

AUSTRALIA IN A CHANGING WORLD

Address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, to the Australian Mining Industry Council's Annual Minerals Seminar, Canberra, 7 May 1992.

Since I last addressed this seminar seven years ago as the Minister for Resources and Energy, the world has changed dramatically. The result of these changes is that the Australian mining industry has what amounts to a new operating environment. And it is an environment that continues to change.

In the first place, the end of the tensions of the Cold War has seen a revival of the spirit and the mechanisms of international and regional cooperation. New issues have been added to the agenda of cooperation, issues that are simply beyond the powers of single nation states to solve. The most prominent of these is getting the balance right between protection of the environment and economic development.

Second is the push for trade liberalisation at the international and the regional levels. The discrediting of Marxist central economic planning has helped produce a world-wide wave of economic deregulation and liberalisation at the domestic level. But trade liberalisation at the global level, vital for the success of domestic economic restructuring, including in Australia, is proving hard to achieve.

Thirdly, the end of the Cold War and other developments, such as the dismantling of apartheid in South Africa, mean that there will be more countries competing actively for investment funds and export markets.

I want to look in more detail at what each of these changes means for the Australian mining industry.

The protection of the global environment has emerged as one of the most pressing issues facing the world, as important for global security as arms control and disarmament. Australia's attitude is one of realistic commitment to the goal of sustainable development. We cannot afford to allow action to be postponed indefinitely, but neither can we ignore the practical difficulties of such action.

At the head of the agenda of urgent environmental issues is that of climate change. In a number of respects - the timing, magnitude and regional patterns of climate change - the scientific jury is still out. But we do know that dramatic changes have occurred in the pattern of gases emitted into the earth's atmosphere. By the time the jury finally returns its

verdict, the damage to our planet may be irreversible. So I see every reason for the international community to act now on the basis of the emerging consensus of scientific opinion. After all, governments and companies are prepared to commit themselves to programs and expenses on the far less reliable basis of the forecasts of economists.

Australia has been active in the international effort to prepare for presentation to governments at the United Nations Conference on the Environment and Development in June a framework convention on climate change. We want a convention that allows practicable, sustainable and cost-effective responses to the threat of greenhouse warming, and one that shares fairly the costs of action. As a part of this we have called for agreement on the Toronto Target, which aims to stabilise the emission of greenhouse gases by the year 2000 and to reduce them by 20 per cent by 2005.

I want to emphasize strongly that climate change is a global problem that requires global action. Australia will not take steps that could harm its economic interests if other major producers of greenhouse gases don't take similar action. A convention should have the least possible effect on our economic interests consistent with actually doing something about the effects of greenhouse gases.

Implementation of the Toronto Target as it stands at the moment could have a greater effect on Australia than many other industrialised countries, given our dependence on fossil fuels that produce greenhouse gases. So our objectives in the negotiations for a convention are both serious and realistic.

Those negotiations are taking place now. Australia's negotiators are trying to ensure that a convention is comprehensive. Instead of concentrating on carbon dioxide, in a way that could fall heavily on Australia, we should like to see it include all greenhouse gases.

There should also be agreement that subsidies and other price support schemes that encourage higher emissions of greenhouse gases be removed. This is of considerable interest to Australia. There is no reason why the Australian industry, an efficient producer of relatively clean, low-sulphur coal, should be put on the same level as the heavily subsidised and considerably more polluting industries of Western Europe and Japan.

Finally, a convention should eventually include all countries, not simply the developed and industrialised. Even if developed countries stabilised and reduced their emissions of greenhouse gases, the reductions would soon be made up by the rapid increase in emissions from developing countries. At some stage, developing countries will have to participate in global controls on emissions of these gases.

These and other issues have made the negotiations for a convention on climate change a difficult and complicated exercise. The uncertainty I and my ministerial colleagues have

sometimes met in business and industry about the implications is understandable. But I can clarify some misapprehensions.

UNCED is likely to consider a fairly realistic climate change convention, certainly more realistic than some of the scaremongers have predicted. Australia's adherence will not involve us in the more ruinous forecasts of a 60 per cent drop in our coal production by 2005 or severe reductions in our iron ore and manganese exports. In any case, Australia is working on its own strategy for environmentally sustainable development. State and Commonwealth Ministers will consider a strategy later in the year, and the public and interested groups will be invited to comment on it.

This is an important point. Australia, like other countries, has already taken action on sustainable development, and is preparing to take more. This action is being taken for domestic as well as global reasons. Indeed, the domestic agenda tends to drive the international process, although the interplay between the two can be complicated. It would be a mistake to see strategies for sustainable development solely in terms of international conventions and statements of principle.

