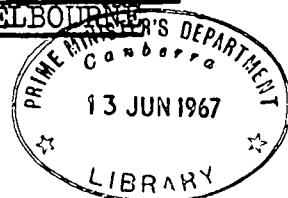


TRANSCRIPT OF PRESS CONFERENCE BY THE DEPUTY PRIME MINISTER AND
MINISTER FOR TRADE AND INDUSTRY, MR. McEWEN, AT MELBOURNE
ON HIS RETURN FROM OVERSEAS, 26TH MAY, 1967



Question: Mr. McEwen has emerged as something of a hero after the recent Kennedy Round talks, yet Australia was forced to accept a rather reduced price in wheat than she was negotiating for, how does this work out?

Answer: Well, the answer is quite simple. What I was talking about before I went was the price that we would receive for our wheat. What we were arguing about in Geneva was the minimum price below which we would not sell our wheat nor below which anyone would ask to buy our wheat. What we did in the finish was to reach an agreement, which is technical in certain aspects. The end result is that the minimum price now is 19 American cents higher than the minimum price of the previous prevailing agreement. This itself, is a very big improvement. Raising the minimum price doesn't mean that you sell at that price. It means that you don't ever sell below that price and no one seeks to buy below that price. All the experts in Geneva believe that raising this minimum will raise the actual average market price. It will fluctuate, but the estimate there between all the experts is that it will raise the average market price, above that prevailing now, by from 8 cents some say, 16 cents others say, up to 20 cents. If we are going to get our minimum, that is 19 cents above the price which previously prevailed, and a market price that, if you take the average of these estimates, would be 12 cents above that which is currently ranging, then this is an enormous increase. Last year we harvested a crop of about 460 million bushels of wheat and will export nearly 370 million bushels. But on a 300 million bushel export, every cent that you increase your return is worth \$US 3 million to Australia. So if the average price increase turns out, as the experts estimate it to be, 12 cents above the present prevailing price, that would be, on that calculation, \$US 36 million a year for Australia. If anyone can satisfy themselves that that is a defeat then

he is a difficult fellow to argue with.

Question: Mr. McEwen, pushing this a bit further, with millions of people starving, is it right and good for the world that the price of wheat should be increased?

Answer: Well the real point is that you can't produce wheat in the wheat-producing countries and sell it to the affluent countries at a figure that is related only to the price which starving people can pay because taking it literally, starving people can't pay anything and they don't pay anything for much of their wheat which is given to them. So what we have done now is to arrange that the commercial transactions of wheat will be at a price satisfactory to Australia. An argument that I first introduced more than 10 years ago is now accepted. That is, for those people to whom wheat must be given, the responsibility should not only be with those countries which grow wheat in surplus to their own requirements, but that all the affluent countries of the world should contribute either in wheat or in money to buy wheat and this is now part of the wheat scheme.

Question: On the European Common Market, Mr. McEwen, which of the primary producers are going to come off worst in Australia when Britain joins.

Answer: Well, you say when Britain joins. I think it would be better if you said if Britain joins. I can't answer that until I know the terms on which Britain joins if she does join. Britain has said bravely that she will not join unless she can defend the vital interests of the Commonwealth countries and that is a very heartening statement; but it is a very broad indefinite statement. I can't answer your question.

Question: Mr. McEwen, it has been said in some quarters that the real result of this agreement will be merely that the rich get rich and the poor get poorer. How confident are you that the Kennedy Round will fulfil its aim to boost all world trade and not just benefit the big trading nations.

Answer: I would like to feel that you didn't invent that because I have never heard anyone say this.

This was reported in Italy, Sir ...

It's a long way away, I've never heard of it. I don't believe it's true. I don't think anyone responsible has said it, but the truth of the matter is that none of the poor countries has been required to accept any obligations for the benefits it will receive under the Kennedy Round discussions. If all the rich countries were to do what Australia has done - give special low-tariff entry for certain products of the under-developed countries - they would get a tremendous boost.

Question: Well Sir, all reportage to date on the Kennedy Round has been particularly vague on what Australia has agreed to. There has been some mention admittedly of Australia excluding herself from some of the tariff cutting agreements. In what fields are we committed to tariff cuts, and briefly, in what fields are we excluded.

Answer: Well you haven't been reading what I have been saying. What I have said is that three years ago from now I got Australia excluded from the linear cuts on tariffs. I said whatever benefits we turned out to get in the end we would pay for. That has been accepted, not three years ago but four years ago, and we live up to it.

Question: No, but in what fields sir?

