Toward a 21st Century of Mutual Benefit and Common Prosperity

John HOWARD
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PM John HOWARD

Ladies and gentlemen, let me start by saying how very happy I am to be back in Korea. I had the good fortune in the almost 12 years that I was Prime Minister of Australia to visit this country on a number of occasions. Even more importantly, I had a chance to watch during that time the further development of a very close and important relationship between Australia and Korea.

In a discussion I had with former Korean leaders yesterday, we agreed that one characteristic of the relationship between Australia and Korea was that both were regarded as middle powers. Both were regarded as having performed well domestically in the area of economic management. And while not carrying the international clout of the United States, Japan or China, both were nonetheless nations because of domestic performance and willingness to accept international responsibility and take international initiative. Both were seen as strongly performing middle powers in our part of the

world.

Another reason I am particularly happy to be back in Korea, and it relates very directly to the theme of this session, is that I can think of no better example in the modern world of a country enjoying the benefits of globalization and opening markets to the rest of the world. If one examines the economic experience of Korea over the last 40 years, one can see the enormous benefits of globalization and a more open approach to world trade.

It is very important, for reasons that I will come to in a moment, to bear that fact in mind as we look to the future and at ways we can assist each other in coming out of the recent global economic downturn.

Korea is the best example of the fruits and benefits of globalization. It is the best answer to those who wrongly, in my view, blame the recent economic plunge on the alleged excesses of globalization and open markets. It is always important in economics, as well as in politics and diplomacy, and indeed in personal relations as well, to take the long view. The long view now is to remember the benefits of the last 30 to 40 years of globalization and open markets.

We should not fall into the error of overreacting to the failures and excesses of recent times. Of course, there have been failures and excesses. But they are overwhelmingly swamped by the extraordinary achievement of lifting hundreds of millions of people out of poverty and giving them access to a middle-class life, the like of which the world has not seen since the Industrial Revolution.

There is another element of the relationship between Australia and Korea that warmed me greatly when I was Prime Minister. That was the enormous admiration I had for this country embracing democracy after a very long struggle. Born and raised in a country that has always enjoyed democracy and rather complacently takes it for granted, I am never short of admiration for individuals who have struggled to achieve democracy in their country. Those are the reasons I am particularly pleased to be here today.

The title of this session suggests that we should search for new

methods of governance and structures. Could I counter-intuitively suggest that we probably already have enough structures in our region? If we are looking at relations between countries, I think it is more important to make the existing structures and understandings work more efficiently rather than to burden the leaders of the region with still more structures.

To my mind, APEC must remain the premier regional structure. The great virtue of APEC is that it brings together not only the great nations of North Asia—Korea, Japan and China—but also involves the United States, Canada and countries in Latin America. It involves Russia, Australia and New Zealand, and also our great neighbor to the north, Indonesia.

I can think of no body more important to Australia's economic and political future than APEC. The thought that any other organization would either compete with or take the place of APEC is not only unrealistic but also undervalues its extraordinary contribution, and the extraordinary understanding it brings of the diversity of our region as well as what we hold in common.

The countries of Asia and, most particularly, nations such as Korea and Indonesia are coping somewhat better with the current economic challenge than many might have expected because of lessons learned from the Asian economic downturn of 1997. But I think we have to remember as we work our way out of this challenge that in the long run, what will bring nations out and keep them out of future economic difficulties is the cumulative strength of their domestic economies.

While international organizations and structures are important—the IMF, the World Bank and the Asian Development Bank—at the end of the day, the crucial driver will be the cumulative impact of strong domestic economies. The sooner the most powerful economies of the world can work their way out of recession and contribute to the economic growth of the world, the sooner we can look toward a time when the sort of growth rates taken for granted three or four years ago will return.

So my message in relation to the theme of this session is that we must avoid first and foremost the mistake of blaming the economic downturn on the policies of open markets and globalization. They were flawed in certain respects but their overwhelming contribution to the prosperity of this region, particularly to countries like Korea, is very significant and overwhelms entirely any negative consequences.

The second thing we should remember is that it is the total strength of the individual economies that will lift the world from its difficulties. International structures are important, but they are supplementary, not dominant in their contribution to future economic strength.

