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Title:

Australia's economic and environmental relationships within the Pacific region

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Australia's Economic and Environmental Relationships
with the Pacific Region.

Don Dunstan.

The scope of the topic for this paper is so vast that I have had to endeavour to perform miracles of condensation. It was suggested that I should pursue the thought that "Australia's immediate neighbours in the Pacific Region have a significant influence on our present and future economy through trade, tourism and immigration. Relationships with those countries at political and economic levels . . . have short and long term implications for Australia."

Let's begin with trade. Australia is currently suffering the long-term effects of the 1949 election. At that time, Australians, (though most voters didn't know it,) made a deliberate decision to reject the existing policy of post-war reconstruction, namely to direct the nation's investment capacity into tooling up to become the premier manufacturing nation of South East Asia and turned instead to a policy of allowing Australian industry to develop in the short term to gain quick profit from being predicated to the Australian domestic market, of relying on the export of primary products to pay for our imports, and of becoming a Japanese mine in place of having been a British farm. How did it happen that Japan, devastated by war, its industry in tatters, and with no



raw materials with which to rebuild, could in forty years become the prime manufacturing nation of the world, while Australia, its major trading partner and major supplier of raw materials, saw its manufacturing industry after a period decline? The decline has been so significant that when the sale price of our commodities, (wheat, wool, sugar, iron ore and coal,) all fell on the international market, Australia faced its present economic difficulties, unable to continue to pay for its normal imports not only of goods, but of investment finance and technology, without burgeoning debt. Why did this happen? Because we didn't use our heads, and the problems of restructuring remain and are not short term.

One of the vital issues facing us is the kind of pressure which our present system imposes on the directors of trading corporations. Because of the ease, in effect the statutory support which is given in this country to company takeovers, it is vital to those directors that the price of their shares on the market reflect the asset value of their companies, and therefore that dividends be kept high. In consequence Australian companies have a woeful record of expenditure on research and updating their plants. Australia was in the business of shipbuilding before Korea was. By the time of the closure of the Whyalla shipyard, which constituted forty per cent of

Australia's shipbuilding capacity, one crane in a Korean shipyard could perform the same tasks it took seven cranes to do at Whyalla. I used to be something of a protectionist in policy. I believed this was necessary if we were to maintain diversity of employment of a kind socially desirable for Australian society. But in South Australia then as now diversification of markets as well as products is absolutely vital. With the industry which South Australia did develop in the first years after the war we became too reliant on domestic appliances and the componentry for them being supplied to the Australian domestic market. When Australia had an economic downturn of any kind, while Australia caught a cold, South Australia caught pneumonia. So we had to diversify. Few managements were prepared to do anything about it. The large majority, when they ran into market trouble interstate, came to sit in my office as Premier and demand a reduction in taxes, a subsidy, a special grant. These people, sitting behind protective tariffs in many cases, were not prepared to get out into the market place and supply demand which was obviously occurring in the developing markets of the Pacific rim. Now, twelve years later, very few Australian companies have on their staff people who have been trained in dealing with export markets, the number of Australians who have adequate

language skills let alone the knowledge of corporation and trading law in the countries with which we have to deal is tiny.

The report of the Committee for Review of Export Market Development Assistance said, in consequence, "Past inward-looking policies have made Australia's industrial structure inflexible. We are not taking advantage of the richness of our natural endowments. We are not exploiting the agricultural and mineral opportunities (in which we have a clear competitive advantage,) fully. Comparative advantage can no longer be considered only in terms of resources, labour and capital. Entrepreneurship, technology and human capital are also important. These can give Australia a competitive edge in many manufactured products and services. But, while the pattern of world trade has changed considerably over the last twenty-five years, Australia has failed to develop adequately exports of manufactures and services which have been the fast growing items of trade elsewhere in the world."

