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PRIME MINISTER

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STATEMENT ON THE WORLD SITUATION

Tonight I am going to talk about Australia's place in the world and about the inter-relationship of domestic policy and foreign policy. The purpose of this statement is to outline some of the basic guidelines for the Government's approach in its dealings with other countries.

The first requirement for an effective Australian role in the world is a realistic assessment of the state of the world in which Australia must act. That assessment must, as far as possible, be free of self-deception, self-delusion. We must be prepared to face the world as it is, and not as we would like it to be. Only in that way can we avoid becoming involved in the pursuit of policies whose assumptions are so remote from reality that their failure is inevitable. Only in that way can we hope to perceive accurately, possible problems for Australia and seek to overcome them. Only in that way can we effectively advance our objectives of peace and security.

To point to possible problems and dangers is not to be gloomy or pessimistic. It is an essential step in the development of realistic and appropriate policies. It is an essential step in enabling us to avoid problems and dangers which may arise.

First of all, I will discuss the Government's general approach to Australia's foreign relations. Australia's basic interest is in survival as a free and democratic country, a country which can work effectively towards a world in which all people can live in self-respect. We want to help diminish the dangers of war and conflict, to help others - as well as ourselves - to live in peace and prosperity - and to work towards an international environment which is favourable to these ends. There is a yearning in the world for peace and security. These must be the constant objectives of our policy.

We will also seek to further our own deeply held values of democracy, freedom and respect for the individual at every opportunity. In our relations with other countries, the ideology of regimes is not irrelevant but it cannot be the guiding principle of our policy. While common values and attitudes may serve to make cooperation easier, their absence need not preclude such cooperation if there are parallel interests. Whatever the basis of a regime, whatever the organisation of its domestic government, the chief determinant of our relations will be that country's approach to foreign relations, how it meshes with ours, and of necessity the extent of the interests we share.

We should strive to deal with other countries, and look to the development of cooperative relations with those countries with whom we have some common interests, regardless of ideology. A relationship founded in common interest is ultimately the only relationship that can be depended upon.

In recent years, abroad as at home, lack of realism has inhibited Australia from the constructive role open to us. A government does a great disservice if it encourages acceptance by the people of an unrealistic view of the state of the world in which they live. At home, the costs of a lack of realism have become very apparent in the economic dislocation Australia has suffered. Abroad, unrealistic notions that an age of 'peace stability' had arrived encouraged a neglect of power realities - a neglect which did not serve our interests.

It is time to move towards realism abroad, as we are at home. Australia in common with other medium and smaller countries is now facing a more difficult task in developing foreign policy in a deeply disturbing world environment. The evidence for concern is apparent to anyone who takes a realistic and dispassionate view of the world. The aspects of the international situation which give rise to concern are:- Firstly, the continued readiness of some states to pursue their interests by the use of force - by the growing influence on the international scene of countries opposed to the freedom and respect for the individual person on which our own democratic system is based.

Goodwill between nations would be enormously advanced if all nations could treat those within their boundaries equally and justly, and if nations could refrain from forcing their own form of government on others. But unfortunately, it would be unrealistic to expect that they will do so. Indeed, the practice of non-interference places a heavy responsibility on states.

We have come far beyond the point where anyone can pretend that the denial of rights to minorities, or of basic rights to majorities, is not a matter of international concern. It is a tragedy, nevertheless, that great powers have sought to use problems arising from such situations not to achieve actively a just solution but to achieve the dominance of one ideology over another. A second aspect of the world situation giving rise to concern is the state of relations between the superpowers. Despite the hopes placed in detente, it has not stabilised relations between the great powers. Indeed a renewed arms race now looms as a real prospect.

I shall comment on this matter further in a moment. Thirdly, there has been a spate of criticism, often ill-founded, of the United States which has reinforced domestic disputes within that country. Disagreement between Congress and Executive has impaired the capacity of America - the only power which can provide a balance to the Soviet Union - to act with full effect abroad.

Let me not be misunderstood. This is not a plea for any power to be a policeman for the world, nor to do what small powers should do for themselves. A country without the fortitude to defend itself does not deserve help. But having said that I want to draw attention to the fact that there are many things which only the world's greatest free power can do. If she leaves them undone, they remain undone.

