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# PRIME MINISTER

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25 August 1983

SPEECH BY THE PRIME MINISTER, AUSTRALIA-JAPAN  
CO-OPERATION COMMITTEE, CANBERRA

I AM VERY PLEASED TO HAVE BEEN INVITED TO ADDRESS THIS GATHERING OF THE AUSTRALIA JAPAN BUSINESS CO-OPERATION COMMITTEE AND THE AUSTRALIAN NATIONAL COMMITTEE OF THE PACIFIC BASIN ECONOMIC COUNCIL. I DO SO AT A TIME WHEN THE FOCUS OF NATIONAL ATTENTION IS ON THE BUDGET AND WHEN, INTERNATIONALLY, THE COUNTRIES OF THE VAST PACIFIC REGION ARE MOVING TO TAKE ADVANTAGE OF THE ECONOMIC RECOVERY NOW UNDER WAY.

FOR AUSTRALIA, THE EMERGING GLOBAL ECONOMIC RECOVERY - LED BY A SHARP RESURGENCE OF DEMAND AND ACTIVITY IN THE UNITED STATES, AND PICKING UP AT A FASTER RATE THAN EVEN THE MOST OPTIMISTIC FORECASTS, IS ESPECIALLY TIMELY. WE AIM TO EXPLOIT FULLY THE OPPORTUNITIES IT PRESENTS.

IN THIS RESPECT THE BUDGET WE HAVE JUST BROUGHT DOWN MUST BE SEEN AS A NEW BEGINNING FOR AUSTRALIA. IMPORTANTLY IT AIMS TO RESTORE CONFIDENCE. IT HAS DONE SO BY ESTABLISHING AN INTEGRATED SET OF POLICIES FOR STEADY GROWTH IN OUTPUT AND EMPLOYMENT, ACCOMPANIED BY A FURTHER MODERATION IN INFLATION.

THE PROSPECT IN 1983-84 IS FOR A GOOD RECOVERY IN ECONOMIC ACTIVITY, GATHERING PACE THROUGH THE FINANCIAL YEAR:-

- EMPLOYMENT SHOULD GROW THROUGH THE COURSE OF THE YEAR AS ACTIVITY PICKS UP. INDEED THERE IS EVIDENCE THAT THIS PROCESS HAS ALREADY BEGUN, WITH THREE CONSECUTIVE MONTHLY INCREASES, IN EMPLOYMENT.
  
- INFLATION SHOULD COME DOWN SIGNIFICANTLY FROM ITS PRESENT UNACCEPTABLE LEVEL OF 11%. OUR PRICES AND INCOMES POLICY IS DESIGNED TO HELP KEEP INFLATION ON A DOWNWARD PATH DOWN AS THE RECOVERY GETS UNDER WAY.

MY GOVERNMENT'S OVERRIDING CONCERN HAS BEEN TO ESTABLISH THE BASIS OF SUSTAINED ECONOMIC RECOVERY. WE HAVE AIMED TO LAY FIRM FOUNDATIONS FOR THE ACHIEVEMENT OF THE OBJECTIVES WE SET OURSELVES FOR THE FIRST TERM OF THIS GOVERNMENT AND BEYOND.

CENTRAL TO THIS STRATEGY HAS BEEN THE SIMULTANEOUS ATTACK ON THE TWIN EVILS OF UNEMPLOYMENT AND INFLATION. WE HAVE ALWAYS STRESSED THAT THERE WERE NO OVERNIGHT SOLUTIONS FOR THE IMMEDIATE PROBLEMS WE FACE - NO MIRACLE CURES. THE BUDGET MUST BE SEEN AS PART OF THE CONTINUING PROCESS OF PUTTING AUSTRALIA BACK ON ITS FEET.

ACHIEVING A SOUNDLY BASED RECOVERY IN ECONOMIC ACTIVITY MEANS ENSURING A STRONG PRIVATE SECTOR RESURGENCE IN ACTIVITY, WHILE RESTRAINING INFLATION AND THEREBY ACHIEVING RISING LIVING STANDARDS AND CREATING THE OPPORTUNITIES NECESSARY TO REDUCE UNEMPLOYMENT.

