



TRANSCRIPT OF ADDRESS BY THE ACTING PRIME MINISTER AND
MINISTER FOR TRADE AND INDUSTRY, MR. J. McEWEN,
AT THE NATIONAL PRESS CLUB LUNCHEON,
CANBERRA, 1st JUNE, 1967

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I am just back from the Kennedy Round discussions and negotiations and these will represent the subject matter to which I address myself today. These were interesting and important in themselves but with possibilities and repercussions that not everyone quite realises.

I thought that before I turn to speak to you of some of the facts and aspects of the Kennedy Round, I might make a few general observations of our trading circumstances that would bring the Kennedy Round and the possibility of Britain joining the Common Market into what I believe to be the correct perspective of importance.

FOREIGN EXCHANGE VITAL

Australia is a major trading nation. For us our balance of payments are of tremendous importance to our economic growth.

Over the last 10 years our growth in Australia has meant we have been geared to import requirements of about 13% of our gross national product - a quite unusually high percentage of imports.

In terms of current prices this means imports valued at just over \$2,800 million, to which must be added a bill for the so-called invisible items such as freight, dividends, royalties, etc. now in excess of a further \$1,400 million.

We cannot develop without earning foreign exchange to pay for these imports and essential services which are basic to our development and which now are running at the combined level of \$4,200 mil.

In 1965/66 exports and other invisible earnings provided almost 80% of our foreign exchange requirements. The rest came from the essential element of capital inflow - Government borrowings and private capital flowing in.

However, experience has shown this capital inflow to be a fairly unpredictable element in our growth requirements. For example, in 1965/66 we had a high level of capital inflow amounting to \$938 mil. whereas THIS YEAR we look like receiving ONLY HALF this amount.

Growth we must have and indeed growth we will have.

If we are to achieve something approaching a 5% growth rate on average between now and the mid-1970's, it is reasonable to expect that expenditure on imports alone to meet the demands of this growth could well be of the order of \$4,700 mil. compared with \$2,800 mil. in 1965/66. This means that we can contemplate a rise of exchange to pay for imports of 6% each year.

Allowing for capital inflow at a reasonable level, by the mid-1970's exports will need to be earning \$5,000 mil. a year to cover their share of our overall foreign exchange requirements. I recount these figures to place in its proper perspective the importance of the role of export earnings.

As a nation we will grow in strength, or we will wither according to the adequacy of our export earnings. It is against this that I propose with you to have a look at the Kennedy Round.

THE KENNEDY ROUND

The basic aim of the Kennedy Round was to obtain a significant reduction of trade barriers by way of an across-the-board cut in tariffs and concurrently a reduction in non-tariff barriers.

Australia's tariff making policy with the Tariff Board is designed to give sufficient protection to Australian industries, but the whole concept of the Tariff Board is not less importantly to avoid giving excess protection to our industries,

Clearly a proposal to cut all our protective tariffs by 50% is a proposal that would be completely destructive of the Australian economy and entirely unacceptable.

So at the first Ministerial meeting of the Kennedy Round in 1963 I had a fierce and long battle at Geneva to have Australia absolved from the 50% cut and to have it accepted that Australia should pay in tariff reductions only that which would equitably reflect the advantages gained in the dismantling of non-tariff barriers to our major exports.

For the first time in negotiations in G.A.T.T. we had the prospect of meaningful negotiations on the bulk commodities - wheat and the coarse grains, meat, butter and cheese - where the tariff is of relatively minor importance. The real barriers here are devices such as quotas and variable levies.

These were the objectives and opportunities presented by the Kennedy Round. How does the outcome measure up?

At this moment this cannot be assessed with final accuracy. Although the basic elements of agreement were reached in the marathon session which ended on May 16th, it will be some weeks yet before the actual schedules of concessions will be finalised. It will be even later before they are published.

But enough is available to make some judgments. The negotiations were the most wide ranging and comprehensive ever undertaken. Almost 50 countries accounting for about 80% of world trade participated.

It is estimated that overall tariff cuts averaging about 30% on trade valued at some \$15-20 billion are in prospect. In anybody's language this is no mean feat.

WHEAT

For Australia, having been absolved from this so-called linear cut in tariffs, undoubtedly the major single benefit was to be achieved in an agreement on wheat, and that indeed finally eventuated.

Exporters have gained a substantial increase in the minimum price of 19 US cents per bushel or about \$A6.25 or £Stg.2/10/- per ton. of wheat.

