

VISIT TO US, CANADA AND UK



NEW YORK, USA

ADDRESS TO THE AMERICAN/AUSTRALIAN ASSOCIATION
BY THE PRIME MINISTER, MR. HAROLD HOLT AT THE
RIVER CLUB

8TH JUNE, 1967

I want to speak about matters which are of domestic concern to us but which I believe are also of importance in the relations of your country with my own.

The more we can develop our own economic capacity in the international field the more we can help strengthen the American position in our area of the world. I believe it to be an abiding interest of the United States of America, at the highest policy level, to assist where it can to strengthen the economy and the international significance of a staunch ally and friend who can mean so much to America in our area of the world.

Growth has been our major objective in the field of economic development and this has been spelled out in terms of people and capital - of vision and enterprise. These things have been our watchwords since the end of World War II. Our objective has been to make the nation secure, prosperous, able to help our less fortunate neighbours and play a proper part in the defense systems of the free world. Our needs have been people and capital. Our vision has been reflected in our long-standing relationships with Britain and America and a recognition of our special regional position in Asia. I have, as many of you will be aware, just come back from another visit to four countries of Asia which I think it would have been difficult for many heads of government to have taken as a general peregrination.

Some might have got to one, or to two or to three of them, but it is a mark of the special position we occupy in that region that I was able to go in all friendliness and to be warmly received in such diverse countries with such diverse policies as Cambodia, Laos, Taiwan and Korea. And what I saw there heartened me tremendously in the vision I have of the kind of Asia which can develop in the future - a vision which I am glad to say your President shares - and in which I believe the other leading members of your administration fully endorse.

The people and capital we need have been coming but the pressures of the day are casting some shadows ahead to us. The United Kingdom, for example, is facing fundamental decisions, both in her economic relationship with Europe and in her military and strategic dispositions East of Suez. These are matters I have already discussed to some degree with Mr. Wilson and with President Johnson. I will be discussing them further with Mr. Wilson in London next week.

The Australian economy continues to thrive. The growth in gross national product last quarter compared with the corresponding quarter 12 months previously was 13%. There had been a rise of about 2½ per cent in price level over the period, partly as a result of government decisions increasing charges in various directions to help finance a growing defence bill. But the net growth, even taking that into account, remained considerable. The earlier period, however, to give a balanced picture, had been affected by drought conditions in some parts of Australia and an increase in farm income between the two periods was from 266 million to 436 million US dollars, an important factor in the rise. But the increase in non-farm GNP was, nonetheless, very high at 10 per cent.

We shall take increasing strength in future years, thanks to the efforts which many represented here today are making, from our growing export returns from quite dramatic mineral discoveries and a lessened requirement for oil imports if we continue to make useful discoveries of oil and natural gas. In the week before I left Australia there were five promising new discoveries - three of oil, one was at Roma in Queensland which was estimated to be the best since the Moonie discovery. More than a thousand miles away, off the coast of Victoria, the ESSO-BHP people had a strike which, while it has not yet been fully assessed, is certainly most promising. And over on the coast of Western Australia, just by Barrow Island, where a well had been sunk on another island, Pasco Island, there was, again, another very promising discovery.

The other two discoveries were a natural gas strike just a few miles from the Coast of Victoria - closer, indeed, to the shore than the earlier ESSO-BHP discoveries of natural gas - and an important nickel discovery over in Western Australia by a company in which Anaconda has a substantial interest. And I mention this as the experience of one particular week. I don't say we can do that every week, but we have been doing it in enough weeks over recent years to raise great expectations for us of the strength this will bring to our external position.

While the current state of the economy - and I speak subject to dry conditions in some areas which raise a little concern for the season ahead and the wheat crop - represents a generally favourable picture, our national requirements for defence and for development continue to place heavy requirements and pressures on domestic resources. Our manpower is fully employed. The migration inflow continues to be steady with a gross intake this year of about 140,000. We have had one of our best trading years, with imports and exports likely to be close to balance.

On the other hand overseas reserves, while still at a comfortable level, have been falling to some degree as a consequence of a combination of factors. We have had reduction in the level of capital inflow following the policies of restraint exercised by the governments of the United Kingdom and the United States of America - and these are our two principal sources of capital. There is a reduced availability of overseas loan money. What is available calls for higher rates than we have been accustomed to pay.

