

## AUSTRALIA : JAPAN'S PACIFIC PARTNER

Address by Hon Gareth Evans QC MP to the Australia-Japan Chamber of Commerce, 8 June 1990.

The proposition I put today is that Australia is an increasingly important partner for Japan; that the need for partnership has sharpened over the last 12 months; and that the process of economic reform that Australia is undertaking will equip us better to play a more vigorous role in this partnership and in the Asia-Pacific region more generally.

First, let me say that the concept of partnership is not new. When I was last in Japan in January 1989 for the Australia-Japan Ministerial Committee meeting, the then Foreign Minister, Mr Uno, characterised the Australia-Japan relationship as 'constructive partnership'. That phrase conveyed the theme that the future focus in our bilateral relations should be not on problems, but on opportunities for co-operation. Implicit too in the phrase is a sense of mutual respect and recognition of the contribution we can each make to bilateral relations.

Since then, the pace of change in global strategic and political affairs has accelerated in a way that few imagined. Indeed, for some, change has been more like an avalanche than an orderly transition. On the whole, that change has been beneficial for the Western community of nations. East European countries have made an unambiguous choice for liberal democracy, the rule of law and for a greater role for individual choice and market economies - a choice that both Japan and Australia seek to consolidate through our contributions to economic reconstruction. And the Soviet Union is itself undergoing revolutionary change, as it attempts to modernise its economy and as various nationalities seek to achieve political, cultural and economic autonomy.

The central organising principle of world affairs since the war - the rift between East and West - has receded in importance. New actors will emerge to play a greater role in global and regional strategic and political affairs. But the contours of the new dispensation are not clearly delineated. With change has come considerable uncertainty.

Against that background, Australia and Japan face a new challenge to anticipate the evolution of events in our region, and to act, in concert with our neighbours, to channel developments in a favourable direction.

In meeting that challenge, we will be acting from common values based on a fundamental belief in freedom and democracy. And addition to common values, Australia and Japan share important interests and objectives with each other and with other regional countries. We seek strategic stability - which has so often proved to be a prerequisite for constructive human endeavour in areas other than military activity - and a propitious environment to allow the further development of the economic dynamism of the region.

In working for these objectives, Australia and Japan have been termed the southern and northern anchors of the Western alliance in the Western Pacific region. There is point to that metaphor. The size of Japan's economy and of its defence spending - albeit within constitutional and other restraints - means that Japan's economic and defence policies and activities will carry weight in the region generally, and especially in the North Pacific. Australia, for its part, provides an important southern underpinning to the Western alliance. Australia's GDP, and our defence spending, is roughly equivalent to that of the ASEAN countries combined. Our possession of significant military capability contributes to strategic stability, providing a secure south for the region.

So shared values and common strategic objectives provide important building blocks. Our shared values are: freedom of choice, democracy, the rule of law, and a greater role for individual choice and market economies. Our common strategic objectives are: to ensure that the region remains a zone of peace and stability, and that the region is open to free trade and investment. Our shared values and common strategic objectives provide important building blocks. Our shared values are: freedom of choice, democracy, the rule of law, and a greater role for individual choice and market economies. Our common strategic objectives are: to ensure that the region remains a zone of peace and stability, and that the region is open to free trade and investment.

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Australia now operates a mature and independent foreign policy. Where once the main aim of our foreign policy was to ensure the protective attention of powerful friends, we now have a coherent policy of defence self-reliance and an approach to security which recognises that Australia has an obligation to work through a variety of means to build a secure environment for itself. We have accepted the responsibility that comes with maturity of finding more for ourselves - which includes the responsibility of contributing to the alliance with the United States. Where once our approach to our region was affected by a feeling that we were a cultural misfit trapped by geography, we now pursue our objectives as a confident and natural partner in a neighbourhood of remarkable diversity.

It is as a full participant in the region's affairs that Australia has carried forward our initiative to facilitate a Cambodian settlement. Our initiative is prompted by an important national interest - but one we share with other regional countries - the elimination of the single greatest source of instability in the region. The war in Cambodia feeds tensions and hostility among countries who are bound by geography and who should be friends. While war continues, the full potential for economic cooperation and development in our region can not be achieved; and refugee flows within and beyond the region will continue, confronting the countries of the region and those beyond it with major moral, economic and social problems.

Australia keeps in close touch with Japan on the Cambodia settlement process as a whole and has welcomed Japan's support in developing proposals for an enhanced UN role in the transitional period between a settlement and elections. As a practical example of co-operation on Cambodia, Australia and Japan worked closely together as co-chairmen of the committee on reconstruction and repatriation at the Paris conference in August 1989, achieving agreement in the committee on the principles to apply to reconstruction, and producing the only document to be agreed by all parties at Paris. Australia hopes to take that co-operation with Japan further in developing the proposal made by Japan at Paris for an international committee on the reconstruction of Cambodia.

