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Overcoming Asian Poverty: What Australia is Doing

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Paper prepared for presentation at the “Prosper or Perish: Asian Poverty and the Australian Economy” conference conducted by the Crawford Fund for International Agricultural Research, Parliament House, Canberra, Australia, June 28, 2001

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OPENING SPEECH

THE HON ALEXANDER DOWNER

Introduction

I'm very pleased to again open the annual Crawford Fund Conference at Parliament House. Under the chairmanship of my colleague, Tim Fischer, the Fund plays a key role in raising awareness within the community about the important contribution which Australian agriculture makes in reducing poverty in the region.

I'm pleased to say that the Government has been able to increase its financial commitment towards the work of the Fund, to \$650 000 per year for the next four years, principally to establish a Northern Territory chapter of the Crawford Fund.

The annual Conferences of the Fund provide an important opportunity to discuss and debate key aspects of global development in creative and thought-provoking ways. And what I particularly admire is the fact that the debates and discussions are directed towards securing practical outcomes that will genuinely benefit people in developing countries.

This conference will discuss the role Australia plays in the enormous challenge of reducing poverty in Asia. This challenge can appear very daunting, but we sometimes forget how much progress has already been made towards meeting it. For example, between 1970 and 1995, per capita incomes of Asian developing countries nearly trebled. Rapid population growth was easily outpaced by even faster growth in food production.

THE HON ALEXANDER DOWNER MP is the Minister for Foreign Affairs. He was elected Federal Member for Mayo in South Australia in 1984. In 1987 he became Shadow Minister for Arts, Heritage and Environment, before taking on the role of Shadow Minister for Housing, Small Business and Customs in 1988. In 1990 he became Shadow Minister for Trade and Trade Negotiations, a position he held until 1992 when he became Shadow Minister for Defence. In 1993 he took on the Shadow Treasurer portfolio, before being elected Leader of the Opposition in 1994. Mr Downer stepped down as Liberal Party Leader in January 1995 and became Shadow Minister for Foreign Affairs. In March 1996 he was appointed Minister for Foreign Affairs when the Liberal-National Party Coalition was elected to Government.

There is, nonetheless, still a long way to go. Although the absolute number of poor people in the region has declined considerably, there are still over 800 million living on an income of less than \$US1 per day in this part of the world. The impact of the Asian financial crisis and political instability in some countries has compounded the challenge.

During today's proceedings, a number of eminent speakers will give us their perspective on Asian poverty and the Australian economy. Many of them will speak about the role of Australian businesses in the region, which play an important part through investments in rural Asia.

I will outline what the Australian Government is doing in this important area to complement the role of business, through both our trade and business facilitation efforts and our aid program.

Trade and business facilitation efforts by Australia

Promoting trade and engagement by Australian business with the economies of Asia is one of the key things that the Australian Government can do to help reduce poverty in the region. We are working in a number of areas to facilitate this. In general, further trade liberalisation will be good for the region, and good for Australian business.

Launching a new round of World Trade Organisation (WTO) negotiations, at Doha in November this year, remains our number one trade priority. Australia believes that open markets, underpinned by a strong transparent and rules-based multilateral trading system, are vital for achieving economic prosperity, particularly for developing countries. These countries have much to gain from a successful round, particularly through progress on breaking down agricultural barriers and subsidies that confront overseas primary producers in the markets of some developed countries.

At the regional level, Australia is active in promoting further work towards trade and investment liberalisation and business facilitation in Asia Pacific Economic Cooperation (APEC). Good progress has been achieved in lowering tariffs, but much more is also being done, including trade facilitation to reduce costs of doing business in the region; promoting Australian initiatives in e-commerce and paperless trading; streamlining customs procedures and conforming production standards.

We are also working to develop the Closer Economic Partnership between Australia, New Zealand and ASEAN countries. The object of the CEP is to promote closer economic integration, and to improve the climate for business and trading activities in the Association of South East Asian Nations (ASEAN). Bilaterally, we are working on free trade agreements – talks are well under way with Singapore, and we are pursuing discussions on the possibility of an agreement with Thailand.

The Asian economic crisis demonstrated clearly that sustainable economic growth in the region, over the longer term, will depend on meeting the challenges of domestic economic reform and the maintenance of a sound macroeconomic policy framework. So, for example, Australia has provided technical assistance through AusAID to key ministries in a number of Asian countries for capacity building in economic and financial management. AusAID's economic governance programs have also focused on banking reform, economic policy development and the reform of important commercial legislation.

And what is the fundamental significance of initiatives like these in terms of reducing poverty? I don't know of any nation that embraced economic liberalisation and sound economic governance that did not make real progress in overcoming poverty, but I have come across quite a few poor countries that have refused to travel down this path and remained poor.

