



PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERED

**SPEECH BY THE PRIME MINISTER
BRW/ALCATEL BUSINESS AWARDS
SYDNEY - 27 NOVEMBER 1991**

Thank you for the opportunity to present the 1991 Business Review Weekly/Alcatel Australian Business Awards.

Tonight is very important to many Australian companies and business people. Winning one of these awards really means something.

Many of you might have predicted that I would have taken the opportunity to demonstrate to such a distinguished business audience the futility of the proposed Consumption Tax. I wouldn't delay the announcement of the awards with something like that. But what I will say is that the holes and gaps which are already evident make it clear that the Consumption Tax package would do nothing for Australia, either economically or socially.

Instead I want to talk briefly about competition, and about the General Agreement on Tariffs and Trade, the GATT.

Competition and the GATT are inextricably linked both domestically and internationally. Competition and the results of the Uruguay Round are essential aspects of what my Government has been doing for 8½ years in reforming the Australian economy, in changing it into a low inflation, internationally competitive economy - in fostering competition across all industries through the adoption of best international practice.

In business, as I'm sure you'll agree, without competition there is a weakening in the force for innovation; in the need to reduce costs; in the fight for growth; in the encouragement to seek new opportunities.

In Australia, we have experienced that problem first-hand. In the past, we attempted to hold back the tide of international competitiveness. For a time we might be said to have succeeded. But at what cost? What did that so-called success achieve?

Ladies and gentlemen thirty years of policy mismanagement successfully achieved an inward-looking, uncompetitive industrial structure.

My Government has been about the task of reversing the mistakes of earlier years. The task has not been easy and in no sense is it complete. Indeed it can never be complete because a competitive world is a dynamic and changing world.

But it is inescapable that as we enter the 1990s no nation can afford to ignore the force of global competition. The growth of every economy, from the tiniest South Pacific Island to the power-houses of Germany, the United States or Japan depends crucially on the growth in world trade represented by internationalisation or its corollary - the ability of firms at home to compete with firms overseas.

Indeed, I believe we will soon reach a stage where there are few if any industries which do not, in one sense or another face genuine international competition.

Even in the classic examples of so-called naturally-protected industries such as bricks or bread, international competition can arrive in the form of a foreign takeover. With innovation or better technology or better marketing - or all the above and more - international best practice can arrive in even the most naturally protected industry.

We have some major Australian companies doing just this at present in the United States, in Europe and in Asia.

We need to accommodate and use this trend: it is the wave of the future. Refuse to recognise it, and it will engulf us. Ride it successfully and it can provide the momentum to transform our economy.

There is an important obligation for a Government to meet in ensuring competition provides the necessary momentum in our economy.

We must ensure that all our domestic markets, not just some, operate efficiently, so that inputs are available as cheaply in Australia as they are overseas.

The means of improving domestic markets to ensure inputs are provided efficiently has taken many forms under my Government:

- tariff cuts will reduce the cost of many industries' inputs, both directly and through their suppliers who use imported equipment or products
- reform of industry structures in telecommunications, aviation, interstate rail freight, road transport, statutory marketing authorities, capital markets, the waterfront and shipping
- more and better training, both at school or TAFE and in the work-place

- more flexible labour markets with a clear and explicit focus of improving worker productivity
- mutual recognition of standards by States to reduce barriers to trade within Australia; and
- positive assistance to lift research and development and encourage innovation

These reforms are, many of them, not simple. They involve cost and pain and are often by their very nature slow and hidden in their contribution in the short-term.

Putting together an approach which achieves the basic objectives of more efficient markets while also providing assistance with adjustment costs is what good government is about. Poor government, on the other hand, involves plenty of hype about zero tariffs and confrontation with unions; and no consideration at all of the adjustment costs.

An essential accompaniment to these reforms is a means of ensuring that markets operate to the benefit of consumers, whether that consumer is a business buying an input or a child buying an ice-cream.

My Government does not delude itself that all markets will operate efficiently; and that the public benefit will always be served by open and unfettered competition.

The Commonwealth's principal method of meeting the objective of maintaining public benefit is the Trade Practices Act. While much debate about the Act currently focuses on mergers and media purchases - with claims of inadequacy on the one hand and over-kill on the other - little attention is given to the fact that the Act actually has substantial holes in its coverage.

It is - or it should be - axiomatic that for markets and firms to interact competitively, the framework which guides their operation, which says what is fair competition and what is not, should be applied equally in all markets.

Even where special cases can be claimed, their exclusion from the Act, or the principles underlying it - simply on the grounds of Commonwealth-State demarcation must surely be rejected as anachronistic.

So it was that I said on 12 March that my Government will seek to address with the States these areas which are not covered by trade practices law.

And the areas involved are hardly inconsequential. State marketing authorities influence the cost of the food we eat; and the cost of a major input to our food processing industries.

4.

State business enterprises cover electricity, gas, water, rail and offer a range of other businesses less directly associated with normal public sector interests.

Unincorporated bodies, such as partnerships in the law, medicine, accounting and other fields are State responsibilities under the Constitution.

In all these cases, we are seeing pressures on Governments for reform; to reduce costs to consumers, to allow markets to develop. When those markets do develop, it is my belief that we need to ensure that the principles inherent in trade practices legislation are applied, as a means of ensuring that businesses and consumers benefit fully from such reforms.

It is an area often overshadowed in the thrust for international competitiveness, but it cannot remain that way.