In advancing our Cambodia initiative, Australia has sought to stimulate thought on creative solutions, to facilitate dialogue and to seek areas of agreement which might encourage confidence among the parties to the conflict to tackle the key issues which are preventing the achievement of a comprehensive settlement. We continue to expend time and energy not out of quixotic stubbornness but from the standpoint of a regional country which is not a direct participant in the conflict but which has the capacity that few, if any, have to talk to all the parties.

The Hawke government has also spent a great deal of effort in achieving the right setting of Australia's foreign economic and trade policies so that they complement our domestic economic agenda - and that I shall return shortly. That has meant vigorously pursuing a coherent set of national objectives multilaterally, regionally and in our bilateral relations with our economic partners.

Australia shares with Japan the objective of maintaining, and indeed strengthening, the relatively open international economic order which has operated since the war - an order which has been crucial for the rapid growth of Japan and other Northeast Asian economies. But that order has been weakened over the years by restrictions in areas such as agriculture and textiles, and - more recently - by a proliferation of so-called voluntary export restraints and other protective measures.

The Uruguay Round is entering the final straight. The importance of the round is hard to exaggerate - its results will determine the global trading environment into the next century. But if the stakes are high, so are the obstacles to success. A satisfactory result has to include progress across the full range of subjects being addressed in the round - for failing that, interests of particular groups of countries will be neglected, the underlying web of accommodation of interests will be ruptured, and the round will stumble. And to achieve a satisfactory result, participants need to show a sense of urgency and the firm political will to make the necessary adjustments.

In particular, the round's mid-term review and the recent Puerto Vallarta informal meeting of trade ministers underlined that agriculture is the key to a successful outcome. I would like to state unambiguously that Japan's wide and vital interests in the success of the round and in the reinforcement of the GATT's multilateral disciplines provide solid reasons for a more trade liberalising approach to the agriculture negotiations.

Japan's position as a key negotiating country and participant in the Houston Summit in July provides Japan an important opportunity to ensure that momentum is maintained in Uruguay Round negotiations. We must avoid a sense of drift in the Round - to leave the Round hostage to a last minute process of crisis management would increase the risk of a minimal result and of losing the support of developing countries.

If the Uruguay Round is the most urgent challenge in Australia's trade policy agenda, we have also sought to advance our national interest in greater co-operation with regional economies in the Asia-Pacific Economic Co-operation process. Both APEC and Australia's position in the Uruguay Round reflect a commitment to freer and fairer trade and to strengthening of the multilateral trade framework. Both are concerned to reduce barriers to trade; to challenge the false appeal of protectionism; and to slow down resort to unilateral and bilateral solutions to multilateral trade problems.

I suspect it is more than just the euphoria of having been present at the birth that allows me to contrast my necessarily guarded comments on the Uruguay Round with a more positive report on APEC. Australia has been encouraged by the framework for enhanced regional economic co-operation established at the Canberra Ministerial-level meeting and by the progress achieved at the two officials meetings held since to give that framework practical and mutually beneficial effect. We look to Japan, as a strong supporter of APEC, to help us maintain the momentum of regional economic co-operation at the Ministerial-level meeting in Singapore at the end of July.

There is no disjunction between a country's external policies and its internal agenda, but a close interweaving of the two. While working for a favourable external political and economic environment, the Australian government is creating the conditions at home which will encourage our industry and business to capitalise on our international effort and seize opportunities overseas.

Australians increasingly realise that our welfare is closely tied up with Australia's international economic performance and in particular with how well we can integrate with the dynamic economies of our region. That in turn means that our economy has to be ready to respond to that challenge of integration, that Australia has to be internationally competitive and our export base diversified.

At the beginning of the 1980s, Australia's manufacturing and services sectors were cloistered and inward-looking. Efficiency and competitiveness were too often measured against the standards of the Australian market. Exports were seen as subsidiary to domestic production. Industrial relations were too often marked by confrontation. The economy was over regulated.

There have been dramatic changes to that picture. The government set out a coherent strategy to improve the international competitiveness of Australian industry in the economic reform statement of May 1988, which included measures to reduce systematically industry protection.

Already the Australian government has notched up achievements. The Australian economy is now more efficient and open to outside competition than in 1983. Let me demonstrate by listing some of the changes which we have made.

. Tariffs are being progressively scaled down and by the mid 1990s the average effective rate of protection for the manufacturing sector - a measure which includes both tariff and non-tariff protection - will be 13%, or about half that at the beginning of the 1980s.