This new minimum price is below the present average cost of production. This is explainable. We wanted and we need a price remunerative to efficient producers.

Our experience of floor prices in wheat agreements over nearly 20 years suggests that it can be confidently expected that many, if not most sales will be made at prices above the minimum.

It is against that experience in history that if the importers had agreed to a floor price which in itself was profitable and at the same time it was accepted that most sales would be at higher prices, then the importers would have been committing themselves to an agreement resulting in market prices which over a period would have been more than reasonably profitable.

The new minimum price itself is higher than actual market prices in 1962/63 and in 1964/65. But prices can be expected to fluctuate above the new minimum such as they have done during the currency of earlier wheat agreements.

The average level of actual market prices above the minimum cannot, of course, be accurately forecast. But there can be no doubt that the substantial increase in the minimum price.

But there can be no doubt that the substantial increase in the minimum price should move average market prices much nearer to remunerative levels than in the past.

One aspect of the new agreement which makes it better than the old agreement is that minimum prices have now been prescribed for a wide range of different wheats.

This will ensure that floor prices are much more effective than in the previous agreements, where the minimum price applied only to the highest quality wheat traded leaving great scope for fluctuations of the discount differential for all other wheats.

In the judgment of some experts at Geneva, and they were there from the exporting countries and the importing countries, the increase in the average commercial price of wheat expected to result from the higher floor price should be, these experts say, as much as 8 to 16 US cents per bushel.

If this is the case, the gain to Australia in foreign exchange from an export of, say, 300 million bushels, a year, and that's about the average of the last three years, would be from \$US 24 million a year to \$US 48 million a year.

In addition we have obtained for the first time, the commitment of affluent importing countries such as the United Kingdom, Japan and the European Economic Community to accept joint responsibility for providing food aid to the developing countries.

Australia has in practice extended its food aid in the form of wheat. She now accepts with the other countries a contractual commitment to provide wheat as food aid to the extent of 225,000 tons a year in a total programme of $4\frac{1}{2}$ metric tons a year.

In these various respects our export trade will be more profitable, our access to markets more secure. Affluent countries will share with us the cost of wheat aid to the needy, and in general our competitive position in world markets has been preserved and improved.

OTHER PRODUCTS

The whole thing is not ruled off yet but the United States, for domestic reasons, is under compulsion to conclude its negotiations to a very strict timetable. Other countries are not under exactly the same pressure. For this reason our negotiations with certain important other countries are not yet quite finalised.

In the case of some of these countries we are confident that satisfactory arrangements covering a variety of products will be successfully concluded but these cannot be described at this stage as finalised.

On beef and veal we expect to finalise arrangements which will improve our access to important markets such as the European Economic Community and Japan.

Our industry will benefit not only from greater and more predictable access to these markets but the new arrangements will reduce the possibility of having to divert meat to some other markets such as the United Kingdom and the U.S.A.

Important negotiations are still going on with the European Economic Community. On beef and veal the E.E.C. has declared its willingness to reduce the Community tariff from 20 to 16%; but more importantly than that, over 5 months of the year, to permit imports free of the import levy which might otherwise have been imposed during that period, and which can make pale into insignificance the cut in duties.

This concession should really open up the Common Market for Australian frozen beef and veal in our peak selling season.

Also there are a number of other products such as honey, beef offals and tallow where there will be reduced tariffs on Australian exports to the EEC, which is a most important market for these products.

In the case of Japan discussions have taken place in the hope of securing improved access to that market. The results of these discussions have been quite encouraging. The present duty on sheep meats and beef offals will also be reduced.

Out of this I see these negotiations as having opened up a much better, and quite worthwhile opportunity for expansion in the export of all our meat products to Japan.

We also have from Japan an undertaking that some of our most important exports to Japan - wool, coal, iron ore and hides and skins - are to be assured duty free entry in the future.

In a number of other markets - important for particular products - we also expect to make gains - apples and pears into Sweden and Denmark, reduced duties on wool and zinc ores into Norway and many others. The full extent of such concessions cannot yet be catalogued.

We launched a campaign in 1961 to develop an export consciousness amongst manufacturers.

Since then there has been an annual increase in the export of manufactured goods of about 20% per annum. The current rate of export of manufactured goods is more than double what it was 5 years ago.

Our manufactured exports will consequent upon the Kennedy Round, benefit from the tariff cuts agreed amongst the large industrialised countries. The concept is that concessions given to one are given to all.

On the other hand, and as a result of the negotiations, some of our preferences in markets such as the United Kingdom and Canada will be affected.

