

STATEMENT BY THE PRIME MINISTER

(RIGHT HONOURABLE R.G. MENZIES, C.H., Q.C., M.P.)

IN THE HOUSE OF REPRESENTATIVES

THURSDAY, 9th AUGUST, 1962.

COMMON MARKET NEGOTIATIONS



In my four weeks' absence abroad, I conducted close discussions on the Common Market problem in both the United Kingdom and the United States. I did this by way of following up the invaluable work done by Mr. McEwen in the course of his strenuous and far-reaching journey.

In London, I had a series of talks with the Prime Minister and with Lord Home, Mr. Butler, Mr. Sandys and Mr. Heath. In Washington, President Kennedy, Mr. Rusk, Mr. Harriman and Mr. Ball all found considerable time for an examination of our mutual problems. I was able to leave each place with a strong feeling that Australia's case was not only understood but was receiving very close consideration.

I felt that this was important, because it must always be remembered that in the negotiations now proceeding on Great Britain's application to accede to the Treaty of Rome and become a member of the European Economic Community, we are not a party principal and must therefore do what we can to impress our views, directly and indirectly, upon the actual negotiators and upon those whose views may influence their ultimate decisions.

Just as I arrived in England, an announcement was made by the press that an agreement had been arrived at in relation to "hard manufactures", under which existing Commonwealth preferences were to be "phased out" by 1970, when the Common Market arrangements are designed to reach maturity. Although the exports of both New Zealand and Australia in this field are intrinsically limited, Mr. Marshall of New Zealand and I had a discussion and issued a joint statement in which we said that British entry should not be on terms which resulted in critical damage to our economies and the impairment of Commonwealth relations. We recalled that the British Government had repeatedly given assurances that it would not feel able to join unless Commonwealth interests were safeguarded. We said that these assurances were of vital importance in the current negotiations.

We said that, notwithstanding this, neither Australia nor New Zealand could be indifferent to some recent developments in the negotiations. Although no doubt the outcome of this week's discussion on industrial products would come under examination at the Commonwealth Prime Minister's Conference, it none the less represented a disturbing development. It fell far short of providing adequate safeguards for Commonwealth trade in the products concerned. Even more important, of course, it must not under any circumstances be taken as a pattern for the type of settlement which might be reached on other products of even greater concern to Australia and New Zealand.

This statement attracted considerable public attention.

I then pursued the matter of the nature of any "Agreement" between Great Britain and the Six. Discussions with British Ministers made it clear that, until the meeting of Prime Ministers was held, all such arrangements as that announced in relation to "hard manufactures" would be tentative only; that they were not binding; that they represented what Great Britain and the Six felt was a feasible basis of agreement; and that when finally the ground had been covered there would emerge a package of such feasible arrangements which the Prime Ministers would be able to discuss without prejudice and without prior commitment.

The second question, that of the phasing out of preferential arrangements by 1970, was, of course, vastly important, and occupied much of my time. This phasing out principle has been referred to in many official messages and records as "decalage", a French word meaning "a shifting of the zero", or what we would call for the present purpose a gradual reduction to the point of extinction. When in London I noted with interest that the "Times" printed it "décollage", meaning in one sense a beheading. We have made it clear that to dispose of the Commonwealth issue by steady reduction of our existing arrangements without in some other way preserving our market opportunities, until termination in 1970, would be grievously unsatisfactory to us. It is true that our current trade treaty with Great Britain has a terminating or terminable date; that our current meat agreement is for a term of years; that the Commonwealth Sugar Agreement runs until 1969; and so on. But the point which we have been making is that, whatever the dates may be, there has for very many years been an expectation and intention that preferential arrangements of an appropriate kind would continue, just as it has been contemplated that a British preferential tariff on British goods passing into Australia would continue.

We have not been blindly obstinate or unreasonable in our advocacy. We have, in fact, recognised throughout that the present

members of the Common Market were not likely in 1962 (whatever might have been the position when the Treaty of Rome was in process of negotiation), to accept the entry of a Great Britain carrying with her the existing structure of Commonwealth preferences. We have therefore proposed and sought some alternative course which would secure for us the substance of maintained and expanded access to an enlarged European Common Market while not requiring the continuance of the strict letter of what I will call "the old law".