WE HAVE TAKEN AS A MATTER OF FUNDAMENTAL PRINCIPLE THAT THE MAIN BURDEN FOR ACHIEVING THIS OBJECTIVE MUST BE SHARED BY THOSE PEOPLE RELATIVELY WELL PLACED TO BEAR IT. BOTH THE 19 MAY STATEMENT AND THE 1983-84 BUDGET REFLECT THIS. THUS:

- OUR INCREASED SPENDING OF \$315 MILLION ON EMPLOYMENT CREATION SCHEMES AND EXPANSION OF GOVERNMENT CAPITAL EXPENDITURE BOTH DIRECTLY VIA COMMONWEALTH SPENDING AND THROUGH THE STATES;
- ADDITIONAL SOCIAL WELFARE PAYMENTS TOTALLING \$224 MILLION CONCENTRATED ON THE SINGLE UNEMPLOYED AND PENSIONERS WITH CHILDREN;
- A FAIRER FINANCING OF THE HEALTH SYSTEM BASED ON ABILITY TO PAY;
- REFORMS IN THE ASSISTANCE PROVIDED TO HOME BUYERS BOTH TO IMPROVE EQUITY AND STIMULATE HIGHER ACTIVITY;

- INCREASES IN EDUCATION ALLOWANCES AND FUNDING, WITH A MORE EQUITABLE DISTRIBUTION OF RESOURCES ACCORDING TO NEED; AND FINALLY,
  
- ABOLITION OR REDUCTION OF SOME OF THE MORE BLATANT HAND-OUTS AND TAXATION INEQUITIES INTRODUCED OR IGNORED BY OUR PREDECESSORS. THUS WE HAVE TAKEN LONG-NEEDED ACTION ON SUPERANNUATION TAXATION, ON ASSET TESTING OF PENSIONS, ON RESTRICTED ELIGIBILITY FOR THE OVER 70'S PENSION TO THOSE IN MOST NEED, ON TIGHTENED TAX AVOIDANCE LEGISLATION, ON STRENGTHENING SECTION 26(A) SO AS TO IMPROVE THE CAPACITY TO TAX CAPITAL GAINS, AND IN REDUCING A NUMBER OF OTHER SECTIONAL TAX OR SPENDING CONCESSIONS.

THESE MEASURES ALL REFLECT THE COMMITMENT OF THIS GOVERNMENT TO MAKING AUSTRALIA A MORE EQUITABLE SOCIETY.

IT IS CRUCIAL TO THIS STRATEGY THAT WE SUCCESSFULLY ESTABLISH THE FOUNDATIONS FOR FUTURE GROWTH. WE ARE DETERMINED TO AVOID AN ATMOSPHERE OF UNPREDICTABILITY AND INSTABILITY. THE BUDGET HAS THEREFORE CONTINUED THE PROCESS OF ENSURING AN ADEQUATE, BUT NOT EXCESSIVE, STIMULUS TO ACTIVITY. AT THE SAME TIME IT HAS LAID THE BASIS FOR REINING IN THE BUDGET DEFICIT IN FUTURE YEARS IN SUCH A WAY AS TO ENSURE THAT RISING PRIVATE SECTOR ACTIVITY WILL NOT BE

FACED WITH EXCESSIVE COMPETITION FROM THE GOVERNMENT SECTOR IN FINANCIAL MARKETS. PRESSURES OF THIS KIND MUST BE CONTAINED.

THE BUDGET PROVIDES FOR SUBSTANTIAL GROWTH IN GOVERNMENT OUTLAYS OF 15.8%, ONLY A FEW PERCENTAGE POINTS BELOW THE INCREASE OF 18.5% IN 1982-83. WE BELIEVE SUCH GROWTH IN OUTLAYS IS APPROPRIATE IN A SITUATION OF LOW DEMAND AND CAPACITY UTILISATION. BUT THE RATE OF INCREASE IN OUTLAYS WILL CLEARLY NEED TO BE REDUCED AS THE RECOVERY GATHERS STRENGTH.

THE GOVERNMENT ALSO SOUGHT TO AVOID LARGE INCREASES IN TAXATION. THIS HAS PARTICULAR RELEVANCE TO OUR INTEREST IN ESTABLISHING A STABLE ECONOMIC ENVIRONMENT. SUCH AN ENVIRONMENT IS VITAL IF BUSINESS IS TO INVEST AND CREATE JOB OPPORTUNITIES. ACCORDINGLY, AND SO AS TO REDUCE THE DEFICIT TO ACCEPTABLE LEVELS, WE HAVE CONCENTRATED ON CLOSING THE LOOPHOLES AND ON CORRECTING ANOMALIES IN THE INCIDENCE OF BOTH EXCISE DUTIES AND SALES TAXES. THIS FOLLOWED SIMILAR MEASURES IN RELATION TO CORPORATE AND PERSONAL INCOME IN THE MAY STATEMENT.