Answer: In the fields where we can give tariff cuts without impairing the protection to Australian manufacturing industry.

Question: What I was getting at Sir, was, what particular fields in manufacturing have been submitted to these tariff cuts and in which ones are we remaining protective?

Answer: The answer I just gave you was that no fields of Australian manufacturing industry which are protected have had any essential tariff protection reduction at all. There are a number of imports that carry tariff duties which are not protecting Australian industry; it is in this case that duties will be reduced.

Question: Well as the major markets in Europe and North America are reducing their tariffs by one third on industrial goods, will this help our manufacturers in any way? For example, can we sell them Holdens without buying Toyotas or in fact do these manufacturers miss out because of our own exclusion?

Answer: I don't follow the question at all.

Question: Well what I was driving at Sir, is will this agreement by North America and Europe to cut their tariffs by one third help our industries in any way?

Answer: Well, we have a modest export of manufactured goods. I think about £150 or £200 million worth of goods have been exported and to the extent that these items will now have lower tariff barriers to get over in some countries - and we actually export some manufactured goods to Europe - we would be helped.

Question: Is there any outcome yet, Sir, on the discussions that were being held on meat? Is Australia likely to increase her share of the meat market?

Answer: Yes, it is but these discussions are not yet complete. The position is that America has had to have her discussions completed by now, that has been done. The other countries are not under exactly the same pressure of time and we are still in the late stages of some discussions about meat, particularly with the European Common Market and Japan. I have complete confidence that in each case there will be a satisfactory outcome for Australia.

Question: What about wheat the agreement relates to hard winter wheat whereas Australian wheat, of course, is soft. Do you expect our market price to rise as a follow through to this agreement?

Answer: Yes. The position is that the price is not to be read as the price at which we will sell our wheat. This is the price below which we will not sell our wheat nor anyone seek to buy our wheat. It is a floor. This floor compared with the hard winter wheat that you refer to is 19 American cents higher than the previous prevailing floor price for that quality of wheat. That is a very, very substantial increase. The estimates of the experts, both of the importing countries and the wheat selling countries at Geneva was that this higher floor price would raise the current average actual market selling price by, according to different experts, from 8 cents a bushel to 15 or 20 cents a bushel. I take a figure of an average of 12 cents a bushel increase, which on

a 300 million bushel export would give us an additional income in wheat of \$US 36 million a year.

Question: On this question of wheat or grain. On the food aid programme giving $4\frac{1}{2}$ million tons of grain free a year to hungry countries, how is this going to be financed and what is Australia's share in it?

Answer: Australia's share is 225,000 tons a year. In the last three years we have, without any agreement at all, given 150,000 tons a year. So our record is pretty straight. It is going to be financed by a country like Australia contributing in wheat which the Government will buy from the Wheat Board - 5% of the $4\frac{1}{2}$ million tons. Other countries that have wheat will give their share in wheat and other countries such as Japan which haven't any wheat to give away will provide the money and they will buy the wheat to give it away.

Question: Well, going across to the Common Market problem now Mr. McEwen. How do you rate Britain's chances of entering the Common Market? If she does, how long do you think it will take?

Answer: I don't really feel confident to form an assessment of her chances of getting in. There is not the slightest doubt that Mr. Wilson has made it very clear that Britain is going to make a determined effort to get in and there is not going to be niggily about the conditions. I hear people in Europe who are knowledgeable on this say that well, it would take at least six months before it was clear whether this was a real goer and perhaps a couple of years before a decision is reached. That's not my opinion, it is the opinion of others.

Question: Britain's Foreign Secretary, Mr. Brown, has been quoted as saying that Britain's application contains no conditions or stipulations. In the light of this how serious are our key exports to Britain likely to be affected?

Answer: I don't know what Mr. Brown says. If you quote him correctly - and I don't doubt that at all - it would not be consistent with what Mr. Wilson has said. He has said that in entering the Common Market, Britain would require that essential Commonwealth interests should be safeguarded.

Question: Along this line, the Chairman of the Australian Dairy Produce Board said this week that it would be impossible for Australia to find an immediate replacement market for her dairy products if Britain's entry into the E.E.C. was swift.

Answer: This is completely right. There is only one big importer of butter in the world and that is Britain. If Britain's entry into the E.E.C. made it impossible for her to buy our butter in the quantity she has been buying it, then frankly I don't know where else we could turn to find a market for butter. The problem with cheese and dried milk and other dairy products is not so bad. The truth of the matter is that you can't make dried skim milk powder without producing butter.

Question: Well, what practical steps have been, or are going to be taken in any way to protect these export industries by the Government.