As to the Pacific region, what has been happening to Australian trade? Of our exports of merchandise, between 1962-3 and 1987-8 there was little change in the proportion going to the U.S.A., but to the E.C. there was a fall of 35% to 15% (and of that the component to

U.K. from 19% to 4%); exports to Asia rose from 26% to 49% (and the component to Japan from 16% to 26%.)

Japan is now our largest single trading partner.

New Zealand and other South Pacific countries take 20% of our manufacturing exports. It is clear that in the present economic climate the pressure is on to build up specific niche markets for manufactures in the U.S.A., Japan, Taiwan, China, Singapore, Malaysia, Thailand, and the Phillipines, to provide horticultural products, sometimes year-round but in many cases in what is the off-season for fruit and vegetables in the Northern Hemisphere, for high technology products in which Australian originality has shown itself very competent in the past, and that there will be continued pressure for further mineral exploitation. There will also be a lot of pressure for further tourist trade, but let me first deal with a special example of the pressures for high technology development.

There is not room here for a comprehensive review of the proposal for a multi-function polis. What will emerge finally from present studies and negotiations remains to be seen, but it is evident that from the outset the proposal has meant many things to many people. But Barry Jones said of it "With MFP we have the opportunity to use technological benefits presented by the information society to develop a basis for a different style of living. This new style of living

provides opportunities for life long education, flexible work arrangements, developing creativity, personal freedom and urban living away from dependence on a car-based society." The leader of the Japanese delegation to the first MFP Joint Steering Committee said "When we are poor and the national economy is underdeveloped, nearly 90% of our energy is spent "to eat", what the economy most needs is physical capital. In the mature economy when the focus shifts "to live," the most critical factor of production is human capital. That is why the need to develop human capital is emerging as the major challenge for the industrial democracies. At the moment there is no clear answer although both private industries and governments are keen to explore a right answer." The Department of Industry Technology and Commerce saw Japan's objectives as 1. To assist with the breaking down of Japan's cultural isolation, and expose them to new and different lifestyle alternatives, 2. To assist with the development of Japan's image as an international contributor to thinking and to the addressing of global challenges, and 3. To facilitate investment and technology links to overseas enterprises, especially those of a long term strategic nature, and the Australian objectives as 1. To develop the international competitiveness of Australian manufacturing and service industries and encourage their integration with the

world economy,2. To enhance Australia's image and profile in the world,and 3. To provide a model which can be used to stimulate greater responsiveness in Australia to the challenges facing our society. The core functions for the MFP, according to DITAC are a Pacific basin education centre,a regional facility for international co-operation, a medical research and health care centre, a centre for new technologies, an international cultural environment and lifestyle centre, and a financial services centre. According to Dr. Peter Rimmer of the A.N.U. the Australian MFP proposal is largely, in Japan, driven by MITI, the Ministry of International Trade and Industry. He said, in a paper given at ANU in November 1988 "The Austrlian MFP is seen by MITI as providing an environment where information intensive activities can be more full developed than in Japan, thereby underlining the country's need to switch from resource-based activities as part of its structural readjustment program. Also, MFP would expose large numbers of Japanese people and businesses to international influence as part of a global plan to internationalise the country's economy and culture. By locating MFP in Australia it will highlight the need for Japanese people to change their lifestyle and place greater emphasis of leisure and improved living environment. MFP is expected to reduce international friction by

offering an opportunity for indirect co-operation between Japan and the United States at a neutral location. Coincidentally, it will offer a place to invest Japan's trade surplus; provide opportunities for property developers; and supply construction interests with the chance to gain international experience on the most appropriate urban forms for the twenty first century. Above all, MFP will assist the internationalisation of small- and medium-sized joint-venture firms which MITI has taken under its protective wing since the shift to knowledge-intensive industries."