I SHOULD PERHAPS BE MORE SPECIFIC. WE HAVE SOUGHT TO MAINTAIN THE REAL LEVEL OF EXCISE RATES IN FUTURE YEARS WITHOUT THE DESTABILISING JUMPS IN RATES THAT HAVE OCCURRED IN THE PAST.

THE SMALL DISCRETE RISE IN PETROLEUM EXCISE LEAVES OUR FUEL PRICES WELL BELOW THOSE IN MOST COUNTRIES. IT IS - AND I BELIEVE YOU WILL AGREE - PREFERABLE TO A FURTHER RISE IN THE PROPORTION OF REVENUE RAISED BY PERSONAL OR COMPANY INCOME TAX.

WE CONSIDERED A NUMBER OF POSSIBLE ALTERNATIVE TAXATION MEASURES, BUT CONCLUDED THAT THIS WAS AN AREA WHERE IT WAS PREFERABLE TO PROCEED FIRST WITH A CAREFUL EXAMINATION OF ALTERNATIVE METHODS OF IMPROVING AUSTRALIA'S TAXATION SYSTEM AND OF WIDENING THE REVENUE BASE.

IN THE MEANTIME WE FELT COMPELLED TO TAKE SOME IMMEDIATE STEPS TO IMPROVE THE EQUITY OF THE PRESENT SYSTEM. HENCE OUR MEASURES IN THE FIELDS OF SUPERANNUATION, TAX AVOIDANCE, SECTION 26(A), AND IN THE EXCISE AND SALES TAX AREAS.

WE HAVE NOT HELD BACK FROM UNPOPULAR DECISIONS WHERE WE CONSIDERED THEM NECESSARY EITHER FOR NATIONAL ECONOMIC RECOVERY OR FOR ACHIEVING A MORE EQUITABLE AND EFFICIENT AUSTRALIAN ECONOMY IN THE LONGER TERM. ONE IS THE ASSETS TEST. I WANT, HOWEVER, TO ASSURE PEOPLE, PARTICULARLY ELDERLY PEOPLE, THAT ONLY PENSIONERS WITH SUBSTANTIAL ASSETS, WHO ARE ARTIFICIALLY AVOIDING THE CURRENT INCOME TEST FOR PENSIONS, WILL BE AFFECTED IN ANY LARGE WAY. I STRESS: WE WILL NOT BE COUNTING AS ASSETS THE PENSIONER'S HOME, CAR, BOAT, CARAVAN, JEWELLERY, FURNITURE AND OTHER PERSONAL EFFECTS.

AS TO OTHER ASSETS, A SINGLE PENSIONER CAN HAVE \$17,000 AND STILL RECEIVE THE FULL PENSION AND UP TO \$106,000 AND STILL RECEIVE A PART-PENSION. A MARRIED COUPLE CAN HAVE \$28,000 AND STILL RECEIVE THE FULL PENSION AND UP TO \$177,000 AND STILL RECEIVE PART-PENSION.

AND I REPEAT: THE ASSETS TEST WILL TOTALLY EXCLUDE THE PENSIONER'S HOME, CAR, BOAT, CARAVAN, JEWELLERY, FURNITURE AND OTHER PERSONAL EFFECTS.

IN FACT MOST PENSIONERS WILL NOT BE AFFECTED AT ALL. ON OUR BEST CALCULATIONS ONLY ABOUT ONE-QUARTER OF ALL PENSIONERS WILL BE AFFECTED, AND PERHAPS ONE-THIRD OF THEM WILL BE BETTER OFF.

THE ASSETS TEST WILL NOT BE INTRODUCED UNTIL, AT THE EARLIEST, NOVEMBER 1984. I ASK THE OPPOSITION TO STOP PLAYING POLITICS WITH THIS ISSUE, AND NEEDLESSLY CAUSING ANXIETY TO PENSIONERS IN AUSTRALIA.

