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PRIME MINISTER

**SPEECH BY THE PRIME MINISTER, THE HON P J KEATING MP
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Thank you for your kind introduction and thank you for inviting me to address this forum.

It is a great pleasure to be here. That is partly because it is always a pleasure to be in a position to tell a story of success, and speak with confidence about the future. It is also a pleasure because I know I am among people who, by their actions, are writing the story and shaping the future.

I want to begin by acknowledging your effort and your faith in the future of our two countries.

Your presence here is a reminder of the strength of the commercial relationship between Australia and Malaysia. It should also remind us of the wider picture.

Australia and Malaysia are both part of the fastest growing region in the world. That is our great good fortune.

We are also living in probably the most competitive business environment in the world. That is our great challenge.

Yet it is precisely that openness to competition which is so much a key to the dynamic growth we are seeing in the region.

Malaysia, of course, has risen to this competitive challenge with extraordinary verve and success. The Malaysian Government has committed itself to deregulation and export-orientation as the keys to long-term growth, and has shifted the base of the economy from resources to manufacturing. The results of these reforms have been remarkable.

The economy has grown at better than 8 per cent per annum over the past seven years. Manufactured items now represent over 60 per cent of exports. Exports of goods and services are now equivalent to around 90 per cent of GDP. And Malaysia is now one of the world's top twenty trading nations.

Australia has faced a similar challenge and has undertaken a process of economic transformation along broadly similar lines.

The inefficient, inward-looking, highly protected economy which lingered into the last decade is now a closed chapter in our history. We used to rely on our commodities to support an uninspired industrial structure sheltered behind a wall of protective barriers. We tried to shut ourselves in and the world out.

But we changed. Radically and fundamentally. Over the last decade we have laid the foundations of a diverse, dynamic and internationally competitive economy.

We put in place a program of unilateral tariff reductions which will bring Australian tariffs on manufacturing down to an average of about 3 per cent by the year 2000.

We let the market set the most important price in the economy - the exchange rate.

And we deregulated our financial market.

We opened the economy to the world.

The results speak for themselves.

Our economy is much more sophisticated and diverse. Our reliance on exports from our traditional mining and pastoral industries has been balanced by dramatic growth in manufacturing exports and services: manufacturing and services share of total exports has risen from less than a third of the total to almost a half.

Manufacturing exports have grown at a trend rate of 15 per cent per annum - at almost two-thirds of these are Elaborately Transformed Manufactures. Exports of ETMs have grown by over 17 per cent per annum over the past decade and now account for almost one quarter of our total merchandise exports. In 1983, only 3 out of the top 50 Australian export commodities were ETMs; in 1994 17 were.

If current growth continues services and manufactures will, by the year 2000, constitute almost half our total exports to Asia.

We exposed Australia to the global competition and Australia has responded. We are 40 per cent more competitive than we were a decade ago - and this is reflected in a rise in our trade to GDP ratio from 14 to over 21 per cent. Our exports have risen by one third in the last five years.

Labour market and microeconomic reform is building a more competitive domestic environment and bringing Australian industries up to world best practice.

The Australian economy is now on a path of robust and sustainable growth. The economy grew by a strong 4.8 per cent in 1994-95, and is expected to grow at 3 and a quarter per cent in 1995-96.

This process of internationalising our economy is very much integrated with our foreign policy focus on engaging the Asia-Pacific as the region where our future lies.

Forty per cent of our imports now come from Asia and we direct 60 per cent of our exports there. Our merchandise exports to East Asia grew by more than seven per cent last year and are now worth \$41 billion. More than one million Australian jobs have been created by these exports.

By the end of this year all of our top ten export markets should be in the Asia-Pacific region.

And, if Asia is increasingly important to Australia, Australia is increasingly important to Asia. We provide almost half of East Asia's coal, iron ore and beef, and well over half its wool and aluminum ore. And our exports of manufactured goods, including ETMs, and services are growing as a proportion of our exports to Asia. We are also a growing market for Asia: our imports from Asia nearly tripled in the decade to 1994.

Our support for APEC flows naturally from this process of rapid integration of the Australian economy with the Asia-Pacific region.

But APEC isn't just a perfect fit for Australia. All APEC members will benefit from APEC's liberalisation and facilitation agenda. Australian modelling shows that the income of APEC members will, once all the effects have flowed through, increase by 3.8 per cent or around \$US1 trillion - more than the current size of the Australian and Korean economies combined.

As I am sure you are all aware, Australia has been avid in the pursuit of APEC and delighted by its extraordinarily rapid development.

