

AUSTRALIA, THE US AND THE MID-WEST

Address by Senator the Hon Gareth Evans QC, Australian Minister for Foreign Affairs and Trade, to the Mid-America Committee, Chicago, 2 October 1992.

No Australian visitor to Chicago can help but be struck by the many similarities between Australia and this Midwest region of the United States.

Both Australia and the Midwest were settled extensively only in the early part of the last century, predominantly by people of Northern European stock, although we both subsequently have been enriched by immigrants of talent and energy from other parts of the world. The environments that those early settlers had to face were equally rugged, yet they overcame the many difficulties which faced them through hard work, technical innovation and sheer will. This environment also produced a character of rugged individualism and independence, a spirit of egalitarianism and democracy and, above all, a sense of community which developed out of shared hardships.

Chicago itself is comparable in many ways to my own home city of Melbourne, the capital of the Australian state of Victoria. Both Melbourne and Chicago were founded in the 1830s, Melbourne in 1835 and Chicago in 1833. Both were among the great boom cities of the nineteenth century in our respective countries, and both can justifiably boast of great cultural, educational and sporting traditions.

Culturally, you may be pleased to know that Chicago's best known son in Australia was someone very much on the right side of the law: Walter Burley Griffin, the great Prairie School architect and associate of Frank Lloyd Wright, who was born in Maywood in 1876. He designed, among other things, not only the layout of our national capital, Canberra, but also a college at my *alma mater*, the University of Melbourne, and - in the Capitol Cinema in Melbourne - perhaps the most extravagant movie theatre interior ever built anywhere!

We also, notoriously, share a passion for sport. Basketball has over the last decade developed a huge following in Australia, and we all know how the Chicago Bulls - with a little bit of help from Michael Jordan - won the NBA championships this year and last. The way in which the Chicago Bears play football on Soldier Field is a little bit different, on the other hand, from the codes that ignite Australian fans. And I cannot pretend that anyone on my side of the Pacific has lost much sleep over whether the Chicago Cubs will ever win the baseball Pennant. But I guess you would find just as implausible the notion that one hundred thousand or more people can cram into Melbourne's main stadium to

watch a kind of football game that is hardly played in any other State of Australia, let alone anywhere else in the world, or a cricket match that may after five days of playing produce no result whatever!

The similarities between Australia and the Midwest I have mentioned so far, real as they are and contributing as they do to shared perceptions of warmth and friendship, only tell part of the story. There are a number of other parallels I would like to draw, particularly on the trade side, which give even greater substance to the relationship between Australia and the United States, and the Midwest in particular.

The Australian Government of which I am a member has been in office since 1983 and, as in the US, we will be facing another national election in the not too distant future. A major factor determining the outcome of both elections will of course be the effects of the world-wide recession of recent years, and the perceived effectiveness of efforts of governments to overcome those effects. The American Midwest, I know, has gone through some painful re-structuring in the 1980s. Tough decisions were taken. You saw the disappearance as a result of some industries from the region, but many of those that survived are now flourishing as a result of re-structuring and consequently vastly improved productivity. The major industries of the Midwest have developed very much a global perspective, appreciating that their future depends on seizing opportunities right around the world.

The Australian Government too has been making the tough decisions, undertaking a vigorous process of economic reform in recent years. One of the major goals and achievements of this has been to make Australian businesses more competitive internationally. Opening and internationalising the Australian economy, particularly through tariff reductions, has liberated competitive Australian companies from the shackles of inefficient activities. Australia's inflation rate, for many years uncomfortably high, is now well below 2 per cent, lower than that of nearly all our trading partners.

Although it is probably unnecessary with this audience, perhaps I should remind you at the outset that despite our small population of 17 million in an area the size of continental US, Australia is a significant international economy - the world's twelfth largest, in fact. In GDP terms, our economy is roughly equivalent to the economies of all six states of the Association of South East Asian Nations (ASEAN) combined. Our currency is the sixth most traded in the world, after the US dollar, deutschmark, sterling, yen and French franc. And, although our economies are in many ways competitive rather than complementary, we remain the United States' eighteenth largest trading partner.