NEVERTHELESS FURTHER HARD CHOICES AND DECISIONS CAN BE EXPECTED IN SOME AREAS EVEN AS THE RECOVERY PROCEEDS. THERE IS NO EASY WAY TO REMOVE THE DISTORTIONS OF THE KIND THAT HAVE DRAGGED DOWN THE AUSTRALIAN ECONOMY AND SOCIETY IN RECENT YEARS. THE BALANCE HAS TO BE STRUCK BETWEEN REDUCING THE BUDGET DEFICIT TO AN ACCEPTABLE LEVEL, AND PROVIDING A STIMULUS TO THE ECONOMY, WHILE HELPING THE LESS WELL-OFF IN THE COMMUNITY.

THE BUDGET AIMS TO REDUCE PRESSURE ON INTEREST RATES AND IS SUPPORTED BY A NON-INFLATIONARY MONETARY POLICY. THE MONEY GROWTH TARGET ADOPTED MAINTAINS SUFFICIENT MONETARY GROWTH TO ALLOW THE ECONOMY TO REALISE ITS FULL POTENTIAL FOR GROWTH IN OUTPUT, WHILE ALLOWING FOR THE MINIMUM FEASIBLE RATE OF PRICE INCREASE.

OUR APPROACH TO THE MANAGEMENT OF THE ECONOMY IS BASED ON OUR CONVICTION THAT STRONGER PRIVATE SECTOR ACTIVITY IS CRUCIAL TO LONG-TERM GROWTH. PUBLIC SECTOR SPENDING FINANCED BY LARGE DEFICITS IS NOT A SUSTAINABLE LONG-TERM BASIS FOR GROWTH, ALTHOUGH IT WILL BE IMPORTANT IN THE SHORT TERM IN SUPPORTING ACTIVITY AND HELPING IN THE TURNAROUND TO RECOVERY.

IF WE ARE TO MAKE SUBSTANTIAL INROADS INTO UNEMPLOYMENT IN AUSTRALIA, RECOVERY MUST BE UNDERPINNED BY STRONG GROWTH IN PRIVATE SECTOR INVESTMENT.

THAT WILL TAKE TIME TO ESTABLISH. IT IS AN IMPORTANT OBJECTIVE STILL TO BE ACHIEVED. BUSINESS INVESTMENT HAS BEEN FALLING. WHILE INVESTMENT IN DWELLINGS IS SET TO RISE STRONGLY THROUGH THE COMING YEAR, PRIVATE SECTOR DEMAND OVERALL IS EXPECTED TO REMAIN WEAK IN THE SHORT TERM WITH BUSINESS FIXED INVESTMENT LIKELY TO RECORD A FURTHER FALL. AS AGAINST THIS THERE SEEMS LITTLE DOUBT THAT OUTPUT THIS FINANCIAL YEAR - WILL BE SUBSTANTIALLY HIGHER THAN LAST YEAR, EVEN IF ITS GROWTH WILL BE SOMEWHAT PATCHY AND UNEVEN.



MOST IMPORTANTLY, THE GROUND HAS BEEN PREPARED BY OUR NEW APPROACH TO POLICY-MAKING TO ALLOW CONFIDENT LONG-TERM PLANNING BY THE PRIVATE SECTOR. CONSULTATION AND CO-OPERATION MUST CONTINUE ALONG THE LINES ESTABLISHED BY THE NATIONAL ECONOMIC SUMMIT CONFERENCE. ACCORDINGLY THE BASE FROM WHICH NATIONAL ECONOMIC RECOVERY CAN BE LAUNCHED HAS NOW BEEN FIRMLY ESTABLISHED.

WE HAVE BEEN ABLE TO CONTEMPLATE EXPANSIONARY FISCAL AND ACCOMMODATING MONETARY POLICIES ONLY IN THE CONTEXT OF THE ACCORD WITH THE TRADE UNION MOVEMENT ON PRICES AND INCOMES. THIS IS A KEY PART OF THE VERY REAL CHANGE MY GOVERNMENT HAS WROUGHT IN POLICY MAKING IN AUSTRALIA. WE SEE THE REPLACEMENT OF THE CONFRONTATION WHICH HAS MARRED AUSTRALIAN SOCIETY IN RECENT YEARS WITH CO-OPERATION AS BEING INDISPENSIBLE FOR THE RESTORATION OF SUSTAINED ECONOMIC GROWTH, AND FULL EMPLOYMENT WITHOUT INFLATION.