The Interest Equalisation Tax continues to irk us and operate against us quite unreasonably. While borrowings have been reduced, we have been repaying loans of the past. Our total government indebtedness to the United Kingdom for example, is now more than £stg 100 million less than it was 20 years ago. And there are overseas guided missile destroyers, submarines and the F-111 aircraft.

There are also our overseas disbursements for military aid in respect, for example, of operations in Vietnam and the contribution we are making in Malaysia. We cannot afford a blockage in our growth systems without directly affecting our defence capacity and our capacity to give useful aid to others.

Britain and America have provided Australia with most of its capital since the war and, despite an increased amount generated internally, we remain a capital importer and are certain to continue that way. Actually 85 per cent to 90 per cent of our fixed capital investment is generated within Australia. But it is the remaining 10 per cent which is of great value to us in opening up new industry and giving us new techniques.

We understand the reasons why Britain and America have placed restraints on the outflow of capital. But we do not feel we are asking for special favours when we ask that you here in America consider some early relaxation of those restraints. We cannot afford to have our defence and aid programme slip out of gear. And, remember, we have doubled our defence effort in the last four years. We are also the third largest aid giver in net terms per head of population. It is all given in the form of grants without conditions. There are mutual advantages for both our countries if our development in these fields continues.

Defence expenditure has more than doubled since 1962-63. It is now running close to five per cent of gross national product and this percentage is - I am informed - only surpassed by the United States and the United Kingdom, which do not have our higher rate of population growth and the degree of provision for housing and other capital works which accompany that higher rate of population growth. We withhold from consumption a higher percentage of our gross national product - 27 per cent - than any other country in the world except Japan.

The impact of your Interest Equalisation Tax is one example of a difficulty which persists for us on the capital market. You have granted exemptions to Canada and Japan, and we find it difficult to understand why Australia cannot receive the same benefit. We are actually losing reserves to the United States on government capital account unless this borrowing is facilitated. Our existing government debt in New York is requiring repayment and interest charges at the rate of \$US35 million annually. Australian Government - guaranteed corporations like the airlines and other instrumentalities also owe money in the United States and their repayment and interest charges amount to up to an additional \$US30 m. a year. These are continuing burdens, and we hope they will be understood sympathetically. And to get the full picture of our payments out to you, there is the growing dividend payment from increased United States investments in Australia and a degree of borrowing inside Australia over recent years by United States corporations - which in earlier times were able to turn to their own borrowing sources in the United States. So we want these things to be understood sympathetically and, we hope, acted on appropriately.

Our efforts to strengthen our position externally are frustrated to some degree - not solely by your country - by various policies which continue to operate against us. I've mentioned the interest equalisation tax, on which I believe we have strong case. Our country has been a good ally of the United States - none stauncher over recent years. We have not looked for a dollar of aid, but we have looked for a sympathetic and realistic understanding of some of these problems.

In the last 17 years our exports to America have increased by only about half the increase of our imports from the United States. To put it another way, today Australia imports \$US68.00 a head from America but exports only \$US31.00 a head. In another form - and I think this makes the point a little more graphically - some 12,000,000 Australians import 68.00 dollars value per head from you, and some 200,000,000 Americans import less than 2.00 dollars per head from us. And I have not taken into this account the difference in per-capita income in our two countries - which, in 1965 amounted to 3,500 dollars an American citizen and 1,500 dollars an Australian citizen. When you take per capita consumption - measured in terms of consumption capacity - again the disparity becomes all that much wider.

Australia is, in fact, the fastest growing market, I understand, for American exports. As we grow and develop we are going to buy more American goods, and in the defence field as we grow and strengthen nationally we will be playing a larger part in the joint policies that we have in our area of the world, and, indeed, in the international situation generally. So you have special reasons, including self-interest, in supporting our growth.

The United States purchases from us less than half the value (\$US375 m.) of goods that we purchase from the United States (\$US800 m.). And this unfavourable balance has been a chronic feature of the trade between our two countries for many years. We feel that on raw wool we have been given a raw deal. One of the major disappointments of the Kennedy round was that no American offer to negotiate a 50 per cent reduction in the wool duty emerged, although we had a very confident expectation from our earlier discussions that this would be so. Furthermore, the benefit of the reduction in the wool duty from 34 cents a pound to 25½ cents which was made in 1947 was quickly impaired two years later when the United States - we having paid our quid pro quo for this arrangement - introduced subsidy arrangements to encourage local production.