Without going into burdensome detail, I may illustrate our approach by two examples.

For some commodities we suggested that we should be given, on the basis of our trade with Great Britain, "comparable outlets" into the enlarged European Market. This means that we should be given a preferential tariff quota which would apply to the whole of that Market, but be based upon the normal amount of our existing sales to Great Britain, plus an agreed factor of normal growth. In the result, each European country of the Six would enjoy the same cost advantage as Great Britain, up to a point where the total imports of that commodity from Australia reached the agreed quota. After that, our exports of that commodity would have to meet the Common External Tariff.

In some other commodities we felt that the right answer was to make world agreements, pending the negotiation of which our current rights should continue.

There were and are many variations on these two themes which involve technical procedures which I could not hope to cover in a statement which is designed to explain the issues broadly and concisely.

With these preliminaries, I now proceed to explain, as objectively as possible, the nature of the two great problems which engaged my attention.

The first involved some examination of what I will call the political issues involved for Great Britain and the Commonwealth. Although, as we know, political issues embrace economic issues very closely, I am here using the expression "political" as distinguishing such matters as foreign policy and the concerting of external policies, and putting the economic issues, somewhat artificially, in a separate category.

This distinction is by no means precise, since there are in and under the Treaty of Rome provisions which could limit the normal political and legislative discretion of a British Parliament in relation to economic and social matters.

But, in spite of some confusion and overlapping of ideas, the making of the broad distinction will facilitate the presentation of the record to the House.

I will begin with the political considerations.

POLITICAL

1. The British Cabinet clearly is impressed by what it believes to be the political advantages for Great Britain, Europe, and the Western World which would flow from British membership of the European Economic Community. Mr. Macmillan made this clear in our discussions. I think it fair to say that his views on this matter seem to be fully shared by President Kennedy.

The basis of this belief is a feeling that the old Balance of Power policy - with Great Britain standing outside Europe - is no longer possible in modern circumstances and has been falsified twice in this century; that the measure of European co-operation already achieved under the Treaty of Rome is already notable, and will grow more rapidly with British participation; that Great Britain, as a member of the European Community could exercise substantial influence in the direction of outward looking policies and positive resistance to the Communist menace.

We understand and respect these views, but we have never assumed nor offered to sit in judgment on them. They clearly involve a choice, a most historic and far-reaching choice, to be made by Great Britain herself. If the choice is made in favour of entry, the political effect upon Australia and other Commonwealth countries, indeed upon the Commonwealth itself, will materially depend upon the nature of the political arrangements which develop inside the extended European Community.

Primarily, the Treaty of Rome provides for permanent close economic association between its members, with, for example, common agricultural policies, a free movement of people and capital, the harmonisation of social policies, and the creation of institutions such as an Assembly, a Council, a Commission - an executive body -, a Court, and a European Investment Bank.

The political implications of the economic association are visible, but not easy to define. But, as I pointed out to this House a year ago, the preamble to the Treaty of Rome stated that the signatories were "determined to establish the foundations of an ever closer union among European peoples".

The British Government has given much thought to this great question; it sees world advantages in involving Great Britain in European political associations of a permanent kind. We have never questioned the sincerity of its view, or the possibility of those advantages. Indeed, in a joint statement by President Kennedy and myself - to which I will direct attention at a later stage - we said that we both "recognised that European unity could contribute substantially to the strength of the free world".

From a Commonwealth point of view, I have taken every opportunity to point out that a great deal turns upon the nature of the proposed political (including constitutional) association. This question has given rise to much political debate both in and out of the British Parliament. There is a wide range of possibilities, from regular conferences of leaders and Ministers at one end of the scale (an ad hoc rather than a structural association) to a full-blooded European Federation at the other. I gathered in Whitehall that Great Britain does not contemplate the creation of supra-national institutions of government, with their consequential clear modifications of political sovereignty. There would appear to be some division of opinion among the Six themselves on this matter. But it does seem that, to take a single example, the right, under the Treaty, to the free movement of workers between the Member States can readily generate political pressures for organic political association. Many Europeans have already moved from one Member State to another. Subject to the power of national histories and traditions and prejudices (a power which can easily be under-estimated), national lines will tend to become blurred. If these processes now going on under the Treaty operated to reduce the possibilities of intra-Western European wars, such as the two great and devastating wars of this century, a great thing would have been done for world peace. Whether those processes would be accelerated and strengthened by British entry into the European Community presents a great current problem of statesmanship.