OUR RECOMMENDATION TO THE ARBITRATION COMMISSION FOR A 4.3 PER CENT COST OF LIVING ADJUSTMENT IN THE SECOND HALF OF 1983 SHOULD BE SEEN AS INVESTMENT IN THE RETURN TO A CENTRALISED WAGE FIXATION SYSTEM AND TO FUTURE WAGE MODERATION. MAKE NO MISTAKE: IT IS A TWO-WAY ACCORD. MY GOVERNMENT EXPECTS THAT, IF ITS RECOMMENDATION IS ACCEPTED BY THE COMMISSION, THE QUID PRO QUO OF THAT INCREASE WILL BE THAT WORKERS FOREGO THE OPPORTUNITY TO CLAIM ADDITIONAL WAGE INCREASES.

THE STRONG POLITICAL POSITION OF MY GOVERNMENT PROVIDES A BASIS FOR GREATER POLICY CONTINUITY THAN AUSTRALIA HAS KNOWN FOR MANY YEARS. AND OUR SEARCH FOR CO-OPERATIVE SOLUTIONS TO AUSTRALIAN NATIONAL PROBLEMS, SYMBOLISED IN THE PRICES AND INCOMES ACCORD, THE SUMMIT, AND THE PREMIERS' CONFERENCE, SHOULD REDUCE THE HUGE COSTS TO LONG-TERM GROWTH OF THE DEBILITATING CONFLICTS IN INDUSTRIAL RELATIONS AND THE FEDERAL-STATE AND INTER-STATE RIVALRIES THAT HAVE IMPEDED AUSTRALIAN NATIONAL GROWTH IN THE PAST.

I HAVE SAID BEFORE THAT IT IS NOT POSSIBLE TO EXAGGERATE THE COST OF THE CONFRONTATION AND CONFLICT OF THE KIND WHICH CHARACTERISED OUR SOCIETY FOR MUCH OF THE PAST DECADE - THE COST, NOT JUST IN MATERIAL TERMS, BUT IN TERMS OF NATIONAL COHESION AND PURPOSE. I BELIEVE IT WAS RECOGNITION OF THE COST OF AVOIDABLE CONFLICT - AND I EMPHASISE AVOIDABLE CONFLICT - THAT MOTIVATED THE OVERWHELMING MAJORITY OF THE PARTICIPANTS AT THE SUMMIT. I THINK THIS IS A POINT WHICH WOULD BE WELL UNDERSTOOD IN JAPAN, WHICH ALREADY HAS A SECURE TRADITION OF CONSULTATION IN ECONOMIC DECISION-MAKING.

THE WORK OF THE SUMMIT WILL CONTINUE THROUGH EPAC - THE ECONOMIC PLANNING AND ADVISORY COUNCIL. AS IT DEVELOPS, EPAC'S GENUINE ADVISORY ROLE WILL REINFORCE, AS PART OF THE NORMAL PROCES OF ECONOMIC DECISION-MAKING IN THIS COUNTRY - THE TWO ELEMENTS WHICH WERE THE KEY TO THE SUCCESS OF THE

SUMMIT - CONSULTATION AND KNOWLEDGE-SHARING. EPAC WILL ENSURE THAT THESE PROCESSES OF CONSULTATION AND INFORMATION-SHARING WILL BE PLACED ON A CONTINUING BASIS, FOR THE FIRST TIME IN AUSTRALIA'S HISTORY.

WHAT WE HAVE DONE - AND IT IS UNPRECEDENTED IN AUSTRALIA - IS TO ESTABLISH A COMPREHENSIVE AND INTEGRATED BASIS FOR CONSISTENT, LONG-TERM ECONOMIC PLANNING. IN ESTABLISHING THAT ALL-EMBRACING FRAMEWORK, WE HAVE SOUGHT TO INVOLVE, ON A CONTINUING BASIS, THE RELEVANT SECTIONS OF THE COMMUNITY - OTHER GOVERNMENTS, BUSINESS, INCLUDING SMALL BUSINESS, THE UNIONS, THE RURAL SECTOR, COMMUNITY GROUPS - ALL OF WHICH HAVE SUCH A HIGH STAKE IN THE SUCCESS OF OUR POLICIES, IN BOTH THE SHORT AND LONGER TERM.

MR. CHAIRMAN,

FOR AUSTRALIA, INTERNATIONAL FINANCIAL DEVELOPMENTS ARE IMPORTANT DETERMINANTS OF LONG-TERM ECONOMIC GROWTH AS WELL AS SHORT-TERM ECONOMIC CONDITIONS.

