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**ADDRESS BY THE PRIME MINISTER
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THE POST-URUGUAY ROUND: REMOVING THE OBSTACLES TO TRADE AND INVESTMENT

One of the great strengths of the Commonwealth over the last half century has been its capacity to continue to meet the needs of its members. This first Commonwealth Business Forum, and the decision to focus this year's CHOGM discussions on the theme of trade, investment and development - issues of crucial importance to all Commonwealth nations, developed and developing - are a demonstration of the Commonwealth's continuing relevance.

GLOBALISATION

We are living today amidst unprecedented economic and technological change. We have already seen the profound effects in the deeper global integration of the world economy over the past two decades. Today capital is mobile - globally. Global foreign direct investment flows increased seven times between 1983 and 1996 from \$US50 billion to \$US350 billion.

Globalisation is encouraging all of us to do what we do best. It is driving specialisation of production which has increased the importance of trade as part of economic growth. From 1984 to 1994, worldwide trade in manufactures grew by nearly 90 per cent while output of manufactures grew by less than 25 per cent.

Open markets introduce sellers from one part of the world to buyers in another. Open markets attract and stimulate trade and investment. Open markets encourage more efficient allocation of resources and give recognition to the merits of comparative advantage. They are the best means of maximising the growth that is ultimately the most effective way of producing new jobs and improved living standards:

New forms of communications technology, emerging by the month, are ensuring that no corner of the world will be untouched by globalisation. The notion of purely domestic markets is becoming obsolete with the spread of use of the internet. There is no longer a captive domestic market for a local company. In return, once a product or service is available on the internet, it can be sold to the world at large.

According to our Department of Foreign Affairs and Trade the global value of goods and services transacted on the internet will grow from its current value of less than \$US5 billion per year to between \$US100 billion and \$US150 billion by the year 2000 that is, within three years. Perhaps most important, open markets draw people together through trade and investment. In the vastly enhanced technological age, the communications revolution shrinks distance. Globalisation makes us all

neighbours. Commonwealth members - spread throughout the world, but united by language, institutions and shared values - have new means of benefiting from their common heritage.

BENEFITING FROM GLOBALISATION

Globalisation offers huge opportunities for economies that are internationally competitive. It challenges economies which are not. It blurs the division between foreign and domestic policies. It increases competitive pressures in markets. It makes globally based trade rules even more important.

Globalisation therefore challenges political leaders to explain to our people how the inexorable process of globalisation can benefit them. Governments must be able to help prepare the community to embrace change and outward-looking policies. They must be able to create a supportive environment for the industries of the future.

We now have example after example of economies that - once they have opened their markets, pursued export-oriented policies and exercised fiscal discipline - have experienced soaring growth rates. The contrast between Latin American economies in the 1970s and '80s compared with the 1990s after they adopted more liberal policies is palpable. It is often forgotten that many of the East Asian economies - Malaysia, Thailand and the Philippines - had lower per capita incomes in the 1970s than many other developing countries.

The evidence of the benefits of trade liberalisation in responding to globalisation is at hand in our individual economies.

The Australian dairy industry is a good example of an industry that has benefited from liberalisation. It has taken advantage of the opening up of export markets in East Asia and is now amongst the most cost efficient dairy industries in the world.

Australia's exporting businesses are more productive per employee, pay higher wages than businesses which do not export and are more likely to be hiring new staff.

As we have cut protection we have seen a rapid expansion in exports of high value-added manufactured goods. Consumers have enjoyed lower prices. Producers and exporters have had access to lower cost inputs. Business has been invigorated through competition and exposure to new ideas and technologies.

These are the reasons why the last major multilateral round of trade negotiations, the Uruguay Round, was embraced enthusiastically by most members of the world economy.

And it is for these reasons that the world agreed this year to free trade in information technology products and to sign off on the world's first multilateral agreement to liberalise telecommunications. It is not a coincidence that these industries - information technology and telecommunications - are the most powerful drivers of globalisation.

The attractions of export-oriented rapid growth in East Asia and the demonstrable benefits of liberalisation also brought the 18 members of the Asia Pacific region together in APEC to set for themselves a target of free trade and investment. It is worth reminding ourselves that this was done under the chairmanship of President Soeharto, the leader of a developing nation.

