

OFFICE OF THE HIGH COMMISSIONER FOR AUSTRALIA IN THE UNITED KINGDOM



Australian News and Information Bureau, Australia House,
Strand, London, W.C.2 Telephone: TEMple Bar 2435

AUSTRALIAN PRIME MINISTER REVIEWS THE COMMONWEALTH'S ECONOMY

The Prime Minister of Australia, Mr. R. G. Menzies, and the President of the British Board of Trade, Mr. R. Maudling, addressed members of the Australian Association of British Manufacturers and their guests at a dinner at the Mayfair Hotel on Thursday night, April 28, 1948, held to celebrate the association's 50th anniversary.

The president of the association, Mr. Jocelyn Morton, presided.

In the course of his speech Mr. Menzies reviewed the Australian economy. The main text of his speech follows:

Now, Sir, an occasion like this is not an occasion, as I long since learned, for heavy political observations. But it may be perhaps an opportunity for expounding quite mildly, quite lightly, a few aspects from my point of view of the Australian economy. I think there are three or four matters that I would just like to mention to you.

The first of them is that in 1950 Winston Churchill sent me a cable about import licensing. Not that Winston was a great expert on import licensing. Let that be conceded at once. But because there was a certain amount of uproar here about the steep impositions of import licensing to which we resorted at that time and particularly two years later. I remember it very well. I was put up on a platform over past Westminster somewhere. I had a delegation from Manchester - modest fellows those! They didn't merely make it clear to me that what Manchester thinks today London thinks tomorrow. They gave me a pretty broad hint that what Manchester thinks at any time the Australians would never think of in a century!

But anyhow it was all quite enjoyable and I went away feeling that there was - how shall I put it - slight objection to import licensing!

Well, in effect we took it off the other day and I expected to get votes of thanks even from Manchester...votes of thanks from Manchester - dear me! what it was a crime to impose it was a double crime to remove. But all I want to remind you about is this. Tariffs yes. The Tariff Board yes. It's our great instrument and I am delighted to have heard your reference to it. It's our great instrument of providing the terms and conditions on which goods will pass into Australia.

But import licensing - what you might call the blunt instrument of import licensing - this is something which can be justified only for balance of payments and balance of funds' reasons.

And when, as it's happened with us, through the inscrutable wisdom partly of Providence and partly of my own Government; when it turns out that our balances of payment are good and our overseas funds are good, it is, quite seriously, necessary, if we are to maintain our position as honest international traders, that we should reduce and ultimately eliminate the arbitrary impact of import licensing and leave these matters to the tariff and to the Tariff Board.

Now of course my friend the chairman very naturally has said that he feels anxiety, and some of you do too, about what may now happen. If we are to put up a tariff in Australia high enough to keep out low cost commodities -- and of course you realise Japan is by no means the lowest of the low cost countries; if we are to do that then we may have to put up a tariff so high that it will impose grievous disabilities on the exporters from this country.

Now all I want to say to you, Sir, is that that is a problem well known to the Tariff Board; to which the Australian Tariff Board has been directing and is directing a great deal of attention. And in its consideration of that matter it has, as usual, been tremendously helped by the representative of your own Association in Australia.

It isn't an easy one to get some flexibility into a tariff structure which will enable you to deal properly with one and equally properly with an entirely different one. But I do know for myself that the Board is itself very exercised about this matter and all I need say to you is that you need have no fear that it will do its very best to avert the kind of consequence that you had in mind.

Now the second thing that I want to say a word about... is this. I have been a long time on the political scene -- much too long I think. But I have been here almost a ridiculous number of times and we've had all sorts of arguments. I can go back 25 years to a time when you could genuinely find people in this country who thought that Australians ought to hew wood and draw water and grow wool and leave the manufacturing to people who understood it. That's only 25 years ago.

But a great change has come on the world. The truth is, and this is the lively thing about our association, this is the lively thing about the Commonwealth or at any rate about Great Britain and Australia -- that we know that it is through co-operation, not through hostility; through dynamic ideas, not through a set of static ideas, that we are both going to develop to our fullest possible extent.

And for that reason one of the things that I want just to mention to you is the extent of capital investment in Australia. Recently, when, for some purpose or other, I was looking up the records, I found that in the last 50 years the population of Australia had doubled. That's really an enormous increase.