What we have sought to make clear is that if Great Britain went in, and if in the course of time the extended European Economic Community became a European political community with the structure of a Federation, the nature of the present Commonwealth would be clearly and materially changed.

For, as we know, a Federation distributes sovereignty between the central or Federal authority and the Member States. The sovereign powers of the Member States are diminished, the powers subtracted being handed over to the central or Federal authority. In short, if Great Britain eventually became a Member State in a European Federation, she would no longer be sovereign as the other Commonwealth countries are. The Commonwealth would have ceased to be an association of sovereign and fully self-governing States.

That such a consequence could be regarded by British Statesmen, contemplating the importance of European integration, as, on balance, acceptable, I would not deny. But it would be in our opinion wrong to pretend that, in that event, the nature and structure of the Commonwealth had not been changed.

Throughout my journey and my conversations, I felt most acutely the pressure of these considerations. The question in my mind took shape somewhat as follows: "After all, the Commonwealth has sustained many changes since the last war. Only some of its members remain with the direct allegiance to the Throne. It cannot be said that we have an all-embracing community of political institutions or democratic processes, or of the rule of law as we know it. Should our deep desire to preserve what we can be allowed to stand in the way of a new European conception embracing some 300 millions of British and European people, getting rid of their old local hostilities and forming themselves into an integrated Power devoted to true peace and determined to resist aggression?"

I believe that we, as a not unimportant member of the Commonwealth, would answer that question, as I have tried to answer it in England myself, by saying that United Kingdom membership of an actual European Federation, involving the great change in the Commonwealth to which I have referred, would be a mistake. I don't say that it is contemplated - I am sure that it is not - but nobody can confidently foretell the effect of those pressures of the future which I mentioned a few minutes ago.

It is possible to contemplate with approval a close co-ordination of high political policies between Great Britain and the European Economic Community. It would, as we see it, be an unhappy thing to contemplate the absorption of Great Britain into an organic European Federal Union.

But, I repeat, these decisions are not ours to make. All we can do is to state our views as we hold them and as we are entitled and bound to express them, and trust to the accumulated wisdom and experience of Great Britain, as the centre of the Commonwealth, to come to sound conclusions.

ECONOMIC

It is on the economic aspects of British entry into the Common Market that it would not be right to dogmatise about the views of the Government of the United Kingdom.

There are those who believe strongly that for Britain to have duty free entry into a Home Market of 300 million people with relatively high living standards would mean salvation and growth for British manufacturing industry in total. When questioned about the possible damage to British industry by duty-free goods from Europe, their answer is that this challenge will be met by increased efficiency in Britain, an efficiency compelled by the new circumstances.

On the other hand, there are competent people who think that the economic arguments for going in or staying out are fairly evenly balanced. This is a view which I found more widely held than I had expected. So much was this the case that I found myself tending more and more to the belief that the dynamic element in the Common Market movement is the conviction of political advantage; almost of political necessity in the cause of world security; and that the economic results are accepted by some as the necessary condition of political association.

Once again, I made it clear that we are not sitting in judgment on Great Britain's own economic views. It is for her to balance the possible gains in Europe against the possible losses in Commonwealth trade, which has in the past, of course, been vastly more important to her.

Our task is not to oppose Britain's entry on economic grounds which affect her, and which fall for her judgment; it is to do all we can, by hard work and persuasion, to ensure that the terms finally agreed to by the Six do the minimum of damage to the present and anticipated pattern of Commonwealth Trade, and of Australian trade in particular.