There is concern that the biodiversity convention being prepared for consideration at UNCED will contain global lists locking areas away from economic development. This is not the intention. And the course of negotiations will show us whether such lists are a practicable objective. We might need to think of other ways to set out global priorities.

Finally, there is confusion between the conventions, which will be legally binding, and other documents which will not. UNCED will agree on a Declaration on Environment and Development and an 'Agenda 21'. The Declaration will set out the principle and goals of sustainable development. 'Agenda 21' will contain a program for action to implement those goals. These two documents will be not so much the architect's fixed plans as the client's general specifications.

I don't want to convey the impression that there will be no tension between long-term environmental goals and the immediate demands of economic efficiency. Government, acting in consultation with industry, must do what it can to ensure the best possible terms for Australia in any global action. To this end, we have included business representatives in our negotiating delegations and in briefings. Still, I know that some in the business community feel that there should be more consultation. But the Government will have to take decisions on some of these issues soon. If you have views, I would urge you to make them known soon. We cannot avoid the compelling need for action.

Trade liberalisation is the second of the large global changes that I want to examine. Almost every world leader has underlined the vital importance of trade liberalisation for global growth and prosperity. It is the object of intensive diplomatic activity. Yet the

leadership of the major economic powers remains unwilling to take the decisions that could bring it about.

For Australia, the centre-piece of our trade liberalisation strategy must be the maintenance and strengthening of the relatively fair and liberal rules of the General Agreement on Tariffs and Trade (GATT). Without the weight to force other economies to open their markets to us, we rely heavily on the GATT and the efforts of its Uruguay Round of multilateral trade negotiations.

The full importance to Australia of the Round has been obscured by the attention paid to the attempt to liberalise global agricultural trade. Agriculture is, on the whole, the area of world trade most corrupted by production and export subsidies and barriers against imports. But it is not the only area where Australia could reap large benefits.

The Uruguay Round aims to achieve, and has made good progress towards, a one-third cut in all tariffs and the reduced use of non-tariff measures. Natural resource-based products, including mining and steel, could benefit enormously from this. We are, for instance, pressing the European Community to reduce its coal production subsidies. In the case of Germany alone, subsidies amount to almost 1 and 1/2 times the value of Australia's total coal exports. Success would mean an increase in Germany's demand for imported coal by the late 1990s of some \$ 1.8 billion a year.

Tariffs on natural resource-based products tend to increase with the degree of processing involved. This works against the adding of value in Australia to our mineral commodities. So we have a strong interest in the negotiations to eliminate trade barriers in areas such as steel and non-ferrous metals.

But, in the last resort, a successful conclusion of the Uruguay Round remains hostage to European commitments on the reform of agricultural protectionism that will satisfy the United States, Australia and other member of the Cairns Group of fair agricultural trading nations. Australia is doing what it can to encourage the Europeans to make those commitments.

The recent statements of the Prime Minister have cast a welcome spotlight on what many of us have been thinking and saying for some time, that Australia's economic future is tied up with that of the Asia Pacific. That region accounted for 74 per cent of Australia's total exports last year, including 66 per cent of our exports of minerals and metals. North-East and South-East Asia alone accounted for 57 per cent of our exports and 62 per cent of our minerals and metals exports.

Integration with the economic dynamism of Asia is now the key to Australia's economic prosperity. At the domestic level, we must keep up with the rapid pace of structural

change in the economies of Asia, or risk losing the degree of economic engagement that we have built up over the years. That imperative gives an added edge to the urgency of the Government's program of micro-economic reform.

At the regional level, Australia is pushing for regional trade liberalisation through APEC, the Asia Pacific Economic Cooperation process that it largely pioneered. We want to see barriers to trade within the region removed in a way that does not discriminate against the rest of the world. There are sectors where the overwhelming proportion of the Asia Pacific's trade takes place within the region. Trade in minerals and metals is increasingly moving in this direction, with steel being perhaps the most conspicuous example.

Non-discriminatory liberalisation of trade in these areas would clearly benefit the region and those particular industries. Success in reducing barriers to trade in one or two sectors could then build the confidence necessary to tackle a more ambitious project of wider regional trade liberalisation. We shall continue to push for action on this issue whatever the outcome of the Uruguay Round.

But APEC is not intended to be an inward-looking, discriminatory trade bloc. By including both Japan and the United States, it acts as a bridge between two of the areas commonly touted by the scenario writers as having the potential to develop into such blocs. I want to make it clear that when the Prime Minister and I and other ministers talk about Australia's Asian future, we see that future in terms of fair and liberal trade. The economies of the Western Pacific rim, let alone those of the wider Asia Pacific region, are too diverse, too outward looking and too dependent on a liberal global trading order to be forced into the constraining mould of a discriminatory trade bloc.

