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VISION AND MISSION: THINKING ABOUT ASIA'S FUTURE

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I want to thank Lembaga Administrasi Negara and Monash University for this
opportunity to speak to you.

I certainly haven't come here as an expert on public administration in either
Indonesia or Australia. But what interested me about this seminar was the subject
matter - visions and strategies for *the* New Asia. These are issues I spent a lot of my
recent public life thinking about and working on. And they are not diminishing in
importance. They should be very much on the mind of any person - or any country -
who wants to succeed in the 21st century.

I have been asked to talk today about vision, mission and strategic management.

I don't think I ever consciously framed my political goals as Prime Minister of
Australia in management terms like these. But whatever words you use, these
qualities encompass the essence of political leadership in any country. In simple
terms, they mean having a firm sense of what the country's future should be, and
knowing how to get there.

When I became Prime Minister I had a reasonably clear idea - a vision if you like - of
what I wanted to do.

I wanted to complete the opening up of the Australian economy to the world so we
could create a growing, prosperous economy which offered interesting, well-paid
jobs to our people.

I wanted to ensure that more of our children received the sort of education they
needed to prosper in the modern world.

I wanted to encourage Australia's development as a multicultural community which
would draw on the potential of all Australians, whatever their racial or cultural
background, in constructing our future.

I wanted to change and modernise Australia's constitutional arrangements so our
Head of State was no longer the monarch of Great Britain, but was one of us.

I wanted to address the situation of our indigenous people, among other reasons because I did not see that we could present ourselves to our neighbours honestly while we had not done all we might to remedy the plight of aboriginal Australians. And, linked with all these things, and one of the reasons I am here this morning, is that I also wanted to ensure that Australia was close to, and integrated with, the countries of the region around us; that we were at home with our geography. In this regard, I believed, no country was more important to Australia than Indonesia, our nearest, largest neighbour.

The modern Australia-Indonesia relationship began well. There was great public sympathy in Australia for the Indonesian revolution. And the Australian Government was one of the first countries to provide important international support to the young Indonesian Republic in the United Nations. We represented Indonesia on the United Nations' Good Offices committee.

For various reasons, however, that early foundation of trust was eroded. We developed a narrowly-based foreign policy relationship, conducted largely by our two foreign ministries. Because of this, the relationship was always in danger of being blown off course by any passing political storm.

I didn't believe it had to be this way.

Australia and Indonesia are destined to live side by side forever. Australia is a developed country of 18 million people with extensive agricultural and mineral resources and a deep research and high technology base. We share a border with no-one, on a continent of our own.

Indonesia is one of the largest developing countries, with 200 million people living on a vast, resource-rich archipelago, growing fast and with a young, dynamic population.

When I looked at what we each had to offer, I could not believe we were not making more of our opportunities. The sooner Indonesia and Australia understand the full potential for our co-operation, the better off we will both be.

I thought the essential requirement was to increase the number of stake holders in the relationship; that is the number of people in each country who have a direct interest in it. The vision I had was of a relationship which engaged many more members of our two communities across all areas of our economy and society, and at many different levels.

So on my first visit to Jakarta in 1992, President Soeharto and I agreed to set up a new Ministerial Forum which would bring together every two years ministers from a whole range of economic and social portfolios to explore areas of co-operation. I was very pleased to see the Forum meeting very successfully for the third time late last

year under the new Australian government. This dialogue has already generated co-operation in areas we hadn't even contemplated six or seven years ago

I also wanted to find a way of building trust between Australia and Indonesia in the area of defence and security. Neither country threatens the other, but both of us have an abiding interest in the development and stability of the region around us. So President Soeharto and I developed the Agreement on Maintaining Security, under

which Australia and Indonesia agreed to work to develop our security and defence co-operation, to consult in the event of any adverse challenges to our common security interests and to consider measures which might be taken in response, either individually or jointly, in accordance with our own processes. Signed in December 1995, it was an historic declaration of trust between us.

One of the problems with visions is that they are not much use if no-one shares them. If you want a vision to become a reality you need to find others who think as you do, or who can be persuaded to do so.

