

ANNUAL CONFERENCE OF FARMERS' & SETTLERS' ASSOCIATION

SYDNEY, 31ST JULY, 1961

Speech by the Prime Minister, the Rt. Hon. R. G. Menzies

Mr. President, and ladies and gentlemen:

If, technically, my job this afternoon is to declare the Conference "Open" at the end of my speech I think it might be a wise precaution if I declared it open now (Laughter) - which I do, Sir, with great goodwill.

This afternoon I don't want to talk too much about things that you will talk about later on. One of them, for example, is the recent change in the basic wage. Now I am not going to debate that unduly because, like you, we take these things, if we can, as they come. But there are two aspects of the basic wage inquiry that I would like to mention very briefly.

The first of them is that the thing that troubles me most about the last decision is that it seems to contemplate an annual adjustment of the basic wage on the basis of the changes in the Consumer Price Index. Now I don't say that it literally said that; but it appears to contemplate something in the nature of an annual adjustment on the basis of an Index figure. For myself, and speaking with great respect to the Commission which I am sure considered these matters with great care, I don't like this business of adjusting things on the basis of an Index figure, and above all, the great mass of wages in the country, because this means that every time there is an increase the tendency will be for it to produce in the following year another increase. Consumer price indexes tend to respond, pretty accurately, to the cost level. I don't like that very much. I think that we ought always to be in a position to have the basic elements in costs determined from time to time on a perfectly independent investigation, and on an independent footing.

There are a lot of people in Australia, there may be many of them in this city, who don't mind if these items keep rising because, let's face up to it, there are quite a few people in Australia who have a vested interest in a degree of inflation. But you haven't. From the point of view of the man on the land, whatever he may be producing, inflation is enemy No. 1; and any policies that are taken to restrain inflation are of most vital importance to the great primary industries of Australia. Therefore I don't look very happily at anything that suggests that there will be automatic changes, or that we have reconciled ourselves to going up, and up. Speaking on behalf of the Government that has recently, I'm told, made itself a little unpopular (Laughter) with anti-inflationary measures, I repeat here what I have said time after time elsewhere that some people can pass on the cost of inflation. But the primary industries can't. Therefore I am not surprised, and you won't be surprised, when I tell you that although I have found in Sydney or Melbourne a few rather acid remarks being dropped with great courtesy into my ear, I haven't found it in the country. I have been recently in Queensland, Western Australia, Tasmania, moving around here and there and I find, as I expected to find, a very profound belief in the minds of those who conduct rural industry that stability in prices and costs is of tremendous importance, to them; and therefore of tremendous importance to the Australian nation.

There are two great organisms in Australia which have much to do with economic policy - now get out of your minds this old idea that Canberra has all the economic powers, and that Canberra can do what it wants to do, because of course it has

extremely limited authority - but two great organisms have very great authority. One is the Tariff Board, a much respected institution, which is at the very basis of our tariff policy, and of all parties' tariff policy; and the other is the Arbitration Commission which is at the very basis of wage-fixing.

I will take the second to illustrate what I have in mind. Frankly I don't think that the primary industries have yet taken sufficiently seriously the immense authority of the Arbitration Commission. There is, for instance, a claim by some Industrial Union, there is a response by a series of people in the manufacturing world. Counsel for the Union gets up and quotes balance sheets, profit and loss accounts, demonstrates that a great number of leading companies are doing very well indeed - as they are - and I want to know why it is that on these occasions there is not, regularly, a formidable presentation of the case for the primary industries. Nobody can do it for you. My experience in life is that if you want something done powerfully, from your own point of view, you jolly well do it yourself. Nobody else will do it for you. There was a time when wage fixing did not have a direct impact on many rural industries but today it does. And I would think that the Arbitration Commission itself would welcome a powerful presentation by the primary industries of the impact of whatever claim is being made on their industries, and therefore, on the export business of Australia as a whole.

