

AN AUSTRALIAN PERSPECTIVE ON GLOBAL EVENTS IMPACTING ON INTERNATIONAL BUSINESS

Talking points for an address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, to the Australian International Business Forum, 1 August 1991

The holding of this Forum and the establishment of the Centre for International Business Affairs are important developments. They are part of Australia's response to global changes, changes which are imposing on all of us, government and private sector alike, the need to break down barriers between disciplines and specialisations and to examine critically and in an innovative way old assumptions and prejudices. My presence here and that of my colleague, Neal Blewett, is an indication that our response must be a coordinated one. In a more competitive, more complex world neither business nor government can afford the waste of not being actively involved in contributing to the other's strategies.

The most important international changes at work are the end of the Cold War; the new globalisation; and the development of the Asia Pacific region.

The End of the Cold War

The Cold War could not survive the collapse of faith in Soviet communism and with it Soviet hegemony in East Europe. The ideological divide, which was a strong influence on most aspects of international relations since the end of the Second World War, has largely disappeared. In particular, there is a growing international recognition that economic liberalism has worked and that other models of economic development have not. Governments in Africa and Latin America, traditionally entranced by central economic planning and its variants, are moving to adopt more liberal policies. When I was in Vietnam in 1988, Foreign Minister Thach told me that his favourite bed-time reading was Samuelson's Economics!

This is not to say that ideology has itself disappeared as a force to be reckoned with in international relations - the crack-down in China shocked our comfortable assumptions about the ease of the transition to a free-market democracy. In Burma an unrepresentative regime still clings to power through repression. Some

governments still make a distinction between free-market economic policies and democracy: but it is illogical and unsustainable.

The shape of the post-Cold War is not yet clear. Despite the collapse of Soviet influence and the gradual relative diminution of the economic strength of the United States, the world is still very much a bipolar one in strategic terms - with its 50,000 nuclear warheads shared more or less equally between the two. But other powers are emerging. The European Community is moving quite rapidly towards a degree of political, economic and military integration that could make it a power of United States dimensions. Japan's economic and financial strength is not matched yet by confidence or leadership. China and India possess substantial and ever-growing regional influence.

The decline of Cold War does not mean an end to regional disputes. In a larger sense, the world is, of course, a safer place for the end of the Cold War, particularly in view of the opportunities we now have to negotiate arms control agreements. But the division of much of the world into two opposing camps did place a degree of restraint on some would-be regional powers. That restraint has weakened, and Iraq's invasion of Kuwait - in an environment where the Soviet Union was no longer to place an effective restraining hand upon it - was an unwelcome warning that the aggressive habits of millenia remains with us.

Globalisation

At the same time, the easing of super-power rivalry has certainly allowed the international community to cooperate

more effectively, using the mechanisms of the United Nations, over such regional disputes as Afghanistan, Namibia and Cambodia. The United Nations provided a framework for the international military, political and economic action against Iraq's invasion of Kuwait. It may be premature to talk too romantically about the establishment of a new world order - but for the first time we have seen the security mechanisms of the United Nations being used, with the agreement of all major parties, in the way they were originally intended, to solve a dispute that threatened the security of the international order.

The international community now faces difficult questions about the degree of international involvement in domestic affairs. The removal of Iraqi forces from Kuwait was clearly within the Charter of the United Nations. But how are Iraq's

exposed minorities to be protected from retribution from the Iraqi Government? To what extent can donor governments and organisations intervene to ensure that famine relief reaches those who need it, whether in Iraq or Africa? There are no easy answers to these questions, but it seems to me that the international consensus is moving in the direction of a wider sphere of action for the international community.

The quickening spirit of internationalism owes much to acceptance that important issues such as disarmament, the environment, trade regulation, indebtedness and disarmament can be dealt with only by multilateral and global cooperation. Few governments believe that, in an age when information and capital are more readily available but more widely dispersed than ever before, it is possible to remain insulated from outside developments.