Fourthly, the internal economic and political problems of many countries has led to uncertainty in their external relations. Fifthly, there is a serious problem of double standards in international life. Countries demand from others standards they do not observe themselves, while too often judgements are based not on the nature of an action but on the identity of the actor. Sixthly, problems of energy and raw material supplies have faced the international community with a novel set of problems which, if unwisely handled, could add a new set of disputes to the catalogue of dangers confronting mankind.

Finally, the appalling widespread problems of poverty, hunger or disease are not only an affront to human dignity, but constantly threaten discord and conflict between nations. By no measure can the developed nations of the world claim that they have acted with adequate foresight to redress the balance.

The developed countries have pursued a policy of tied loans and tied aid but have completely failed to open their markets to the developing countries which will provide proper returns for their products to the developing countries. The developed countries are regrettably more interested in trade between themselves than they are in facilitating the progress of nations poorer than themselves. They can take no pride in their actions in this area.

These factors show that a nation does not have to face a threat of imminent invasion before it has grounds for concern at the international situation. From our own point of view the primary concern is an international environment which could progressively limit the capacities of Australia, her friends, and allies, to advance their interests and ideals: which reduces options: which almost imperceptibly weakens the capacity to pursue our interests and advance the cause of human dignity,

Whether or not such an unfavourable external situation occurs is ultimately of course, not in Australia's control. But it is not totally beyond the influence of our policies.

A successful Australian external policy must be flexible, alert, undogmatic. We must recognise that Australia, a middle power, lives in a world where power in a broad sense remains the major factor in international politics.

In international politics power includes not only military strengths. Economic resources, industrial capacity, population, domestic stability and diplomacy all contribute to a nation's power and influence in the world.

Australia lives in a world where predominant power is controlled by the United States and the Soviet Union.

It is a world whose relations also depend however, on the actions of other major powers - China, Japan and the European powers - and within particular regions also on the distribution of power between middle and small states.

The international diplomacy of the major powers - with which Australia has to deal - has to be understood principally as an effort by these powers to create a balance in the world favourable to their interests. It is in the pursuit of a more favourable balance that their policies impinge on middle powers, such as Australia, and on areas of immediate importance to Australia, such as South East Asia, the South Pacific area, and the Indian Ocean.

We have certain advantages in achieving our international objectives.

One lies in the common interest between us and others in the pursuit of similar goals. We have, for example, a common interest with the ASEAN countries that no one power should dominate the region again.

It is not in China's interests that the Soviet Union should become dominate in the Indian Ocean.

On the other hand, it is not, presumably, in the Soviet Union's interests that relations between China, Japan and the United States should be too close.

In current international circumstances it is in the interests of many countries that South East Asia not become a region of increasing great power competition.

Such a development would not merely be dangerous to our security. It would greatly restrict our freedom of action across the whole range of our foreign policy objectives.

Another advantage we have in pursuing our objectives lies in the fact that we have not only relations of convenience, common interests or even necessity with a great variety of nations. With some we also have common philosophical commitments, and friendships which we can and will strengthen.

Our final advantage is in our people and our way of life. For all its faults, democracy is the best form of government yet devised, but its survival depends on the will and resolution of its leaders and peoples, and on a recognition that its values cannot be taken for granted.

The guiding principle for Australia's role in the world ought to be an active and enlightened realism. Although our capacities to advance our interests are limited we should be active and constructive in pursuit of a peaceful and favourable international environment.

I turn now to consider relations between the superpowers and how these affect Australia's foreign policy.

Detente

It is clear, and it has been clear for a long time, that the U.S.A. and the U.S.S.R. have, as a major policy imperative the avoidance of nuclear war.

Their principal common interest lies in limiting the possibilities of nuclear conflict and ending the wasteful arms race. This interest, shared by the rest of the international community, gave rise to the first S.A.L.T. talks and then to the enunciation of certain "basic principles of relations between the U.S.A. and the U.S.S.R."