The process of microeconomic reform in Australia taking place over the last few years, including much increased cooperation between the Federal Government and the Australian States on a whole range of issues, has been clearly paying off in reduced costs

and greater efficiencies. Australian companies have moved quickly to take advantage of the restructured economy to go international. Exports as a proportion of our national product have increased from 15 per cent to over 20 per cent in just seven years. More graphically still, the growth rate of our export volumes was last year almost four times the rate of growth of world trade. And in terms of manufactured export volumes, we recorded the fastest growth in both 1990 and 1991 of any OECD country.

Of all sectors of our exports, perhaps the most pleasing result has been in Elaborately Transformed Manufactures (ETMs) which have grown the fastest of all our exports - over 300 per cent between 1981 and 1991. Like the American Midwest, Australia's wealth was traditionally based on production and export of predominantly agricultural products, as well as minerals. We have learned only more recently the lesson learned here some time ago, that diversification in manufactures, and the development of a strong services trade, is also essential for a strong overall trade performance. But we have learned the lesson well: exports of ETMs to the Asia Pacific region now well outstrip our export of unprocessed agricultural products. Manufactured exports - including sales of everything from office machinery, and aircraft and car parts, to engines and pharmaceutical products - have in fact more than doubled since 1986.

The services sector has also assumed an increasingly important role in Australia's export profile, having more than doubled since the mid-1980s and giving us the potential, never thought likely to be realised, to become a net exporter of services by the end of this century. Services - tourism, education, finance, health and the rest - now account for almost one quarter of total export receipts - larger than any other single sector.

The restructuring and revival of the Australian economy has been occurring in the context of something even more fundamental - a reshaping of the Australian psyche. What we have been doing in Australia for the past few years has been for the first time to seriously and systematically redefine our identity so as to give preeminence not to our history, but to our geography.

For most of the two hundred years since European settlement in 1788 it was the case that Australia fought against the reality of its own geography. Notwithstanding our location - squarely in the Asian hemisphere, a world away from Western Europe, and a very wide ocean away from North America - we thought of ourselves, and were thought of by just about everyone else, as an Anglophonic and Anglophilic outpost: tied by history, language, demography, culture, economics and emotion solely to Europe and, later, to North America.

One stimulus to change was the dramatically moving security and strategic environment, culminating in the collapse of Soviet communism and the end of the Cold War. This forced a fundamental reassessment, in the Asia Pacific as everywhere else, of security and

strategic realities. The case became compelling for thinking about regional security relationships in a new way. Countries like Australia came to see that, while traditional alliances remained important, they were no longer all that was necessary, and that their future security was best guaranteed by supplementing defence self-reliance with an effort to build multiple layers of interdependence between nations - finding security with others rather than against them. Australia could no longer stand distant from its own region, relying on great and powerful friends to protect it: we had to engage with the region and make, so far as possible, our own security with it.

But the immediate imperative for rethinking our place in the world was economic. International and domestic economic recession, the agonising slowness of international trade liberalisation negotiations, the ever increasing competition on world markets for our traditional commodity exports, and the recognition that we needed to restructure the whole Australian economy to make us more competitive and outward looking, all forced us to think much more pointedly than we had previously done about the need to harness our economy much more clearly to the dynamic growth in the East Asian region. Not just the Australian Government, but the whole Australian business community as well, started in the latter 1980s to focus as never before on trade and investment with the region.

At the one level we had been doing business with Asia for a very long time, taking advantage in Australia of the natural fit between our raw materials and the needs of North East Asia as it industrialised: Japan after all has been our biggest market since 1966 (and our biggest overall trading partner since 1970).

But the change in the overall shape and balance of our trade in the last few years has been dramatic. I referred earlier to the significant increase in recent years of exports of Australian manufactured goods. The fastest growing major markets for these goods are in North Asia, with exports of both simply and elaborately transformed manufactures to those markets rising by more than 700 per cent between 1981 and 1991.

It is now the case that around 60 per cent of Australian merchandise exports are sold to Asian economies, with North Asia and South East Asia accounting for over 60 per cent of our total growth in merchandise exports between 1981 and 1991. Eight of our top twelve overseas markets are in East Asia. Merchandise exports to South East Asia now exceed those to either the US or the EC, a marked change from the late 1970s when the EC share of our exports was twice as large as that of South East Asia.