GAINS AND LOSSES

There have been gains and losses for Australia as a result of the Kennedy Round.

In the case of the United Kingdom we face the prospect of a cut of 50% in our present preferences on raisins, sultanas and currants, canned peaches, canned apricots (but not canned pears) canned pineapples, unmilled rice and leather, and perhaps some other less important items.

This is the outcome of the United Kingdom from the outset offering a 50% cut in all her tariffs. It didn't eventuate but their position never altered in respect of the items I just mentioned.

The original objectives of the Kennedy Round have not been fully achieved. There was no success in the attempt to write a world agreement on dairy products. However, the significant importers of the major dairy product, butter, are so few in number that the door is not closed against bilateral discussions on this item.

Sugar is one of our great export items, but practically every sugar exporting country is a developing country. These countries have decided to negotiate a Sugar Agreement within the organisation of U.N.C.T.A.D., not within the organisation of G.A.T.T. So it was never a matter up for negotiation in the Kennedy Round.

However, there will be a world sugar conference, under the auspices of U.N.C.T.A.D. later this year.

At this stage we have not secured anything on wool in the United States market.

Overall, there is no doubt the net results of the Kennedy Round will have been generally beneficial to Australia and to the world at large.

When our gains have been evaluated we will be making payments from selected items in our tariff. Let me describe this, such payment on our part will have been made without in any way undermining necessary protection of our domestic industries.

Over quite a major part of Australian imports, the tariff to date has been free for British Preferential imports with a nominal non-protective Most Favoured Nation duty on imports from other sources.

These m.f.n. duties will be eliminated over quite a wide range of products, as our preferences in Britain have been halved over a number of products. In addition some protective tariffs have been reduced, will be reduced, where the Tariff Board, being asked has found that a reduction in the m.f.n. rate of duty was justified.

For some other items, there will be a reduction in the margin between the British Preferential Tariff and the m.f.n. tariff, again without impairing the protection for Australian industry.

These are the types of concessions which Australia is making, and with which we will pay for the advantages we have gained. Of course, until the negotiations are complete the individual concessions on offer cannot be revealed.

So much for the Kennedy Round.

Time, I think, does not permit me to go, in detail, into a discussion of what may occur as a result of Britain's application to join the Common Market, but you have a question time. But let me say this, in respect of Britain's application to join the Common Market. Before she made the earlier application she went into close consultation with the Common Market countries, describing the circumstances of her trading contractual commitments to countries like Australia.

Jointly they looked at what would be the effect of Britain joining under the Treaty of Rome and what, if anything, could be done to ameliorate the impact upon countries like Australia.

Out of that examination in 1962 Britain and the European Community issued a statement that, if Britain should join, then for the major items of world commodity trade world agreements would have to be relied upon to safeguard the interests of those who had hitherto depended on the historic terms of access to the British market - world commodity agreements.

The fact that in Geneva it was not possible to achieve world commodity agreements on other than wheat leaves me with little confidence that we could rely upon the early conclusion of worthwhile world commodity agreements as an alternative to our present marketing arrangements in Britain.

All thinking Australians will follow developments in Europe closely over the next few months. It's still too early to say whether the British application will succeed. But we have been served notice as a nation not to rest on our laurels nor to rely too heavily on existing marketing arrangements with Britain.

These recent events must act as a spur to Australia to seek out new markets as a hedge against the future. The

Commonwealth Government will do all in its power, and the Trade Department as its instrument, to assist, but ultimately success will depend on the initiative of individual industries and individual traders.

What I've been seeking to say is that, with our dreams of expansion that we have and the actuality of our fast growth, there is one essential ingredient to growth, and that is command of adequate resources of foreign exchange. And that, given the most favourable circumstances of raising exchange other than by selling goods at export, you still depend to the extent of 80% for your requirements on the sale of exports, the sale of export goods.

We must be efficient at home, we must be active at home; but above all, we must have the right to sell. The days were when one produced something one could take it out and sell it at best. To-day the world is full of countries who say, no, we won't receive that item at all, we won't receive this item without something like 100% tariff, we won't receive that item except to the extent that we can't produce it at any old cost ourselves.

What we've been trying to do is to negotiate a way through the totality of these obstructions to our opportunity to earn the wherewithal to pay for the growth that we all insist on having. We've had a bruise or two in this in the items that I have mentioned, but over-all there are distinct, identifiable gains for Australia and a new level of predictability in our trading opportunities for the future.

