



17

PRIME MINISTER

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**TRANSCRIPT OF THE HON JOHN HOWARD MP
PRIME MINISTER
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State Councillor Song, Ministers, Vice Ministers, other distinguished guests, ladies and gentlemen.

I really do welcome this opportunity today before an audience which brings together, may I say, a particularly large number of senior members of the Chinese Government, and in acknowledging that can I thank those people for the complement that they gave to the relationship between Australia and China. Their presence together with the presence of such a distinguished and strong delegation of men and women in business in Australia is an ample demonstration that on both sides there is a determination to build further the close relationship between Australia and China.

I congratulate the China-Australia Chamber of Commerce on the first anniversary of its registration and the successful amalgamation of the three Australian business groups in China.

Let me say at the outset of this speech that I attach very great importance to my visit to China. My government is very firmly committed to a strong and mutually productive relationship with China.

We seek a relationship which is both strong and diverse and we seek a relationship which is based on mutual benefit and mutual respect.

This commitment, may I say, is a politically bipartisan one in Australia. It has been an important element of continuity - a constant - if I can put it that way - in Australia's foreign policy. This year we mark the twenty-fifth anniversary of the establishment of diplomatic relations with the modern China. A Labor government under Gough Whitlam was in office at the time. A Coalition government under Malcolm Fraser subsequently very actively developed the relationship between Australia and China. Malcolm Fraser's work was continued by his Labor Party successors.

This visit to China is part of a pattern of visits I have undertaken since becoming Prime Minister that takes me to Australia's principle partners and friends in the region. I have already been to Indonesia and Japan and I am particularly happy within a year or so of taking office to be here in Beijing.

My government's foreign policy - including its policy towards China - is based on a clear-headed and independent assessment of Australia's interests in the Asia-Pacific region.

I am confident that after my discussions with President Jiang Zemin in Manila at the time of the APEC Leaders Meeting that he shares my desire that our relationship should be both positive and broadly based.

There is little doubt that China is one of the most important countries in our region.

It's hard to think of any major aspect of the Asia-Pacific region which will not be influenced in some way by China's development during the next two or three decades. It's no exaggeration to say that what happens in China over that period will be one of the major influences on the Asia-Pacific region in the 21st century.

The past twenty years have seen a transformation within China. Under Deng Xiaoping's leadership China threw open its doors to the outside world. It started the programme of reforms which has seen China begin to fulfil its enormous potential. So Australia - like all of China's partners - was pleased to hear the Chinese leadership's recent reaffirmation of its commitment to that reform programme begun by Deng Xiaoping.

Over the past two or three days in both Shanghai and Beijing I have been able to witness at first hand China's spectacular growth, spectacular industrial transformation. China's economic achievements are bringing obvious benefits to China and to her people.

China's growth is beneficial also for Australia and for the region. It creates great economic opportunities for China, for Australia and for our region. Its constructive handling can help build even greater stability in our region.

I would like to make a few remarks about what this growth means for regional and global trade. In particular, I would like to say what it means for Australia, and the part that I would like to see Australia play in it.

China is the seventh-largest economy in the world and is set to become at least the sixth largest by the year 2000. Trade has played a vital part in this achievement. Trade and international services comprise 45 per cent of China's GDP.

In a remarkably short period China has gone from a relatively closed economy to become the world's tenth largest trading nation. From July with Hong Kong, China will be the sixth largest trading nation in the world.

China's trade - combined with Hong Kong's - has grown by 15 per cent a year since the late 1970s - twice the world's average. China's trading relationships will soon be amongst the world's most important. For example, soon after the year 2000, China's trade with Japan will overtake US-Japan trade - which has been a pillar of Asia-Pacific trade and the international economy.

Both China and its trading partners therefore have the very greatest common interest in regional and global trading arrangements that are liberal and predictable.

Like the rest of us, China will need continuing access to other markets in order to prosper. We all need to ensure that markets continue to open up further.

For its part, China is making some meaningful reductions in its overall tariff rates in the APEC context. That is very welcome. It will improve market access for China's trading partners as well as increasing domestic competitiveness, with benefits for China's economic growth and the living standards of her people. China's trading partners have a strong interest in the maintenance of open and consistent trade policy and rules within China.

All that is why China will benefit from being a member of the World Trade Organisation; and why Australia wants to see China join - on commercially acceptable terms. The stakes for China and for the global trading system warrant a serious effort to resolve China's accession as soon as possible.

This would I believe usefully remove some of the pressures for protectionism in western - especially Western European - economies which fear the level of penetration by Chinese products.

Likewise, China has every reason to take a lead in trade liberalisation within APEC. Steady progress towards meeting APEC's trade and investment liberalisation goals is our best hope of ensuring that growth in the Asia-Pacific - and China - reaches its full potential.

China will continue to need foreign investment, imports, technology and services to overcome constraints on growth. Much of this will come from among the APEC economies, reflecting - and in turn further strengthening - the very high degree of integration amongst those economies.

Reflecting the diversity of the region, APEC brings together a most extraordinary range of economies - in terms of size, economic structure and stage of development. It brings together a most diverse group of societies and cultures. Each member - not least Australia - has something unique and valuable to offer to the association and to the region, and each gains greatly by it.