Since the War ended, the last War ended, our population has been increased by more than two million people which in a country of our population-size is an enormous development.

We've had the most enormous immigration policy and programme. We have been going through a period of development so fantastic in the last ten years that I don't think anybody would have dreamed about it 20 or 30 years ago.

And of course you can't have a great programme of development, you can't have new works of irrigation, of power, of hydro-electric works; all the great foundational things that have to be done in a country the size of the United States and with one-fifteenth or sixteenth of its population, without making tremendous calls on capital and therefore without involving yourself in enormous inflationary pressures. And one of the great answers to inflationary pressures has been to attract into Australia capital investment, genuine capital investment from other countries which will supplement the very remarkable amount of saved and invested capital that goes to work in my own country.

Again may I trouble you to give you a figure or two? Figures that ought to be given..... Take June 1947 to June 1959 -- that is 12 years, all post-war years. The private investment of capital from overseas directly or indirectly -- I'm saying nothing about public investment, nothing about public loans either in London, or New York or in Switzerland or from the World Bank, but private investment has been £819 million. £280 million of that represents undistributed income left and therefore reinvested in Australia, and £539 million represents other inflow of capital. Anyhow, £819 million.

Now I turn to the domicile of the investors from overseas. United Kingdom: £520 million -- out of £819 million -- £520 million! United States and Canada: £214 million, and other sources (Europe and so on): £85 million.

You know, I think it's a remarkable thing. It's one of the greatest gestures of co-operation and understanding and intelligence in my political lifetime that this country, with all its problems, with its own tremendous battles on its own balance of payments, with its own struggles to advance to a state where sterling and dollar reserves, trading and financial balances, would move towards a period of conversion -- that in this very time people in this country, not Government, people like you -- should have invested in Australia £520 million out of a total of £819 million passing into Australia.

Now, of course, Sir, I know there are those who, no doubt, for their own good reasons, feel a little reluctant about a flow of capital into their country because they say that "Well, that means that money will go out. That means that we're in the hands of other people. That means that dividends will be paid out, and this will become an intolerable burden on our trading position." And so if you are troubled by that at all -- I'm not -- I would comfort you by telling you that at the present time taking our present financial position in Australia, of all companies' income after tax - and tax takes, of course, about a third of it - of all companies' incomes after tax, £160 million goes as dividends to resident-shareholders and £43 million as dividends and profits remitted overseas.

Now that, I think is a fascinating figure - 80% left in Australia, paid in Australia as dividends, and on top of that, if you take the undistributed profits, which again represent roughly a third of the profits earned, then of the undistributed profits £201 million accrue to resident shareholders and £34 million to non-residents.

So you see the point I'm making: that there's been this tremendous pouring-in of investable capital into Australia, particularly from here and so far from putting Australia in pawn, so far from laying burdens on the Australian economy, the whole of these transactions have resulted in immeasurable benefits to my own country.

And, I hope, considerable satisfaction to those who have put their money in.

Now I won't weary you with any more figures. I mentioned those simply because I think there is some misunderstanding...

But I would like to say something to you about this celebrated legal expression as it was once "seven and sixpence". You know, of course, most of you were much too young to remember the time when a solicitor was expected to charge 7s. 6d. for an interview. And as I was never a solicitor myself I didn't ever know it. But we've all become accustomed, haven't we, Mr. Maudling, to talking about the seven and the six. Or if we wanted to conceal the direction of the stroke, the six and the seven.

I think perhaps it is desirable that I should just say something to you about our attitude on this matter because it can be easily misunderstood. I say "our" attitude. I speak for Australia, at least so far as I know I haven't been beaten since I left home, though one never knows. But anyhow, our attitude, and I have no doubt it is the attitude of other Commonwealth countries. We did not object to the creation of the Common Market, we did not object to the creation of the Six. We felt that it was unfortunate that a movement calculated to strengthen the economy of six European powers should even appear to be something in rivalry to the economic strength of Great Britain or of the other Western European powers.

But every movement in the world which is calculated to strengthen an economy of a group of nations is a good movement, and we had no complaint about it -- because may I remind you we are, though you think us tiresome occasionally, and even more frequently irrelevant, we are a very considerable trading nation.