I was very lucky to have in President Soeharto a colleague and leader who has been thinking in strategic terms about Indonesia and its future for many decades and who shared my vision of the Indonesia - Australia relationship,

We also had other senior Ministers in both countries like State Secretary Moerdiono, Foreign Minister Alatas and Co-ordinating Minister Hartarto here and Gareth Evans, and my successor as leader of the Australian Labor Party, Kim Beazley, who were also committed to the relationship.

This link between the Graduate School of Government at Monash, one of Australia's finest universities, and LAN, gives a very concrete expression to co-operation in education, one of the most important aspects of this shared vision of the future of Australia and Indonesia.

But vision is not just something which is the preserve of political leaders, and it does not relate to big issues alone.

In one sense, personal visions sit uneasily with the role of public administrators and public servants. Public administration is a highly collaborative exercise. The public servant's job, after all, is to implement the vision of the government for which he or she works. Obviously, a public servant cannot pursue a vision of an economy based on import-substitution and reliance and protection if the government's vision is of an economy which is open and international.

But in a deeper sense, vision - in the sense of seeing what lies ahead and planning for it - is essential for anyone who wants to do their job properly. The unsatisfactory alternative is simply to react to change after the event.

And change is coming at an unprecedented pace. Thinking about the future is effective insurance which everyone should take out

No-one in this room will be doing the same job in five years' time. Your positions might be the same, your titles might be the same. But you can be certain that the work you do and the way you do it will have changed.

Above all, this is because of two particular economic and technological developments which are shaping the new world - economic globalisation and the information revolution.

Both of these are internationalising forces, but they are also giving a new impetus to regional co-operation, so I want to talk about that as well.

Economic globalisation has already had a dramatic impact on the international economy.

Between 1965 and 1990 the percentage of the world's product going into exports doubled. From 1980 to 1992, world trade grew at roughly twice the rate of world output.

And more than one-third of that trade was conducted by firms trading within their own structures. In fact, the bulk of all goods traded internationally are made up of parts and components for assembly into end-products.

Direct investment abroad increased from \$49 billion in 1983 to around \$149 billion in 1992, an average annual rate of growth of around 25 per cent.

The most obvious result of globalisation has been to make national economies much more inter-dependent. In a globalised world, capital flows freely and goods, and increasingly services too, are no longer so constrained by geography.

That is one reason why globalisation has been so good for developing countries. Over the past ten years, the trade-to-GDP ratios of developing countries grew as fast as those of developed countries and their share of global foreign direct investment rose to two-fifths.

Globalisation has brought developing countries into the world economy in an unprecedented way, no longer simply as a source of raw materials for the factories of the industrialised world. As we saw for the first time during the Uruguay Round negotiations or the development of APEC's Bogor declaration, it is inconceivable now that any global trade arrangements could be successfully concluded without their active participation.

In addition to economic globalisation, the other great shaping forge in the world at the moment is the **information revolution**.

I am sure there is no one here whose life has not already been affected significantly by the personal computer, the Internet and the new range of communications technologies, from mobile telephones to satellite broadcasting. But the full, transforming impact of this revolution is still a couple of decades away.

Thanks to powerful computers and cheap and efficient communications, we are moving into a world which for the first time will be information-rich. That has very significant consequences in all sorts of areas.

In the past, information was a commodity in short supply, and where it was available, it was often a government monopoly, and rationed by the government. Now, information will be more readily available and more easily retrieved than ever before.

There is an old saying that information is power. But as we move into the 21st century, that will be less true. What will be power is not information, but the ability to sort and analyse that information; to make sense of it.

The new communications and information technologies will change the way we work. Even in developing countries like Indonesia, few jobs will not either utilise the new technologies directly, or respond to them indirectly. For example, better distribution of more accurate information about the weather will give farmers easier and more productive lives.

Over time, the technologies will change where we work as well. Many information-intensive jobs no longer have to be performed geographically close to the place where transactions are taking place. The banking and finance industries are already discovering this. Increasing numbers of people will be able to work from home.

Cheap communications will continue to even up the disadvantages of geographic isolation in other ways. People in remote or rural areas will no longer be so cut off from the best medical treatment or from top-rate education. This may eventually give us an opportunity to address some of the worst problems of urbanisation in Asia.

As I said earlier, Asia has responded well to these global trends.

Few commentators doubt that one of the main elements in the East Asian miracle has been the willingness of the East Asian economies to integrate themselves with the world.