America is, in fact, the only industrial country in the world to impose a duty on this raw wool, and it puzzles me that Australia should have only .1 of one per cent of its wool enter without this duty when more than 67 per cent of New Zealand wool enters the United States duty free. And I remind you that I speak for a staunch United States ally, not an unfriendly power. I might also note here our position on sugar, dairy products, meat, lead and zinc. These items comprise 70 per cent of the value of our exports to the United States of America, but each of them is currently under threat of some restrictive action or legislation in America.

These are anxieties in Australia about what the future holds in our trading relationships in all these commodities. We are watching with keen interest for the results of the Tariff Commission inquiry into the effects of imports on the American dairy industry, and into the need for restrictions on dairy products not at present subject to import quotas. These may be problems lying ahead for Australia. There are others imminent. The bills before your Congress proposing restrictive quotas on imports of meat and lead and zinc, and tighter restrictions on dairy products, would cut us back perhaps by \$US50m. in our present trade if they become law. You will understand the unease in our industries at this possibility.

A cut-back in meat exports would be a matter of difficulty for us. The chances of alternative markets for meat exporters if they are restricted further in the United States are not good, because the only other major world markets are Britain and the European Economic Community.

There is quite a long history to our meat transactions. It began as a story of growth by us to meet your need - and we were supplying a type of meat which was not being supplied by the market here, the inferior quality meat for hamburgers and that sort of thing. Then at your request, we voluntarily limited our meat exports, but this was soon followed by more American restrictions. At present the latest American estimate of 1967 imports is 402,000 tons being about 2,000 tons below the quota. So no quota applies. However since quotas are imposed if imports are estimated to exceed a "trigger" point the legislation sets an effective upper limit on imports. For 1967 this "trigger" point is 444,000 tons, or 24,000 tons less than actual imports in 1963 when Australia agreed to restrict exports voluntarily. This suggests that we are losing ground, and the uncertainty is disturbing to our industry.

The other field I mentioned - lead and zinc - also has shadows falling. The United States is the world's biggest market for lead and zinc and, as such, directly and indirectly affects all world exporters when restrictions are imposed. The recent slackening in demand has led to new proposals for the reimposition of quotas. No-one liked the old quotas, though we accepted them without too much protest, but if present intentions are carried out the new quotas would be more permanent and, under the proposed formula as we see it, they could lead to a progressive reduction in the rate of imports. Our industry considered the situation so serious that it arranged, for the first time, to submit evidence at the recent Senate Committee hearing. Spokesmen for the administration opposed the proposals and for this we are grateful. But the Committee reported favourably on the bill and the risk remains.

Another problem I shall mention is sugar. We would like to feel that as the world's largest sugar exporter after Cuba (which, of course, has been denied access to American markets) we would be in line for more generous allocations when there were needs arising from short-falls in supplies against quotas. It is true we gained access to a lucrative American market when the break with Cuba took place. But we did not take advantage of the 1963-64 world shortage to divert to more lucrative markets. We maintained exports to America in excess of 200,000 tons, thereby foregoing profits elsewhere.

On wheat, I acknowledge with appreciation that the United States accepted an Australian request regarding the question of "basing points" in the recently concluded international Wheat Agreement.

But the overall result, even there, fell disappointingly short of our earlier stated objectives, and to secure any agreement at all we accepted the obligation of increasing what had been a voluntary provision of wheat aid to the extent of 150,000 tons per annum to a commitment of 225,000 tons per annum.

Some of the anxieties I have mentioned may not develop into hurtful events, but the possibility is there, and in a spirit of frankness and of friendship, I wanted to tell you how we feel about them. We need stability in our trading relationships, just as you do. As a good friend, we prefer to speak about these things while there is still time for consideration, rather than grumble too much after the event.

THE MIDDLE EAST

Now if I could turn for a few minutes to two matters in the international field.