And APEC is delivering real benefits for business around the region.

Differing standards discourage trade and can add up to 10 per cent to exporters' costs when they enter a market for the first time. APEC members have agreed on greater harmonisation of members' standards with international standards and mutual recognition of testing and certification. Even a modest liberalisation of trade restricting standards in the region is estimated to increase regional trade by 20 per cent.

At Osaka we also agreed on an ambitious program, to be implemented by 2000, to harmonise and simplify customs procedures on an APEC-wide basis. And within the next 10 years the requirement for paper-work for key trade and transport documentation is to be eliminated entirely.

These are just some of the steps APEC is taking to address the challenges Australia, Malaysia and other members of the region need to meet to ensure growth continues in the Asia Pacific.

In many ways the trade and investment relationship between Australia and Malaysia is a model of the sort of spectacular economic integration we are witnessing across the region.

The commercial ties between Australia and Malaysia are both diverse and substantial. Merchandise trade was \$3.5 billion in 1994-95. Services trade is over \$1 billion. And we each have several billion dollars invested in the other's country.

These links are growing.

Merchandise trade jumped by 22 per cent in the last year, and the rate of increase has been around that figure for the past three years.

Services trade is growing at 17 per cent.

Malaysian investment in Australia is growing strongly and showing welcome signs of diversification.

The strength of our economic relationship is, of course, underpinned by the performance of the Australian and Malaysian economies.

Apart from its size and diversity, our commercial relationship is marked by the similar weight it has for both countries.

Malaysia is Australia's eleventh largest trading partner as Australia is Malaysia's eleventh.

This year Malaysia should overtake Britain to rank as one of our ten largest export markets. And Australia is Malaysia's twelfth largest export market.

Our investment is also very much a two-way flow.

The growth of our economic relationship reflects the profound changes which have taken place in both countries over the past decade.

The fact that ETMs now make up over a quarter of our exports to Malaysia - up from just 13 per cent ten years ago - reflects Australia's increasing competitiveness in manufacturing. These days we are exporting components for the Proton car, rail carriages for new urban transport systems, electricity transformers, harbour cranes, computer software for Bank Negara and medical equipment such as the bionic ear - and these are only a few examples.

At the same time the pattern of Malaysia's exports to Australia reflects Malaysia's rapid ascent of the technology ladder - for example, these days Malaysia sells computers to Australia, \$80 million worth last year and this from a minimal base just five years ago.

From this base of diversity, growth, mutuality and adaptability, the commercial relationship will go from strength to strength.

But in this competitive international environment, we must work hard on our relationship to identify new opportunities for cooperation and capitalise on emerging complementarities between our economies. I am sure you will know better than me which areas are the most promising. Nevertheless let me make a few broad suggestions.

We expect tourism to become an increasingly important part of our services trade. About 100,000 short-term Malaysian visitors came to Australia last year. By the year 2000, we expect the figure to reach 250,000. About 100,000 Australians visit Malaysia as tourists each year and there is every reason to believe that the number might increase just as dramatically.

There are more than economic benefits in this exchange: tourism maintains our invaluable tradition of close people-to-people contacts, it keeps our mutual understanding contemporary and fresh, it spreads awareness and cultural understanding at the same time as it fertilises the ground for other commerce.

The recent agreement to expand air services between Australia and Malaysia will help expand the tourism trade, and our commercial relationship overall. Capacity for each side will increase by 90 per cent by April 1998. This will allow MAS more direct flights to Brisbane, Adelaide, Cairns, Darwin and Perth, and a dedicated freight service. We are pleased that MAS has immediately announced increased flights to Perth and Brisbane.

Malaysia's hosting of the 1998 Commonwealth Games and Australia's hosting of the 2000 Olympics will provide a particular focus for the bilateral tourist relationship. And both countries can expect to benefit from the increased flow of visitors to the region. For example, the Commonwealth Games offers Malaysia an opportunity to promote itself as a stop-over for visitors to the 2000 Olympics.

Each country needs to be alert to the media opportunities for promoting our countries that both events present. And we should be thinking now about attracting future uses of the world class sports facilities we are developing in Malaysia and Australia.

Education - a mainstay of the services trade between our countries, and the principal source of the people-to-people links between us - also has great promise. Australia has provided education to over 120,000 Malaysians: now in an era when the development of our human resources is more critical than it has ever been before, we are developing with Malaysia more flexible and sophisticated arrangements.