The third lesson we should bear in mind is to reject any return to the policies of protectionism. I noticed in one of the other papers to be presented at this forum, from a visitor from the United States, a reference to murky protectionism. Well, protectionism in any form is always murky. And the lessons of the 1930s and the lessons of other experiences of the last 40 or 50 years tell us very strongly that at a time of international economic difficulties, the worst thing we can do is revert to protectionism.

Indeed, if I may draw again on the experience of Korea, it has been the willingness of this country to embrace an open approach to economic management and development that has been so important to her extraordinary growth over the last three decades. So the third injunction is that we must under no circumstances re-embrace protectionism.

The countries of North Asia—Japan, Korea and China—have been wonderful customers of Australia. They are three nations with which we have very close and abiding economic and political relationships, although in the case of Japan and Korea, it is a relationship built on common democratic principles, whereas in the case of China, it is a relationship built on accepting that our political and cultural systems are very different.

Nonetheless, that should not stand in the way of a productive relationship between our two countries. But our experience and the

experiences of those three countries indicate very strongly that open trade is quite fundamental.

It would be unrealistic to speak in Korea without saying something, of course, about relations between the North and South. Being from a country that had a historic involvement with the defense of South Korea in the 1950s, I am very conscious, as all Australians are, of the history of this peninsula. Let me say that I support very strongly the stance of your new president in dealing with North Korea. I find North Korea's nuclear aspirations unacceptable. They are unacceptable in the eyes of the government that I led, and they remain unacceptable in the eyes of the government that succeeded mine.

We remain very strongly committed to resolving this issue through the United Nations, including the maintenance of sanctions and the application of further sanctions if appropriate. We also support the six-party discussion. Those who suggest that this issue be resolved between the United States and North Korea misunderstand. I don't need to remind the Korean audience of the vital interests of countries such as Korea and Japan in the resolution of this issue. They also completely misunderstand and ignore the reality of other nations in the world, despite what they may say to the contrary. China has more potential influence on North Korea than any other participant.

Ladies and gentlemen, I want to thank the organizers of this forum for inviting me to participate. Our region is the fastest growing in the world. In the past year, there have been many false comparisons made between the global economic plunge and the Great Depression. Although political leaders and plenty of economists as well have drawn those comparisons, I think they are overstated. In one respect, they are manifestly invalid. In the 1930s, the center of gravity of the world economy was North America and Europe. We all know now that in the first part of the 21st century, Europe and North America remain very significant.

But the center of gravity is moving inexorably to our part of the world. It is moving to our region, the region of my country. It is

moving to the region where Korea is also very much at the epicenter. So the perspectives produced by forums of this kind in relation to the economic and political future of the world are even more important than they would have been some years ago. Thank you very much.

Chair: PARK Jin

Let me start with some questions and discussions on the main issues raised by former Prime Minister John Howard. You mentioned that Korea was an excellent example of the success story of globalization and open markets, and I agree with you on that point. But at the same time, globalization inevitably brings burdens on many countries, burdens such as the disparity of wealth, the digital divide and so on. So I think that is one reason, together with the global financial crisis, that the G20 mechanism was devised—to deal with global problems on a global scale.

Korea and Australia are very active members of this G20 mechanism to improve the economic situation and create a new world economic order. I would like to ask Prime Minister Howard, what is your prospect on the future of the G20 in the global village and the future of Korea-Australia cooperation in the G20 process?

PM John HOWARD

I think the G20 is the right body to increasingly occupy center stage when it comes to pooling experiences and activities in relation to the world economy. It includes both Korea and Australia, and that commends it very warmly to everybody in this audience. It also includes India, China and Brazil. It is a wider body than the G8 but is still of a manageable size. All of my experience in government tells me that once you have a body with more than 18 or 20 people, it begins to become unmanageable unless you subdivide into smaller units. We know that from the experience of some huge multilateral organizations.

The G8 is too small, too narrowly focused and too steeped in history. It does not recognize the developing and powerful economic engines in this part of the world. So, overwhelmingly, the G20 is the organization.

As far as relations between Australia and Korea are concerned, because of our middle power status and because of the ways in which we have been able to complement each other's economic growth over the last several decades, we are a natural fit. I guess many of you in the audience will know that.

Australia, Korea and the Philippines have comprised a constituency in the International Monetary Fund and the World Bank for years. We have also comprised—well, certainly Australia and Korea, I am not sure about the Philippines—a constituency in the European Bank for Reconstruction and Development, which grew out of the collapse of the Soviet Empire more than 20 years ago. So Australia and Korea have a lot of happy experiences of working together in those international bodies.

