

INTERVIEW WITH LA MONDE - PARIS - 13 JUNE 1978

QUESTION

I would like firstly to know if you could tell us about the aims of your visit, if it is mainly economic, and what do you expect to achieve and perhaps what you think you have achieved so far.

PRIME MINISTER

1978 is a particularly important year in terms of world economic and trading relationships. It is important for a number of reasons - the Tokyo Round Trade discussions are designed to come to a conclusion in July; there will be a Bonn Summit also in July. For a number of years now, but especially over the last year, many nations have been pointing to the Tokyo round and their conclusion this year in 1978 as a matter of some importance. While people have been pointing to July as the concluding date, over the last twelve months there has been a growth of protectionist pressures in a number of countries - we have seen a number of actions that have been taken. We have also seen that governments have been able to point to MTN and have been able to use that as a defence against a too greater move towards protectionist measures. With the levels of unemployment that there are in a number of countries and with the concerns that there are with the world trading scene, there are clearly greater protectionist pressures now than I think there have been for a very long while. Against that background, the decisions made at the Bonn Summit, the decisions made at MTN are vastly important. We have got the choice of taking a forward looking step of freeing trade, of seeing that the benefits of that freer trade are distributed as widely as possible amongst nations. Or we have got the possibility of not recognising the needs of the present, and moving back to a 1930's type protectionism which would be disastrous for France, Australia and all significant trading nations, with damaging consequences to the standard of living of all of us. About six weeks ago I visited Prime Minister Fukuda in Japan to discuss these matters with him and found a broad identity of view, and discussions with Vice-President Mondale of America and Trade Negotiator Strauss, Prime Minister Callaghan and your Prime Minister because I wanted to assess for myself the possibilities of successful trade and to see how other nations were regarding 1978 in terms of trade and the economic situation. I am heartened to the extent that I have found that every nation shares my concern. They share my concern that there should not be a reversion to protectionism. I find differing views about the prospects of success, either at the Bonn Summit or at MTN. To try and provide some shot in the arm for MTN, but at the same time recognising the limits of Australia's influence, we have designed to adopt the formula approach even though we know quite well it is not structured to meet the needs of the Australian economy as it is structured to meet the needs of Europe and North America.

We will be pressing our views vigorously at MTN forums, we will be pressing for progress in relation to agriculture and through UNCTAD in relation to the Common Fund. The industrial tariff proposal covers less than 20 percent of world trade, and it will result in a half a percent a year reduction for eight years from 1980, and it is very unequal in its effect - 40 percent of Europe's exports, and five percent of Australia's, and many developing countries, much less than that. So to have a MTN that distributes benefits reasonably evenly amongst different groups and categories of trading nations it is going to be very important to make progress not just on the industrial tariff proposals, but on agriculture and also on Common Fund proposals for developing nations. Australia quite deliberately moved away from the B-Group of countries, and took a step in the direction of the developing nations, because we felt both groups were too inflexible in their positions and that there needed to be movement, so that we can try and move things at least a stage nearer agreement. I am glad to say that amongst both developed and developing nations with whom I have directly spoken I do detect a willingness to move. There is a recognition of the fact that nations will have to be practical and that there will have to be a movement away from rigid positions if there is to be an advance and an agreement. I am here at the moment because I believe all of these things are vastly important, and if in 1978 you make the wrong decision, we are probably not going to have a chance to undo those decision for quite some time, in other words, with all the history that has led up to this year, the decision taken in 1978 will probably set the pattern for many years ahead.

QUESTION

So you discussed the main problems you have with the EEC, in broad terms, but you have specific problems with the EEC ...

PRIME MINISTER

These have mostly been handled by Mr Garland, our Special Trade Representative, but at the same time I have in both Britain and here, stressed in the strongest terms the complete inadequacy of the Community's response. Twelve months after discussions were opened, when I was in Brussels a year ago, the Community has not yet been able to put its view to us in writing, which I find very hard to understand. They have said that in a number of areas there will be progress at the Multi-lateral Trade Negotiations, and we will test the validity of what the Community has said to us, we will be in there negotiating at the Multi-lateral Trade Negotiations, we will be developing the concept of joint disciplines of our own, because it is possible to see the nature of joint disciplines that would allow a real prospect of growth and development in trade in a responsible way that is not disruptive; or it would be possible to see under joint disciplines rules drawn up that did not allow any possibility of trade. Therefore it is necessary for Australia to test the validity of what the European Commission has put to us in the

MTN forum. We will be continuing to press our view bi-laterally with the Commission with individual Community countries, because the matters are of great importance to us. It is not generally understood that a number of Australian industries began in Australia because there were markets in Europe, and Europe wanted us to supply them. Then because of the advent of the European Economic Community the policies developed that pushed Australia out of those markets. Now we recognise the right of France to protect French farmers, we don't challenge that - we would be very foolish to. But we do believe that it is possible to protect French farmers in a way that allows the prospect of some trade instead of no trade. People concentrate on beef. We used to have quite a health and vigorous wine export industry to Europe - that might seem to strange to France, renowned for its wine, but we used to export quite a lot to France as well - we import from France in addition and import substantial quantities. Our wine industry is a good one and the wine .. established new rules which over the last 12-18 months have halved wine because of arbitrary changes in rules, this has halved the wine we can export to the European Community. I think that is an example of unequal and not responsible trade behaviour which we just cannot afford. There is strong agreement between the Prime Minister and myself that a trade war, a reversion to protectionism amongst major trading nations is going to damage standards of life, everywhere. We will be needing to test the validity of what has been put to us.

