Tourism Minister. Hong Kong will lose none of its importance to Australia after 1997.

I visited Tokyo for the second time as Prime Minister in September last year. Japan remains, of course, overwhelmingly Australia's largest economic partner. I was struck by the fundamental nature of the political and economic change Japan is undergoing. As this change progresses, Australia's broad policy dialogue and partnership with Japan will become even more important to both of us.

I have said before that there is no relationship more important to Australia than that with Indonesia.

I visited Indonesia twice in 1994 and the Australia-Indonesia Ministerial Forum, which President Soeharto and I established during my first visit to Jakarta, met for a second time.

Our purpose with the Forum has been to broaden the relationship into new areas of activity.

And it is quite clear that this is happening. In areas like energy, defence, education, health, trade unions, transport and communications, the environment, science and technology - even sport - we have never found so many areas for cooperation.

Our trade has trebled over the past six years to more than \$3 billion and we are one of the top ten investors in Indonesia. A number of West Australian companies - Clough Engineering, the John Holland Group, Heytesbury Holdings, Environmental Solutions International - are all major forces in the Indonesian market.

The very successful Australia Today Indonesia '94 promotion, at which 200 Australian companies and the West Australian Government were represented, was another step in broadening the relationship.

We were also very glad to receive Vice President Try Sutrisno in Australia last September, the most senior Indonesian to visit Australia since President Soeharto in 1975.

Our burgeoning relationship with the Republic of Korea reached a new high point with President Kim Young Sam's visit to Australia last November.

Korea has just passed the United States to become Australia's second-largest export market.

President Kim and I have been determined to find ways of consolidating and broadening this relationship.

Among the outcomes of his visit were an agreement to establish a joint fund to support technology projects in areas such as the information superhighway and clean energy.

We also agreed to upgrade science and technology cooperation and to hold a Ministerial-level symposium to look at long-term energy issues, one of the issues at the core of our relationship. We are also committed to building up people-to-people contact between Korea and Australia.

The relationship with Singapore also made rapid progress last year. Prime Minister Goh visited Australia in September and I was able to meet him again at the APEC summit in Jakarta.

We established during his visit here a high level Singapore-Australia Business Alliance Forum to assist business and investment in both countries and also in third markets.

And both governments have put money into a fund to support feasibility studies for joint participation by our companies in third markets.

Prime Minister Goh and I agreed to look at ways of further encouraging Singaporean investment in tourism - especially (and I was very pleased to support this) in providing opportunities for young Singaporeans to come to Australia. Already the number of nights spent by Singaporean visitors in Western Australia grew by 33 per cent in 1993-94.

Links between Australia and Malaysia are also growing. Our two-way trade increased by 26 percent in 1993-94 to reach almost \$3 billion. And our exports have been growing by an average of 17 per cent over each of the past five years.

One of the particular strengths of our relationship has always been in education. More than 100,000 Malaysians have been educated here - no doubt some of them are in this room tonight - and this provides a broad base of understanding and goodwill which is unique in our regional relationships.

Malaysian companies, including the Malaysian Mining Corporation, are active players in the Western Australian economy.

And local companies such as SBF Shipbuilders, John Holland and high-tech companies like Working Systems, are performing well in the Malaysian market.

I had a couple of useful meetings with Prime Minister Mahathir at the APEC meeting last November. Each of us saw considerable potential for further co-

operation between Australia and Malaysia, particularly in areas like the environment and in scientific and technological research. I would like to see some practical steps forward on this during the year.

Our relationships with Thailand, Laos and Vietnam also offer substantial opportunities to Australia. I visited all three countries in April 1994 and have since had further discussions with Prime Minister Chuan, when we met again at the APEC meeting in Jakarta. And I was glad to be able to talk to Vietnamese Foreign Minister Cam during his visit to Australia last week.

We have now opened a new Consulate in Ho Chi Minh City which will help expand the commercial and consular services we can offer Australians there.

So we have been making very good progress on all these fronts. But the task does not end. This year's agenda is equally heavy.

In the APEC forum, the challenge this year is to put real flesh on the commitments entered into at Bogor.