I have mentioned this to individual friends of mine who are farmers and graziers and they look at me, they detect in me the horrible signs of a former lawyer (Laughter) and they say, "You know, very expensive; you lawyers are very expensive" - although, mind you, they are very much more expensive now than they were in my time. (Laughter) And my reply to this is, "Well, that's all right. Suppose it costs a few thousands pounds to put a case to the great wage-fixing tribunal of Australia; what is that compared to the many, many millions of pounds involved, or possibly involved, in a decision?"

Now I just throw that out to you, not because I am advocating the interests of a profession to which no doubt I shall not return (Laughter) - much to my sorrow - but because I seriously think that this is a matter that deserves constant thought. We cannot afford to have great industrial issues determined on a narrow basis; they ought to be determined on the broad national basis. They can't be, unless people like yourselves take a hand in the game.

Now that is all I want to say on that matter. What I really wanted to do, Sir, in opening your Conference, which I have already done, was to say something to you about a matter which is, I suppose, on the lips of all of you today - the possible entrance of the United Kingdom into the European Common Market.

I understand that some announcement will be made on this matter one way or the other by the Prime Minister of the United Kingdom, at about 1 o'clock in the morning, our time - that is to say just before the tea adjournment at the Test match. (Laughter) I won't presume to anticipate what may or may not be said. All I know is that this decision is one of the most momentous decisions that the United Kingdom has had to take, in time of peace, in my lifetime, a tremendously significant decision. If the decision is to go into negotiations then of course when the negotiations have been completed and the United Kingdom knows the best terms on which it can go into the Common Market, there will be another decision, even more momentous, and that will be the decision whether to go in on the negotiated terms. So here we have an epoch-making matter, a matter which has been in the

air now for a couple of years, a matter on which I myself have had discussions over the last two years with Chancellor Adenauer of Germany, with General De Gaulle, the President of France, and of course with Ministers in Great Britain. And the other day the Secretary of State for Commonwealth Relations, Mr. Duncan Sandys, came out here and he had discussions with us, having had discussions in New Zealand. And having had talks with us he went on to Canada and had discussions there.

In the first place, we have had general talks about this matter for a long time past. This was the first time on which we had had specific talks and had got down to what you might call some of the brass tacks of the problem. Because this will be very much, no doubt, in the press in the near future, it might help you if I tried to explain to you what the various aspects of this matter are that concern us, that concern you and me.

Nobody in Australia can be dogmatic at this time because half of the questions that arise are not yet capable of answer. Don't write me down as being violently opposed to something, or in support of something: I'm just going to tell you what I believe to be the issues, and how we ought to approach them.

First let us have in mind that the Treaty of Rome was executed years ago - there are six countries in it, France, Germany, Italy, and what we call the Benelux countries, Belgium, the Netherlands and Luxembourg. The object of the exercise was that over a period of years - 10 years in the first place I think it was, now looking rather more like 3 or 7, or perhaps 6, they would gradually develop a Common External Tariff so that there would be a uniform customs duty right round this area, as against the rest of the world. There are one or two exceptions like tropical colonies, but I won't complicate the matter by dealing with them.

At the same time as they achieved a common external customs barrier, they were to develop internal free trade, so that in due course the products of Germany would enter France free of duty, the products of France enter Germany free of duty, and so on. Therefore if Great Britain were to go into that scheme now, unconditionally, as the other six have, the position would be that French wheat would go into England free of duty, and that Australian wheat would pay a duty to go in. This would be preference in reverse; this would mean a complete internal preferential free trade area in Europe, including Great Britain, and a common customs barrier against the rest of the world, including countries like our own.

Now that is if they went in unconditionally. I've no reason to suppose that they will. But the other six have all gone in unconditionally and they are working towards that conclusion. If Great Britain went in unconditionally then I have no doubt that the Scandinavian countries would; and if that turned out to be right, as I am sure it would, then the position would be that Danish butter would pass in free of duty into the United Kingdom market whereas Australian butter, and New Zealand butter - because butter is an enormous item in that country - would be up against a tariff barrier. These are obviously very grave considerations for us.