Answer: Well, just by trying to diversify our markets which I have been engaged in for years now, by stressing to Britain and to the European Common Market, the practical problems of the Australian dairy industry; and New Zealanders are doing it, of course, because they would be more desparately affected than even we would be.

GENERAL PRESS CONFERENCE

Question: How long before the tariff cuts come into effect?

Answer: When the various Governments ratify the agreements and sufficient Governments have ratified it for it to be quite clear that the agreement is going to live.

Question: Would you put a point of time on it? Would it be a year or so?

Answer: I couldn't guess. I would hope it would be a shorter time than that. Can I point out something so that this is understandable. There are two instances in history of this kind of thing where an agreement has been reached. First the League of Nations after the First World War America agreed and then the American Congress threw it out and they were never in it. More recently in 1947, the Americans convened a great trade conference from which was established an international world organisation which, for example, our Government said we would join as soon as America and Britain joined. America never joined it and America not joining the organisation which they had proposed, no one else joined it and it never came into existence. That illustrates that when you reach an agreement, it isn't automatically in existence but I would mislead you completely if I led any of you to construe from this that I think that could happen on this occasion. I state it in relation to a timetable only. Is that clear?

Question: Mr. McEwen, what influence would the Kennedy Round Agreement have on the British Commonwealth trade talks that you are going to come up with.

Answer: It will have a quite substantial influence on it. The United Kingdom/Australia Trade Agreement, which is the technical description of the system of preferences, is an agreement designed to give a balance of advantage to both countries. Now when the Kennedy Round was

first mooted there was a conference of Commonwealth trade ministers in which I, speaking for my Government, said that we would prefer to stay with the known - the preferential reciprocal arrangement with Britain - rather than go into a Kennedy Round. The British Government of the day said well, we have decided that we will go into the Kennedy Round and we will go in and offer tariff cuts. We said right'o, we'll take it from there. What this meant, and this is the answer to your question, is that on going into the Kennedy Round the British offered to cut nearly all of their tariffs by 50%. Giving us a preference means that they have a tariff on somebody else where they don't have one at all on us, and offering to cut their tariffs by 50%, they were in fact offering to cut our preferences by 50%. Now, in the course of the negotiations they went through with a cut of 50% on many items and withdrew and didn't go through with the cut on other items. So I said at that time, which is now about five years ago, well, when the Kennedy Round is finished we'll get together then and have a look at what would represent an agreement which would have a balance of advantage for both parties. I have now reached agreement with the British in London that as soon as the Kennedy Round is over, and it is now over, our officials will start to examine the change in trade relationship. They will be doing this within a month or two months. As soon as that study has gone on sufficiently, then no doubt the Governments and Ministers will get to-gether and have a look at it. It would be the objective of Australia and the objective of Britain to write another trade treaty which, having regard to what had been altered, established a trading relationship which had a balancing advantage to both parties.

Question: Mr. McEwen, I would have thought that you could'nt have a floor price for wheat unless you had some know quantities of wheat involved.

Answer: No, that's not so.

Question: You can have a price without worrying about quantities?

Answer: Well, you can worry about quantity but nature, more than anything else, determines the quantity. You really can't commit yourself to a quantity. The concept here is that, in relation to transactions

in wheat between countries which are parties to the agreement, no one will be willing to sell at less than the floor price and no one will seek to buy at less than the floor price.

Question: If you have a glut then how are you going to maintain it? Isn't someone going to go out the back door?

Answer: Isn't someone going to break the agreement, because that's really what your suggesting; I don't mean you are proposing it, but it would only not stand up if someone did break the agreement. Wheat is not like chocolate, if I could make a comparison. Excepting the very hungry people, most people don't eat more wheat because it is a little cheaper. They do eat more meat and they may eat more butter, they certainly eat more chocolate if it is cheaper; but the whole trading history shows that the price of wheat has very little relationship to the consumption amongst those who have the capacity to buy wheat.

Question: Will this price be reviewed from time to time?

Answer: Yes, it can be reviewed from time to time.

Question: Under some sort of Kennedy umbrella or under G.A.T.T.?

Answer: Well the whole Kennedy Round is part of G.A.T.T.; it is conducted under the G.A.T.T. and at some period of time it will be reviewed. If a great surplus developed without this agreement then obviously price cutting would commence and the whole benefit of the agreement is to have a lot of countries committed by contractual obligations not to engage in price cutting or not to attempt to induce others to engage in price cutting.

Question: The tariff cuts, will they affect cars?