On all the major indicators of such integration - trade ratios, foreign direct investment, and share of manufactures in exports - East Asia comes in well ahead of other comparable regions. In investment alone, East Asia received nearly sixty per cent of private capital flows to developing countries in 1995.

The statistics simply underscore the fact that those countries which are most highly integrated into the global economy are also those which have had the fastest growth.

Greater economic openness has brought technology transfer, improved resource allocation, greater competition (and therefore more efficient local industries), and access to foreign capital.

Indonesia is a very good example. The achievements of the Indonesian government and people over the fifty years since Independence have been one of the remarkable success stories of Asia.

The best measure of that achievement isn't the raw GDP growth rates, impressive as those are, but the social indicators. Twenty five years ago, sixty per cent of Indonesians lived in absolute poverty. The figure is now less than fifteen per cent. By the end of the century it is expected to be six per cent. According to the World Bank, poverty has been reduced here at a faster rate than in any comparable country it has studied.

Infant mortality has been halved over the past twenty five years and life expectancy has risen by seventeen years. In 1960 only thirty nine per cent of Indonesians were literate. Now the figure is more than eighty per cent.

I am certainly not arguing here that economic globalisation or the information revolution alone have been responsible for these results. Good public policy and stable macro-economic policies have been essential. But the Indonesian Government's ability to look ahead and to take advantage of the opportunities being opened up by economic change and globalisation have been fundamental to its achievements.

I said at the beginning that these globalising forces were paradoxically also giving a new impetus to regionalism.

The end of the Cold War opened up a whole range of opportunities for us to work creatively at a regional level in ways we could never do before.

Compared with the cumbersome processes of large global forums like the United Nations, new regional organisations have been able to achieve practical outcomes more quickly and more effectively.

Regional approaches have also become essential to dealing with the new phenomenon of regional growth areas. Southern China and the various Southeast Asian growth areas have shown that economic development can no longer be easily or productively constrained behind existing national fences.

The evidence of regionalism's new vitality is all around. We see it in the European Union's expansion and the creation of its single market. in Mercosur's development in Latin America, SAARC's in South Asia, ASEAN's expansion in Southeast Asia and, most importantly for the Asia Pacific, in the creation of APEC.

APEC's underlying purpose is simple but deeply important. It is to create the conditions which will enable the countries of the Asia Pacific to continue to develop economically, and to help them deal with the consequences of that development.

It serves the first purpose through its work on keeping open the trade and economic arteries in the region.

APEC has a trade liberalisation goal, a trade facilitation agenda and an economic co-operation dimension.

The trade liberalisation goals are set out in the historic Bogor Declaration agreed three years ago, under which the APEC economies committed themselves to free trade and investment in the region by 2010 for developed countries and 2020 for developing countries. As I said at the time, I believe the APEC meeting in Bogor was as important in shaping the future of the international system as the Bandung Conference has been thirty years earlier. Tariff barriers will continue to come down steadily throughout the next two decades.

Under the trade facilitation agenda, APEC is working to free up the unseen barriers to trade - things like making customs arrangements easier and getting mutual recognition of standards. In a practical business sense these are often as important to trade as the declared barriers.

APEC is also an important practical example of North-South co-operation. Its economic co-operation program is designed to assist the developing economies cope with the strains of growth through the transfer of technology and other support.

APEC's work is essential to keeping the trade flowing and the growth coming in the Asia Pacific. But it also has a strategic dimension.

Many things might make Asia's future economic growth more difficult, but none would be more dangerous than the re-emergence of political divisions and conflicts in the region.

There are plenty of ways this could happen. The overlapping patterns of territorial claims in the South China Sea, with its oil and gas potential, for example, or other disputed territorial claims. Or misjudgments over the Korean peninsula or Taiwan.

A strong economically dynamic APEC provides the best possible assurance that the countries of the region will have the resilience and self-confidence to cope with such stresses. It also helps to cement the United States into the region. A split down the Pacific between North America and East Asia would be a disaster for both sides of the ocean.