We have different perspectives but a lot of common and beneficial experiences, so we can make a good contribution to the G20. It was certainly a body my government gave a lot of impetus to. It is equally a body that my successor has given a lot of impetus to. So I think it gets the balance right—it includes the big countries and powerful economies that are not part of the G8, but it also is not so big as to become just a talkfest. All of these international meetings have an element of that in them, but the bigger they are, the harder they are to control and to articulate the proper outcome.

Chair: PARK Jin

Korea is now a member of troika, the steering management committee of the G20 process. I think there is growing momentum for the G20 to tackle global problems on a global scale. I hope this momentum can grow with Australia's cooperation and participation in the G20 process. It is Korea's hope to bring this conference to Korea

next year, if possible. So cooperation and the bilateral relationship with Australia will become even more important in the years to come.

You have emphasized the need to avoid protectionism in global economic management. I think the FTA mechanism is perhaps the most noticeable device to avoid protectionism in the global market. What is your prospect of Australia's relationship with other countries in the region for FTA arrangement, especially with Korea? Do you see any possibilities and obstacles in the pursuit of those FTAs?

PM John HOWARD

You get to an area here where I think it is very important to not elevate process and form over substance. Even if we don't negotiate a free trade agreement with Korea, we will still have a very close economic relationship.

Now, I hope we do. I can equally say the same thing about China. We are having free trade negotiations with China now. I don't know how they are going to end up. They were started by my government and continued by the new Australian government. But let me say that even if they were to fail tomorrow—and I don't believe that will happen—we would still have an immensely valuable relationship with China.

I think my point is that there is always a danger that you elevate form and process over substance. That relates back to the point I made earlier. We have to avoid adding yet further layers of governance and associations to what already exists. You have to look at the substance of cooperation in this region and the bilateral trade relations between countries.

I think about our three great trading partners in North Asia. I think of China, Japan and Korea. Or historically, I should say Japan, Korea and China in the order in which they became important export destinations. We don't have free trade agreements with them, but they take an enormous volume of our products and natural resources, and we buy an enormous volume of products from them. Something

like 71 percent of clothing imports into Australia now come from China. We have been buying motor vehicles from Korea and, even further back, from Japan. Japan was the external engine of Australia's growth in the 1960s, '70s and '80s.

Historically, Japan was very important to Australia's economic development, something we in Australia should never forget. So the point I am making is the substance. I think we make a mistake if we benchmark success according to whether you negotiate free trade agreements. They are valuable, provided that they adhere to proper international trading principles. A lot of people don't like free trade agreements. A lot of theorists don't like free trade agreements because they deviate from the concept of multilateral trade agreements.

In the absence of a revitalized Doha Round, they are the next best thing. But in the end, it is the substance of trade relations that is important. So I hope we get a free trade agreement with Korea, and I am sure the Korean government hopes we do, but let me say right now, if we don't, it will not be the end of the world in the relationship. It will still be a close and affectionate one, people to people and also in trade terms.

Chair: PARK Jin

I think Korea and Australia stand at the forefront of globalization together, actively engaged in the global economic system, which is continuously changing. So in my view it is very natural that Korea—having signed a free trade agreement with the United States, in the last stage of negotiating with the European Union and having signed a comprehensive economic partnership with India—would perhaps sit down and talk more seriously about an FTA with Australia, which would bring mutual benefit. Korea is now Australia's fourth- largest economic partner, and we import lots of minerals from your country.

It is true that there are concerns about agricultural and dairy products from Australia coming into Korea. So I think we should have a balanced view of the mutual benefit of the FTA so that we can

come to a mutual agreement.

Let me ask you one more question about China. You mentioned several times that in the Asia-Pacific community, China is very important. Australia is now pursuing a very pragmatic relationship with China, and we need to take account of the growing economic influence of China in analyzing changes in the East Asian and Pacific region.

You are a longtime ally of the United States. You have a very good relationship with Japan, Singapore, Indonesia and Korea. At the same time, you are increasingly dependent on your economic relationship with China. I noticed recently that the new Australian government has announced a vision for the Asia-Pacific community. I think it is an extension of the APEC structure in the Asia-Pacific region. What is your view of the future role of China in the regional economic integration and its strategic relationship with a country like Australia?