I am not in a position at present to expound the present state of the Brussels negotiations. They are clearly far from complete. I anticipate that fairly soon we will be officially and fully informed. Until then, it would merely confuse the problem for me to introduce speculation into what is intended to be an objective narrative.

But whatever the outcome of the negotiations may be; whatever outline of tentative arrangements may be presented to the Prime Ministers next month; the ultimate decision, when all the arguments have been heard, will be that of Great Britain, over whom, except for such current and binding agreements as now exist, no meeting of Prime Ministers can exercise a veto.

I mention these truisms because they are too frequently forgotten. Although one is frequently asked for a categorical YES or NO to the question "are you in favour of Britain entering the European Community?" no such answer is as yet possible. The position is still

confused. Very able Australian officials have for a year, both in London and Europe, and recently in Washington, presented to their opposite numbers facts, arguments, and proposals in relation to a long list of Australian commodities. The permanent head of our Trade Department, Dr. Westerman, whose ability, knowledge, and immense industry deserve great praise, made a long exposition of Australia's approach to the Council of Deputies at Brussels. My colleague, Mr. McEwen, this year pursued a powerful advocacy on the Ministerial level in all three areas. I myself followed the matter up as well as I could in the journey which gives rise to this report.

All these things have been done in no spirit of hostility. We know that the British Government has set out to secure terms which give reasonable protection to Commonwealth interests. We have a high regard for their chief negotiator, Mr. Heath, who has at all times been accessible to our views and has, as we know, been presenting the case for Commonwealth trade to the European negotiators.

It is certain that when we meet in September we cannot be presented with a complete package of possible arrangements. But it was anticipated, when I left London, that enough progress would have been made to enable useful discussion on some important items to occur, and the relevant principles to be debated.

Both in London and Washington, I encountered some opinions, courteously but firmly expressed, that the Australian Government was overstating its case, and that the damage to Australian trade was likely to be comparatively minor. I know, from an unhappy recent experience, that this view is entertained by some thoughtful people in Australia.

I therefore took, and now take again, the opportunity of answering these opinions.

In the first place, nobody is yet in a position to know what the terms of British entry will be. If she were to enter on the existing terms of the Treaty of Rome, with its objectives of internal free trade, a common External Tariff, and a Common Agricultural Policy, our preferences would before long be terminated, and replaced by preferences in Great Britain to European products. In addition, our access to the enlarged Common Market would be restricted by the array of protective devices used to support the Common Agricultural Policy. In such an event, blows would be struck in due or undue course against our exports of such important commodities as (to take a few examples) sugar, metallic lead, dairy products, meat, dried fruits, and canned fruits.

Should the terms of the Treaty of Rome be modified in the interests of Commonwealth trade, the degree of impact upon our export trade will depend upon the nature and extent of the modifications. As we do not know what, if any, modifications may be arrived at between Great Britain and the Six, who (not we) are the negotiators, we must, as prudent people, assess the possible losses to us on the basis of the Treaty of Rome as it stands; any departure from it in our direction will be so much saved.

I have not tried to deal with the purely financial implications of the Treaty of Rome. They were very clearly explained by Mr. Holt in this House on August 22nd 1961, in a speech which all students of the Common Market problem should study.

But there is another consideration which Mr. McEwen repeatedly explained, and to which I devoted a good deal of my time. A general economic survey which looks at national totals, divorced from consideration of particular industries, regions, and communities of men and women, can be most misleading. Percentages, as we know, can frequently be misleading. Much of Australia's productive development has been related to the long established pattern of Commonwealth trade, and designed to satisfy markets which form part of that pattern. In many cases, entire communities have grown up around export industries of this kind. In many cases, such industries cannot be confident of finding alternative markets quickly, or in some cases, at all. I will illustrate.

In 1960-61, our exports of metallic lead (pig and bullion) totalled £15.8m. Great Britain took £10.6m of this, duty free. Behind this export, we have developed in Australia great smelters, notably at Port Pirie, whose efficiency is of world standard. We also export substantial quantities of concentrates. The Common Market contemplates a Common External Tariff of about 9% on metal.