These principles were signed in Moscow by President Nixon and Leonid Breznev in 1972. They included the declarations:

- * That the different ideologies and social systems of the two powers would not prevent them developing proper relations.
- * That both countries attached major importance to preventing situations capable of causing a dangerous exacerbation of their relations.
- * that efforts to obtain unilateral advantage at the expense of the other were inconsistent with these objectives.
- * and that both powers would seek to promote conditions in which all countries would live in peace and security and would not be subject to outside interference in their internal affairs.

Every country which desires peace must wish to see these principles observed.

In an important sense, these principles, far wider than the mere containment of possible superpower conflict below the nuclear level, is what the world hoped Detente was all about. After all, earlier relations between the superpowers also involved a concern to avoid nuclear war, and Detente was heralded as a significant advance on this.

As understood by people throughout the world, Detente meant not merely the search for security from nuclear war, but a genuine overall relaxation of political and military tensions.

Unfortunately, the reality has not matched these aspirations.

It is clear that maintenance of a stable relationship between the superpowers depends on realistic negotiation and crisis management.

Negotiation is not a substitute for, it is an essential concomitant of, a stable military balance.

Negotiations will not succeed unless they are accompanied by a clear determination to maintain a balance of forces, and are free from illusions about the effectiveness of unsupported goodwill.

Our interests are in a lessening of tensions between the superpowers which only realistic negotiations make possible.

I now turn to consider more closely the roles of the superpowers.

The Soviet Union

The Soviet Union has an immense responsibility before mankind - to use its power and influence to strengthen the fabric of international peace and security. It has an historic opportunity to use its position to help build a stable and humane international order and to end the arms build-up. It will be judged by the great majority of mankind against these standards.

The Soviet Union is unquestionably committed to the avoidance of nuclear warfare. Reasonable people can however reasonably conclude that the Soviet Union still seeks to expand its influence throughout the world in order to achieve Soviet primacy. Its actions all too often appear inconsistent with the aim of reducing world tension.

The U.S.S.R.'s actions during the 1973 Middle East war increased tensions to the point that the U.S.A. was led to put its armed forces on a world wide alert. The U.S.S.R. substantially assisted the North Vietnamese to take over South Vietnam. In Angola, the U.S.S.R. intervened by introducing 12,000 Cuban troops into the situation, and supplying them.

In the last decade, the Soviet Union has expanded its armed forces by 1 million. The Soviet navy has grown substantially while the size of the United States' naval forces has declined.

The Warsaw Pact countries have a major advantage in conventional forces over NATO. NATO has 70 divisions, the Warsaw Pact has 178 divisions - excluding the 43 Soviet divisions on the Sino-Soviet Border. This is a discrepancy of major proportions even when allowance is made for the difference in the sizes of the respective divisions.

In addition, it would appear that the superior quality of NATO equipment which served to partially offset NATO's numerical inferiority has been eroded.

The build up of the Warsaw Pact far exceeds the objective requirements of defending Eastern Europe.

The Warsaw powers possess the conventional capacity to move into Western Europe with such rapidity and penetration that the use of even tactical nuclear weapons against them is now questioned.

The U.S.S.R.'s nuclear armory has been elaborated to a point where there is considerable debate about the possibility of the Soviet Union gaining a strategic advantage.

The Soviet Leaders now have a strategic and political reach - a capacity to influence and even intervene - well beyond the periphery of the established zones of Soviet security interest.

The U.S.S.R. has demonstrated the will to exploit that capacity where the opportunity offers.

Angola is not the only place affected by Soviet trained and sponsored movements. The Soviet Union is engaged in a major political offensive backed by the known presence of force, by training and by propaganda.

The fabric of negotiations with the Soviet Union - which we strongly support - has unfortunately had limited success in winning restraint in this campaign.

President Ford's abandonment of the term "Detente" clearly shows a recognition that the more extreme claims made for changes in the superpowers' relationship were quite unrealistic.

Stability is disturbed and tension increased if the Soviet Union makes geo-political gains through its support of wars of national liberation, by the use of surrogates.

The time has come to expect a sign from the U.S.S.R. that it understands this and that it is serious about reaching global accommodation with the West. A tangible signal is required from the U.S.S.R. in the form of a restraint in its military expansion. The pace is being set by the U.S.S.R. not by the U.S.