QUESTIONS:

Mr. Wood: Mr. Minister, I wonder if you can give us some specific idea of the size and composition of the parcel of industrial tariff cuts we're offering Japan. And could you also comment further on the proposed review of the U.K./Australia trade treaty which you mentioned on Friday?

Mr. McEwen: Well, in the nature of things, first of all let me say whatever is offered to one country, if accepted, becomes available to all. This is the essence of the thing. But to indicate that we've offered to reduce a duty on an item would be completely dislocating to normal trading. This is one of the trade secrets. It's never done.

Mr. Samuel: Mr. McEwen, you referred to the silliness of other countries producing things at any old cost with tariffs of 100%. I wonder if you've had time to look at the speech of Mr. Rattigan, the Chairman of the Tariff Board. He referred rather critically in many ways to the traditional approach of both the Government and the Board itself to tariff matters. One of the things he suggested was that industries which were very high cost and required very high tariff protection should be encouraged to phase out their production over a period of time. I wonder if you've any comments on that?

Mr. McEwen: Well, now, you expect accuracy from me and I expect it from you. I referred to the "silliness" of other countries doing this? I did no such thing. I referred to the fact of it, and it is a fact. I haven't read Mr. Rattigan's speech, but Mr. Rattigan is the Chairman of the Tariff Board, a man whom I have immense respect for. He was the Deputy Secretary of the Department of Trade and we're personal friends. He expresses his views. If he were expressing a proposal to the Government I'm sure he would address himself to me. He's not done so. When Mr. Rattigan addresses himself to me, when the Tariff Board addresses itself to me, then I'll take this up and study it quite carefully. But

the position is that we make no tariff alterations in this country except on the advice of the Tariff Board, and the occasions when we don't act completely in accordance with the advice of the Tariff Board are very few indeed. And when we do depart from the advice of the Tariff Board we explain why we departed from the advice. I don't know any other country on earth which doesn't alter its tariffs except by having a public inquiry in which all interested parties in its own country are free to go and give evidence in favour or against, and in which every foreigner in the world who thinks he's interested is equally free to go along and give his evidence. Australian tariff-making is as clean and as open as anywhere on earth. And the Government acts on the advice of this body,

or acts with the advice, and

mostly upon the advice of this Body. If the Tariff Board, or Mr. Rattigan as its Chairman, felt that there was a need for us to depart in our policy-making, I'm sure they would suggest it to me. If they thought there was a need for a review of some existing tariffs, I'm sure they would suggest it to me. This has not been done. If, on the other hand, there are interested parties in Australia who feel that some tariff is too high and that it ought to be reviewed, they are equally free to make a request to me to have a Tariff Board hearing - not for the purpose which is normal, to consider whether the tariff ought to be increased, but for the purpose important to them in the contingency I speak of, of examining whether the tariff should be reduced. There's nothing that isn't wide open in the open of what is done in tariff-making. There's nothing in our tariff-making that doesn't preserve entire opportunity for the Tariff Board and all the interested parties to make proposals to the Government and when a hearing is on for all foreigners to go to the Tariff Board and make their proposals.

Mr. Catmull: Sir, what do you feel Britain's chances are of succeeding in its application to join the Common Market?

Mr. McEwen: Quite frankly, I'm completely incompetent to answer that question. I don't know.

Mr. Wood: Sir, as a follow-up to the question just before that one, you say the Board has to get its reference from you, could you give us some idea of when you'll be meeting the Tariff Board, and are you still considering the idea of part-time Board members?

Mr. McEwen: Just before I was going overseas Mr. Rattigan got in touch with me and suggested to me that, in the opinion of himself and the Board, it would be useful if we had a meeting - I think he used the word "informal", and I think, over a luncheon. I instantly agreed to that. This will be when it comes off, my third meeting with the Tariff Board in eleven years, so I don't stand over them very much.

As to the question of part-time Board members, I made a statement in Parliament explaining what prompted me to canvass this thought and to consult, as I've always done in my ministerial career, people who had an interested view on this kind of thing. There was not much support for it, and that might be overstating it. But whether as a result or not, I don't know, but I had at about that time a letter from Mr. Rattigan explaining to me in convincing terms that there were now circumstances in which the Board would be in the future able to deal more expeditiously, have a greater throughput of work, than had been the history over the recent several years. And I accept this as a correct judgment. I think that probably disposes of the matter.