WE CAN EXPECT THAT A SUSTAINED AMERICAN RECOVERY, REINFORCED AND REFLECTED IN OTHER GREAT INDUSTRIAL ECONOMIES SUCH AS JAPAN, WILL PROVIDE A SIGNIFICANT BOOST TO WORLD TRADE, COMMODITY PRICES AND, ULTIMATELY INVESTMENT FLOWS. EVENTUALLY THIS WILL FLOW ON DIRECTLY INTO THE AUSTRALIAN ECONOMY, PRINCIPALLY BY WAY OF STRONGER DEMAND FOR OUR EXPORTS AND REDUCED INTERNAL PRESSURE ON OUR IMPORT COMPETING SECTORS.

IT IS THEREFORE IMPORTANT TO AUSTRALIA THAT THE STRENGTHENING OF THE UNITED STATES ECONOMY - AND THE INTERNATIONAL ECONOMIC RESURGANCE TO FOLLOW IN COUNTRIES SUCH AS JAPAN - BE MAINTAINED.

THE PERSISTANCE OF LARGE STRUCTURAL DEFICITS IN MANY COUNTRIES POSES THE BIGGEST THREAT TO THIS RECOVERY. AS PRIVATE INVESTMENT PICKS UP, INTEREST RATES WILL INEVITABLY COME UNDER PRESSURE.

BUT THE TREND IN REAL INTEREST RATES ELSEWHERE IS ULTIMATELY OUTSIDE OUR CONTROL. AUSTRALIA BENEFITED FROM A DECLINE IN UNITED STATES INTEREST RATES DURING THE LAST YEAR. THAT APPEARS NOW TO HAVE CEASED, DESPITE LOW INFLATION RATES IN THE UNITED STATES (BELOW 4% IN THE LAST YEAR). INTEREST RATES THERE REMAIN AROUND 10% OR SO - A MARGIN OVER INFLATION OF AS MUCH AS 6%. THERE IS THUS A REAL RISK THAT THE LONG EXPECTED CLASH IN THE UNITED STATES BETWEEN PRIVATE SECTOR RECOVERY AND CONTINUING LARGE FISCAL DEFICITS MAY BRING ABOUT FURTHER RISES IN THE REAL AMERICAN INTEREST RATES IN THE COMING YEAR.

THIS HAS IMPORTANT IMPLICATIONS NOT ONLY FOR WHETHER RECOVERY IS SUSTAINED IN THE UNITED STATES, BUT ALSO FOR WHETHER INTEREST RATES IN OTHER INDUSTRIALIZED COUNTRIES WILL PERMIT A SIGNIFICANT IMPROVEMENT IN PRIVATE SECTOR INVESTMENT AND WHETHER DEVELOPING NATIONS WILL HAVE IMPROVED CAPACITY FOR DEBT SERVICING.

THERE IS ALSO THE DIFFICULTY OF ENSURING THE CONDITIONS FOR GLOBAL ECONOMIC RECOVERY AND TRADE EXPANSION WILL BE MUTUALLY REINFORCING. THE MULTITUDE OF BARRIERS TO INTERNATIONAL TRADE ESTABLISHED DURING THE RECESSION MUST BE CONFRONTED IF A STRONG EXPANSION OF MAJOR INDUSTRIAL ECONOMIES IS TO BE ACHIEVED.

LONG-TERM IMPROVEMENT IN AUSTRALIAN LIVING CONDITIONS IS ONLY FEASIBLE IF WE ARE ABLE TO MAINTAIN OPEN INVESTMENT AND TRADE POLICIES. INDEED THE RECOVERY NOW STARTING COULD WELL BE THWARTED IF THE SPIRIT OF A LIBERAL MULTILATERAL TRADING SYSTEM CANNOT BE RESTORED.

AS A MAJOR TRADING NATION AUSTRALIA HAS A PARTICULAR INTEREST IN SUSTAINING AND DEVELOPING CONDITIONS FOR MUTUALLY BENEFICIAL TRADE. NOWHERE IS THIS MORE IMPORTANT FOR AUSTRALIAN THAN IN ITS TRADE RELATIONSHIP WITH JAPAN.

THAT RELATIONSHIP MUST BE REVITALIZED AND DIVERSIFIED.