While the NATO powers' capability remains relatively static, why is the Soviet arms build-up proceeding apace? It is reasonable to ask: Why does the Soviet Union desire a military power far greater than any needed to secure her own frontiers, or the expanded frontiers embraced by the Warsaw powers?

It is for the Soviet Union to show that the conclusions so easily drawn from its actions are wrong -- that its basic purpose is world peace -- a world in which different nations can live and cooperate in harmony.

That opportunity is open to the Soviet Union. It is up to the Soviet Union whether it pursues that path or whether it takes a different path which would lead to disturbing conclusions.

The United States

Along with many other countries concerned for their security and political independence, Australian security is greatly affected by the role of the United States.

The world cannot afford any reduction of the credibility of the U.S. Foreign policy. In that way would lie huge risks. The dangers of miscalculation by other powers could become substantial, not only for the United States herself but for all those countries which look to a confident exercise of American policy in the cause of peace and stability.

America is the only power that can balance the might of the Soviet Union. If America does not undertake that task it will not be done. If it is not done the whole basis of peace and stability is unsupported.

The Vietnam war and Watergate undermined America's self-confidence and sense of purpose. Unfortunately, a contributory cause has also been undue world criticism of the United States - opposition by people who ought to have been her friends and who ought to have understood America's objectives in the world.

Mutual recriminations about the causes and results of foreign events, differences between President and Congress on the conduct of American foreign policy area, are producing concern about America's capacity to act effectively around the world.

This Government, while maintaining to the full its own independent national perspectives and sovereignty, will ensure that the ANZUS alliance with the U.S. and New Zealand does not fall into disrepair and disrepute.

The interests of the United States and the interests of Australia are not necessarily identical. In our relations with the United States, as in our relations with other great powers, our first responsibility is to independently assess our own interests.

The United States will unquestionably do the same.

The fact remains that of all the great powers with active interests and capabilities in the areas of critical concern to Australia, the United States is the power with whom we have the closest links.

Those links are based not merely on known common interests in, and commitments to, a peaceful and stable world, but on common traditions of democratic institutions and values of respect for the individual.

As long as Australia values freedom and respect for the individual, the United States is the power with which we can realistically establish close and warm friendship and with which we can most closely work to advance world peace and humane values we share.

The U.S. can expect all proper cooperation from us in support of our common objectives.

Although relations between the superpowers are a fundamental determinant of the world environment, Australia has the most vital interest in the relations between countries in the areas of critical concern to us. We are and must be intimately involved in our own region.

I turn now to discuss relations between countries in the areas of critical concern to Australia.

South East Asia

The South East Asian region has been an area of close Australian concern and involvement for many years.

Our interests are that the region should not become in the future an arena for great power conflict: That relations between States should be peaceful and cooperative: That political change in the area should not provide occasion for the assertion of a dominant role by any of the great powers: and that there should be opportunity for commercial and cultural exchange between Australia and the countries of the area.

Beyond these concrete interests, we would wish, within the limits of our possibilities, to help in the region's development needs and to be an understanding and dependable neighbour.

Internally, most of the countries of the region are vitally concerned with problems of economic development and social stability. Externally, they are adjusting to the victories of communist movements in Vietnam, Laos and Cambodia and the changing roles of major powers with interests in the region. This change has inevitably brought a period of uncertainty and anxiety for countries in the area.

We share the concern of regional states at insurgency problems and at the continued armed insurgencies encourage and supported from abroad.

It would, in our opinion, be undesirable for mutually exclusive groupings to develop which could foster antagonism at the expense of economic and social development.

We therefore, have an interest in establishing as broad relations as possible with countries in the region and this, of course, means that we stand ready to explore with the new governments in Indochina the development of relations of mutual benefit.

It is critical for the peaceful development of the region that there should be mutual non-interference between the states and a commitment to the peaceful resolution of differences. Australia will seek to play a constructive role in the reduction of tensions and the resolution of disputes.

Australia has long standing friendships with all Asean Governments. We welcome the activities of Asean as providing a constructive basis for regional relations.

We want to identify and develop further areas of practical cooperation on shared political and strategic interests. We will seek to do so through our aid programmes, through involvement in regional efforts to advance economic and social development, and by the promotion of trade and other economic cooperation.

