

Federal Republic of Germany

Speech by the President of the Federation of German Industry,
Dr Guenther Sohl, on the occasion of informal discussions with the
Prime Minister of Australia in Cologne on 16 January 1975

It is a special honour for me to welcome you, Mr Prime Minister and the gentlemen of your team, here at the House of German Industry.

As President of the Federation of German Industry and on behalf of the representatives of the German economy gathered together here, I offer you a very warm welcome.

I wish to thank you for your readiness to undertake this informal exchange of views, and in order to leave as much time as possible for discussion I shall confine myself to some brief words of introduction.

Many of the gentlemen present in this circle know your country at first-hand—as indeed I myself do. The tremendous riches of the Australian continent, above all in natural resources—a most enviable asset in today's raw material situation—is known in German economic circles, and valued accordingly.

Developments in the past year have made it clear to all of us that we must in future utilise our available resources in a more careful and rational manner than hitherto. The energy crisis which co-occurred with a scarcely controlled bout of worldwide inflation and further aggravated this phenomenon, has created problems for the world economy which individual nations can no longer master alone.

Australia is, admittedly, largely independent from importing energy and other important raw materials. At any rate it is less dependent than most other industrial nations. But a collapse of the existing world trading system with a retreat into nationalism would hit the entire world economy and call into question advantages

already achieved through international co-operation. If this is to be avoided, then in my opinion only the co-operation of all nations participating in the international economic process can lead us out of the present situation.

A high degree of co-operation already exists between Australia and the Federal Republic. However, up to now this has been confined primarily to an exchange of investment goods from the Federal Republic against raw materials which we obtain from Australia. Just last year there was a marked expansion in German-Australian trade. It is pleasing to note that both our countries pursue a liberal foreign policy. Free access to world markets is of vital importance equally to Australia and to the Federal Republic. In our own interest we should endeavour to maintain and strengthen the system of free world trade based on GATT.

Admittedly, the European action in banning imports of beef, which affects Australia, is a blot on the picture of free trade. I can assure you that there is little support for this measure in the German business community. At the same time, however, German exporters are concerned about certain tendencies in Australia to protect some industrial sectors either by tariff increases or, in some cases, by import restrictions against foreign competition. From the experience of German industry over the past decade I can only say that a wider access for foreign competitors is the best spur to the development of domestic productive capacity.

But quite apart from an exchange of goods, a closer co-operation between enterprises in Australia, a country with such tremendous

reserves of raw materials, and enterprises in the Federal Republic, one of the large industrial processors, offers itself as an eminently sensible proposition. I am glad to say that connections between Australian and German companies are already numerous.

So far as I am informed, more than eighty German companies are engaged in Australia to date through direct investments.

The industrial interest in Australia led early in 1971 to the visit of a German economic delegation to your country under the chairmanship of my predecessor, the former President of the BDI. This visit brought about a number of promising new contracts. Even so, I have the impression that the existing possibilities for German-Australian co-operation above all in the sectors of coal and iron ore, have not yet been utilised to the extent that might be desirable. And certainly the total engagement of German companies in your country to the extent—up to now—of about 275 million deutschmarks is not as high as could be expected in terms of Australia's importance.

There are several explanations for this. From the

viewpoint of German companies, Australia's distance from Europe and the delays and costs of transport connected therewith, play an important role: also the relative limitation of the Australian market so far as the production of manufactured goods is concerned.

The double-taxation agreement, which will now come into force within a few weeks will very likely improve conditions in this regard since the absence of such an agreement has had a disturbing effect in the past.

On the other hand, the uncertainty as regards Australian investment policy has contributed to the fact that German enterprises have hesitated in recent years to invest in Australia. As regards raw materials in the energy field, foreign investments were completely excluded until November 1974. The liberalisation decreed in the meantime and the new rulings which are directed more strongly towards joint projects, have been welcomed by German industry. But even now, there is still some uncertainty over here regarding the freedom of action available to foreign companies in the case of investments on a longer term.

The Prime Minister in talks in Bonn with the Chancellor of the Federal Republic of Germany, Mr Schmidt.



Prior to engaging in investment abroad, a German industrialist naturally desires to be able to calculate on a fairly reliable basis the possibilities and also the limitations for placement of his capital and for making business decisions. This is one of the pre-requisites for long-term planning, and in the case of investments in basic products, such as would be offering themselves in Australia, it is indeed mainly a question of long-term planning.

