



PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER, THE HON P.J. KEATING, MP
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I am grateful to CEDA, to the Macquarie Bank and to the other sponsors of this conference for the effort that has been put into arranging it and for this invitation to speak to you.

It is proof of APEC's progress that four or five years ago conferences on the subject were held at universities and attracted largely an audience of academics and officials.

Now APEC requires practical attention from business people - the sort of attention you have been giving today.

I can't stress too strongly my conviction that a fundamental measure of APEC's success from Australia's viewpoint will be whether it serves the needs of Australian business.

Whether it helps you to export your products or services more quickly and efficiently into currently restricted markets around us.

Whether it maximizes your opportunities to develop cooperative arrangements with your counterparts in other APEC countries.

Whether it helps create new Australian jobs and develop Australian skills.

I am sometimes accused of being preoccupied with APEC. I am happy to wear the charge. But it is not, in fact, true.

I have certainly put a great deal of effort into APEC. And I am convinced it offers Australia enormous opportunities.

But I am concerned - and I think we should all be concerned - with something broader than APEC: by our need to establish in the Asia Pacific structures for the long term which will cement our integration into the region.

It is no good expecting that our geography alone will deliver the economic benefits of being part of the fastest growing region in the world.

And it is no good just declaring that Australia's future lies in Asia and expecting that to be the end of the matter.

It is not the end of the matter for governments and it is not the end of the matter for business.

Beyond recognition of the fact of our proximity and the fact of the opportunity, there is a great deal of thinking and a great deal of work that needs to be done. That is what the act of our engagement demands.

We need sustaining ideas about how to support our involvement and how to secure the future.

And, above all, we have to be comfortable with Australia's place in Asia.

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

The structures this Government has been helping to put in place go beyond APEC. They include the ASEAN Regional Forum, which deals with security issues, and the new linkages we are establishing between the ASEAN Free Trade Area and the Australia/New Zealand CER arrangement.

We have just held the first, successful, AFTA-CER Trade Ministers meeting.

The structures also include the range of bilateral arrangements we have made with our regional neighbours, such as the Australia-Indonesia Ministerial Forum, which help to open up new areas of cooperation quite outside traditional diplomatic contacts.

We have been helped greatly in our efforts to build these structures by a little-remarked but quite historic shift which has taken place in the past year or so in regional attitudes towards Australia.

I am convinced that, in a way which has never been true in the past, our friends and neighbours have recognised that Australia - the continent and its resources, the people and their skills and knowledge, the secure democracy and the strong diverse society - represents a substantial asset for the region as a whole. A substantial asset and a valuable partner.

Evidence of this change was seen, in the unprecedented joint statement about the Australia-Japan relationship which Prime Minister Murayama and I issued in May. In that document the government of Japan said it "welcomes Australia's decision to create its future in the region and reaffirms that Australia is an indispensable partner in regional affairs".

It was seen in the comment by President Ramos of the Philippines during his visit last month that "For clear and practical reasons, the countries of our region see Australia as an integral and vigorous part of the region"

It was seen the comments of the Indonesian Minister for Research and Technology, Dr Habibie, when during his visit in May, he described Australia as an asset in the region.

It was seen in Singapore's decision to establish its airforce flying school in Western Australia, and in the original proposal by the former deputy Prime Minister of Thailand, Dr Supachai, for the establishment of links between AFTA and CER.

One of the reasons behind this change is, I am sure, the conviction in the region that this Government has committed itself to the cause of engagement with Asia in a way which Australian Governments have never done before.

This has not always been easy.

- To succeed, you cannot regard this country's international relations as peripheral to our main interests or as a remote sub-branch of domestic politics.

You can't, for example, refuse, as the opposition did, to meet the Vietnamese Communist Party leader, Mr Do Muoi, in the very week Vietnam became a member of ASEAN, because you think there might be a handful of votes to be picked up in western Sydney, and expect that there will be no consequences.

Our effort has to be consistent and unrelenting.

In my three years as Prime Minister, for example, I have visited Indonesia five times and Japan three times, with a further visit planned for November.

Important national Australian interests are engaged here.

One of those important interests is APEC, and that is what has brought all of us here.

There is no doubt that APEC offers Australia enormous opportunities. Its 18 members represent the world's fastest growing economies and account for half the world's output, and nearly half its exports.

In area after area the opportunities are vast. For example, expenditure in regional markets on telecommunications services and equipment has been estimated at nearly \$300 billion by 2010. And the World Bank predicts investment in energy systems of around \$500 billion before 2000.