QUESTION

Do you intend to have some retaliation if you are not heard here?

PRIME MINISTER

I hope that it won't have to come to that. We have said that if we can't make progress we will have to reexamine our commercial and trading policies, with Europe. I hope very much that the European Community will not push us to that course. Having said that, it shouldn't be taken as any weakening or lack of determination on Australia's part. We are very determined indeed that countries which can do things best should be allowed to trade in those commodities - not in a disruptive way. We don't seek revolution and disruption to trade because we know what damage that can do - to have no prospect of trade, because it will deny the possibility of trade; or to have export subsidies which can destroy a market you have spent 25 years developing - this has happened through the policies of export subsidies of restitution. When the Community has said, where is a market we have a surplus product, and they provide the subsidy necessary to take that market. That is very disruptive to other countries trade and it is a fact of life that a country such as Australia does not want to and cannot enter the competitive subsidy business of 260 million people in the European Community.

QUESTION

Regarding uranium. Do you think you have any plans of using uranium for other ...

PRIME MINISTER

We have international obligations with uranium to accept safeguards for the trade and to give people confidence - confidence that our uranium won't be used for proliferation purposes. We have responsibilities internationally to provide energy in an energy-short world - no countries want to diversify their sources of energy. But I hope very much that because we recognise those international responsibilities that other countries won't want to push us too far in directions in which we would be most reluctant to go. I would want to keep Australian uranium separate from the general thrust of the particular bi-lateral arguments we have. We are probably shortly going to be ready to sign a safeguards agreement with Britain - a draft has been agreed between officials, and that would clearly open the way to commercial discussions and negotiations. That is as it should be. While we have got international obligations in relation to that trade, we also have obligations to very large geographic areas of Australia, which have been put into a state of depression and despair, which is totally misunderstood in Europe. In our beef growing areas you get country towns which are dependent upon the beef industry almost entirely. You get total communities dependent and built up on that industry. The industry developed over a long period to supply the European market, and other markets. And then it finds that the European market is closed to it, and the towns start to die - people leave their properties, in some cases they cut fences, have somebody to look after the watering points, this is in the large back-country areas which it is hard to conceive, although you might be carrying one cow to the square mile. It is flat country, difficult country - America has got some of the same. It can still produce good and by world-standards well-priced beef. In the markets for some commodities the products are particularly attuned to the needs of the technologically advanced democracies, and beef is one such commodity - rice is a different matter, attune to different markets, you can sell rice in many different countries. In some areas if Australian industries are to return to a degree of profitability we need access to the large-scale affluent markets, of which Europe is clearly one - a very large one and a very significant one. All of that is just stating a fact of life, quite apart from the fact that we think that the sorts of rules which have been applied to agriculture, and to find this of all the rules of fair and reasonable trade, and of everything that we have been fighting for - when I say we, I mean trading nations collectively - in terms of responsible trade, in all the years since the war. - I have got great respect for the economic policies that the Prime Minister of France has been introducing over recent times. I recognise the courage with

which they are pursued. As we see it from a distance I would think they are much to the long term best interests of France. So too it is in the interests of all of us - trading nations - to establish the circumstances in which countries which can do things best and cheapest in the total world environment have a prospect of trading in that particular commodity. The way rules are applied in relation to trade in agriculture, there are some commodities to which that just can't happen at the moment.

QUESTION

I suppose you have raised this question with our Prime Minister.

PRIME MINISTER

The heart of these issues has been put to the Prime Minister. I asked to see him because of my concern with the broad-based multi-lateral issues. Our concern is a parallel concern, and it is a serious one. The concern I have that MTN be a success a little later this year is very great indeed. That is the reason why I am over here at the moment. I am glad to say that the Prime Minister made it perfectly plain to me that he doesn't want to see a reversion to the protectionist policies of past years. He recognises the damage it would do to this great nation, and all the trading world.

QUESTION

Do you believe your meeting with .. was successful?

PRIME MINISTER

I believe it was a useful meeting, not unsuccessful. The real test will depend on what happens in Geneva at MTN.

QUESTION

I understand that your Government wants to open Australia to more foreign investment.

PRIME MINISTER

We have modified the foreign investment rules and guidelines. If you wish to pursue this I would like you to speak to John Stone, who would be technically expert, because they are technical expert. In broad terms we welcome foreign investment particularly in partnership with Australia. There are rules there are objectives of seeking to achieve 50 percent Australian equity in projects, but if that can't be achieved we would not want to hold up a good and worthwhile project on that account. There has been French investment in Australia. Our inflation rate is falling substantially, the last quarterly figure was 1.3 percent. We are going to continue with policies that will bear down on inflation and establish a good climate for investment. We would like to see more and .. interest from France in joint enterprises. It would be very welcome.

We don't regard profit as a dirty term, it is an honourable term. Without profits there would be no investment.