The US still matters economically in Asia because its market is so large and open. Exports to the United States account for one quarter of Hong Kong's GOP, one third

of Singapore's, sixteen per cent of Malaysia's and nine per cent of the Philippines. The US is also a vital source of foreign investment and the largest source of technology transfer to East Asia

But it matters strategically as well. Without the United States security engagement, the likelihood would grow of a renewed arms race in the region. The American presence provides reassurance and stability to all regional countries and helps to lower the strategic temperature in the region as a whole.

This brings me to one of the risks with regionalism.

It is important both for our economic progress and our security that inward-looking and competitive bloc mentalities do not develop. It is important that a commitment to openness comes in parallel with the trend towards regionalism.

It's a danger this region needs to watch.

The worst thing that could now happen to Asia would be for its societies to turn inwards. Some in Asia believe that it is possible to seek an Asia-only approach to its future. This is dangerous self-delusion. A globalised world does not end at the Strait of Malacca.

Now much of this is familiar territory for you, I am sure. But the point I want to move to now is that as the three forces I have been talking about - economic globalisation, the information revolution and regionalism - gather momentum, the form of their impact on us will be different from the past.

The economic ride will undoubtedly get bumpier over the next few years.

Certainly Asia can't expect continuing straight line growth. The region has to be prepared for the fact that getting the increments to growth is going to become harder, and the politics may become more difficult.

At the most developed end of the spectrum, Japan, which still accounts for sixty per cent of East Asia's GDP, is having enormous problems breaking out of its cycle of low growth by addressing its deep-seated structural rigidities. Other economies, like Korea's, are running into rigidities of their own which are inhibiting their capacity to adjust. And we have seen some of the newer Tiger economies, including Thailand at present, worried about unexpected slumps in exports and current account difficulties.

Obviously, growing any economy gets more difficult as the size of the base gets larger.

Many Asian economies have now passed the point at which easy growth is possible from additional inputs of labour and capital. What will matter most from now on is productivity and innovation. That is harder to get. It requires a better educated work force.

The World Bank estimates that 30 per cent of the work force in developing East Asian countries will have moved from the informal to the formal sectors by the year 2020. Much higher levels of skills will be needed,

And past success is breeding its own problems in other ways.

In the early 1990s, around 500 million East Asians lived in towns. By 2020 this figure will have trebled to 1.5 billion. By 2015, Tokyo, Shanghai, Jakarta and Beijing will have populations over 19 million.

This demographic shift will put a huge strain on basic services such as water, sanitation and shelter. Even under present circumstances only half the urban populations in Asia have access to water supplies and 42 per cent to sanitation.

The developing East Asian countries need to invest an estimated \$150 billion a year in water and sanitation facilities, transportation, power, and telecommunication.

Yet the traditional sources of investment capital for governments - export credit organisations, multilateral lending institutions or foreign aid agencies - can't cope with capital amounts of these dimensions.

Of the total net resource flows to all developing countries in 1994, net private flows totalled \$233 billion, while official development assistance totalled \$60 billion. As recently as 1989, public and private flows were roughly equal.

The disciplines of an open international economy, as well as the sheer size of the task, mean that governments don't have the option of making up the shortfall by raising tax revenues, by direct borrowing, or by boosting revenues from existing public utilities.

An increasing amount of the infrastructure will have to be provided by the private sector.

Even if we assume the necessary infrastructure developments go ahead, the results of Asia's development will generate a new range of social and environmental problems, including air pollution, deteriorating soil quality, water shortages and the serious problems of urbanisation I mentioned earlier.

The protection of the environment in the Asia-Pacific is not an alternative to economic growth, but the only thing that will ensure its continuation.

It is going to be harder to manage the politics of economic globalisation and the information revolution too.

Both forces generate change at an unprecedented pace, and at a rate which makes people uneasy. And both have a homogenising impact - that is, they tend to impose

a global uniformity, whether it is the clothes we wear or the food we eat, the cars we drive, the news we receive or the people we admire.

Because of this, we are seeing right around the world and across very different cultures a reaction to the speed of change coupled with a desire to preserve the things which make us unique and different in a world which seems increasingly similar.

These are understandable reactions, and they require serious policy responses from governments.

But the hopes of some people that we can stop the forces of globalisation and the information revolution, or at least hide from them, are misplaced.