I need not here go into all the doubts and objections which have been raised over the MFP concept. It remains a proposal which is actively pursued by the Federal and by several State governments. If it does not get off the ground in the near future, nevertheless given the structure of industry in Japan, the space in Australia, and the trading relationships between our two countries, proposals for more intensive Japanese involvement in urban development and technological co-operation and transfer will persist, and State and Local governments will be under a good deal of pressure to support and participate. It will be a vital role for Local government to ensure that not merely physical but human and social environmental factors are fully considered, that no such development becomes a

"Japanese enclave," as some of its attackers, unjustifiably in my view, have suggested it is intended to be, and that the mistakes so obvious now in so many post-war "new towns" are avoided.

But now to turn to tourism. I feel a hoary old hand at this. I was proclaiming the need to treat tourism as a major expanding industry in this country it now seems light years before tourism became the flavour of the times. Of course that was long before John Brown was so much more successful in gaining attention and support for that proposition than I ever was. This country has much to thank him for.

Australia, geographically placed as it is, is accessible as a tourist destination to two of the greatest concentrations of well-off people with both opportunities for leisure and discretionary income to spend in the world. The only other like concentration is in Western Europe, mainly in West Germany and Scandinavia. But the West Coast of the U.S.A. and Japan provide an enormous potential tourist market. For Australian tourism, that market will grow. It is as yet only in its infancy. Our present figure for international tourism is around two million foreign tourists a year. Contrast that with Italy's fiftyfive million a year, Hungary's fifteen million, and five million for the island of Rhodes and you begin to get the picture. As the economies of Singapore, Taiwan,

South Korea move into further affluence, the regional market will expand. This has advantages and potential disadvantages for us. Tourism is capable of providing an expanding employment base for Australia which it badly needs - it is the major area of service employment which expands even in periods of economic downturn. But bad planning, crass development, and tourist overcrowding can produce a form of tourist caused pollution which destroys the very things that many tourists come here to see. In order to avoid that - to ensure that we do not go down the road of destroying the countryside and the quality of life of our own people down which some parts of Thailand, for instance, are currently going helter skelter we need not only to take care but be aware of the nature of the tourist market. I need only give, I think three examples (from a myriad available) of what not to do. Pattaya, the Thai beach resort which sits on what was an entrancingly beautiful piece of coastline, is now like an unplanned version of Queensland's Gold Coast without the finesse, and getting uglier by the day. In contrast Singapore is planned, reclaimed, sanitised, with everything required to conform to Mr. Lee Kuan Yew's own values and as a result individuality and diversity are wholly lacking. International hotel chains vie with each other in producing spectacularly glitzy foyers, but in most of them you could be

anywhere in Asia. Singapore is now desperately trying to restore the odd building or to create what is now inevitably an ersatz Chinese quarter in order to impress tourists that there is something interesting to see after a day in the city. Some time ago I went to the golden pavilion in Kyoto. One of the world's most beautiful little buildings, it had been built by a shogun as a place where one could drink tea, pole oneself out on the pond to feed a carp, and in quietly beautiful surroundings compose an elegant haiku. When I was there there must have been two thousand noisy people waiting in line with tourist guides holding up flags and shouting through loud hailers. It was the very antithesis of the quality of experience which made the place appropriate to its purpose. Every tourist development in Australia needs to be examined to see that it provides a service to Australians as well as to overseas tourists, and that it enhances rather than ruins the area in which it is to be built.

In assessing tourist development much more needs to be understood of the nature of the inbound tourist market. It is not homogeneous, and different segments of the market have very different needs and requirements.

The New Zealand component is in fact very similar to the Australian domestic market and therefore needs no

special description. The American market is varied. A large proportion of American tourists are in the older age bracket. They have no particular time constraints, and the majority are tending to look to Australia either for a general experience of what is here, or to come to see areas or places of particular interest such as the Barrier Reef, Kakadu, Ayers Rock. A significant proportion are what are often called 'experiential' tourists i.e. those who are interested in having some in-depth experience and appreciation of local life-styles and activities. A smaller and smaller proportion are those who want to "do" Australia in a week and collect a photograph of themselves in front of each feature along the way. They prefer to go on a river boat rather than look at it, to stay on a host farm rather than be merely shown it. Many also see Australia as a "last frontier"-where there are desert and wilderness areas still unspoiled and where they can enjoy being away from crowds and "getting back to nature" particularly a nature which is so unique and unusual as Australia's.