We have already set the end point for APEC trade and investment liberalisation - comprehensive free and open trade in goods, services and capital. So, unlike the lengthy trade negotiations in the Uruguay Round, we will not be haggling about the extent to which we will reduce barriers.

What we will be addressing at our Osaka meeting - and what we expect to come out of the meeting - is a comprehensive action agenda for getting to free trade and investment

This action agenda will set out the key principles to guide APEC trade liberalisation and put up some signposts along the way to 2010/2020

No one pretends this will be easy. But I am confident that the hard commitments we made in Bogor will be translated into action.

Japan, as this year's APEC chair, will have a key role in this task and officials have begun a whole series of preparatory meetings.

Australia is ready to assist Japan in whatever way we can over the next 12 months.

At Osaka, we want to be able to announce some commercially-relevant results on issues of concern to business such as standards harmonisation and conformance and customs simplification

Australia strongly wants APEC trade liberalisation to feed into and fuel further global trade liberalisation

So I hope APEC leaders will spell out at Osaka how they will accelerate the implementation of their Uruguay Round commitments so that by the time

World Trade Organisation ministers meet in Singapore, probably in late 1996, APEC will have established a very solid trade liberalisation agenda.

And I hope that the rest of the world will enthusiastically take up the challenge.

Next month, the first informal consultations between Australia and New Zealand and the ASEAN countries about possible links between CER and AFTA will be held in Jakarta. Our first step will be to explore with the ASEANs how we can promote investment links and closer business ties and develop practical trade facilitation measures.

I also want to explore in the year ahead ways in which Australia can consolidate our co-operation with our Southeast Asian neighbours in areas like science and technological co-operation, and medical education. A great deal is already happening in these areas, but I believe more can and should be done to strengthen these ties and to ensure that we are drawing on the mutual advantages we can offer each other. I will be working on some specific proposals.

Bilaterally, we have a heavy agenda of follow-up work with individual countries.

I will be meeting Prime Minister Goh Chok Tong again in Singapore on 5 March for a further round of discussions about regional developments and to monitor the progress we have been making with the bilateral relationship.

Our defence relations with Singapore, for example, are a first-rate example of strategic partnership with regional countries at work. On Friday, I will visit the Singapore Airforce Flying Training School at Pearce RAAF base, and we have other areas of possible defence co-operation with Singapore under discussion.

This year is the fiftieth anniversary of Indonesia's independence. Australia played a role in that process through the international support the Australian Labor Party Government gave to the independence struggle.

The Indonesian people have much to be proud of. Over the past quarter of a century, Indonesia's economic growth rate has averaged almost 7 per cent per annum, and the number of Indonesians living in poverty has decreased from over 60 per cent of the population to just 13 percent. This is expected to fall to 6 per cent by 1999. We will want to mark this important anniversary in an appropriate way.

China is likely to go through a leadership transition this year. When Deng Xiaoping dies, a degree of uncertainty will no doubt enter Chinese politics.

But Australia and Australian business need to be clear that we are engaged with China for the long haul.

Its importance will only grow. But doing business there will be an increasingly complex task. The reforms which Deng Xiaoping unleashed mean that the simple days in which businesspeople could deal with the central government have gone. More and more decisions have been devolved from the state to the private sector and from the centre to the regions.

That is why it is important to sustain the ties we have in China. More than 100 Chinese corporations and organisations have opened representative branch offices in Australia and the number is increasing rapidly. We need to encourage that and the reverse process of Australian investment in China.

I want to say something about India, too. There is probably a clearer sense here in Perth than anywhere else in the country of the potential for closer economic links with India.

The Government is enthusiastic about building this relationship. India's economy is growing around 6 per cent annually and our own exports have grown by about \$300 million in the past five years.

I was planning to visit India myself next month, but domestic developments in India have unfortunately forced the visit's postponement.

Even so, Senator McMullan has been in India this week, leading a 90-strong trade mission with a very strong West Australian component, and Senator Evans is also planning to visit later this year. So we will be keeping up the momentum.

For this reason, I am pleased to announce that we will be holding a major promotion in India in the second half of 1996.

