

**Extract by Peter Hendy – Australian Financial Review
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Australia can weather the global storm

A time of uncertainty

When I went to South Korea recently for a meeting of the Confederation of the Asia Pacific Chambers of Commerce and Industry, I was struck by the pessimism about the world economy. Australia presents a real contrast.

Reforms by Labor and Liberal-led governments in the past twenty years really have delivered for this country. We have one of the fastest-growing industrial economies. We have low inflation. We have good interest rate figures. We have the best unemployment figures since the 1980's.

The Department of Foreign Affairs and Trade has noted that Australian exporters have diversified into markets once unimagined. In the year to June 30, 2001, sales of passenger vehicles to the US rose 83 per cent from the previous year; wine sales to France have increased 20-fold in six years; we are selling chilli sauces and salsas to Mexico and even Peking duck to China. In fact, total exports in 2000-01 grew 22 per cent on the year to \$153 billion.

However, there are dark clouds on the international horizon. The war on terrorism was brought home to Australians by the Bali bombing. Australians also died in the September 11 terrorist strike in New York.

War is hideous and odious. It means death and misery. To business, war is an anathema because it means more restrictions and constraints.

The global focus of the war on terrorism is the Middle East. Our trade with that region has been one of the great success stories for Australian exporters in recent years. The Australia Arab Chamber of Commerce and Industry, which comes under the ACCI umbrella, notes that bilateral trade with the region amounted to \$10.6 billion in 2002-2001. Australian exports to the Middle East increased by 38 per cent on the year.

However, when it comes to it, nations simply have to stare down the threat of terrorism. The matter cannot be one simply of economics.

Turning to our own regions, and despite media suggestions, the fact remains that Australia's relationship with Asia is strong. Our joint approaches and commitment to tackling terrorism will make our economic and trade relationships even stronger.

There are other critical issues for Australia on the international scene. The progress of the Doha Round of negotiations in the World Trade Organisation is very important to Australian business. The round must deal comprehensively with agricultural issues. The International Chamber of Commerce estimates that agricultural subsidies around the world amount to some \$US311 billion (\$552 billion). That means every

cow in Europe is on \$US2 a day. Equally inclusion of agricultural matters is a condition of any successful negotiations with the US on a free trade agreement.

An international issue that also has a domestic focus is corporate governance. In the US and Australia there have been calls for reform. The Chamber agrees that we should continue to improve corporate governance. However, we reject the view that says business failure equates with poor corporate governance. Good corporate governance does not prevent business failure; nor does business failure necessarily mean there has been poor corporate governance.

Furthermore, there are still problems on the domestic front. For example, there are still more than 600,000 Australians unemployed. The youth unemployment rate is still three times the level of general unemployment. It remains true, as former secretary to the treasury Ted Evans once said, that the level of unemployment in our country is a matter of our choice.

It is possible to achieve an unemployment rate close to the average that Australia achieved during the 20 years between 1950 and 1970, a period when the award system acted more as a safety net system than at any time since. That average unemployment rate was 1.9 per cent. That rate could be achieved through a single national industrial relations system, as we have proposed, with a true safety net award system and less arbitration and centralised control by the Australian Industrial Relations Commission.

The economic benefit of such an achievement would be astronomical. There would be 400,000 fewer unemployed people. The savings to the Commonwealth budget would be in the order of \$3.6 billion in annual terms. That would free up more money for schools and hospitals. GDP would be boosted by \$26.4 billion.

Coupled with a culture of innovation and skills development, Australia has the capacity to not only weather the storm of international economic and political instability but in fact to capture new and fantastic opportunities in the bio-sciences, nanotechnology, information technologies, natural resources management and other new and emerging industries. We have enormous capacity to be successful if only we are prepared to learn, to update and improve our structures when they need it, and to be flexible and open to new challenges and opportunities.

Australia has always met the challenges of uncertain times over its 101 years. The year before last all school children received a medallion. On one side it says "100 years of Federation 1901-2001". On the other side it says "Australia. It's what we make it". I couldn't have put it better myself.