Another impediment to the machinery of international cooperation, the sometimes sterile debate between the developed North and the developing South, has largely vanished. Some countries of the South, notably in East and Southeast Asia, to a lesser extent in Latin America, are

finding their own way to economic development through the application of more liberal economic policies. Countries of the North and the South realize their common interest in fairer world trade, particularly in agriculture. The Cairns Group, under Australian leadership, is a model of a common interest, in this case a desire for fairer agricultural trade, uniting countries of the developed and the developing world.

We cannot escape these days a greater awareness of how the various aspects of international relations in their broadest sense are inter-connected. It is futile, for instance, to separate rigidly developments such as third world debt, development assistance and international trade reform. Each influences the other in a way that forces us to look at them as one overall problem. In the same way, old distinctions between security and economics are breaking down. A country's influence is increasingly measured in terms of economic achievement. These days we define more broadly the means of achieving security, to embrace economic, environmental, cultural and other factors, not simply the possession of military force and political influence.

The Asia Pacific Region

The third group of developments of particular concern to Australia is the phenomenal growth of the Asia-Pacific region to become the most economically dynamic region in the world and the centre of world production. About half our trade is now with the Western Pacific alone. Our future lies in comprehensive engagement with this region and in encouraging it to retain the characteristics of openness and dynamism which have served it so far.

Australia has tried to do this through the Asia Pacific Economic Cooperation forum. Neal Blewett will describe what APEC can do to support the Uruguay Round and to push for regional trade liberalisation. I shall just say that APEC is not and was not intended to be a trade bloc. There are

international pundits who forecast the emergence of such trade blocs, and we cannot ignore the possibility of this. But there is universal agreement that, particularly for the relatively open Asia Pacific region, prosperity lies in the international liberalisation of trade through the mechanisms of the General Agreement on Trade and Tariffs.

The Asia Pacific is a more complex and various region than Europe or North America, especially in terms of security. The easing of the Cold War has reduced one major source of security concern in the region, but has left unsolved the region's numerous flashpoints, ranging from Bougainville to the Korean peninsula. And the sheer novelty of a world not governed by superpower tensions has, inevitably, created new uncertainties. To deal with these and to build up a sense of confidence between countries, we cannot simply transfer the architecture of security which has evolved in, say, Europe. We need to develop our own form of security dialogue and confidence building measures which are appropriate to our region. I have been pushing in regional forums for the establishment of a regional security dialogue that would in itself produce greater confidence within the region and could lead to agreement on further confidence building measures.

The Implications for Business

All the changes that I have outlined directly impact on business, and in I think a positive way. Closed economies are being opened and, I believe, there is a good chance that traditionally open economies will not retreat further behind trade and other barriers.

But the triumph of liberal economic policies means that markets will be more

competitive. Much has been said about the competition for investment funds between the reforming economies of Eastern Europe, the rapidly developing economies of Asia and the developed countries, including Australia,

trying to make their economies more efficient and competitive. Export markets will be just as competitive as new producers emerge, with their own particular advantages of cheapness or quality.

We will all, companies and Government, have to accept the fact of growing international scrutiny of and interest in matters that will impinge on the conduct of our business. The international community faces problems for which only global action can produce realistic solutions. But a realistic solution equally implies the involvement of the private sector, something of which this government is keenly aware. You cannot, for example, pretend that business does not have a legitimate interest in moves to regulate the trade in chemicals that can be used for chemical weapons. To make that point and to involve the private sector in efforts to halt the spread of chemical weapons, the Australian government organised a Government-Industry Conference Against Chemical Weapons in 1988.

In general, both business and government will need to build on their strengths. The Australian Government, unable to rely on economic clout or strategic importance, has consciously and carefully taken advantage of Australia's recognised human resources in trying to anticipate and guide changes of importance to us. Australia's formation and leadership of the Cairns Group is an outstanding example of how we have used our diplomatic skills to improve the chances of an outcome important for our national economic effort. Our advocacy of APEC was crucial in establishing that forum and has laid the foundations for a further effort to liberalise regional trade, to our ultimate advantage. Intelligent anticipation of change and a strategic outlook on where you want to go will not necessarily get you to your goal, but they vastly improve your chances of doing so.

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