Notwithstanding the current hiatus in certain processes involving Commonwealth-State reform, my Government remains committed to pursuing change in this and other areas.

Ladies and gentlemen,

I believe that, with co-operation, we could see these gaps in the coverage of trade practices law addressed in the course of 1992. After all, the countries of Europe now have a unified competition policy. Surely Australia can achieve that, too.

I have spent some time on the issue of competition as it applies domestically. Yet we can do all the work possible to lift our competitiveness, get our industries to focus on international trade, and at the end of the day this can be only of partial benefit if the export opportunities we seek are denied to us by tariff and non-tariff barriers.

This is where the massive effort of the past five years on the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade comes in.

The GATT Round is our first and best means of ensuring that Australia can exploit the opportunities that our low inflation rate, our good education levels, our improving research and development focus allow us.

As a relatively small trading nation with an export base heavily dominated by primary products, we are not well served by existing GATT rules because they have failed to deal with trade-distorting domestic production subsidies; barriers to entry; and export subsidies which characterise support and protection in agriculture. Those subsidies and barriers have grown to absurd proportions in recent years, often in the guise of food security or social security policies.

If successful, the Uruguay Round holds out the prospect of ensuring that everyone has the right to fair treatment, for goods and also - for the first time in the GATT - for services. While the success or failure of the round is still uncertain, principally because of the gap that exists between participants on agriculture reform, the scope of the round is comprehensive and its potential for improving the international trading framework is great.

After five years of painstaking work, a successful conclusion to the Uruguay Round appears to be within our grasp. Predictably, the last phase of the negotiations is proving difficult as governments are forced to face the tough options which will need decision in the next few weeks.

On 9 November, Presidents Bush and Delors met in the Hague with Prime Minister Lubbers, and although many issues of detail remain unresolved, they have added momentum to the Geneva negotiations across a broad range of Uruguay Round problems.

In Harare in October, I discussed the urgent need for action in the Round with the British Prime Minister John Major, who is currently G-7 summit chairman. We are in regular contact and he is taking a direct and constructive role both in the EC and with his colleagues in other G-7 countries, in following up the commitment they made in London.

If the political will is there to take the tough decisions, we should see the final shape of the overall round emerge by Christmas.

On many issues we already know what this package will contain, and we have a clear view of the bottom line for most of the others. Let me set out for you some of these elements, with particular reference to those of priority interest to Australia.

A good agreement on agriculture will comprise: tariffication of the many forms of agricultural protection, with tariffs falling over time and current access expanding; real cuts in export subsidies; and reductions in internal support payments to producers, in particular those which distort prices.

While press speculation on agriculture has understandably focused on the size of the cuts in prospect, those close to the negotiations know that the detail of the reform commitments on market access, internal support and export subsidies are just as critical to securing real, and not just cosmetic, reform.

If we succeed in securing such a result Australia, with its colleagues in the Cairns Group, will have played a crucial role and will have demonstrated that not only the giants in the trading system can influence the rules of the game.

While agriculture has been a pivotal issue in the round and is critical for our traditional export base, Australian industry generally has a more direct interest in other issues dealt with in the Round. Although the GATT creates rules for trade in goods, there are no such rules for the fastest growing sector of world trade: trade in services - as Australian exporters of services are very much aware.

To conclude the round successfully, however, will test the ability of the western democracies to put a wider vision on the future of the international trading environment ahead of narrow national interest pressures. We are doing all we can to ensure that that wider vision is sustained over the coming weeks.

The Uruguay Round is set to produce a general agreement on trade in services, to apply the principles of the GATT to this sector. Negotiations to liberalise market access in services trade have commenced. Australia along with some forty other countries is taking an active part. Australia has just tabled a very substantial offer to allow quite open trade in a wide range of services, including financial services, professional services, and telecommunications.

We have also made requests to our trading partners for liberalisation in areas of export interest to Australian services firms; and thus the process by which the GATT has reduced the barriers to trade in industrial products has begun for the services sector.

The program to lower barriers to trade in goods has of course also been part of the Uruguay Round, like all such rounds before it. These very detailed negotiations are not complete, but tariff cuts by our trading partners can be expected to average overall around 33 percent. For some products of key interest to Australia the cuts could be far greater.

Think on that for a moment: a cut of one-third in the tariffs affecting our manufactured exports, already experiencing unparalleled growth. It is possible that tariffs and quotas could disappear for over 80 percent of world steel trade. There could be no barriers at all in major markets for our exports of non-ferrous metals - in a sector where Australian exports exceed \$8.5 billion. Possible commitments on cuts to coal subsidies particularly in the EC and Japan could benefit Australia eventually by more than \$1 billion a year.

Much of these reforms in prospect can be attributed to the collective pressures brought to bear through multilateral co-operation and shared interests with other participants in the round.

There is a number of other areas in which Australia will benefit, including higher standards for the protection of intellectual property, an area of significant Australian comparative advantage through our innovative software manufacturers; and of key long-term interest as my Government underwrites a greater effort by Australian companies in Research and Development.

If the Uruguay Round is concluded soon in the terms I have described, the world will be a better place for a more competitive and outward looking Australian industry.

Finally, I congratulate the winners of the awards, and BRW and Alcatel for sponsoring them.

They are well earned by some great Australian companies and business people, and it will give me great pleasure to announce them shortly.

* * * * *