Australia has a deep interest in maintaining sound and close relations with Indonesia. The broad relationship is of great importance to both countries. Relations are such that both countries can state their views plainly. Both countries have broad interests in the stability of the region and fundamental interests in avoiding great power conflict in the region. It is against that background that we have stated our views on Timor. We support a genuine act of self-determination in Timor. The very fact that we have stated our views on Timor plainly is a mark of the underlying strength of our relationship. Despite differences, a major concern of our policy will be to continue the friendship we both value.

We would like to see the development of constructive relations between the region and countries beyond the region.

The major powers will continue to be interested in South East Asia. The Australian Government will urge the major powers to restrain their competition in the region. Restraint will in any case be induced by the independent national interests of the countries of the region.

Our own role is similarly influenced by what is acceptable to these Governments.

Papua New Guinea

The Government places very great value on Australia's relations with Papua-New Guinea. The warmth and respect between the two countries provides a strong foundation for our relationship.

Papua New Guinea's needs will have the highest priority in our aid programmes.

We have recently announced a five year aid programme which represents a substantial increase in Australian assistance. This programme has been warmly welcomed by the Prime Minister of Papua New Guinea.

The Australian Government firmly supports the concept of a united Papua New Guinea. The unity of Papua New Guinea is of great importance to the stability of our part of the world.

Japan

Japan is of fundamental importance to Australia's long term political economic and security interests.

Few countries match Japan's economic significance in the global system and with no country do we have closer economic links than with Japan. The Australia-Japan bilateral trade flow is the seventh largest in the world.

Japan's political and economic security is largely a function of her relations with the great powers. The role which she defines for herself will be influenced by the condition of the great power balance, by her relations with China and the U.S.S.R.

By the credibility of America's strategic role in the Pacific, and by the qualities of her relations with countries like Australia.

But Japan's role will also be defined by the reliability with which these relations guarantee her access to critical sources of supply of raw materials and markets for her products.

Australia and Japan therefore, share an interest in a stable, great power balance in which no potentially hostile power dominates a region of critical concern to either of us.

We share a respect for democratic institutions.

We have mutual interests in establishing and maintaining reliable access to each other's markets.

Since the agreement on commerce was signed in 1957 Japan has become Australia's largest trading partner. Australia is in turn, one of Japan's most important suppliers.

The Australia-Japan ministerial committee (AJMC) was established in 1971 as a recognition of the importance of the economic ties between the two countries, and provides for wide-ranging discussion at the highest level on matters of mutual interest.

In the light of change in the composition and structure of trade between the two countries, since the revision of the commerce agreement in 1963, at the October 1973 meeting of the Committee it was decided that the agreement should be reviewed taking account of the discussions on the basic treaty.

As a result of Mr. Anthony's visit to Japan, there is greater understanding of the importance of stability of trade both ways.

Australia also understands the importance placed by Japan on access to the markets of the United States and the European community.

These concerns provide a sound basis for a friendly and expanding relationship between Australia and Japan.

Early in the life of the new Government, the Prime Minister of Japan expressed to us the wish of the Japanese Government that a treaty of friendship and cooperation should be concluded in the near future. The Government welcomed this indication of interest and the negotiations delayed last year were continued.

The negotiating officials some weeks ago agreed on a draft text of the treaty. It could be expected that the treaty will be signed by P.M. Miki and myself during my visit to Japan.

The Government also places importance on broadening our relationship with Japan.

Earlier in this Parliament the Government introduced the bill to establish the Australia-Japan foundation. The foundation will have the important role of promoting the study by the people of Australia and Japan of each others culture and institutions. Relations between Australia and Japan will be enhanced by the personal contacts and research which will come from the work of the foundation.

Understanding between Australia and Japan can play a vital role in strengthening peace and security in the Asia-Pacific region. Australia will act consistently to deepen that understanding.

China

In moving towards a world in which peace is secure, a vital part must be played by the Peoples Republic of China.

The development of China's foreign policy is difficult to foresee.

In many respects, China remains a great unknown in international affairs.

This is one reason why it is desirable for as many countries of the world as possible to develop close links with China.

We look forward to a continuation of good working relations with the Chinese Government both now and in the future.

A realistic view requires us to recognise that despite ideological differences, there are important areas where our interests overlap.