It is not difficult to see that, if our exports of lead are to be subject to this tariff, Australia could, upon British entry, lose the bulk of her export of metallic lead; her lead smelters could become uneconomic; while, ironically enough, as the Common Market will freely import lead concentrates, the reduction (and perhaps disappearance) of lead smelting in Australia could be accompanied by the creation of new smelters in Europe.

It would be difficult to persuade communities like Broken Hill and Port Pirie that the problems thus presented for their industries, their regions, and their people, are minor ones.

Take Dairy farming and the butter export. In 1961-62, for which we have complete figures, Australia exported to the United Kingdom just under £20m worth of butter, out of our total export of £23.5m. It entered the United Kingdom duty free, whereas European butter pays a duty of 15/- a hundredweight. Should Great Britain go into the Common Market on the terms of the Treaty of Rome, Australian butter would be subject to variable levies and possibly quantitative restrictions, while European butter would have free access. Is the problem thus presented, in economic, industrial, and human terms, a minor one?

Take Sugar, a great industry which gives life and significance to large coastal areas in Queensland and the north of New South Wales. In 1961-62, for which also we have complete figures, Australia exported £18.3m worth to the United Kingdom, none to the E.E.C. and £14.8m elsewhere. Our exports to the United Kingdom are mainly at a negotiated price under the Commonwealth Sugar Agreement. On the remainder of our exports to the United Kingdom we receive the world price plus a preference which is of the order of £3/15/- sterling a ton.

Surely this is a measure of trade so closely related to the development and peopling of our North that its protection assumes major proportions.

Dried vine fruits have provided the foundation, in specially irrigated areas, of large settlements, particularly of ex-servicemen, in New South Wales, Victoria, and South Australia. In 1961-62 we exported to the United Kingdom no less than £5m worth, out of a total export of £9.5m. Our product entered the United Kingdom duty free. The application of the terms of the Treaty of Rome, with a proposed Common External Tariff of 8%, could strike a crippling blow at industries which support entire communities, and to whom an assured export is economically vital.

Canned deciduous fruits and canned Pineapple also have great regional significance. In 1961, we exported to the United Kingdom, duty free, nearly £11m worth, a nominal amount to the E.E.C. and under £1m elsewhere. The proposed Common Market External Tariff is 25%. It is therefore clear that practically the whole of this export trade is involved in the negotiations now going on.

I have said nothing about our large export trade in Wheat and Meat, to which our negotiators have been directing close attention. These products need a special presentation, and I will not expand what should be the reasonable limits of a statement like the present one in order to do what my colleague, the Minister for Trade, can do with greater knowledge and authority.

But the illustrations I have given will, I hope, convince the House that it has not been for small considerations that we have been conducting negotiations and offering advocacy on an unprecedented scale, including the facilitation of investigations on the spot by leading members of the Opposition.

We are realists, but that is not to say that we are pessimists. We attach great value to the expressed determination of the United Kingdom Government to protect Commonwealth interests. We believe that the powerful and influential United States of America understands our lawful interests and national ambitions, and the importance of a Commonwealth growing in political and economic strength and significance.

I am not conscious of any exaggeration in our case. If, indeed, I had not thought that the possible impact upon Australia was, and is, a matter of very substantial importance to our own growth and prosperity, I do not think I should have so warmly approved of my colleague's strenuous journey or undertaken a similar one myself.

There is one other aspect of the economic argument which deserves special mention. I have had a good deal to say about our primary export industries, which are of vital importance to our balances of trade and payments, and whose volume of export trade is so important for their unit costs of production. We must, at our peril, do what we can to keep those costs from rising in a world in which the terms of trade are by no means favourable to us.

But our manufacturing industry, the steady growth of which is needed for an increase in our population and full employment, has great interests in the Common Market negotiations. This comes about in two ways.

First, our export earnings serve materially to determine our capacity to import. Most of our imports are not those of finished consumer goods, but those of plant and materials for local manufacture. In this way, the protection of the export markets of our primary products is essential to our manufacturing growth.