We would thus be grateful, Mr Prime Minister, if you could explain in a few words what Australia in her economic policy expects of foreign investments in the natural resources and the processing industry field.

We hope, Mr Prime Minister, that your visit to Germany may contribute to a strengthening of the good relations between our countries and to the initiation of new links.

Speech by the Prime Minister of Australia on the occasion of informal discussions with the President of the Federation of German Industry in Cologne on 16 January 1975

In large measure the economic relationship between Australia and the Federal Republic reflects the basic complementarity of our two economies. Australia is a prosperous country with a strong and technologically sophisticated industrial base. On a per capita basis our gross national product approximates yours. At the same time Australia is in an unusual position among industrial countries, for we are well endowed with raw materials. By contrast the Federal Republic is substantially dependent on imported raw material. The pattern and growth of the trade between our two countries and the increased interest that you have shown in investment in Australia clearly reflect this economic complementarity.

The result has been a healthy growth in our trade. Australia's exports to the Federal Republic are increasing and are now valued at over 700 million deutschmarks a year. The principal items are raw materials and agricultural commodities. Your exports to Australia have been rising even more rapidly, now amounting to over 1,120 million deutschmarks a year. The major components are motor vehicles, electro-technical products, pharmaceuticals, plastics and chemicals. German direct investment in Australia over the years has amounted to around 260 million deutschmarks and is increasing, I think you said some other figure somewhat likely.

Let me say a few words about foreign investment. We have become more selective in determining which types of foreign investment are welcome in Australia. This in no way amounts to hostility to foreign capital as such. Indeed at the moment there are very few restrictions at all on worthwhile capital investment. We recognise that Australia has a long-term need for capital from abroad. Foreign investment has undeniably made a significant contribution to the rapid development Australia has enjoyed in the past and will continue to do so in future. We welcome your interest in investing in Australia

and are happy to consider any proposals you wish to make. We are convinced, however, that we must promote Australian control of Australian resources and industries and aim at the highest possible level of Australian ownership.

When we social-democrats came to office two years ago we found that foreign control extended to some 26 per cent of the manufacturing sector and at least 60 per cent in mining; that is, the energy resources for instance and mineral resources which held out so much hope for Australia's future prosperity were in fact predominantly controlled from overseas.

I'm sure you can understand that we considered this an unsatisfactory situation. It was certainly unsatisfactory to public opinion in Australia, and I believe unsatisfactory to any Australian Government which would ever be elected from now on. We are committed to redressing this situation, but I stress that whenever it may be necessary to change a rule we shall do so responsibly, fairly, with ample notice and with due regard to the interests of all concerned. It would be irresponsible and disruptive to act otherwise.

The promotion of Australian control of Australia's own resources and industries must be viewed as a long-term objective. Our aim is to rectify the situation in two ways:

- (1) We are trying to increase the already high rate of capital accumulation in Australia itself. The extension of the activities of the Australian Industry Development Corporation which was established about four years ago by the previous Australian Government and the establishment of a national investment fund should be seen in this light.
- (2) In screening more carefully proposals for foreign investment we have in mind a number of criteria: whether the investment will be in partnership with Australian capital, the degree of foreign

participation already existing in the industry concerned, the importance in terms of the national interest of Australian control of the industry itself, the size and location of the proposed project, the extent to which a project uses advanced technology for which Australia has a need, marketing arrangements, environmental aspects, labour relations and the interests of Australia's Aboriginal people. The last matter concerns some mineral deposits but not in general secondary industry.

All foreign investment proposals will be considered on their merits in terms of these criteria. There are some cases in which I can specify more closely what our attitude is likely to be. Restrictions on foreign investment in some sectors have been of long standing. This is the case in banking, in radio and in television, and in civil aviation. My Government has retained these bans. We don't generally favour foreign investment for the establishing of new insurance companies and non-bank financial institutions. Foreign investment in real estate will not normally be approved other than investment which is purely incidental to other purposes, such as the establishment or extension of a factory.

This reflects an important principle in our policy, that foreign capital should be associated with productive investment adding to Australia's real resources and bringing real additional benefits. This is also the reason behind the legislation dating back to September 1972, that is three months before we were elected, designed to control takeovers by foreign concerns of Australian enterprises.