In making all these points, I do not wish for one moment to suggest that Australia is in any way diminishing the value it places on its relationship with the United States. We fully realise the importance of maintaining links across the Pacific, and not just around its Western rim. Although Japan is our largest trading partner, the United States is easily our second largest. And you are as well our largest supplier of imports, our biggest overseas

investor, and the principal offshore destination for Australian investment capital. In the year ending June 1992 we exported US\$4 billion worth of goods to the United States, while importing US\$9 billion. Our exports to you were predominantly primary products (including alumina and beef) although I am pleased to say that there is also now a healthy component of manufactured goods, which include cars and parts, steel, and even ADP equipment.

The not so good news from our point of view is that both of our nation's statistics show clearly that Australia records large deficits across virtually every category of our transactions with the US. The imbalance of trade runs at around US\$5 billion annually, the largest Australia has with any country. US figures confirm that its current account surplus with Australia is one of the biggest it has achieved with any country. From an Australian perspective, our current account deficit with the US amounts to a rather staggering 3 per cent of Australia's total GDP: equal to all of the Australian current account deficit with the rest of the world combined!

This brings me to perhaps the clearest message I want to leave with you today: simply that the alliance between Australia and the US, in all its manifestations, is a two-way street. The United States is clearly important to Australia, but I would hope equally that it is accepted, not just in Washington, but throughout the United States, that Australia is a valuable partner in its own right.

Australia is already an important destination for US investment and technology. Many of the US companies operating successfully in Australia, moreover, are based in Illinois, including Sara Lee, Quaker Oats, MacDonald's, Kraft, Caterpillar and Motorola. On the other side of the equation, there are a number of major Australian companies operating successfully in Chicago, including Pacific Dunlop, Brambles, Palmer Tube Mills and Westpac.

There are, of course, more opportunities to be tapped on both sides. I know, for example, that a number of enterprising Australian firms are expanding their sales in America of a range of products, including items as diverse as bed sheets and seafood.

To help Australian companies expand their markets, the Australian Trade Commission, or Austrade - which is represented here in Chicago and for which I am the responsible Minister - has recently been re-structured so as to concentrate greater resources and personnel in Australia's priority markets, and that means these days Asia and North America.

That Americans - including here in the Midwest - are beginning to acquire a knowledge of and respect for Australian goods, is extremely heartening. It is borne out by such events as the annual "Australia Week" organised by the St Louis Australian Chamber of Commerce,

which I had the honour of addressing last year. I would hope that the competitive spirit which exists between Chicago and St Louis might generate a little interest in a rival attraction being established here in the not too distance future.

While the overall relationship between our two countries is overwhelmingly warm and healthy, it is the case that in any healthy, dynamic relationship - and especially one between two significant trading partners - there are bound to be some areas of disagreement and even tension from time to time. I have already mentioned the ongoing problem of the major trade deficits we have with the United States. We are also going through another difficult patch right now over US agricultural export policies which are seriously damaging Australian markets overseas. Our latest concern arose as a result of President Bush's announcement on 2 September of a "bulk" wheat initiative under the Export Enhancement Program totalling 29.1 million tonnes, spread over 28 countries and to remain in effect until June next year.

Although President Bush, in making this announcement, attempted to soften the blow by making special reference to Australia, and repeating his earlier commitment to seek to minimise the adverse impact upon us, the fact remains that this latest measure does directly and adversely affect non-subsidised Australian wheat exports to a number of our traditional markets - most recently, and very seriously, to Pakistan. It is very cold comfort to our exporters to be told that such US measures are not aimed at us but at the subsidising practices of the EC. While we do continue to talk - and we have made literally hundreds, of representations to your Government since the introduction of the EEP scheme in 1985 - the most recent US announcements, and the action which have followed it, have left us no option but to take the matter to an independent international tribunal - in this case, the GATT itself.