We all have an interest in opening up markets for our exporters. Liberalisation must continue. For that to happen - whether in the WTO, APEC or elsewhere - it must be balanced. There must be something in it for everyone. This is vital if we are to build strong domestic constituencies for continued trade liberalisation.

One valid criticism of liberalisation efforts in the past is that they have tended to favour the interests of the developed industrial economies. It took the Uruguay Round, for instance, before agriculture was brought fully into the field of multilateral negotiations.

And even now - much to Australia's frustration - international traders in agriculture are severely disadvantaged under present international arrangements. Agricultural export subsidies remain the most trade distorting form of support to agricultural producers and continue to disrupt world markets. Yet disciplines on agricultural subsidies have a long way to go to match the tight disciplines on industrial products in the WTO.

Our goal remains to have agricultural products on the same footing as industrial products. To this end, Australia will be looking to achieve the total elimination of agricultural export subsidies in the next WTO agricultural negotiations to commence in 1999. And in doing this, we will need to reject the minimalist approach of the European Union, and demand of the United States a stronger commitment to further reform. The Cairns group of agricultural exporting countries will be an active campaigner for this goal.

We need to be realistic and hard-headed in the way we approach trade reform.

Australia has prepared itself well for any future rounds of negotiations, and we will want the efforts we have made to date recognised. Our trade-weighted average tariff is 5.1 per cent. Australian applied tariffs are between zero and five per cent in all but two sectors, and in the remaining two we are making significant changes.

We will be cutting tariffs in the textiles, clothing and footwear sector by 25 per cent between now and 2000 and by another 25 per cent in 2005. Tariffs on passenger motor vehicles, which were at 57.5 per cent a decade ago will fall to 15 per cent by 2000 and 10 per cent in 2005.

Australia also has one of the most open investment regimes, when judged by the inflow of capital. Australia's commitment to the APEC goal of free trade and investment remains firm.

OPEN UP OR CLOSE DOWN

The difficult fact that has to be faced is that the correct response to globalisation is more liberalisation, not less. More change, not less. More willingness to embrace new ideas, not less. Yet this goes against the grain of people's instincts. People prefer stability to change. Security to uncertainty. They want to know that the work they have will continue, that the skills they have acquired will remain relevant and valued. And that their children will have a future in which they can also be secure.

The challenge is not to unnecessarily restrict the pace of liberalisation but to do whatever government can to bring people along with it. It is important that the pace of liberalisation is not so swift as to create community resistance or community-destroying economic and social dislocation. But it must not be so slow that we are left behind to enjoy fewer of the benefits of globalisation and suffer higher adjustment costs in the longer run. This is what has guided my government's sensible pacing of liberalisation in the car and textile sectors.

This relentless force of change need not threaten the future of individuals, families and businesses. People need not fear that technology is driving a wedge between the young and the old. Governments must ensure that everyone is carried with us in this new age. After all, the new technology is all about making life easier, not more complicated.

Governments - and business - have a major responsibility to equip our people through education and training to understand and adapt to change brought about by globalisation.

My government is harnessing all arms of economic policy to support adjustment and to develop new areas of competitive advantage. Apart from education and training, this includes active labour market policies, support for innovation and the development of action agendas to accelerate the development of emerging sectors such as information technology and telecommunications.

But above all, the Australian Government is a high growth government. Growth is the passport to higher job creation. High growth and the jobs that come with it will ease the unavoidable pain and dislocation which is inherent in the structural adjustment caused by globalisation.

The economic and social change caused by globalisation challenges all governments whatever their political stripe. Instead of drawing protectively inwards in the vain belief that this will lessen the impact, governments, businesses and employees should strive to achieve still higher economic growth to ameliorate any ill effects of change.

This higher growth can only be achieved on the sure foundation of strong economic fundamentals.

Yesterday, Australia recorded the rare phenomenon of negative annual inflation of 0.3 per cent, the lowest annual change for 35 years.