ACCOUNTING FOR 27% OF OUR TOTAL EXPORTS AND 20% OF OUR TOTAL IMPORTS, JAPAN MUST BULK LARGE IN ANY ASSESSMENT OF AUSTRALIAN ECONOMIC INTEREST. IMPORTANT STRUCTURAL CHANGES HAVE TAKEN PLACE, HOWEVER, IN THE JAPANESE ECONOMY. WE MUST RECOGNISE AND ADJUST TO THE IMPLICATIONS FOR AUSTRALIA.

LOWER, THOUGH STILL SIGNIFICANT GROWTH RATES IN JAPAN, AND A REALIGNMENT OF JAPANESE ENERGY AND INDUSTRY POLICIES ARE OF PARTICULAR IMPORTANCE TO AUSTRALIA.

MOST IMPORTANTLY, THE GROWTH PROSPECTS FOR AUSTRALIAN RAW MATERIAL EXPORTS TO JAPAN, ARE DIMINISHED. ALTERNATIVE SUPPLEMENTARY MARKETS MUST BE SOUGHT AND, WITH JAPAN, NEW GROWTH SECTORS WE CAN PROFITABLY SUPPLY IDENTIFIED.

MY GOVERNMENT IS KEEN TO BREAK DOWN UNNECESSARY BARRIERS TO THE EXPANSION OF TRADE. FOR EXAMPLE, THE RATIONALIZATION OF FISCAL ARRANGEMENTS IN THE COAL INDUSTRY, AND THE IMPROVEMENT OF COAL EXPORT INFRASTRUCTURES, WOULD HELP AUSTRALIAN PRODUCERS' EFFORTS TO SECURE NEW AND ADDITIONAL RAW MATERIAL EXPORT OUTLETS. PROGRESS IN THESE AND MANY OTHER AREAS REQUIRES CO-OPERATION BETWEEN FEDERAL AND STATE GOVERNMENTS. THE ATMOSPHERE FOR SUCH CO-OPERATION HAS IMPROVED RECENTLY, AS SYMBOLIZED IN THE AGREEMENT AT THE PREMIERS' CONFERENCE. BUT THERE IS A LONG WAY TO GO.

THE SCOPE FOR AUSTRALIAN PENETRATION OF PREVIOUSLY UNTESTED JAPANESE HIGH GROWTH SECTORS HAS USEFULLY BEEN ENHANCED BY THE RECENT AGREEMENT BETWEEN MR BOWEN AND JAPANESE MINISTERS TO ESTABLISH A DIALOGUE AIMED AT EXAMINING CONCRETE WAYS OF ASSISTING AUSTRALIAN MANUFACTURES AND OTHER EXPORTERS TO IDENTIFY OPPORTUNITIES AND MEANS OF PENETRATING THE JAPANESE MARKET.

IN THE FINAL ANALYSIS, HOWEVER, MUCH GREATER RESOURCEFULNESS AND IMAGINATION WILL BE NEEDED IF THE ECONOMIC AND TRADING REALTIONSHIP WITH JAPAN IS TO REALIZE ITS FULL POTENTIAL.

THE SAME IS TRUE MORE GENERALLY OF OUR TRADING RELATIONSHIP WITH THE COUNTRIES OF THE PACIFIC RIM. WHILE THEIR SHARE OF AUSTRALIAN EXPORTS HAS RISEN FROM 37% IN 1961/62 TO 55% IN 1981/82, THE INTENSELY COMPETITIVE CHARACTER OF THOSE MARKETS COMBINED WITH THE MAJOR OPPORTUNITIES ASSOCIATED WITH THE RELATIVELY HIGH GROWTH RATES MANY OF THEM HAVE SUSTAINED, PUTS PARTICULAR PRESSURE ON THE INGENUITY AND DRIVE OF AUSTRALIAN EXPORTERS.

IN THIS REGARD SUGGESTIONS FOR FURTHER ECONOMIC CO-OPERATION AND EXPANSION OF TRADE AMONG THE COUNTRIES OF THE PACIFIC REGION ARE RELEVANT. SUCH SUGGESTIONS STEM FROM:

- A WISH TO MAXIMISE THE BENEFITS OF THE ECONOMIC INTERDEPENDENCE BETWEEN THE COUNTRIES OF THE REGION;
  
- RECOGNITION OF IMPLICATIONS FOR THE REGION OF THE FORMATION AND CONSOLIDATION OF THE EUROPEAN ECONOMIC COMMUNITY, AND

INTEREST IN PROMOTING THE PACIFIC REGION AS A NEW "ENGINE FOR INTERNATIONAL ECONOMIC GROWTH AND DEVELOPMENT".