Second, the accession of Great Britain to the European Common Market is thought, as I have said, to be likely, through the creation of a vast home market, likely to increase manufacturing efficiency and reduce manufacturing costs in the extended European community. This must be expected to increase its competitive capacity in its exports to Australia. This in turn will affect the capacity of Australian manufacturing to meet competition from overseas, and may well give rise to acute Tariff problems which in their turn will, or may, create cost problems in the rural industries.

I am not assuming to answer these problems in advance. What I do want to make clear is that it would be an error to think that the Common Market problem is of interest to limited sections of the people. In reality, it touches the Australian economy at many points, and must be the concern of us all.

When I flew over to the United States of America, my principal objectives were to discuss with the President, the Secretary of State, Mr. Dean Rusk, and Mr. Averell Harriman, some of the problems of South East Asia, and also (with the addition of Mr. Assistant Secretary Ball and other leading officials) the problem of British entry into the Common Market.

I am happy to say that, over a period of three days in Washington, I was given a great deal of time and had the fullest opportunity to develop the views of the Australian Government.

In particular, Honourable Members may be interested to know that I found President Kennedy, with whom I had enjoyed most useful talks fourteen months earlier, not only friendly but uncommonly well-informed on Australia's special interests in the Common Market negotiations. He gave me hours of his time, as did the principal members of his Administration.

Assisted by the reports of my colleague, the Minister for Trade, who had done invaluable work a little earlier in Washington, I came to the conclusion that it would not be useful for me to rehearse the arguments justifying the principle of the preferential trade system of the Commonwealth which was first given comprehensive form at Ottawa in 1932 and to which the United States has always expressed objection. Deeply attached though we are to the Commonwealth pattern of trade, I felt that nothing was to be gained by pursuing what might be called doctrinal arguments about an issue on which my colleague, speaking with great knowledge and authority, had deserved success, but had not been able to achieve it. My own approach, therefore, took two forms.

The first was to say that, in the interest of practical satisfaction for both Australia and the United States of America, we should agree to avoid conflicting theories or argument about particular phrases or words, and find out whether, in a purely practical and pragmatic way, we could consider American and Australian interests in particular commodities to the end result that we might do our best, jointly and severally, to preserve our competitive status in the markets of an extended European area, and, in the case of Australia, maintain and expand access for our goods to Britain and Europe.

The second was to make it clear that should the Six insist upon terms of entry which involved the disappearance of Commonwealth preferences by 1970 without some other provisions for preserving our market opportunities, the government of Great Britain would be confronted by a most difficult choice - whether to go into Europe on terms which would invite opposition in other Commonwealth countries, or to terminate the negotiations and stay out of Europe. My argument was that, should Great Britain be confronted by such a dilemma, the United States of America itself would be, though not a party principal in the negotiations, the witness of a conflict of interests on a matter in which, as I believed, it wanted to see Great Britain go into Europe, but did not desire to have a conflict of Commonwealth interests.

After my Washington discussions, which I thought particularly helpful, a joint communique was agreed upon. Though Honourable Members have no doubt seen its terms as published, I ask leave to incorporate the relevant portions of it in Hansard, so that I may direct attention to some of its terms.

"President Kennedy expressed his strong belief in the importance of the Commonwealth as a source of stability and strength for the free world. At the same time both leaders recognized that European unity could contribute substantially to the strength of the free world.

"They reviewed therefore the implications for the trade of their two nations of the possible accession of the United Kingdom to the European Economic Community.

"It was agreed that, in this event, the United States and Australia would, as great suppliers to Britain and Europe, face problems in endeavouring to maintain and expand access for their goods.

"The Prime Minister offered the view that it would be a grave misfortune if, after the negotiations, it turned out that the conditions laid down for Britain's entry were unacceptable to Commonwealth countries on the ground that they damaged Commonwealth trade and expansion.

"The President and Prime Minister took note of the fact that with respect to certain articles and commodities Australia's historic terms of access are different from those of the United States. They recognized, however, that Australia competed with the United States in the United Kingdom market with respect to only a relatively small number of these items, though the items themselves are by no means small in importance. They agreed that, with respect to these items, technical discussions would be held between the two Governments in an effort to reconcile the trading interests of both nations.