But it isn't for us to tell Great Britain how to run her business. We can offer our views - I got almost hoarse offering mine in the course of our negotiations with my friend Duncan Sandys - we can offer our views, we are not without them. But in the long run, as we emphasised at all stages, the United Kingdom will determine for itself what it is going to do. No doubt it will pay great attention to what has been said in the Commonwealth countries.

One of the things that Great Britain has to answer - and I don't know the answer to this - is whether in fact her membership of the Common Market would strengthen her own economy. Now it is tremendously important to us that her economy should be strengthened, because if it weakens, and weakens and weakens our own direct market will weaken and weaken and weaken. We have a great commercial, material interest in the non-weakening of the United Kingdom economy. Some United Kingdom leaders, no doubt, believe that if they go into the Common Market they will have a big home market, 200, 250 million people, bigger than the United States of America and that this will, by extending their home market, increase their competitive position in the world. That is a very intelligible argument.

But of course, on the other hand, countries like Germany which, having had their heavy industries wiped out during the war now have completely modern heavy industries, may find themselves able to compete in Great Britain itself at a position of great advantage, compared with some of the older heavy industries in the old country. Well these are great considerations. We must all hope that no error will be made in the conclusion that is arrived at because we have a very large indirect interest in the wisdom of any decision that is taken. Now I say no more about that; I just turn to our own particular interests.

We have, benefiting from Commonwealth reference, or from special agreements, wheat, butter, dairy products of one kind and another, meat, sugar, dried fruits, I needn't go through the whole list, as distinguished from wool which commands its own world market. With these products we have special arrangements which are of immense value to us. We regard ourselves, as the Australian Government, as having a primary duty, a primary duty to protect those interests. Therefore we devoted a good deal of time to discussing them, to pointing out that you can't simply turn a preferential system upside down without exposing our export industries in these fields to very great danger. We have been told by the United Kingdom representative that not only will we be, of course, closely consulted on these matters, but, as we ourselves requested, they will do their best to see that when they come, in the course of negotiations, to deal with our products, wheat, meat, whatever they may be, Australia, if they have their way, will be represented in the negotiations themselves. Now that, of course, depends not merely on the goodwill of the old country, but it depends on the attitude of the Six, all of whom are getting stronger and stronger under the Common Market system. But we will persist in our view that nobody can argue the case for our export industries half so well as we can ourselves; that we are not willing, or not happy, to have these things dealt with by deputies. We must, ourselves, have the opportunity of being present, and presenting the view that we want to present about the industries that I have been referring to. I am sure that the British Government will do its best to produce that result.

It may well be that if negotiations started next month it would be months before any conclusion had been reached; but the day will come, perhaps in the first half of next year, I wouldn't think before, when the whole negotiation having been thrashed out, the Government of the United Kingdom will know what terms it can get for a modified accession to the Treaty of Rome, to the Common Market. Then we will have one of the great and climactic decisions of modern history. Because if the decision fell against the interests of the Commonwealth countries, if the decision meant that our preferences that we now enjoy either were very heavily modified or disappeared, then of course it would mean the beginning of the end of the whole preferential trade texture that has characterised the British Commonwealth almost since its beginning. So that is a great, historic event.

And from our point of view more than an historic event because it would mean that we would be forced by circumstances to develop new markets - we are always looking for them of course - but the heat would be on to develop new markets, to try to repair the partial loss of the old. No doubt Great Britain herself would be forced to realise that preferential trade is a two-way trade and this, therefore, might have enormous significance to the business that the United Kingdom writes in Australia. I don't know; we haven't worked that one out; we prefer to look at that if, and when, the occasion arises.

Now all that is on the economic side. All I want to say to you gentlemen is that nobody could be more clearly seized than we are of the vital importance of protecting our positions in these respects. I already had a committee of officials working in London before Mr. Sandys came out here. There will no doubt be further conferences, either official or unofficial, in the course of the next month or two. It all depends on whether the British Government decides to negotiate; and we will know that by tomorrow morning. But on top of all that - and this is going to give us a tremendous task on behalf of the export industry - on behalf of industries that are vital to the development of Australia, let's make no error about it - the decision here can have a very big impact on the whole Commonwealth structure.