All these things have been there for years. We haven't introduced them, although we haven't altered them or criticised them. Since January 1973 my Government has assumed control of all mineral exports. Now, this was not to stop mineral exports as some people thought. You work under a Federal Government, a Federal System, so does Australia. And to control exports was the only method open to the Federal Government in Australia to achieve certain other purposes. These purposes were to ensure that export prices for Australian minerals are at a reasonable level in relation to export prices of

other countries and that in future the Government has full knowledge of all details of export contracts. I think it is clear that many of the contracts which had been made before we were elected to government were not very far-sighted indeed. And also it must be clear it was astonishing that the Federal Government didn't know the details of export contracts in Australia and until we brought in these export controls we were not able to find this information. And I think also it must be said that in Australia many of the States, the Laender, had competed against each other for short-term objectives and had not taken due regard to the overall national long-term interest.

Now let me illustrate our approach by taking the case of uranium: The era of cheap uranium has ended. Some have thought equity participation in Australia's energy is a means of guaranteeing supplies. My Government has an objective of full Australian ownership of this vital national resource. The amount of uranium exported to any country will not depend on whether that country sponsors exploration in Australia. We have constantly assured our trading partners that they will receive supplies from our available exports and I give this assurance again to you, Gentlemen. Continuity of supply can be adequately safeguarded through long-term contracts. There were several contracts when we came into office. We will see that every one of these contracts is honoured in future.

In future the Australian Atomic Energy Commission as the agent of the Australian Government will participate in the mining and treatment of uranium locations in the Northern Territory of Australia. The Atomic Energy Commission was established by an earlier Australian Federal Government in 1953. There have been no amendments to the Act since we came in. And why I emphasise the Northern Territory is that it is totally within Federal jurisdiction. The Laender don't have anything to do with it and most of the uranium in Australia so far discovered has fortunately—we would regard it—been found in the Northern Territory. Now the Commission will be the sole exporter of uranium. It will also undertake all the new uranium exploration in the Northern Territory. Australia is making joint studies with Japan of the enrichment of uranium in Australia.

The world has been irreversibly altered by the oil crisis which emerged in the last quarter of 1973. This has led to some discussion of the role of other groups of countries exporting raw materials. Some have banded together to seek increased revenues for their exports. Australia has participated in the development of some mineral producer groups, such as the International Bauxite Association. And in this last week officials of our Government and the other iron-ore exporting countries have been discussing an iron-ore exporting association.

The Australian view is that such groups, while different from the earlier international commodity agreements, are not necessarily disruptive and exploitative international resource cartels. Though this doesn't apply to Australia, it is worth remembering that many of the countries concerned in the bauxite and copper cases for instance, while rich in these raw materials, are rich in virtually nothing else. They are developing countries with an understandable concern to receive reliable and fair returns for their scarce resources. Clearly a balance must be achieved between the interests of both groups and a few countries who purchase the finished product. I don't pretend this will always be easy. I believe however that in achieving the required balance countries like Australia have a special role to play. Australia is one of the few countries combining the interests of both sides and therefore in a position to exercise a moderating influence.

Finally a word about our tariff policy. Let me say at the outset that international trade is of fundamental importance to the Australian economy. It would clearly not be in Australia's interest to look upon trade as a one-way street. Our economy requires a wide range of imported capital goods and materials to maintain our expanding manufacturing sector. My Government's attitude to tariff policy is clearly flexible. In July 1973 we reduced practically all Australian tariffs across the board by 25 per cent. Nevertheless it must also be stressed that Australia relies almost solely on the tariff to protect domestic production. I need hardly add to a group such as this that there are other countries or economic groupings in the world today where various devices, such as import prohibitions, quotas and other quantitative controls are used

to supplement tariffs to protect local industries. In view of this it is hardly surprising that in some cases Australian tariffs are higher than in other larger, longer established countries. This is not intended to imply that all Australian tariffs will always remain high. Our Industries Assistance Commission is undertaking a tariff review which will cover an appreciable segment of Australian manufacturing industry and is expected to be completed within four years.

A special feature of the Australian tariff system is the provision for entry of goods either duty-free or at concessional rates under our by-law procedures. This generally provides for concessional entry for goods where Australian industry cannot make available suitably equivalent goods. In 1972-73, 25 per cent of the value of all goods imported into Australia was covered by the by-law system. I'm sure many German manufacturers were included in the list of those benefiting from this procedure.

You will see that in all our policy Australia remains flexible, co-operative and responsible in her dealings with her trading partners. We welcome the co-operation of German industry and investment in the development of our country and we trust that this partnership will strengthen and develop.