"With respect to the great bulk of articles and commodities they noted that, as non-members of the European Economic Community, their countries faced essentially the same problems, and they joined in hoping that the community would pursue liberal trading policies. President Kennedy pointed out that under the trade expansion legislation now pending before the Congress the United States Government should strive, through reciprocal agreements, to bring about a general reduction of trade barriers for the benefit of all. Moreover, both leaders agreed that, with respect to a number of key primary products, the problems raised by the expansion of the Common Market might best be solved through international arrangements.

"During the course of their interviews the President expressed his warm interest in Australia and his understanding of Australia's needs in terms of development and growth, recognizing the problems of particular regions as well as industries.

"Both he and the Prime Minister were agreed that the problems for the United States and Australia arising out of Britain's proposed entry should be approached not on any basis of theory or the use of particular words but upon a practical basis, examining commodities one by one, having in mind the protection of the interests of both countries.

"As a result of their discussions the President and the Prime Minister were encouraged to believe that satisfactory solutions will be found to those problems faced by their two countries."

I thought our talks and this joint message quite valuable. The atmosphere of our relations with our powerful friends in America is of material and continuing importance. It is therefore significant that the document records that -

"President Kennedy expressed his strong belief in the importance of the Commonwealth as a source of stability and strength for the free world".

I can assure the House that this is no mere form of words. The President's knowledge of Commonwealth problems is quite remarkable. His interest in Australia in particular is quite unfeigned. I am sure that he is our friend.

Again - "It was agreed that, in the event" (of Great Britain acceding to the European Economic Community) "the United States and Australia would, as great suppliers to Britain and Europe, face problems in endeavouring to maintain and expand access for their goods."

I attached importance to this as a recognition that Australia is an expanding country with a great need for economic growth, and that we should be able to look forward to expanding our export trade to the European area.

And further - "They agreed that, with respect to these items" (i.e. those in which Australia competed with the United States in the United Kingdom market) "technical discussions would be held between the two governments in an effort to reconcile the trading interests of both nations".

This paragraph arose from my proposal that Dr. Westerman, our chief official negotiator, should return to Washington to have commodity by commodity discussions, "not on any basis of theory" (as a later paragraph of the communique puts it) "or the use of particular words, but upon a practical basis, examining commodities one by one, having in mind the protection of the interests of both countries".

Pursuant to this arrangement, Dr. Westerman returned to Washington. On his return to Australia, he was able to report some most useful talks, which have greatly assisted Mr. McEwen and myself in subsequent communications with British Ministers. I will make a further reference to this before I conclude in a few moments.

Honourable Members will observe in the communique our joint hope that the European Community will pursue liberal trading policies. This is important. Australia has for years past been carrying out active policies for the development of new markets and an increased export trade. This has been done through a much enlarged Trade Commissioner Service, Trade Missions, Trade Ships, the Export Payments Insurance Corporation, special tax measures designed to encourage export, Banking arrangements in aid of rural development, Beef Roads assistance and aid to the provision of improved coal exports ports and facilities. But the British and European markets remain very important for most export industries, and are quite vital for some. It thus gave me satisfaction when President Kennedy approved this paragraph:-

"During the course of their interviews the President expressed his warm interest in Australia and his understanding of Australia's needs in terms of development and growth, recognising the problems of particular regions as well as industries".

And finally, on the personal initiative of the President himself, the final words were added -

"As a result of their discussions the President and the Prime Minister were encouraged to believe that satisfactory solutions will be found to those problems faced by their two countries."

I have already referred to the arrangement made for further official talks in Washington. These occurred, most usefully, and my colleague, Mr. McEwen, and I have had personal reports on them by Dr. Westerman. Even more importantly, I have in the last few days learned from the American Administration of its deep satisfaction with these talks, their co-operative spirit and their fruitfulness.

I conclude by saying that, in this matter which transcends normal Party differences, we shall continue to do all in our power to influence decisions in directions which we believe will be good for Australia and for the Commonwealth and therefore enhance (in the words which I have quoted) "the importance of the Commonwealth as a source of stability and strength for the free world".