. Australia has undertaken extensive financial deregulation and has moved quickly to liberalise capital movements. Most foreign investment proposals are approved, except those judged contrary to national interests.

. Assistance to agriculture has been further reduced, thus further enhancing the competitiveness of this sector. Government assistance is now less than one quarter of the OECD average.

. The corporate tax rate has been reduced and a start made toward rationalising the taxation system.

. The public sector's role in the economy has been reduced and steps taken to make government business enterprises more market oriented.

. In May 1988, as Minister for Transport and Communications, I set out the Government's commitment to structural change and progressive liberalisation of the telecommunications sector. This has included the establishment of an independent telecommunications watchdog, AUSTEL, and the opening of value-added services to competition.

. The Government has acted to increase the efficiency of the transport sector by liberalising controls on international air passenger charters and freight charters and by terminating the two airline agreement in the domestic market from October 1990. A three year program will reform work practices and enhance competition in the shipping industry and on the waterfront. Average crew sizes in the coastal shipping industry have fallen from 33 in 1983 to the mid 20s now, and will be 21 in 1992, equal to average OECD levels.

. Progress has been made toward improving industrial relations and work practices. Real wages growth has been restrained and linked to productivity increases. New legislation has been enacted to encourage the rationalisation of union structures and more flexible dispute settlement procedures.

Despite these achievements, there is no cause for complacency. Continuing high current account deficits and rising foreign debt show the importance of pushing ahead with micro-economic reform.

A sense of urgency, combined with a focus on integrating Australia's economy more with the dynamic economies of Northeast Asia, underscored Professor Ross Garnaut's report to the Prime Minister and me, entitled Australia and the Northeast Asian Ascendancy and released in November last year. Ross Garnaut has provided the government with wide-ranging policy recommendations, and given solid impetus to community discussion of micro-economic reform.

Professor Garnaut noted in his report that a start had already been made on reform in most of the areas where change is necessary. The government will seek to speed up these reform programs already in place and is working towards major new initiatives.

. Industry protection will be reduced further after the current program of tariff cuts is completed in 1992.

. The Government will encourage the current process of labour market reform, particularly in regard to award and trade union rationalisation along industry lines.

. We are looking at further major reforms in telecommunications, broadcasting, electricity generation, aviation, land transport, the waterfront and international shipping. As an example, we have a clear program for achieving more than a 20% increase in productivity on the waterfront.

. A new industry commission has been established to act as a catalyst for change in many of these areas.

. We will be looking for ways to remove impediments to the export of Australian services, especially to the Asia-Pacific region, and are targeting health, education and legal services, as well as tourism.

. We will continue to work to improve the standard of education and training in Australia so that our workforce has the skills that will be needed in a more competitive and adaptable economy. That will be crucial if we are to move from an economy dependent on resource exports to one in which knowledge-based economic activities have a much greater role. As Prime Minister Hawke has observed, we are aiming to replace the familiar description of Australia as the "lucky country" with a phrase better suited to our economic needs and aspirations, the "clever country".

Nobody in the Australian government underestimates the challenge of economic restructuring. We know that governments in democracies don't last long unless they base their actions on the support of the people who vote them into office. So we have been keen to establish a "reform culture" in Australia - a widespread understanding that we can't isolate ourselves from the rest of the world and expect our living standards to rise as if by some anti-economic miracle; an acceptance that we need to modernise, adapt, change our ways of thinking. That important democratic underpinning for reform is now more evident. Two years ago, as Minister for Transport and Communications, I encountered little conviction that the need for reform outweighed the obstacles; now I believe the Australian government has changed that balance, has attracted the support of the Australian people and cleared the way to move ahead vigorously.

Our reforms will make Australia a more dynamic, competitive trading nation, more able to participate in, and contribute to, the extraordinary economic transformation of the Asia-Pacific region. That will bring advantages to both sides. Countries such as Japan will have increased investment opportunities in a liberalised Australian economy.

I would like to conclude by emphasising the assets that Australia can bring to bear as Japan's Pacific partner. As I have mentioned, we already have large economic weight in our region, and have a firm commitment to lay down the basis to be a more outwardly oriented, more dynamic participant in the regional economy. We have inherited attributes of history and geography which, once conceived as depressing isolation from European cultural roots, can now be turned to advantage: Australia threatens no one, can deal with all regional countries unencumbered by centuries of competition and conflict. We are uniquely placed to be a good neighbour, to work for strategic and political stability and to seek to foster greater economic co-operation among the countries of the region.

It has been the outstanding characteristic of the present Australian government that it has not accepted these assets passively, but has wanted to build on them with practical initiatives, so increasing our standing in the region and the basis for partnership with Japan.

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