The reality is that the countries with the most impressive levels of economic growth are those that have used the forces freed by economic liberalisation to further their economic development. And those countries that have most actively undertaken reforms to improve their economic competitiveness and governance are those most able to withstand external shocks in the challenging economic environment of the modern world.

The role of Australia's aid program

I'd like to explain how the Australian aid program is seeking to promote poverty reduction in the region. As many of you know, this government set down a new framework for the aid program in 1997, as outlined in the policy document entitled *Better Aid for a Better Future*.

We established a new objective for the program, reflecting not only the importance of poverty reduction but also Australia's interdependence with the region in which we live:

'To advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development'.

The regional crises of the last three years, from Indonesia and East Timor, to Fiji and the Solomon Islands, have only served to underline further just how closely Australia's future is tied to the prosperity of our neighbours.

This new strategy has enabled the Government to change the aid program's focus towards a greater emphasis on the needs of the poorest in the world community. Australia, and the international community more broadly, have been engaged in the fight against poverty now for many years. It is useful to consider what we have learned over recent decades about the nature of this poverty and how best to address it.

Earlier this year, I approved a new poverty reduction strategy for the aid program that incorporates the results of the most recent international research on this topic.¹

The new framework embraces a broad definition of poverty. In addition to the traditional understanding, based on concepts of material welfare, we now understand that poverty is also related to access to health and education services, vulnerability to adverse shocks and accountability of state institutions. The international community has learned a good deal about the most appropriate interventions to address these needs. The new poverty reduction strategy for the Australian aid program therefore includes four pillars:

- First, strengthening frameworks for sustainable and inclusive economic growth that will benefit the poor;
- Secondly, supporting interventions that enable the poor to increase their productivity;
- Thirdly, encouraging governments, institutions and donors to be more accountable to the poor; and
- Fourthly, reducing vulnerability through, for example, conflict resolution, disaster mitigation and emergency assistance.

We have learned that economic growth is the most powerful force for sustained poverty reduction. There is no doubt that growth was the driving force behind Asia's success over the last three decades in going some way towards meeting the challenge of poverty. But we now know that growth reduces poverty much faster where governments ensure that the benefits are invested broadly in human capital, where natural resources are managed in a sustainable way and where income inequalities are not allowed to become excessive.

We know that, despite the growing cities of Asia, most of the poor still live in rural areas. We also know that virtually every country that has made substantial progress in eliminating poverty began the task by transforming its agriculture sector.

Typically, it is increased agricultural productivity that produces the initial surpluses necessary for rural transformation and broad-scale economic growth. Agricultural and rural development are therefore essential building blocks for Asia's future, and that is why this is such an important theme in our discussions today.

The Australian aid program invests around \$200 million each year in rural development, most of which is in the Asia-Pacific region. The focus of this work is on income generation for the rural poor² and is targeted towards three key areas:

- First, increasing agricultural sector productivity;

¹ *Reducing Poverty: The central factor of Australia's aid program.* AusAID, Canberra, 2001. 27 pp. <http://www.ausaid.gov.au/publications/pdf/povertystrategy.pdf>

² *Income Generation for the Rural Poor: The Australian aid program's rural development strategy.* AusAID, Canberra, 2000. 16 pp. <http://www.ausaid.gov.au/publications/pdf/ruralstrategy.pdf>

- Secondly, stimulating rural non-farm employment; and
- Thirdly, managing natural resources in a sustainable manner.

We will be giving increasing attention in the aid program to the second of these themes: non-farm employment. In part, this reflects the fact that many Asian countries have already made significant gains in agricultural productivity and are moving through the second stage of rural transformation. This is where non-farm rural enterprises become a major engine for economic growth and for providing employment for the rural poor. In many countries in the region, there are significant constraints to rural enterprise. The aid program will seek out opportunities to work with the private sector in complementary ways to address such constraints.

For example, our assistance to the non-farm economy will include support for economic reform and institution building to improve the enabling environment for private sector development. Other initiatives will focus on rural marketing and trade-related assistance, which is particularly relevant following the accession of most Asian countries to the WTO. A good example is the increased regional demand for Australia's assistance regarding food quality and quarantine issues.

At the end of the day, the aid program can play only a facilitating role in this process of rural transformation. It is primarily investment by the private sector that provides the growth and the employment that is so essential to poverty reduction in developing countries. While most of this investment comes from domestic sources, there is a very important role for foreign direct investment. Australia, as a significant partner in the region, has a tremendous potential to play a constructive role in the development of the region in this respect.

Conclusion

As you know, I admire the Crawford Fund for the fine work it does in harnessing Australia's capacities in international agricultural research in the cause of overcoming poverty. And I'm pleased to see it focusing at this Conference on the role that business can play.

It is tremendous that so many of our businesses are showing an interest in the potential we in Australia have for making a positive contribution towards the reduction of poverty in Asia. The distinguished speakers who will be contributing today will inspire you further in your efforts, and I wish you well in your discussions.