In recent years, China's relations with the U.S. have improved due to certain mutual interests.

China is clearly concerned at the Soviet role on her northern and southern frontiers.

Australia and China have a like interest in seeing that Soviet power in the Pacific and South East Asia is balanced by the power of other major states or by appropriate regional arrangements.

We can therefore expect Chinese support for our own views on the need for an effective American presence in the Pacific and Indian Oceans. Such support has, in fact, been given.

While I was in New Zealand, the Pacific Forum countries agreed to accept the movement of U.S. nuclear ships in the Pacific Ocean area. Such a decision, of course, reflected each country's independent assessment of its own interests. China has acknowledged that such an arrangement is in her interests also. In other areas too, China can make a positive contribution to peace and stability. We welcome the development of commercial relationships between China and Japan and look forward to an expansion of our own trading ties with both. China's attitudes and view of the world are often far removed from our own. Chinese judgements of the West, or its systems of representative government and the ideals of liberty and freedom of the individual seem to us mistaken.

Moreover, China continues to give support to insurgencies in South East Asia. Australia does not support interference by great powers in the domestic affairs of smaller countries. We hope that China will give priority to the development of constructive relationships with a region which needs to be given every support for stable and effective government to develop and prosper.

Nevertheless, constructive relations do not depend on agreement on all aspects of relations but on the development of those areas where there are common interests. My Government believes that interests of this kind provide a solid basis for working relations. We shall work to develop these, as well as improve our understanding of each other.

INDIAN OCEAN

The Indian Ocean is of considerable political and strategic importance to Australia. It is crossed by sea and air communication routes vital to Australia. Much of the vital flow of oil to our neighbours, friends, and trading partners passes through it. The entrance to the Persian Gulf has become a major focus of international attention.

The objective of a neutral zone in the Indian Ocean, while admirable, has little chance of success with the U.S.S.R. significantly increasing its permanent presence in the vital North West sector of the Ocean. It is clearly contrary to Australia's interests for the balance in this area to move against our major ally, the U.S.A.

It is also against our interests for both superpowers to embark on an unrestricted competition in the Indian Ocean. We seek balance and restraint. We have supported the U.S. development of Logistic facilities at Diego Garcia so that the balance necessary to stability in the area can be maintained. We also strongly support the recent appeal by the United States administration for restraint so that the balance can now be maintained at a relatively low level.

This analysis cannot pretend to be a complete description of Australia's attitude to all parts of the world, but it would be unrealistic to make this speech and to refrain from mentioning two areas of great concern to us, and to the rest of the world - the Middle East, and Africa.

MIDDLE EAST

In the Middle East the only future lies in negotiation - in a proper and broad recognition of the rights of all groups within that troubled area. Of an absolute recognition of the right of Israel to survive as a nation. And an equal recognition of the problems of the Palestinian refugees.

There have been many wars in the Middle East, but no one has been the ultimate victor. There can be no ultimate victor. Compromise through negotiation is essential if there is to be any real settlement.

AFRICA

Even more than the Middle East, tensions and problems in Africa grow and become more difficult the longer they remain without solution. If movements towards majority rule in Rhodesia are not made within a reasonably short time-span, the result will be inevitable conflagration and lasting bitterness. There are a number of leaders in Africa who certainly do not support the white minority supremacy in Rhodesia but who have no wish for armed insurgency and no wish for ultimate conflict.

They realise that such a solution to the problems of Rhodesia would lead to lasting bitterness, lasting divisions, and an increased possibility of domination of the continent of Africa by external powers. The national leaders of Africa have no wish to see that happen.

I have previously indicated in plain terms why we believe the policies of apartheid will not work in the longer term. The greater the success

of the Bantustans, the greater will be their failure to achieve the objectives they were set up for. The more equal men become in economic and social matters, the less they will be prepared to accept denial of their basic political and human rights. However, we note with great hope the growing relationship between South Africa and some of the black nations of Africa. It offers the prospect of a broader and more sensible solution to Africa's problems.

Within the framework of the Commonwealth of Nations we will seek to play what constructive role remains open to us and to the Commonwealth to help achieve a reasonable solution to these intractable problems.