You know this thing we used to call the British Empire has gone through some strange changes in my own political lifetime. It became a Commonwealth and now it has changed; it has a wider membership, it has less cohesion; its members disagree with one another more than they ever did before. True, Canada, Australia, New Zealand stand in the allegiance to the Throne - that great subtle element that characterises the old British Empire - but the rest. Republics, one thing and another, are not in the allegiance to the Throne. They are new countries, they are not as familiar as we are with our systems of Government, or our instinctive feelings about Government. We have an immense variety of nations in the Commonwealth - and they grow every day. Well that is a metaphorical expression: there are two or three recently in each year. It is very important therefore to consider from our point of view whether the relationship, the Commonwealth relationship, that exists between a country like Australia and the old country remains intact; whether, when I go, if I'm still Prime Minister, which they tell me is improbable, whether when I go to London to have a conference, I can still talk to the Prime Minister of the United Kingdom as the Prime Minister of the United Kingdom, not as something else, but as the head of another Government in another great Commonwealth country. Now this seems to me to be tremendously important because it is these contacts and these discussions which now contain, I think, the true essence of the Commonwealth.

Suppose, on some terms or another, Great Britain goes into the Common Market. The Common Market is not only an economic device, not merely something designed to build up the industrial strength of the European nations, it is a great political conception. I made rather a point of that when Mr. Sandys was out here and I saw it strongly confirmed a few days ago when the Six had a meeting, and issued a communique in which they said that the political aspects were tremendously important and that they were going to work towards common political organisms, towards common policies. Now this may be a very great thing for the world - I don't sit in judgment, because I don't know how it is going to be worked out. - it may be that it will be a tremendous thing for the world to have a cohesive Europe so that you have, in effect, a third great world power, and one on the free side. That has immense and exciting possibilities.

All I do is to say this: I record the fact that if that happens and Europe, including Great Britain, develops these new political organisms, common policies, integrated policies, then you can hardly say that the British Commonwealth remains the same. Because then a Prime Minister of Australia would be dealing with the Prime Minister of Great Britain, not as the Prime Minister of Great Britain, but as a very influential member of a European association which had, perhaps, overwhelming importance - and very naturally - in the mind of London. Now whether that is good or bad don't ask me to say. I used to be accused of being an old-fashioned Imperialist; I have even been referred to, quite courteously, as a great Commonwealth man; I admit that I am almost lost in a lot of these modern developments, almost lost. But I don't think that it is sensible to pretend that something is the same, when it has changed. Therefore I think we must make up our minds that if there is a negotiation, and if the negotiation succeeds on terms which may not be entirely satisfactory to us, then the new set-up, not only economically, but politically, will tend to direct the attention of Great Britain to Europe, and to that extent, away from some other parts of the world.

Sir, that is not a very cheerful reflection; but it is one that is in my mind and that is in the minds of all my colleagues and I sincerely hope that we are wrong. We may well be. There have been people unkind enough before today to say that we were wrong about somethings - once or twice between you and me I have thought we were. (Laughter) I hope we are wrong on this matter.

But what I have been saying to you is not designed to represent a series of dogmatic views but to illustrate to you that if the decision is taken to negotiate we are going to be onlookers, and I hope participants, so far as the Government is concerned, in a series of economic and political negotiations, which I believe will be the most important that we have been involved in in my lifetime. Therefore we must hope for wisdom; we must have patience; we must not rush, unduly, to conclusions. But the price of our maintaining our position as a nation will be eternal vigilance. And all I promise to you on behalf of my own Government is that we will be vigilant, we will be persistent, we will be getting in the back door from time to time if we can't get in the front; we are determined that on all these matters the interests of our own country shall never be overlooked.

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