APEC also gives us an opportunity to integrate Australia further with the region through sectoral cooperation. Its wide-ranging program of work projects is starting to produce practical results which will facilitate business activity throughout the whole region. The work of the Australian-chaired energy work project could increase Australia's share of the Asia Pacific energy market with its emphasis on the sort of environmentally sound practices, such as clean coal technology, which we have already developed.

In the case of minerals and energy, APEC builds on the studies undertaken by the Minerals Energy Forum of the Pacific Economic Cooperation Committee. The Forum has the advantage of participation from government, business and academia, and its secretariat is funded almost wholly by Australia.

Australia's multilateral and regional trade strategies complement our efforts to improve market access at the bilateral level. The business of bilateral negotiations, helped along by ministerial visits and high-level trade missions, continues. In March I visited South America, following up on earlier visits by separate trade delegations led by Alan Griffiths

and Neal Blewett. One result of those visits has been the decision to post a mining and energy specialist from the Australian trade commission to our embassy in Chile later this year.

Another promising tool for improving the bilateral access for Australia's mineral exports is the use of joint working groups. This Government has established various groups with China and India. All have proved valuable in providing a framework for our substantial and growing trade in these areas. I would like to see more such groups established to help the development of new markets for our mineral exports.

Rather different is Australia's participation in the European Energy Charter, a process designed to produce a European energy community. Australia fought long, hard and successfully for the right to participate in the process as the world's largest exporter of coal. Participation will enable us to protect our interest in the European energy market and to provide Australian companies with the opportunity to compete on equal terms in the energy projects envisaged for Eastern Europe and the Commonwealth of Independent States.

The active pursuit of market access at the multilateral, regional and bilateral levels is all the more important for Australia in view of the likelihood of increased competition for our traditional exports, including minerals. The political and economic changes sweeping the world will result in the emergence of such competition, and we need to pay close attention to it.

In the first place, the collapse of the Soviet Union and the move, however unsteady, towards the economic reform of Russia, could bring about the long-heralded development of the enormous mineral resources of the Russian Far East. The most likely source for the necessary capital would be Japan. This raises the prospect of Australia's losing some share of Japan's imports of minerals to Russia.

We should not be complacent, nor should we exaggerate the threat. Political uncertainty, administrative confusion and infrastructural deficiencies in Russia will combine with the technological lead and efficiency of the Australian mining industry to make that prospect a remote one. It does, however mean, that we should not allow our program of micro-economic reform to slacken. The best way to retain our export markets is to improve further our efficiency.

We shall need to watch other developments. South Africa is almost certain to be re-integrated into the world economy as the dismantling of apartheid sees the dismantling of trade and financial sanctions. Lurid pictures have been painted of the possible threat from South African commodity exports to those of Australia.

Again, that possibility is a real one. But trade sanctions have not, on the whole, prevented South Africa from increasing the volume of its exports. South African coal and iron ore exporters, for example, managed to maintain sales by reducing prices. The crucial question is that of efficiency, in which Australia retains an advantage over South Africa.

Financial sanctions have had a much greater impact on capital-hungry South Africa, and the removal of those sanctions could see South Africa increase its investment in the production and export of, say, coal, iron ore and steel. South Africa could become a more serious competitor to Australia in those areas after it has put its economic house in order. We should receive warning of this, since large coal mining and export projects don't spring up in the night like mushrooms. But Australia, too, is becoming steadily more efficient.

In Latin America economic reform is attracting greater investment in the mining industry. The same is true of South-East Asia, where enormously increased domestic and regional demand for energy and minerals is providing an added spur. Australian investment and technology are playing an important role in the development of the mining industry in both these regions. We can expect to see the efficiency of mining in both those regions improve.

Increased competition and the changing nature of the global trading system are essentially a reflection of the previous weaknesses of the global economic order. We are now working these weaknesses out of the global system and moving slowly towards a more open and comprehensive system. It is a trying process, like most major adjustments. It would be a mistake to see it only in terms of political and strategic tensions. Such tensions are inherent in the process. But they don't herald political and strategic divisions into antagonistic trade blocs or other camps.

These changes, and the others that I've discussed, make the global economic environment dynamic. The lesson we must learn - and it's one that this government and this industry have certainly absorbed - is that we cannot afford to stand still in a dynamic world.

The best way for Australia and the Australian mining industry to take advantage of change is to develop a strategy to meet the growing competition. At the heart of any strategy will be the need to pursue greater efficiency through economic, particularly micro-economic reform. This has been and will remain one of the chief priorities of this Government. However far we still have to travel, we can take pride in the progress that we have made so far.