The Japanese market is much more clearly segmented - there are four segments. One is young single women, who having saved some money are coming on a trip before they are tied into family responsibilities. They usually have eight days' leave and in consequence seek to see and do as much as they can in that time. While

some Japanese wholesalers are trying new packages, the very time constraint means that most of these will go on the routes Sydney Canberra Melbourne, Sydney Brisbane Gold Coast, Cairns North Queensland resort, Cairns Ayers Rock. The position is generally similar with the second segment-honeymoon couples. They seek to go to known attractions, and they have money to spend for consumer goods and souvenirs of quality to take back to Japan. The third segment is of retired couples, the "silver"market. They do not have time constraints, are prepared to go further afield, but tend to go on tours which are packaged and have been sold to them from travel wholesalers' manuals. The fourth segment is really part of a general group constantly growing, and from all parts of the world- the backpackers. They look for accomodation at the lower end of the market, take buses, and do not usually plan their intineraries in detail before they come. They have an idea of what it is they want to see - and usually that is areas and places of unspoilt natural beauty, but they also often want to experience the life of Australian cities. There is only a small proportion of that total market that is looking to spend time in a "resort" of the "Club Med" type. It is possible to plan the necessary accomodation and services to cope with the demands of an expanding

market of this type without adversely affecting but rather enhancing the quality of life of Australians.

As to political and economic relations with other nations in our area - it is likely that tensions will continue and increase between the Australian people and the regimes of Indonesia, Malaysia and the Phillipines on the scores of human rights abuses and environmental degradation of their areas in a way which affects us globally. Governments of all political persuasions in Australia have tried to play down not only what happens in Indonesia proper about human rights, but it is a continuing sore. The situations in East Timor and Irian Jaya will not go away for being treated as if they did not exist. The forms of logging and mining in Irian Jaya are bad environmentally as well as being unjust to the indigenous population. The global effects of destruction anywhere of remaining rain forest is of vital concern to us in this country. Aid is being given from Australia through non-governmental organisations to help some of the desperately poor and dispossessed in the Phillipines to re-establish traditional lifestyles and sustainable agriculture - but it is a drop in the ocean. Australian international aid has in these economic-rationalist times fallen to the lowest level as a proportion of GDP for twenty years.

In Niugini forestry continues to destroy large areas of native forest and this in some instances with direct Australian involvement and even with aid. The rebellion in Bougainville is in no small measure about what the mine has done physically to the area as well as in disrupting the lives of traditional owners with what they feel is inadequate compensation. The continuing operation of international corporations to push the indigenous people into accepting "resettlement" for the purpose of working under a debt structure to produce low value cash crops like rubber palm oil and coffee is storing up resentments which are likely to erupt in future. There are Australian workers in Niugini supporting an environmental research agency and funded by Australian NGOs, but in the present political climate of Niugini it is difficult to be hopeful of accomplishing a great deal in this way.

The next-largest and most developed of island nations of our region is of course Fiji. Australia's economic involvement with Fiji in the private sector is far greater and more penetrating than with Niugini or indeed any other part of the Pacific. Most Australian tourists come away from Fiji with the impression that the businesses of the community are owned by Fiji Indians. Nothing could be further from the truth. Until a Royal Commission recommended (while Fiji was still a British Crown Colony) that the sugar industry