The somewhat sad irony of this is that Australia has been working very closely with the United States - which we believe has a stronger commitment in principle to free trade than the EC - to achieve a successful outcome to the GATT Uruguay Round of multilateral trade negotiations. We have been working particularly closely in the agricultural sector through our chairmanship of the Cairns Group of fair agricultural exporting countries. We continue to regard - as I believe does the US - a successful outcome to the Round as being in the interest of all nations to achieve. I only hope that the chances for such a successful outcome are not jeopardised by the latest US measures, and the risk they engender of accelerating the trade subsidies war with the EC.

Wheat is not the only product with which we have differences with US policy. We have - as you may be aware - also been critical of US attempts to restrict imports in a number of other areas, including steel, where we have made major efforts to become internationally competitive in the past decade, as well as through the continuing close management of trade in agricultural areas of great importance us, like beef, dairy and sugar.

Against this background, Australia very much welcomed the comments of Illinois Governor Edgar at the Republican National Convention on 17 August, opposing the development of protectionist policies in the United States. I agree that such policies will damage not only the international economy, but that of the United States as well.

It is also against the background I have sketched that you will understand that Australia, like many other nations, is watching closely developments relating to the North American Free Trade Agreement (NAFTA). I know that your State government here in Illinois has been working to expand its relationship with Mexico, and so should be well positioned to gain significantly from NAFTA.

But the question is whether gains for its participants will mean losses for those outside the Agreement. In this respect I was encouraged to hear the message of President Bush at the Asia Pacific Economic Cooperation (APEC) Ministerial Meeting in Bangkok three weeks ago, that "the United States views the economic integration of North America ... not as an exclusive regional bloc, but as a stepping stone to a global system of free trade in an integrated world economy". The trouble with stepping stones like this - and other bilateral free trade linkages - is that they can leave some rather wide gaps still to be jumped before the Promised Land is reached, and in the meantime those who are left out of such arrangements, or whose bargaining clout is such that they cannot negotiate them on favourable terms, can be left feeling rather chilly.

Obviously, we all hope that we will achieve global free trade rather than a world divided into three major trading blocs with the Asia Pacific divided down the middle - everyone's nightmare scenario. A successful outcome to the Uruguay Round will be one way of helping to ensure that such an outcome does not occur. Another, at least in the Asia Pacific context, will be the successful future development of APEC to which I just referred.

APEC, an Australian initiative in 1989 to bring together the major trading nations of the Asia Pacific - now fifteen of them - has already established itself as the leading vehicle for economic cooperation in the Asia Pacific region. At the Bangkok meeting last month it became fully consolidated with the agreement to establish a secretariat in Singapore. The meeting also adopted, very importantly, an ambitious program for regional trade liberalisation which is likely to be the centrepiece of the next APEC Ministerial Meeting next year here in the US.

Short to medium term trade liberalisation projects now under way include harmonisation of customs procedures, the administrative aspects of market access, the sharing of information on investment regulations and the provision of up-to-date data on tariff rates. And a longer term prospective is also being generated which may conceivably ultimately lead to the establishment of an Asia Pacific economy as integrated, at least in trade terms,

as the European Community now is.

By covering so wide a range of subjects in the fairly short time available, I have not given you an easy ride. But I guess that is unavoidable in dealing even superficially with the many and often complex aspects of a relationship such as ours.

I hope at least my basic story is clear. There is a solid friendship based on shared values and perceptions that links Australia and the United States. That friendship has survived through good times and bad. But the real test of any friendship is how it deals with problems raised by one side or the other. In the past, we have overcome such problems through a process of mature, frank dialogue. I sincerely hope that the difficulties over trade policy currently clouding the relationship can be overcome in a similar way, in a spirit of mutual respect and equality.

Our alliance remains fundamentally sound. Our two governments share perceptions and policies on a wide range of foreign policy and other issues. Our peoples share a genuine warmth for one another. Above all, as I hope this gathering will well appreciate, there are many opportunities waiting in both our countries and elsewhere for our business people to share in a competitive, but fair, manner. The Midwest already has a proven track record in this regard in doing business with Australia. I congratulate you on that, and hope that future relations between us will continue to prosper in an extremely amicable and highly mutually beneficial way.

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