The value of APEC therefore goes well beyond the economic. I am convinced that one of APEC's greatest contributions is that it focuses our attention on the substantial interests Asia Pacific economies have in common.

Australia's relationship with China has long been an important element of this regional framework.

Long before the establishment of diplomatic relations, China was Australia's fifth largest trading partner and that was in the 1960s - as it is today. Australia was a reliable supplier of wheat throughout the 1960s, during sometimes difficult periods for China.

That continuity underscores the national interests that have driven both countries in developing our bilateral relationship.

China's economy has grown at an average of 10 per cent a year for the last 15 years. With good economic management there is no reason why China should not continue to grow at a similar rate for the foreseeable future. The recent successful management of a soft economic landing shows that we have good reason to be confident about that. The demand for inputs to the Chinese economy - for raw materials, capital, infrastructure, technology and energy - will therefore be immense.

It is vital for Australia to share in that growth. Australia's trade with China grew twenty five percent between 1995 and 1996. Between 1988 and 1995, it grew twice as fast as Australia's trade with the rest of the world. Our investment has grown over four times in as many years. Australia is one of the top destinations for China's foreign investment.

I will propose to Chinese leaders during my visit that we take the opportunity of the twenty-fifth anniversary of our relationship to look creatively at the strategic partnership that I believe our economies constitute. Establishing a partnership in growth will bring great benefits to both our peoples.

As I have mentioned I have brought with me the strongest business group that has ever accompanied an Australian prime minister abroad. These business leaders are from some of Australia's longest standing and most reputable companies. They represent a great range of sectors in which Australia has particular strengths.

This joint approach between Australian business and the Australian Government is a demonstration of the commitment of both to work together. We are both ready for a serious discussion with our Chinese counterparts about the concrete steps which we might take to build a new era in the economic relationship between our two countries.

Australia has a track record as a reliable supplier of commodities that are important to China's economic growth: including iron ore, wool and wheat. Australia is also well placed to provide China with steaming coal, and with LNG for power generation and domestic consumption. We offer the technological know-how to make the most productive and environmentally sound use of our commodities.

China has taken up equity in some mining and resource processing projects. Scope exists for China to increase dramatically its investment in Australia in these areas. I want to emphasise that that Chinese investment is most welcome.

Both the Chinese and Australian economies are going through periods of rapid change resulting from the forces of globalisation. Financial and business services have become more important to maintaining our competitiveness and our productivity.

I have with me here today leaders in Australian banking, insurance, accounting and legal services. Tomorrow I will open a seminar by the Australian Stock Exchange. Australia is looking for listings by quality Chinese companies to raise capital and encouraging them to consider further investment opportunities in Australia.

Our economic complementarity is also reflected in the joint venture signings which we are marking at this lunch:

- the issuing of a business licence, for example, to the joint venture between Australia China Holdings and the China International Science Centre - to apply Australian

technology and expertise to dealing with water pollution and waste water management; and

an agreement between the Australian Industry Development Corporation through the China Water Company for their second venture and that is a water plant in Shaoxing.

Australia is already an important supplier of fresh and processed food to China. My Government's Supermarket to Asia initiative offers the prospect of a large increase in Australian food exports to China.

I am confident, ladies and gentlemen, that our economic relationship will become ever more important to both countries. This has been the pattern with other regional countries, such as Japan and Korea, which have followed a similar fast growth path - and in whose economic development Australia has played key roles.

I have naturally spoken today largely about our economic links. The development of our political co-operation though is no less important. When I met President Jiang Zemin in Manila, he made a point, a valuable point, about the value of personal face-to-face dialogue. I want to build a much closer level of communication between the leadership levels of our two governments and our two nations. I look forward to the large number of high level visits planned for the period ahead.

Australia and China have co-operated closely on a whole range of issues in the region, including APEC and the ASEAN Regional Forum. As China's influence grows, dialogue and mutual understanding will become even more important.

Australia and China, my friends, have a long tradition of people-to-people links. Australians in southern China earlier this century were astounded to find Australian blue gums and wattle trees in full bloom - more than 10,000 miles from home. No-one knows for sure when they were first planted or who planted them - perhaps Australian missionaries in the last century; or perhaps Chinese miners returning from the Australian gold fields.

Today the contacts between us are growing fast in intensity and variety.

Australia has a very large community of people of Chinese descent of which it is very proud. The Chinese community has made a tremendous contribution to Australia and such links have created a reservoir of goodwill in the relationship.

For example, doctors from Parkes, a regional city in central western New South Wales, at the moment, are co-operating with the Beijing Hospital in work to understand the causes and help

alleviate the effects of Parkinson's disease. A group of Sydney doctors is actively engaged with a Beijing hospital in heart surgery. This year the Fred Hollows Foundation plans to begin helping train Chinese eye doctors in techniques to restore the sight of people suffering cataract blindness.

So, ladies and gentlemen the links are very deep. They are very diverse. They go beyond the economic. They include the political and as always they include the human.

I am here today as a representative of the Australian Government and the Australian people to tell you that we want a close relationship building on the strengths of the past, recognising inevitably that there will be differences but knowing that if we focus on the goals that we have in common, if we recognise that we complement each other in so many ways then we can have a truly effective partnership in growth over the next twenty five years and beyond.

Thank you.