Mr. Connors: Mr. Minister, Russia, who is a major member of the International Wheat Agreement, was not present at the G.A.T.T. for any of the current negotiations. Russia has been a major importer in the past, and I believe, according to a B.A.E. report, that she may be an exporter around 1970 or something like that. I was wondering has Russia given any indication that she is agreeable to what was negotiated at Geneva?

Mr. McEwen: No, I'm not aware of Russia indicating this at all. What was agreed at Geneva is not fulfilled yet. There needs to be legislation or the approval of Governments in all the countries who are concerned. I've no doubt this will occur. When this is done, then I would imagine it may be fruitful at that point of time to sound the Russian reaction, but Russia has never been a disruptive influence in recent years as an exporter of wheat and the Agreement itself commits all the traditional exporters of wheat to not sell below the prescribed minimum, and I don't think that Russia will be a dislocating factor in the scheme.

Mr. Wood: Another one, Mr. McEwen. Do you have any specific evidence, historic or otherwise, to support your contention that a rise in the minimum price for wheat will lead to a rise in the world price?

Mr. McEwen: Only what I mentioned. That is, that over the whole history of minimum price, sales have been more often than not above the prescribed minimum price. First point. The second point - I said - and this is not my own judgment but the judgment of the people who are engaged in their life in wheat transactions who were there as advisers to the delegations, to every important delegation at Geneva, the Americans, the Canadians, the Australians, Argentina, the delegations of all the major importing countries - in each case it was accepted that the new and higher minimum price would lead to a higher general commercial level. There were various views. I know of no view expressed that the commercial level could be expected to be less than $7\frac{1}{2}$ cents above the prescribed minimum. I tended to round that off in my speech to 8 cents. Others ventured an opinion, 16 cents and one who spoke with considerable authority said he thought it would be 20 cents above. This is not my view. I can only quote to you, and that's all I sought to do in my speech, the expressed views of experts.

Mr. Baudino: Mr. McEwen, if I could just change the topic. In the past you have been a critic of the principle of "one vote, one value" in Australia. Redistribution has reared again at the moment. Do you still subscribe to this?

Mr. McEwen: Well, first of all I have never been a critic of the principle of "one vote, one value". I have been a defender of the law which has stood since 1900, 1901, which - this is on the subject you're mentioning, I'm sure - stipulates that in electorates - I can't bring to my mind the description, but you'll know what I'm talking about and it's there in the Law - electorates where there are vast areas, sparse population, population of different interests, that the Electoral Commissioner shall have the right in proposing boundaries to propose boundaries which would result in a differential in numbers 20% above the mean or 20% below the mean. If this has been a good law in this country for 60-odd years I've defended it. I still think it's a good law. Was there another part of your question that escaped me? - No.

Mr. Hutchinson: I might intervene one on the same question, Sir. Do you think that the difficulties of redistribution posed by the fact that, as a result of the referendum, the Constitution will not be amended and therefore the Parliament cannot be enlarged, do you think those difficulties are surmountable?

Mr. McEwen: I don't think there have ever been any difficulties about redistribution. There was a challenge by me and my Party to a particular proposal, which, let me remind you in one aspect, would have taken the State of Western Australia where for many years the Country Party has provided about half the Government and the Deputy Premier, and is very strong; a redistribution proposal that would have drawn lines impossible for my Party to win one seat in Western Australia, and by general agreement impossible for the Labor Party to win more than one seat in Western Australia. And the State of Western Australia, which is a third area of Australia, to have its nine Members reduced to eight. This'll do me for an illustration of what I objected to in that proposal,

which was thrown out. But from the day that it was thrown out I have believed that there was no reason why the Government shouldn't have gone ahead next day and reappointed Electoral Commissioners to make a new proposal. How long ago's that? I don't remember, but it's a good few years. '62? I think in '62 we could have had a redistribution, and in '67, before the referendum or after the referendum, we can have a redistribution, and we ought to.

Mr. Hurst: Mr. McEwen, in your absence abroad your Government has had its troubles in the Senate. Could you give us your personal view on this? Do you think there's any, there is a case for changing the Senate, or do you feel that it should be abolished?

Mr. McEwen: Oh, look here now, be your age. No comment.

Mr. Long: Sir, when you were overseas did you have an opportunity to discuss with anyone the idea of the proposed Industry Development Corporation, and, if so, what was their reaction to this?

Mr. McEwen: No, I'm afraid the simple answer is that I did not have an opportunity, or didn't seek an opportunity, to discuss this. I had a pretty big job on my hand and I concentrated on that.