We will be putting our finest arts, scientific, technological and educational achievements on show in order to build Australia's profile in India and promote our trade and investment links. India's selection as the venue for this promotion underlines the importance Australia attaches to the bilateral relationship.

More broadly, there is growing interest in exploring possible areas of co-operation around the whole Indian Ocean rim and the Government will be holding an important conference here in Perth in June to look further at these options.

Ladies and gentlemen,

Foreign policy can no longer be isolated from other aspects of public policy. Australia's success internationally depends not just on skilful diplomacy but on our having in place the right economic policies to make our country strong and competitive, and the right social policies to ensure that we make the best

use of all our people and that our children are educated with the knowledge and skills they need.

On all these fronts we are making significant progress.

Economically, we are the fastest growing of all major industrialised economies and forecast to remain so throughout this year. Business investment is expected to grow by 24 per cent in 1994-95 - and the profit share has seldom been higher.

And despite this growth, underlying inflation has remained steady at around 2 per cent.

Employment is expected to grow by 3 3/4 per cent in 1994-95 - an increase of 300,000 jobs through the year.

This is an enormously strong foundation on which to build sustainable growth and it makes us an increasingly attractive partner in growth for the countries around us.

We need also to ensure that we are making the very best use of our people.

I have already spoken about the need to unleash the economic capacities of our ethnic communities. We will be discussing this whole issue more broadly in April when, as part of our contribution to the 50th anniversary celebrations of the United Nations, we will be hosting in Sydney a major international conference on Global Cultural Diversity.

We have also put in place major reforms to Australia's training system to ensure that our work force is prepared for the new, more intensively knowledge-based, world we are moving into.

That is why the Commonwealth Government is spending \$68 million under the National Languages Strategy to improve the teaching of Asian languages in Australian schools, focussing in particular on Chinese, Indonesian, Japanese and Korean.

The demand is already there. Between 1987 and 1991 enrolments in Australian languages increased by 86 per cent. In 1969, 429 primary and secondary students were studying Chinese; the figure today is more than 25,000.

All this is very good news for our children's future in Asia.

Finally, another dimension of our domestic policy which will shape our international standing relates to our constitutional arrangements and national symbols.

In my view, it is important that Australians are able to represent ourselves overseas in ways that are appropriate to the twenty first century. I have no doubt that this means moving to have an Australian as our head of state.

In its report released just last month, Western Australia's own Constitutional Committee considered the changes needed to provide for this. It should be no surprise that the committee confirmed that there need be no concern that any changes would affect Western Australia's position in the federation.

I take issue with those who say that this question does not matter in our dealings with Asia.

Of course our current constitutional arrangements do not prevent our business people from making deals or the Government from developing cordial and productive relations with our neighbours. And the reason we need to make these changes is because they are important to our sense of ourselves as a people, not because of the sense others have of us.

But it is totally wrong to imagine that the fact that we share with a number of other countries a Head of State who resides in Europe does not have an impact on the attitude which our Asian neighbours have about the fundamental direction of this country.

The Singapore Straits Times, for example, wrote recently that one of the things Australia had done right in its drive towards becoming an integral part of the region was 'preparing the people for a constitutional break with the British sovereign to become a republic' President Kim Young Sam of Korea made the same point in an interview after his return from Australia.

We have, of course, many foreign policy interests outside Asia, many relationships of substance and importance. In a globalised world, that it is as it must be. I am looking forward, for example, to visiting Germany and the Netherlands early next month.

But, as I have said before, the simple truth for Australia is that unless we succeed in Asia, we succeed nowhere.

The challenges we face are great. But it is as exciting an enterprise as anything Australia has ever been involved with. And on its outcome depends nothing less than the future of this country as we enter the twenty first century.

Australia's Asian community will be a key to that process. But I want to emphasise that I do not see this as the only role of that community, or the sole preserve of that community.

What is needed, above all, is for Australians of Asian background to take their full place in all aspects of our national life - in politics, in the arts, in

entertainment and communications, in business and the professions. This process is already well underway, but it has further to go.

Only when it is complete will we be able to say that the contribution of the Chinese and other Asian communities to Australian life matches its enormous potential.

ends