I was in Orange last week talking about the opportunities for Australia to develop a vastly expanded food industry, capable of becoming a pre-eminent supplier of fresh and processed food to Asia. Conservative estimates put the Asian food market at nearly \$1000 billion by 2000.

Already nearly three quarters of all Australia exports goes to other APEC members.

And by as soon as next year - when our exports to Indonesia and Malaysia will each exceed our exports to the United Kingdom - all our top 10 export markets will be APEC members.

So it is no wonder that getting APEC right - lowering the barriers and keeping the trade and investment flowing - is one of the Government's highest priorities.

Just on a year ago all APEC leaders met at Bogor under President Soeharto's chairmanship and agreed to the audacious goal of free and open trade in the region by 2010 for developed countries and 2020 for developing countries.

It is important to remember just how ambitious the Bogor Declaration was. APEC, after all, covers more trade than either the European Union or the North American Free Trade Area.

And the Bogor commitment - to eliminate all barriers to free trade and investment - was never attempted in the 40-odd year history of the GATT.

But what brought about the agreement to the Bogor declaration was the recognition by all the APEC leaders that if we are to maintain the great, transforming, growth in the Asia Pacific - which history will judge to be one of the defining developments of the late twentieth century - it is essential to maintain the dynamism of regional trade and keep dismantling the barriers.

We estimate that APEC-wide free trade will bring gains to Asia-Pacific economies of around three times the benefits of the Uruguay Round outcome alone - an amount of more than \$300 billion a year.

But a view of APEC which only pays attention to its economic dimension is incomplete. Because although it is an economic and trade body - and in my view should remain one - it also has very significant political and strategic consequences for Australia and our region.

It encourages a continued constructive American engagement in Asia by keeping open the links across the Pacific. This is important to all of us because in the absence of a United States balancing security role in the region, strategic uncertainties would multiply, especially in North Asia, and the result could be a very dangerous arms race with quite unforeseeable consequences.

APEC also provides a multilateral framework for regional engagement with China, whose 1.2 billion people and rapidly growing economy guarantee that it will be a central factor in regional, indeed in world, affairs into the next century.

A regional organisation like APEC which engages the three Chinese economies of China, Chinese Taipei and Hong Kong could probably not be replicated again. It is certain to be a valuable asset for the region in the years ahead.

APEC also gives Japan the opportunity to assume some of the higher international and regional profile to which Australia believes its economic weight entitles it.

Every step we have taken with APEC has been a step into unmarked territory. The sort of thing we are trying to do has never been done before.

Quite simply, in APEC we are creating a new style of trade negotiation, but one which fits the features of our region.

APEC's approach to trade and investment liberalisation will not follow the model of traditional GATT rounds of trade bargaining. APEC is not about creating an old fashioned trade arrangement confined to eliminating barriers to trade at borders. Nor is it about establishing a Europe-style highly institutionalised political and monetary union.

APEC's approach has already been unique in several ways.

Firstly, APEC has already set the end goal it wishes to reach - free trade and investment in the region by 2010 for developed economies and 2020 for developing economies.

Secondly, in APEC, developing countries are for the first time, not just participating in but **leading** a major trade liberalisation process.

Without President Soeharto's strong leadership, for example, the Bogor declaration would never have been agreed.

In my discussions with him in Bali a week ago, I was again reassured by the strength of President Soeharto's commitment to the decisions made at Bogor. He remains firmly convinced of the benefits which APEC can offer to the developing country members of APEC.

Thirdly, APEC has had Asian countries at the helm during its critical early stages. Indonesia was in the chair last year, Japan is now and the Philippines will be in 1996.

Asian countries have not yet taken a place in international affairs commensurate with their economic power. In APEC, for the first time, we have an international forum - and an international agenda - that is very much shaped by Asia.

Fourthly, because APEC will build closely on the liberalisation programs on which most countries in the region are already well embarked, it will be more comfortable and familiar - and more easily accepted as a 'win-win' outcome - than the traditional adversarial approach of the GATT.

Next, progress in APEC is being driven very much by leaders.

The establishment of informal leaders meetings, which I first suggested in 1992, has been critical in setting the agenda and keeping it moving. It was national leaders who outlined the vision for APEC at Seattle, who set clear goals at Bogor and who at Osaka in November will set out the blueprint for getting us there.

There is nothing like an imminent summit of political leaders to galvanise officials into action, and no-one other than leaders has the authority to take the hard decisions when these are needed.