Answer: No. No. I want to emphasize that there will be no tariff reductions here on items which are necessary to protect Australian industry. We have our great motor car manufacturing industry; our tariff is designed to protect it. This was the fight I won in 1963 where I got Australia excluded. The only three countries excluded from the obligations to make linear tariff cuts were Australia, New Zealand and South Africa.

Question: Mr. McEwen, the wheat aid, is to be held somehow or other by this international pool, just to be given

for emergencies, or can we use it as capital aid? ... We have used wheat as capital aid in the past, haven't we?

Answer: We never have ...

Question: ... say India - they raise capital with it locally.

Answer: Well, let me see if I can answer the question. When we have given wheat we have never attached any condition to it at all. If asked for wheat we have given it to them - finish - and they no doubt give it out to those who need it. On the other hand some countries - and America is a great example - when America gives wheat aid what she does is to sell the wheat at a price but for payment in the currency of the country, the currency of India in that particular case. Its a currency that's understood that can't be converted to dollars or sterling. So the United States, under its Public Law 480 sells the wheat to India. It's not going to receive payment in America, but it will receive or be due for payment in India. Then the Americans may attach a condition. They may say the understanding is that you will use some of this money to build an irrigation dam or they may say we will draw some of this money to pay for the expenses of our Embassy. If they say well, you must use some of the money that you are due to pay us to build an irrigation dam, well, that's capital aid. In all the aid that we give, whether we give money or tractors or technical assistance, or food, we give it and rule off the book. We attach no conditions, no repayment.

Question: Mr. McEwen what reasons do the Americans give for imposing their duty on wool?

Answer: On wool? Well, the reason they advance is that they have a woollen industry of their own and they must protect it, and that is the simple reason. There are related reasons which may be at least as important and maybe more important and this is, that under their law they have a certain relationship between the protective duty on raw wool and the protective duty on imported woollen textile piecegoods or garments and under the existing law to alter one automatically alters the other and this might be the milk in the coconut.

Question: Speaking about the Common Market, a while ago you seem to stress the word "If". Is there an even money chance that Britain will get in?

Answer: Well, talking to the people that I met in Geneva, and they were a pretty well-informed group of people on this - I don't think you would have got a bet at much better than even money and that's not my opinion. You ask me my opinion and I just say I'm sorry I don't know. President De Gaulle's press interview wasn't very encouraging but our Australian Government's attitude is quite clear. If the British Government feels that it is in the important interests of Britain to join the Common Market, then we would regard it as quite improper for us to try, directly or indirectly, to prevent her from joining. This is in balance with our resentment if anyone tried to interfere with what we thought was a necessary policy in the interests of Australia. Having made that principle clear, then it's legitimate to point out where your own interests are and say to someone who said I will look after your interests, to say well, here, this is what our interests are.

Question: Do you see any benefits to us if Britain enters the Common Market?

Answer: I think there is only one benefit which has been canvassed and I can't evaluate it, and that is that it will be good for the strength of the British economy - I'm not offering my view now, I'm quoting - that it will be good for the strength of the British economy and for the prosperity of Britain if she joins and that therefore as a country which is a trading partner, it must be good for us if she becomes stronger. I can't evaluate that at all.

Question: What is our position in respect of butter?

Answer: Our position in respect of butter with Britain has been that we had a preference of 15/- a cwt. over non-preferential supplies. Notwithstanding that, two or three years ago the price was extremely low. This was not only hurting us it was hurting the British Government who had to bridge the gap from the Treasury between the market price and the guaranteed

price to their own producers and this was becoming very costly. From this they suggested and we agreed, that instead of the duty to protect us, to give us preference, that they should introduce a system of quotas to prevent an excess of butter and therefore lift the price. We agreed to this, New Zealand agreed to this. It was put into operation. It did lift the price. Now that has not been an issue under discussion in the Kennedy Round, therefore butter in our principal market has not been affected one way or another by the Kennedy Round, and it has'nt in respect of the E.E.C.

Question: Mr. McEwen

Answer: Just let me add a sentence to this. We have a wheat agreement. We had hoped - not only Australia, but all those interested - we had hoped to have a dairy agreement. The Kennedy Round set up a group to study dairy products in the direction of a world agreement. It was discovered that there was no hope of an agreement and that just dissolved.

Question: Mr. McEwen, in London you were quoted as saying that Britain's decision to seek entry into the Common Market meant that she was obliged in the Kennedy Round to press for world commodity agreements that safeguarded Australia's agricultural exports. Did Britain press for that?