We have never been able to ignore the incessant condition of tension that has prevailed between Israel and the Arab States ever since Israel came into existence as an independent State. But I am sure all of us hoped it was not going to bring a major resumption of hostilities among those countries in the immediate area, or bring us and others so close to the brink of involvement as we may have come in the last few days.

We have had at least ten years in which these tensions had been kept under some sort of control, ten years in which many of us had begun to hope that realism and tolerance, with the help of the United Nations, would ultimately bring a political settlement of this unhappy conflict.

It is all the more depressing, therefore, that a conflagration has flared again, and in so doing has threatened to spread to the point of embroiling the great powers, and possibly a great part of the world, either directly or indirectly.

At this point in time, there is nothing helpful in accusing either side of having started the trouble. We can only be thankful that the Security Council has at least managed to agree on a resolution calling for a cease fire. This was clearly the first thing that had to be done if we were to avoid the prospect of another World War.

There is no disagreement among us all that the first thing to be done is to stop the fighting. Then we can look again - all of us - to see if, together with our friends, and through the United Nations, we can find ways of making it possible for both sides in this unhappy and long-lasting confrontation to live together in peace.

Meanwhile, we in Australia are grateful for the unsparing efforts that the President and the Administration of the United States, and the Prime Minister and Government of the United Kingdom, together with other Governments, have made to bring the Security Council to a point of decision.

VIETNAM

On Vietnam, I do not need to explain at length to this gathering why we are involved there. The short answer is because the Republic of Vietnam asked for our help in combating the attacks directed against it from the Communist regime in the North, and because we saw this Communist-inspired and directed aggression as a threat to free people and small nations - small nations in particular - everywhere.

We gave our help because we believe the Republic of Vietnam has a right to secure the separate, independent status that was granted to it under the Geneva Agreements of 1954: that is people have a right to choose their own way of life and be free to pursue with confidence the social and economic development for which they yearn.

The Communists in the North do not want this: they want to impose their own communist way of life on South Vietnam. In Australia, we believe that if the Communists were to succeed in this, then all Nations in South East Asia would come under the same kind of pressure.

This is the Communists' proclaimed programme of "National Liberation". But properly understood, this programme is not national - it is the programme of the Peking brand of international communism. It does not liberate to produce a free society - it operates to produce another satellite in the Communist orbit.

Our aim, therefore, is both defensive and constructive. We want to see the ambitions of people in the new countries of Asia develop their own new societies, offering the material and social benefits that other modern societies now enjoy, but preserving their own national and cultural identities.

Neither we nor you are bent on overthrowing the present regime in North Vietnam. Strongly as we reject the Communist philosophy and society, we have no aggressive aims against North Vietnam, nor against its neighbour and supporter, Communist China. Let them work out their destinies free from our interference. But they must not interfere with others.

No aggressor can expect his bases and communications and his war-making capacity to remain immune from attack. This would grant him an unacceptable military advantage, and jeopardise more lives in the villages and battlefields of the South. It is for these reasons that we in Australia continue to support strongly limited, controlled and discriminatory military bombing of selected targets in the North.

The struggle may be long and bitter. But there is progress. The Military campaign has not been won, but it is now certain that it cannot be lost. Despite the ravage and destruction of the war there is heartening evidence of consolidation in South Vietnam - of military, political, social and economic progress.

Air Vice Marshal Ky and his Administration have lasted longer than most people predicted, and in doing so have made significant gains not only in the estimation of their people but in the establishment of order and security. This is further encouragement to us to see out the issue in Vietnam.

We hope the end will come soon, but we cannot look forward to this with any confidence at the present time. The cost of the war in men and resources falls heavily on South Vietnam and the United States in particular. It is costly to my own country. We are as eager as anyone else to end it. We are anxious to see any avenue to a settlement thoroughly explored, to seize any opportunity that might offer a credible advance to a settlement.

The hard fact, however, is that not only is no settlement in sight, but the regime in the North shows no inclination at all - despite the flurries of expectation that occur from time to time - to be ready to talk of peace. All efforts, and there have been a number, to open any sort of negotiation with the North Vietnamese regime have completely failed.

I know of nothing new in the diplomatic field that allows us to hope this situation might soon change. Until it does, we - and you - have no alternative but to continue to combat the aggression. We must hope that a more realistic view of his prospect will lead the aggressor finally - and we hope in the not too distant future - to the negotiating table.