INTERNATIONAL COOPERATION

In a world where increasingly complex problems transcend national boundaries, a commitment to multi-lateral cooperation, particularly in the field of economic and social development, is an indispensable part of Australian foreign policy.

We support the United Nations, its Charter, and the work of the various specialised agencies. We have noted the degree to which the United Nations has come under attack. Its alleged failings have caused disillusion and even dismay. Despite the hopes held out for it, grievous problems between nations remain. It must indeed, be recognised that the United Nations is still an imperfect instrument for the solution of major problems. Some disquieting features have become apparent in its deliberations. These have included the use of confrontation tactics and the curtailment of the rights of participation of some member states.

However, in our view, a number of the attacks on the U.N. have largely sprung from an unrealistic view of what the U.N. could hope to achieve. They also stem from a lack of understanding of the magnitude of the problems besetting the U.N. because of the sharp divisions throughout the world. The problems faced by the U.N. in no way diminishes the need for all nations to support the U.N. and make it a more effective instrument for peace.

There are in fact many areas where the U.N. has achieved a great deal in improving conditions of life around the world. Australia will make every effort to help the organisation to expand its effectiveness.

We shall be seeking opportunities to work cooperatively within the U.N. framework as in other multi-lateral forums. These include the Commonwealth of Nations. We believe the Commonwealth has continuing relevance as a distinctive - indeed a unique - framework bringing together something like a quarter of the world's population. As a means of fostering cooperation and consultation in many varied areas, it retains a lasting importance.

ECONOMIC RELATIONS

One of Australia's most prominent roles in the world is that of an important trading state. Indeed, with our annual trade worth some \$17 billion, Australia ranks fifteenth in the world as a trading country. Despite an expanding export trade in manufactured products the bulk of our exports are raw materials and food stuffs. Australia is a resource-rich country in a resource-tight world. We have energy and raw material resources of great importance to the world, and we are one of the few food exporting countries.

Our position in world trade also implies duties and responsibilities. Countries which are rich in resources cannot neglect the needs and concerns of those countries whose principal resource is the energy and initiative of their people. This Government intends to have a reputation of responsibility and reliability in its international dealings. I believe other Governments overseas, whose economies depend on Australia for energy, raw materials, or foodstuffs, will welcome this.

At the same time let me emphasise that the Government will ensure that our resource producers receive fair returns for their commodities. The Government will strive to widen and secure access to overseas markets for Australian producers. The Government is concerned, in particular, to improve access to the European community.

The expanded European Community is the largest source of our imports and the second largest market for our exports after Japan. Raw or processed minerals, wool and other rural products account for 87% of our exports to the E.E.C. 13% are manufactured goods. Because the E.E.C. is the world's largest trading bloc, the trade policy decisions taken by the

Community are important to Australia, especially as they frequently affect not only the development of our direct trade but also our prospects in Third countries.

The decisions of the Community, especially as they affect trade in primary products, are of course, also of great importance to the developing countries.

As the second largest economic unit in the world, the Community has a major role to play in world economic development. We welcome the Community's prosperity and progress, which is also in our interests. The Government strongly hopes that it does not develop into a narrow and inward looking grouping but will come to play the role in the world which other countries expect of it. We welcome the constructive role Great Britain will play in the European Market, and the more outward-looking approach she has undertaken to encourage.

There is a great need in general, for more practical recognition of the significance of international economic relations for the developing countries. More than any other single factor the developing countries need access for their products to the markets of developed countries which we believe would come to be reflected in more appropriate terms of trade for their exports.

International trading arrangements which provide relatively free trade for the industrial products of the developed countries while placing excessively high barriers before the products of the developing countries, offer little hope to the poorer countries in solving their great and grave problems. One of the greatest contributions which could be made by the industrial countries to the peace of the world would be international trading arrangements which provide greater opportunities for the primary products of the developing countries.

We will cooperate closely with developing the Asia-Pacific region. But further afield, the Government is ready to concert its activities with other like-minded countries. In general, we must participate fully in the shaping of those world economic arrangements which will, in turn, help to determine our own economic progress. In world financial and currency arrangements, in international raw materials, and energy bodies we must stand ready to play our part. The answer to these great world economic problems lies in international cooperation. Neither an abrasive

confrontation between competing nationalisms nor decisions by too narrow a club of decision-makers is likely to be helpful. Australia will meet the international responsibilities I have outlined.