Answer: Well, can I just state the position. When Britain first contemplated joining the Common Market - I think this was 1961/62 - there were discussions between Britain and the Common Market countries before Britain had applied, where Britain pointed out how her joining would have repercussions on Commonwealth countries and other trading partners unless special provisions were made to cover them. Out of those studies the conclusion reached was that if Britain joined the Common Market, the best way to protect the interests of these people, which include Australia, would be not to deprive them of their preferences overnight, but to phase them out over a period of years and this was one proposal. The other proposal was that in respect of items such as

wheat, where no preference exists, world agreements were the best solution of the problems of these countries. Britain subscribed to that and Britain has said that she will protect the interests of Commonwealth countries. So it was against that background that I said from Geneva that Britain was more obligated than any other country to support world commodity agreements because she had agreed that this was the most direct way of protecting the interests of countries which might be impaired by her joining the Common Market. I also said that a meeting of Commonwealth Trade Ministers in June last year had again confirmed as the general policy the whole Commonwealth including Britain, support for world commodity agreements which would give satisfactory prices. So you can see there the grounds on which I said Britain was obligated and more obligated than any other country to support them. Well, she supported this agreement she's a member of it did start out by suggesting a price of about 160 cents for wheat.

Question: Mr. McEwen, was it agreed at all at the Kennedy Round whether the wheat price would come up for any periodic review or discussions?

Answer: The period for reviewing the price that we discussed was three years. My memory won't permit me to say whether this is written into the final understanding - it's just a slip of my memory. They contemplated three years and I think it will probably turn out that this is the point of review.

Question: Mr. McEwen, would it be possible to say whether the talks with Britain over the trade agreement will come up this year or in a matter of weeks?

Answer: Well, what I have said is that talks between officials will commence in the quite near future. I would think within a couple of months talks between their officials and our officials will commence. They will be studying what has happened within the Kennedy Round and outside the Kennedy Round to change our trading relationship. Their reports will go to higher officials and their reports will go to Governments and so on and I expect before we reach the end of

this year the picture will be clear enough to warrant the Governments getting together. That's my estimate of time.

Question: Was sugar raised at all?

Answer: No, sugar was not raised at all, on the ground that there has been an International Sugar Agreement which is in suspension; that the International Sugar Council is still functioning and that the overwhelming percentage of the countries which export sugar are less developed countries and the venue to which the less developed countries are looking for trade discussions is not the G.A.T.T. but UNCTAD - United Nations Conference on Trade and Development - and there has been one or two ministerial meetings on sugar in UNCTAD and there will be another ministerial meeting on sugar. It is expected well inside a year from now. The exporters of sugar who are not to be classified as developing countries would be such countries as Australia and South Africa. All of the others, the West Indies, India, Mauritius, Fiji - a colony, of course - are all developing countries and I think they would resist the discussion being removed from UNCTAD.

Question: Mr. McEwen, on the Common Market, has the Australian Government been kept fully informed on the British application? Is there any arrangement whereby we will be told what is going on in the negotiations.

Answer: Yes, the British Government has told us privately and stated the same thing publicly that as they get into negotiation, they will keep us informed and consult closely with us.

Question: Mr. McEwen, to use an Australianism, do you think they are "fair dinkum"?

Answer: Of course I've got to take the British Government's statement as bona fide. On the meat side, I have said in this written press statement that apart from wheat, this is the big area of gain to us. We've secured, in the very final stages, a reaction from the Common Market countries to a request that we have been pressing, that we have access to their markets for our frozen meat on better terms than have existed and better terms than they were proposing. The relationship between the Argentine and Australia and the Common Market countries is not bound to the

same timetable as the American. I mention the Argentine with Australia because we, with the New Zealanders, are the principal suppliers of meat. So when I left Geneva to go to Romania these discussions hadn't been completed in detail. I have been travelling, I think they are completed now but I'm not quite sure, but my written statement says I am confident of the outcome. Now that's in that area. The other next important meat market for us is Japan. Again we are not under the same pressure of timetable as with America and again I've got to say words that sound unsatisfactory - I'm confident of a good outcome. That isn't just double talk, I am just confident that there will be a satisfactory final position with both Japan and the Common Market countries. The importance of this is that we have only had two really assured markets for meat - Britain and the United States - and if you get a difficult marketing situation in one or both of those countries - if you get it in one, you're trying to force all your meat into the other remaining market and this is always embarrassing to the country that's under pressure to receive it. If we can look forward to say four important markets, then the meat trade is a lot safer than if you have only two.

Question:

Do you envisage any new markets for meat?

Answer:

Oh yes, we are keeping on pressing. We have developed a quite good market for sheep meat in Greece.