This was a direct result of disciplined macro-economic policies - of which a determined assault on the Budget deficit, which will produce an underlying Budget surplus in 1998-99, played a critical role.

This inflation outcome is a landmark achievement for Australia. We have lifted the speed limits on economic growth. There is now real hope that Australia can bust through the 4 per cent growth figure. This will be critical to reducing unemployment.

Developed members of the international trading system, and of the Commonwealth, have a responsibility to help developing members respond and adapt to globalisation.

Many developing countries are already on the move. The nations of the South Pacific, for example, including many Commonwealth members are improving their capacity to take advantage of opportunities in the new global trading arena. They have made a strong commitment to liberalising trade and investment, promoting the role of private sector development, and improving public accountability and transparency.

The Commonwealth can play an important role in assisting developing countries meet the costs of adjusting to the new global economic environment. It is already doing good work in this area. We think there would be value in it doing more.

In that connection, I will propose to the Heads of Government an initiative to establish an international trade and investment access facility under the Commonwealth umbrella. Australia will provide A\$250,000 in the first year. It is intended to help developing Commonwealth members respond creatively to the challenges of globalisation.

The facility will focus on assisting countries meet the requirements and provisions of the WTO and other multilateral agreements, and identify and manage the adjustment costs of moving to freer trade and investment. We hope that other governments might also find the facility a useful channel for funding activities to achieve the common goal of trade and investment liberalisation.

TRADE AND GROWTH: THE ENVIRONMENT AND HUMAN RIGHTS

As we have often seen, economic growth holds the key to addressing many of the environmental and human rights challenges of the late twentieth century. This is not to say that economic growth by itself is

the total answer. The slow and difficult task of building open and democratic societies is also important. Economies will not achieve their potential unless government is transparent, the legal system fair, and information free.

Nevertheless, as incomes rise, both the means and the will to address environmental concerns increase. This is why trade liberalisation and its accompanying economic growth promote environmental protection.

Proposals to tackle climate change which have the effect of dislocating or restricting trade, distorting international investment flows, lowering growth and reducing living standards will not work. The results will be worse again if they discriminate against particular countries. Equity of burden is vital. The lack of equity is why we object to EU proposals for the Kyoto conference.

Poor labour standards and human rights observance in some countries are a matter for deep concern. As with environmental issues, however, attempts to restrict trade and investment to force conformity with certain standards are more likely to harm economic growth in those countries and worsen labour conditions. In both developed and developing countries wages are generally higher in the traded than in the non-traded sectors.

Further liberalisation of trade and investment will be possible only if everyone participates. For Australia and others in the Asia Pacific Region, APEC is an important means for maintaining the momentum of trade and investment liberalisation.

APEC played a critical role in bringing the Uruguay Round to conclusion in late 1993. More recently it built up a critical level of support for the Information Technology Agreement and the last phase of the WTO telecoms negotiation. Through its Individual Action Plans and further sectoral liberalisation initiatives, APEC is helping lay the foundations for further global trade liberalisation.

While liberalisation through regional groupings is beneficial, a comprehensive global approach is still vital. In a multilateral negotiating round, like the Uruguay Round, there is something on the table for everyone and the benefits from liberalisation can be maximised.

A new comprehensive multilateral round of trade negotiations is needed to address the remaining market barriers, to exercise greater disciplines on subsidies, especially in agriculture, and to settle the issues relating to services, that globalisation is pushing higher on the agenda.

Australia's view is that a new global round could and should be launched by the end of this century. It is also our view that the world's largest developing economy, China, should be involved in that as a member of the WTO.

The growth experienced by developing countries which have opened up their economies - notwithstanding recent currency problems in Southeast Asia and Latin America - is a compelling message for those that are still hesitating over embarking on a export-oriented, outward-looking, growth strategy.

The Commonwealth can play an important role in providing technical support for those making the shift to more liberal trade and economic policies. I hope the facility I have foreshadowed today will help in that respect.

At this Commonwealth business forum, we have an opportunity to send a message to the world - from governments, the business community and from the enormous range of organisations which come within the Commonwealth family - that we are ready, willing and able to help shape and benefit from the globalised world of the coming century.

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