The Eminent Persons Group, and the way in which it has reported directly to leaders on long term directions for APEC, has been important in preserving the breadth of the APEC vision. Neville Wran has been Australia's representative on the EPG for the past three years. I can see a continuing role for an advisory body for leaders of this sort outside the official APEC structure to keep us focussed on APEC's goals.

Finally, APEC has taken a new approach in the way it has actively and directly involved business. Business views are sought, taken into account and affect the outcome of policy decisions in APEC.

The Pacific Business Forum (PBF), of course, has been advising leaders directly. At my request, Imelda Roche and Philip Brass have ably and effectively represented Australia on the Business Forum. Its most recent report, released last week, will be considered by leaders at Osaka.

Business symposiums are now also regular events around APEC ministerial meetings.

The APEC meeting on small and medium enterprises in Adelaide this month had an associated business forum attended by around 800 APEC business people and business exhibitions drawn from all 18 APEC economies.

The feedback we have received from Australian business participants has been overwhelmingly favourable. One of them wrote to the Secretary of our Department of Industry, Science and Technology that "... we covered more ground in two pleasant days in Adelaide than we would probably have covered in a month had we simply gone directly [to the region]".

Similar experiences were reported from APEC telecommunications and transport ministers' meetings earlier this year.

And Indonesia also hosted last week a major APEC government-business dialogue on regional infrastructure issues.

But whatever APEC's potential, and however interesting and unusual it may be as a model, what really matters is whether it can continue to deliver the goods.

We are now just two months away from the Osaka leaders' meeting, which will be another critical moment in APEC's development.

APEC seems to be full of critical moments. But the reality is that unless it demonstrates continual progress it runs the risk of marking time while the march of history leaves it behind.

That would diminish an opportunity of unprecedented dimensions to the 21st century.

While the task of leaders at Bogor last year was to identify the final destination for APEC trade cooperation, our job at Osaka will be to agree on a road map to reach it.

Australia will be looking for commitments from members to table before the next leaders' meeting at Subic Bay individual country plans showing how and when they will meet the Bogor free trade commitments, and to a parallel program of collective liberalisation in those areas (like mutual recognition of standards and the harmonisation of regulations) where APEC-wide agreement is the best way forward.

These action plans will be developed individually, but they will have to meet agreed guidelines.

And the guiding principles must be sound:

- liberalisation must be comprehensive, with sensitive sectors being handled by phasing in over a longer period not by excluding them altogether
- all countries must begin liberalising at the same time, even if some move more slowly (as will happen with

the different end dates for developed and developing countries)

- and plans must balance members' interests to ensure that they all benefit from the liberalisation program.

Plans do not need to be the same for each member. They only need to have each member proceeding at an adequate and balanced pace down the road to 2010 or 2020.

The plans will be evolving documents over the 15-25 year period provided for in Bogor and will be subject to a regular process of peer review. For this reason, we will probably see in Subic Bay more detailed plans for liberalisation in the early years, with greater definition of the later years as plans evolve. What will not change, however, is the end goal already set by leaders.

For trade facilitation issues, where the most sensible way to make progress is through collective action, I hope at Osaka we will set some clear targets and dates. For example, adoption by 1996 of a common basis for tariff classification, agreement to common APEC-wide standards for electronic import clearance by 2000, or simplification and streamlining of business visas by 1996.

- Final agreement to a full program of collective action may not be possible at Osaka and further work may be needed. But Osaka should make a good start.

The benefits of collective action in these areas should not be underestimated. The regional coordination of electricity generating equipment specifications alone could achieve savings in excess of \$10 billion.

As agreed at Bogor, leaders at Osaka should also announce a package of measures to accelerate our Uruguay Round commitments. This 'downpayment' on APEC liberalisation will demonstrate our commitment to APEC and also represent tangible support for the multilateral trading system.

So by this mixture of individual action plans, collective action and concrete downpayments we want Osaka to chart APEC's progress over coming years.

In this process Australia will need to be able to check that others are matching our liberalisation and that there is balance across the board.

The Government will have to work out precisely what progress is required by our key trading partners before we can determine how and when we will open our market further.

We also need to know what a commercially relevant program of collective action might look like.

The survey work CEDA has done for this conference, identifying and prioritising business views on impediments to trade and investment in the region, provides essential information for this.

That work is also a powerful reminder of why APEC is important to Australian business.

