

AUSTRALIAN BUSINESS IN ASIA: LOOKING TO THE FUTURE

Address by Gareth Evans, Deputy Leader of the Opposition and Shadow Treasurer to 1998 International Business Asia Awards Ceremony, Sydney, 27 May 1998.

Let me say immediately that I am an optimist about Asia, Asia's economic future, and Australia's economic future in Asia.

Tonight's function has come at exactly the right time

- to remind ourselves about what has gone right for business in Asia;
- to re-ignite our sense of confidence in the region's future, and Australia's place in it; and
- above all, to remind ourselves just what a wealth of sheer commitment to Asia there exists, and what a wealth of sheer *excellence* in realising that commitment there exists, in the Australian business community,

and I congratulate Peter Charlton and *International Business Asia* for making these Awards and this evening possible.

We are all, of course, acutely conscious of what has gone *wrong* for business in Asia in recent months. I have no need to tell you, either, that things could well get worse before they get better. Among the things we are all nervous about are:

- whether political reform in Indonesia will be maintained at a fast enough pace to enable both domestic and international investor confidence to return before the economy collapses completely;
- whether Korea's domestic debt problem is in fact as readily soluble as it first appeared;
- whether the latest Japanese fiscal stimulation package will in fact kick-start both domestic and regional growth; and
- whether there will be a further slide in the Yen which will flow on to Korea and in turn put huge additional pressure on China to go down the path of devaluation which it has so far been able to resist.

But, if we can stand back a little from these anxieties, it really *is* hard to be anything but optimistic about the longer term future of the Asian region.

For a start - as Jeffrey Sachs and a colleague pointed out in a recent important article in *Foreign Affairs* - there is an inherent momentum at work which means that Asia is bound to grow until its share of world income matches its present two-thirds share of the world's population, which they assess as likely to occur around 2025.

The argument is that the economic crisis which beset the region last year - as a product essentially of underlying institutional weaknesses, including corruption, nepotism and insufficient banking regulation - was not a sign of the end of Asian growth, but rather was an example of the kind of financial instability which has often accompanied rapid economic growth elsewhere.

The critical issue now is whether economic and political decision-makers around the region will draw the right lessons from the crisis, and act accordingly. Financial instability will go *on* recurring unless some fundamental institutional changes do take place.

My own view, and it is based not only on what people have been saying publicly - with or without Michel Camdessus standing by! - but on many private conversations over the last few months with key people from around the region, is that the right lessons *have* been learned and that the necessary change there *will* occur.

There were, basically, two ways Asia could have reacted to the pummelling it has received from the rest of the world. The first was to retreat inward and say, in effect, that if *this* is what globalisation and interdependence means, then we'll rebuild barriers against the rest of the world, and go back to doing things in the quiet old backroom *guanxi* way we always did.

The other response, and the one that I'm delighted to say seems to have overwhelmingly prevailed, was to say that if this is what globalisation means, we'd better do it properly - in a way in which the rest of the world will have confidence - by developing open, transparent and accountable institutions: not just financial institutions, but political institutions, because it is only through creating political institutions that are genuinely accountable that the ties that bind and restrict the free, confident flow of commerce can ultimately really be loosened.

The reaction has not been universal, unanimous or without its reservations and qualifications. But the general pattern of reaction has been clear, and I think we can take great heart in particular from what the new leadership of countries like Korea and Thailand, and maybe now Indonesia as well, are both saying and, with the support of their people, delivering.

Australia's reaction to all of this should be to wholeheartedly reaffirm our commitment to our long-term Asian future. This is where we live, must find our security, and can best guarantee and maximise our prosperity. Our trade and investment exposure to East Asia is already such that we simply cannot insulate or "fireproof" ourselves from the region even if we wanted to. The course of the \$A in recent days, exactly tracking both the bad and good news coming out of Indonesia notwithstanding our relatively low exposure to that particular country - is ample proof of that.

I have to say in this respect how disappointed I, and many other Australians, were at the reaction

of our Prime Minister, Mr Howard, to all of this when he said in a recent interview that "Our economy may be geographically in Asia, but economically it's a thousand miles away". A number of us here at this function tonight have put a great deal of time and effort and energy in recent years into reducing both the economic and psychological distance between Australia and Asia, and this is absolutely *not* the right time to be opening us those gaps again.

It *is* the time for us to be thinking hard about what we can do, at the governmental level and at the level of institutions like the Reserve Bank, to help our neighbours with our institutional experience in banking and financial system management, corporate regulation and legal system development.

And it is also the time for us to be thinking very hard, at both the government and business level, about what we need to do as a nation to position ourselves to take maximum advantage of the resurgence in Asian economic growth which I believe is bound to occur.

If we in Australia are going to have the kind of economic future we want, we're going to have to meet the needs of a growing Asia not just for our traditional commodity exports but for higher value-added manufactures and services. And if we're going to be able to competitively supply those manufactures and services, we are going to have to become a lot smarter about accumulating and nurturing our human capital - by public and private sector investment in our people to increase their skills, inventiveness and productivity.

There are plenty of pathfinders who have shown us just what's possible in this respect, and many of them are here in this room tonight. If we are going to achieve excellence, we have to have standards of excellence to aspire to, and excellent achievers to look up to.

I am delighted to have this opportunity to join with you in recognising and honouring some genuinely outstanding achievers in Australia-Asia business - those who have won this year's *International Business Asia Awards*, whom I will be delighted now to present with the awards that each of them have so richly deserved.