As the economic task in Asia becomes harder, we will undoubtedly see here, as elsewhere, growing complaints from Asian business people about the extent and speed of further liberalisation. We are seeing it already. The political pressures on governments to slow down and back off will grow.

But I don't believe there is any way back from the forces of internationalisation - at least not without great cost to our people. And even if I found such a path, I would not want to take it.

We often hear talk about the 'good old days'. But the days to which some people look so nostalgically were good only for a relatively few privileged people, largely in Western societies, which had benefited from the industrial revolution. For an Indonesia farmer or a Malaysian plantation worker or a Chinese labourer they were nothing like so good.

And in any case I think competitive pressures will ensure that economic openness continues.

Compared with the time of Asia's first period of growth, large areas of the world - South Asia, Latin America, Eastern Europe - are entering the global economy for the first time. And many of these competitors have learned the lesson of the East Asian miracle - that openness and good public policy are the keys to success.

In the face of this competition, the most pressing need for all the developing Asian economies will be to keep moving up the manufacturing chain towards more high technology and value-added processes.

And that will require agile and flexible economies which depend for success on their ability to understand foreign markets and to learn rapidly from them. That, in turn, demands access and openness both ways

As I have said, I believe Asia has been at the forefront of sensible responses to these developments. But we can't assume that past responses will continue to be adequate.

Policy makers need to think about these global trends in the way medical scientists think about viruses - they evolve constantly, their effects on us change and we need to respond in different ways to new circumstances.

Globalisation places a heavy responsibility on governments to develop effective public policies and efficient administrative structures which can take advantage of the phenomenon without being swamped by it.

For example, one of the most important challenges for the governments of developing Asian countries over the next few years will be to develop and implement the public policy changes which will be needed to secure private sector involvement in infrastructure on the best possible terms.

Globalisation also generates new pressures for closer working relationships between governments. It raises a range of new problems, like transfer pricing or the consequences for tax receipts of competition for foreign direct investment, which can best be dealt with through some form of formal or informal multilateral co-operation. That will increase the importance of regional forums like APEC.

The new communications technologies raise all sorts of questions for governments about how they can be most effectively used to encourage economic growth and what sort of social consequences they will have.

What do all these changes mean for public administration?

First, they mean that for the first time all our public sector enterprises have to be regionally and globally competitive. That is a very new development.

In many countries around the world, parts of the public sector, especially government business enterprises, are being opened up to competition within individual countries.

We went through that process in Australia, freeing up our aviation and telecommunications industries, and exposing regional water and energy monopolies to national competition

I have always believed that competition has an important social function, as well as a role in economic efficiency. Properly structured competition - and I emphasize properly structured, not unstructured - is the best way of channelling assistance to the poor and disadvantaged in our societies.

That sort of competition within each country is a matter for individual governments. But our public sector institutions now face a different sort of competition too.

Because so many aspects of production and services can now be sourced anywhere in the world, the efficiency and responsiveness of the public sector has a greater impact than ever before on national competitiveness, on where companies move their businesses and where they buy their products and services.

We have to move from the idea that public administration is a natural government monopoly to the recognition that our public services are facing competition in the same way as manufacturing industry. Competition in terms of the efficiency of their performance, but also the fertility of their ideas.

As the APEC dates for free and open trade and investment get closer, no public sector institution or government business enterprise will be able to justify its existence for long unless it is benchmarking itself against international standards.

A second big impact on the public sector will come from the information revolution. In an information-rich society, the expectations of consumers and business people about the role of government and the sort of assistance they can receive will continue to rise. The public service and public enterprises will need to be increasingly responsive to their client groups as well as responsive upwards to Ministers

The old-style bureaucrat taking decisions in secret, and officious in his dealings with the public, won't be able to survive for long in the age of the Internet and the fax machine.

The Indonesian government has set out its expectations of the public sector in the 1993 Guidelines on State Policy, including its desire for a two-way communications flow between public administration and society and more openness and sensitivity of the public sector to the aspirations and wishes of society.

None of this is to say that public administrators in different countries have to operate in the same way. They can't. Any successful public service has to draw on and reflect the culture and values of the society it serves.

It is a difficult but important issue for all public servants - how to get the balance right between reflecting the culture of the public service you work in, while at the same time constantly re-evaluating the work you do, and the way you do it, in the light of the changes in the world around you.