DOMESTIC CONDITIONS AND FOREIGN POLICY.

Finally, I come to the crucial relationship between domestic and foreign policies.

Given the reality of the world situation it is critical that Australia, her friends and allies, must be able to bring their capacities to bear in the most effective way, if their position is not to be continually eroded in favour of regimes more effectively able to commit resources of all kinds.

The international situation I have outlined clearly requires a carefully formulation approach to defence policy.

The Government has asked for much more definitive work to be done in this area, so that defence planning can be based on the most realistic foundation.

Our determination to act to improve our defence capabilities is evidenced by the program announced by the Defence Minister last week.

International policy clearly requires a full appreciation by government of the economic and social characteristics of the international environment.

The capacity of democratic countries to conduct effective foreign, defence, economic and social policies depends - fundamentally - on the understanding and backing of the people, on their will, and their commitment.

One of the most critical conditions in securing developments in the world congenial both to our interests and to our ideals, is that the democratic countries should retain their faith in systems of Government based on the freedom of, and concern for, individual people.

Our capacity to act effectively in the world in the end depends on our sense of ourselves, on the strength of our commitment to ensuring that all Australians can live in freedom and dignity, and in our determination not to follow the paths of other states where belief in the capacity - and right - of people to seek their own goals is increasingly replaced by an enforced conformity to the wishes of those who control powerful bureaucracies.

We believe that Australians will wish to take a realistic view of the world, and Australia's place in it. So long as our institutions foster a resourceful and independent-minded people and a society based on self respect, Australia need not fear the future.

It is here that the Government's domestic policies and long-term conception of Australia's role in the world are linked.

Our ability to act with maximum effect to realise both our interests and our ideals in the world depends to a large extent on our capacity to work together at home.

One of the great tests for the character and stamina of democracies is whether we can combine individual freedom with the capacity to acknowledge our responsibility to the common interest, whether we are prepared to sacrifice some of our apparent short-term interests to the long-term interests of the whole of the Australian people.

If we cannot work together as a people except under threat of a clear and present military danger to our national integrity, it is certain that we will not be able to advance effectively pressing national interests in the world which faces us.

There are common interests which unite all Australians.

Interests in a region and a world which is constructively meeting the problems which face it. Interests in an Australia which is competitive in world markets.

Interests at home in securing a return to soundly based growth in the economy. Only out of such growth can higher real wages and

salaries and improved social welfare provision be paid, without inflation and unemployment.

Without such growth we cannot meet as we might the requirements of security and aid.

We will not achieve these objectives unless all sections of the Australian community are prepared to work together in the common interest.

The question which faces Australia in common with other democracies is whether we are going to meet the challenge of cooperation and mutual restraint required from all the diverse groups in our society.

In achieving success in our domestic policies, the Government hopes that Australia can be an example of the vital strength of the values of freedom and democracy which are still pursued - and still far from reach - in many parts of the world.

The Government believes that the days of an elite forming foreign policy in isolation are long since gone. They depended on a badly educated and apathetic public that could readily be manipulated.

The people of the Western democracies are not passive, nor apathetic. The freedom and pluralism of democracies should not be regarded as a constraint on responsible foreign policy.

On the contrary, free and open discussion, fairly conducted with respect for the views of others, will strengthen our foreign policy.

A foreign policy that ignores the realities of the international situation is irresponsible. A foreign policy which ignores the intelligence and goodwill of the people, that does not trust its people sufficiently to explain and seek support of its actions, cannot succeed.

The contemporary international situation is a test of the capabilities of democratic leaderships and democratic peoples. It is an environment with disturbing tendencies and shifts in balance.

This diffuseness and complexity is the test. In finding our way in such a world, the democracies must not lose their sense of purpose. There must be no failure of will or resolution.

The first step towards an adequate response must be a realistic assessment of the world and Australia's role in it. On the basis of such an assessment, we can work to advance our objectives of peace and humanity.

The survival of democracy depends on a recognition that its values cannot be taken for granted.

Let history not record that this was the age when the democracies abandoned their faith.

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