We have already opened up our economy, and we have reaped the economic benefits. This is a much more competitive and world-oriented economy than it was a decade ago.

But, as your survey has shown, we still face serious barriers to some of the markets around us.

We don't have the size and clout to force those barriers down unilaterally.

And there are few signs that the international community is ready for another global round of negotiations through the WTO.

So APEC is the best means we have of addressing the problems of access which Australian businesses face.

It is vital that as APEC develops, and as our national contribution to APEC evolves, the voice of Australian business is heard clearly. For this reason the Government needs to establish a clear consultative channel of communication with business.

The latest Pacific Business Forum report proposes the establishment of a permanent APEC Business Council, comprising representatives from each APEC economy, to directly advise leaders and deal with APEC working groups on business issues. I strongly support this.

But I also think we need to establish a national mechanism to coordinate Australian business views on APEC and provide input to me and the Government on the business community's interests in APEC.

I have asked Imelda Roche and Philip Brass, as my PBF representatives, to liaise with business people and business groups over the next few weeks and to advise me before Osaka how such a representative national APEC business body can be best set up.

You will no doubt be reading a good deal about APEC in the weeks ahead, much of it confusing and some of it contradictory.

I am now very familiar with the pattern of public commentary on APEC. It goes this way.

First, we are told that our goals are too ambitious and that we are over-reaching ourselves. That was said about the original proposal for APEC, about the likelihood of getting the 'three Chinas' in, about the prospects for ever getting all the APEC leaders to meet, and about our chance of having the Bogor declaration agreed.

The next stage goes "Well, of course you have done that, but the process has obviously failed because all barriers to trade have not yet been removed."

In fact, of course, none of what we are doing is easy. And the closer we come to implementing our action plans, the more energetically special interests will fight. I said we will need to do a lot of thinking and a lot of work - we will also need a lot of determination and a lot of patience.

But bear in mind that APEC has come a long way in six years - from a tentative first meeting of ministers in Canberra in 1989 to the agreement by the leaders of half the globe at Bogor last year to adopt the goal of regional free trade and investment.

To put APEC's progress in context, although talk of a common European market started soon after World War II, the Treaty of Rome was not signed until the mid fifties and it took until the single market exercise of the eighties before European countries started addressing fully all the trade impediments among them.

And more recently, with the Uruguay Round, the total period from the first negotiations to the final implementation of all agreements will be about 23 years.

Will we succeed at Osaka in sustaining APEC's forward momentum?

It is always hard to say, because leaders meet without officials present and the dynamics are fluid and unpredictable.

The main outstanding issue at the moment looks like being the matter of "comprehensiveness" - that is whether APEC liberalisation will cover all sectors of our economies and all trade barriers or not.

As you will have seen from newspaper reports, we are encountering nervousness on the part of a few of the APEC economies - surprisingly few I might say - about the coverage of agriculture.

Australia's position is clear. The Bogor declaration is unambiguous on the question of comprehensive coverage. It refers to the goal of "free and open trade and investment"; to promoting the "free movement of goods services and capital"; and to ministers and officials addressing "all impediments to achieving our goal".

It does not say "free trade except for agriculture".

We all have sensitive sectors - for Australia, these might include automobiles and TCF. The effect of any APEC member excluding one sector from coverage of the free trade commitment would be that others would also look for exceptions. This would paralyse APEC.

And agriculture is a vital issue for Australia. We worked for forty three years to have it addressed in any serious way in the GATT and some of the language now being used to justify "differential treatment" is all too familiar to us.

The fact of the matter is that the 15 - 25 year time period leaders set in Bogor for the achievement of the free and open trade and investment goal provides ample scope for member economies to undertake any necessary adjustments.

I think, in the end, we will resolve this question successfully because the overwhelming majority of APEC members strongly support Bogor's unequivocal intentions on this point.

In this regard, the Osaka meeting in November will be a real test of Japan's capacity to look beyond sectoral preoccupations and to give a lead to the countries of this region.

- It has never had a better opportunity than it will have in Osaka, in this 50th year since the end of the Second World War, to show that it has the capacity to provide genuine leadership and to help shape the region's future in ways which will benefit its own people as well as the other economies of the region.

I am sure it will take the right decisions, and I have told Prime Minister Murayama, MITI Minister Hashimoto and Foreign Minister Kono recently that Australia is willing to help Japan work for a successful outcome.

A long road lies ahead of us with APEC.

But the benefits for the Australian economy, for Australian businesses and for Australians now and in the future make it a road we must travel.