In future Malaysian students will increasingly be able to share their tertiary degrees between the two countries. We are also enthusiastic about the opportunities presented by Malaysia's decision to allow foreign campuses to open here. And we are confident that we can provide the high-quality, tailored tertiary courses which Malaysia wants under this scheme.

Skills training is another area where we can see new synergies in education cooperation. Australia has recognised the importance of skills-based training, and has made historic improvements to its training system particularly through the establishment of a National Training Authority. As Malaysia's demand for a highly skilled labour force grows in tandem with the sophistication of the economy, Australia can share its experience in providing quality and cost-effective assistance in human resource development.

As Malaysia expands its private hospital facilities and upgrades the quality of health care, Australia can offer the benefits of experience in health service planning, design and construction of hospitals, hospital management, clinical services and pharmaceuticals.

I know the process has begun, with Malaysia making use of Australian services to plan, build and run medical facilities; and planners like Health Solutions, architects like Thomson Adsett and Woods Bagot, and IT companies like Working Systems all finding opportunities to deploy their expertise.

Australia has an IT and telecommunications industry worth \$40 billion and it is growing rapidly. On a per capita basis only the United States has more computers and processing power. We are decidedly competitive in IT&T and this has been recognised, I am pleased to say, by Malaysian companies like MMC and Mesiniaga [MESSING-NIAGA].

Commercial cooperation in these high-technology industries has the added advantage of providing a skills and technology transfer for Malaysia. For example, an Australian company, Techcom, has supplied 30 staff to one of Malaysia's new telecommunication carriers to help them develop marketing and customer service functions.

Proof of the complementarity between advanced Australian technology and the development of Malaysia's infrastructural base can also be found in the STAR light rail transit system. This high-profile project is designed to meet the challenge of commuter management in the booming environment of modern Kuala Lumpur.

An Australian company, Evans Deakin Industries Limited, has won the contract for the design and manufacture of the 90 carriages which will run on STAR System 1; and another company with a substantial Australian connection, John Holland Asia, is building the tracks for the project.

As Malaysia continues to privatise and build up its infrastructure - including the new international airport and the facilities for the 1998 Commonwealth Games - great opportunities will present themselves to Australian firms.

And I am sure Australian firms will grasp them. There is a very long list of recent success stories.

There is a very long list of recent success stories, including major investments by BHP, CSR, and Boral in the building materials sector, a major joint venture by Wilson Transformers for the manufacture of transformers in the State of Negri Sembilan, investment by Davids Holdings in substantial warehousing facilities in Shah Alam, contracts won by Transfield in Sarawak for electricity transmission lines and for a harbour project, commitments by Village Roadshow to the development of cinema complexes, a major contract won by the Australian operation of the ABB Engineering and Construction group, for the rail electrification project, a major water management project won by John Holland in East Malaysia and a significant investment by Westfield in the retail shopping complex in the Kuala Lumpur City Centre project, the twin towers of which loom over us today.

Just as satisfying is the evidence that the institutional base of the commercial relationship is keeping pace with the development of the business links. The Malaysia-Australia Business Council and the Australia-Malaysia Business Council are both playing important creative and supporting roles and I want to formally acknowledge their contribution.

Today I am pleased to be able to announce that the Australian and Malaysian governments have decided to take another step to ensure that these opportunities do not pass us by. Our joint trade commission will be made a ministerial level trade commission, which will mean that ministers are directly engaged with the private sectors of both countries in identifying and pursuing opportunities for further cooperation. It is planned that the first meeting of this group will take place when Minister Rafidah leads an investment mission to Australia in May this year.

When profound change is occurring - when we talk about the achievement of APEC and the potential of it, or the relationship between Australia and Malaysia and the future of it - unless you are actually involved, consciousness tends to lag behind reality.

You are here in pursuit of the commercial opportunities. Yet there is a sense in which you are doing more than that. You are pushing into a new age - call it the Asian century, or the Pacific century, or simply the 21st century - whatever you call it, it is without precedent or parallel.

And so unmistakeable are the signs of success, scepticism barely has a chance. There is no time for cynicism or indifference to set in. The tide has turned - quickly and irreversibly, the world is understanding the magnitude and meaning of what is happening in countries like Malaysia. Very rapidly it is leaving the realm of the remote and the abstract: it is not mere words, but fact - manifest fact.

And for making it fact you and people like you must take a lot of the credit.

Australians and Malaysians alike, I thank you for coming today, and I wish you every success.

And let me also thank those in the Asian Strategy and Leadership Institute and the Malaysia-Australia Business Council for organising this business forum. It is yet again an example of the initiative displayed by the business communities involved in the relationship between Australia and Malaysia.