PM John HOWARD

My view of China has for a long time been that China's growth and emergence have been not only good for China but also good for the world. I have taken a positive view of the reality of China's economic growth and expansion.

I personally think it is inevitable that sometime, I don't know when, there will be an internal clash between economic liberalization and political authoritarianism. Many people disagree with that. I don't know when it will occur, but eventually I think a country will find it difficult to progress down the path of economic liberalization while maintaining political authoritarianism. I hold that view very strongly. That is for the future and a matter for the Chinese to resolve. But it will obviously have implications for our regions and the rest of the world.

My approach toward China when I was Prime Minister was to build a pragmatic relationship. My starting point was that although

we potentially had a lot in common economically, people-to-people links were very valuable. Australia was the largest destination for Chinese students studying abroad. So that is a sign of the importance of the relationship. In Australia, the combination of Mandarin and Cantonese is the most widely spoken foreign language. So we have a lot of people-to-people links. But from the very beginning, I took the attitude that we were a Western democracy and would always be so and should always be so.

China had a different political system, and we each understood that. If we tried to focus on the things we had in common, then we would get along quite well. Part of that was for us to encourage both the United States and China to play down cross-straits tensions and bring whatever influence we could bear on Taiwan. It is only fair to say that over the last decade, those cross-straits tensions have lessened. I think the Bush administration has made a very big contribution to that, for which it received very little credit.

I sought to focus on what we had in common and build a pragmatic relationship, recognizing that at the end of the day, it was a very different political system. There were certain things you had to factor into a relationship with China that you might not into a relationship with Japan or Korea.

Of course, I endeavored to focus on the commonality of democracy with countries such as Japan, Korea and the United States—and also more recently with India because I think one of the significant developments of the last few years has been the better relationship between the United States and India, initiated by former president Bush. I think that has continued in the Obama administration. I think it is an important long-term development because India is the world's most populous democracy.

My attitude to China is very much that I welcome China's emergence. It is good for the country and the world. It is a natural development. I think we have to keep a clear head about it. China is an authoritarian country in a way that Australia, the United States and Korea are not. But we can still find common areas for agreement

and concerted actions. We can continue to encourage the Chinese to exercise their influence over North Korea, for example, and always remember that the basis of the relationship between Australia and China is one of pragmatic mutual interest.

We have a lot of resources that China wants. China is growing into an enormously powerful country. I think we have to keep in perspective, though, the potential to challenge the United States in the future, which I think is somewhat exaggerated. I think the United States will remain overwhelmingly the most powerful country in so many ways for an indefinite period of time. We have to be careful once again to have a sense of balance and perspective.

Chair: PARK Jin

Two months ago here on Jeju Island, we had a Korea-ASEAN summit meeting, a very historic meeting in the history of Korean diplomacy that reflects the growing importance of the ASEAN group in East Asia and the Pacific.

Now the ASEAN countries are having a dialogue with the three countries of Northeast Asia as well as other countries in the region, including Australia and Indonesia. What is your view of the role of ASEAN in regional economic integration?

PM John HOWARD

Largely, indeed wholly, positive and benign. One of our most pleasing diplomatic achievements a few years ago was our participation for the first time in the East Asian Summit. That is something we had worked toward, and we were very grateful for the support of Indonesia for Australia's inclusion because although it has not come up directly in this discussion, Indonesia's relationship with my country is very important.

It is not only our nearest neighbor but also the most populous Islamic country in the world. I also think the democratic achievement

of Indonesia over the last decade has been one of the least saluted and remarked upon achievements in this region. The transformation of Indonesia from a military dictatorship in 1998 to the third-largest functioning democracy in the world was amazing. I don't think Indonesians have been given enough credit for it. It has been largely ignored in Europe and North America. It has been overlooked in this part of the world too but has historic importance for so many reasons.

Not only this great transformation, but Indonesia is led by a government of moderate Islamic disposition. That is very important in the struggle for the minds of Islamic youth around the world, for them to see a democratic success in the largest Islamic country in the world.

The fact that it is next to Australia is also more than of passing interest to me and to all Australians. But the East Asian Summit was something we wanted and were very pleased about. We have always taken a very positive attitude toward ASEAN, and we welcome the fact that in recent years it has become somewhat more outward-looking. I think it went through a period of time when one or two of its members did not want to be outward-looking, but that has changed.