WHILE SPECIFIC IDEAS ABOUT HOW CO-OPERATION MIGHT BEST BE PROMOTED STILL AWAIT FURTHER REFINEMENT, THE UNDERLYING THRUST OF THIS INTEREST IS FULLY COMPATIBLE WITH OUR OWN FOREIGN POLICY AND ECONOMIC GOALS. ANY MOVE TOWARDS CLOSER ECONOMIC CO-OPERATION IN THE PACIFIC WOULD OF COURSE NEED TO BE NON-DISCRIMINATORY AND THEREFORE CONSISTENT WITH OUR WIDER INTERNATIONAL OBJECTIVES.

YET IF REGIONAL CO-OPERATIVE ECONOMIC AND TRADING RELATIONS COULD BE PUT ON A FIRMER FOOTING THE BENEFITS TO EACH AND EVERY COUNTRY CONCERNED WOULD SEEM INDISPUTABLE.

THE TIMELINESS OF ACTION AIMED AT INSTITUTIONALISING ANY SUCH INTEREST AND THE RECEPTIVITY OF KEY PARTICIPANTS TO ARRANGEMENTS OF ANY KIND NEVERTHELESS SHOULD BE MOST CAREFULLY CONSIDERED. INITIATIVES IN THIS AREA COULD OTHERWISE PROVE QUITE COUNTERPRODUCTIVE.

THIS IS NOT TO RULE SUCH INITIATIVES OUT OF COURT. IN AUSTRALIA, WITH MY GOVERNMENT'S FIRST BUDGET AND FOLLOWING THE TREASURER'S MAY 19 STATEMENT WE HAVE ACHIEVED A TRANSFORMATION - A TRANSFORMATION IN POLICY EMPHASIS, IN THE APPROACH TO ECONOMIC DECISION-MAKING, AND IN THE MEANS



AVAILABLE TO THE GOVERNMENT AND THE COMMUNITY FOR BETTER, MORE SOUNDLY BASED ECONOMIC DECISION-MAKING. POLITICALLY SENSITIVE APPROACHES TO THE DEVELOPMENT OF MORE SUBSTANTIALLY CO-OPERATIVE ECONOMIC AND TRADING ARRANGEMENTS BETWEEN THE COUNTRIES OF THE REGION MUST ALSO STAND SOME CHANCE OF SUCCESS.

IT IS CERTAINLY WORTH EXPLORING THE POSSIBILITIES.

MR CHAIRMAN,

MY GOVERNMENT AIMS TO SHAPE AN AUSTRALIA WHICH IS GOING TO BE OPTIMALLY PLACED TO GROW IN REAL TERMS AND TO GIVE ITS CITIZENS THE BEST OPPORTUNITIES FOR THEIR PERSONAL DEVELOPMENT AND SATISFACTION.

ACHIEVEMENT OF THIS OBJECTIVE REQUIRES THE RIGHT SETS OF INTEGRATED DECISIONS INTERNALLY AND THE CREATION OF APPROPRIATE PERSPECTIVES AND RELATIONS EXTERNALLY.

IN THIS RESPECT I EXPECT THAT MOST OF YOU WOULD AGREE THE 1983/84 BUDGET ACHIEVES THE RIGHT BALANCE. WHEN CONSIDERED ALONGSIDE THE CLEAR AND DECISIVE DECISIONS WE HAVE TAKEN EARLIER ON EXCHANGE RATE, FISCAL, MONETARY AND INCOMES POLICIES, WE HAVE SUCCEEDED IN ESTABLISHING THE MOST COHERENT AND INTEGRATED FRAMEWORK OF ECONOMIC DECISION-MAKING EVER SEEN IN AUSTRALIA.

AUSTRALIA IS, THEREFORE, ESPECIALLY WELL PLACED TO TAKE FULL ADVANTAGE OF THE INTERNATIONAL ECONOMIC RECOVERY. THE OPPORTUNITY MUST NOT BE SQUANDERED. AND FOR OUR PART, AS THE GOVERNMENT OF THIS NATION, A NATION WITH SUCH CLOSE LINKS WITH THE INTERNATIONAL COMMUNITY COMPRISING THE PACIFIC BASIN, PARTICULARLY JAPAN AND THE UNITED STATES, WE ARE DETERMINED TO DO ALL IN OUR POWER TO ENSURE THAT THAT POSSIBILITY IS NOT LOST OR SQUANDERED.