be nationalised, it was wholly owned by the Colonial Sugar Refining Co., and Australian company, which had its largest mills in Fiji. The two largest trading concerns, Burns Philp and Morris Hedstrom, are Australian owned, the latter by W.R. Carpenter. The goldmines of Fiji are Australian owned, as is overwhelmingly, shipping services, forestry and the tourist infrastructure, and banking and insurance. Indians own some construction services, bus services, middle to smaller retail shops and businesses, and have dominated the professions. The political situation remains grave, with an illegal government in power governing by decree enforced by a politicised police force and backed by an army which has now been given French military aid and is seeking to do a deal with the rulers of the People's Republic of China for additional military hardware. After the coups of 1987 the economy suffered badly but has now recovered to some extent. While not all the tourist trade has come back most of the Australian component (by far the largest) has. The forestry industry (which has had Australian goverment aid) continues to be confronted by the local Fijian commoners who have in the past few months again set up road blocks over what they claim is wrongful use of their land, and the people of the nearby islands bitterly complain of the poisoning of their fish stocks by reject treated logs simply pushed

to sea. The conditions for workers at the gold mine are scandalous, and the subject of continued protest, but although Western Mining is involved in the company it appears unwilling to take any action. Some investors from this country are involved in the development of garment manufacture under Fiji's special trade zone provisions. The businesses are very profitable because they have succeeded in Fiji's bad employment situation in employing workers who are paid very low rates through which the owners can undercut garment manufacturers in this country under the special trade concessions still applying to Fiji. It is likely that political conditions will remain unstable and the cause of great tension for the foreseeable future.

The major ecological problem immediately facing the island region is of drift-net fishing. Japanese and Taiwanese fishing boats are using the "wall-of-death" nets and thereby destroying the fish resource of the Southern Pacific. Australia has taken a lead in endeavouring to get international action on this matter, but so far without much success. It will be quite disastrous for all of us in this region if the most important protein resource in the whole area is wrecked.

Finally , to deal briefly with immigration - this. as you all know is the subject of continuing

debate. Having laid to rest at the election the wilder claims of those who, like Professor Blainey and Mr. Ron Casey protest at Australia's continuing "Asianisation" we now have some who protest that we cannot afford in present economic circumstances to continue with a rate of entry of 140,000 migrants a year. I personally think they are quite wrong. Unless there is some growth stimulus the building industry will be in grave trouble. If, in addition to the dampening effect on the economy of present monetary policy we significantly slowed migration it would send the industry into a tail spin. Having presided over a State where the state component of total building is high and been the housing minister for many years, I can only think that this is an issue not sufficiently appreciated by those who are putting forward a demand for change.

Where is the pressure for immigration coming from? Except in family reunions, not a great deal now from Europe, though with the economic changes likely to occur with the collapse of Communist regimes in Eastern Europe we may yet see a new round of immigration queues in that quarter. But in our own region, the pressure is from Hong Kong, the Phillipines, Indo-china, Malaysia and the Pacific islands particularly, of course Fiji in its present unhappy state. The rules which have been devised to see that we only take those

in categories which have been given priority are complex, and in themselves give us a rather poor image amongst applicants. That hasn't seemed to lessen the queue.

Does the intake of migrants mean that we are in any way putting undue pressure on our environment? I don't believe so, and can see little evidence to justify such a contention. While historically the Australian people have done grave harm to the environment, there has been a significant change in attitude and I believe that is quickly communicated to those who join this community. There are obviously some migration proposals which Australia could not accomodate. In Fiji, for instance, many poor cane farmers in despair at the prospect, (a very real one,) that as a result of the policies of the military junta they will only share faring rights and be reduced to less than sunbsistance income, have said "Well it was the Australians of the sugar company who brought our forbears here in the last century. It is Australia's duty to take us now" I may add that is a cry echoed by the Fiji Nationalist party of Butadroka. But clearly Australia cannot take 300,000 Indians and settle them in North Queensland to grow sugar cane. We already have a sugar industry in trouble and unable to take all the cane that present farmers grow because of the market. And to put a community as large as that

into an area where conservationists already oppose any spread of cane planting as being ecologically objectionable, would be untenable, and would be asking for social tensions and trouble of a kind which so far with Asian migration we have been able effectively to avoid.

I hope that has given you a brief overview of the topics.