I spoke a little while ago about what the position was 50 years ago. The exports and imports of Australia at that time averaged about £70 million each way. And today they're within a touch of £1,000 million each way. We do have the great honour and the great responsibility of being one of the first ten trading nations, international trading nations, in the world.

Always remember that, because that will keep a few things in proportion when you find us making deals with various people who are prospectively good customers. We are a very very considerable trading nation. And as a trading nation we felt at once that the agreement between the Messina powers had something in it-- that if this could strengthen the economy of Europe: good.

And then, of course, right on top of that, like yourselves, it presented itself to our minds that if this were the beginning and the end, then Europe would be divided economically and a Continent which is divided economically can before long find itself divided politically. And there could be no greater disservice

to the free world than to have the whole of the Western European powers divided into two sections -- because that would of course begin by all those pleasantries that economists, Ministers of Trade and so on engage in, and could easily end up by producing hostilities, dislikes and finally perhaps tear apart the whole structure of Western defence - a structure which has not become irrelevant just because there is going to be a meeting at Paris.

And therefore when the proposals for the Seven were evolved - what is called by some people the "Little Free Trade Area" - when these proposals came forward you mustn't assume that we were objecting to them. On the contrary, we saw in this the gathering together of a group of people who would be in a powerful position to construct a bridge between the "Seven" and the "Six". In a powerful position to have all the thirteen nations associated in a way which would help their common economy, strengthen their position, and make them as a result a more considerable trading factor in the world, a selling factor perhaps from their point of view, but a buying factor from our point of view.

And we still think that. Nobody need suppose for one moment that there is some doctrine in the Commonwealth which opposes this kind of thing. We think that this is a good idea and we think, really, that it is an urgent idea. We just say two things about it. They're both qualifications but they don't materially alter what I have been saying.

In the first place we think that as a Commonwealth country, with all our old associations with this country and with all those mutual benefits that we have extended to each other we ought to be at the party. We and other people like us ought to be in the closest consultation when the bridge is being built. Now that's fair enough, isn't it? Because we have our interests, though we're well aware, as I have said to you, of our common duty to do everything that can be done to strengthen this structure.

And in the second place, yes, some of you who met some of my powerful negotiators like Sir John Crawford and so on -- much more difficult fellows than I am -- the President of the Board of Trade -- he's familiar with my colleague, John McEwen, who is now enjoying the novel experience of fighting my battles at Canberra and leaving me to make the extraordinary statements on the trade front overseas -- (all that's right) Of course we'll argue about this and that. Of course we'll be interested in our exports to Europe. Of course we will want to argue sensibly, as I believe, about preferences which we enjoy, just as you want to argue sensibly about preferences that you enjoy in Australia.

And the whole point that I want to make is that it would be a cardinal blunder for anybody to think that those who have some interest, and they're not here, but those who have some interest to keep the Seven and the Six separate, to keep the European economy divided; it would be a very great mistake to assume that they are the people to whom we in the homely Australian phrase are "barracking". Because they're not. We want to see the highest possible measure of unity. We don't want to see it at the sacrifice of matters that are important to you and that are important to us.

But for the life of us we can't understand, nor indeed would the President deny it for one moment. We can't understand

any reason why Commonwealth countries like my own, increasingly significant in the world, should not be at the party, at all relevant times, able to say what we think, able to be told what goes on. We still have a little to learn about the price of effective brotherhood, and the great price of effective brotherhood is that we should have no secrets one from the other; that we should always sit down together and commune with each other at the right time; that whatever disagreements we have should be in private and whatever agreements we have should be placed in the shop windows.

Now I know that in saying that I am speaking merely the mind of my distinguished colleague, the President of the Board of Trade. But I thought I would make a reference to this matter, because I know how some of you may have felt that we are developing in a turbulent, aggressive fashion. I'm flattered when someone tells me that I'm aggressive. Opponents at Canberra assure me week in week out that I'm a weak-kneed apologist. And so I don't mind who tells me that I'm being aggressive. I'm not really aggressive because I begin all my thinking on these problems and end all my thinking with whatever little differences and occasional irritations may have intervened I keep coming back to it and saying that "Well, you're half Scots and half Cornish and you're British to the boot-heels and we will sink or swim together.

oooooooooooo000000000000oooooooooooo