



PRIME MINISTER

FOR PRESS

14 APRIL 1978

AMERICAN NATIONAL CLUB DINNER ADDRESS

Those of you here tonight who are avid readers of the financial pages of the press will be aware that there is at the moment quite a flurry of international activity.

On Tuesday, President Carter unveiled his plans to attack inflation and promote growth in exports. On the same day, Mr. Healey, the British Chancellor of the Exchequer, brought down a budget described as Britain's contribution to boosting world economic recovery. President Carter is soon to have discussions with Mr. Fukuda and other world leaders. At the end of May, I and the leaders of a representative cross-section of other nations will attend a special meeting in Jamaica, and the seven countries which attended the summit meeting in London last year, will have a fourth summit meeting in Bonn in July.

What has prompted this sudden escalation in international consultation at the highest political level? I imagine you can guess the answer; the world economy and why it is failing to perform as well as we would all like. Everywhere countries are facing, to differing degrees, the same problems: inflation, which in Australia and some other countries has come down markedly, but is still too high; sharply fluctuating prices, particularly for commodities; sluggish rates of growth; and unemployment, especially amongst the young.

I need hardly remind this audience that all these difficulties have been compounded by quite dramatic fluctuations in the U.S. dollar and other currencies. In the past 13 months, for example, the Swiss Franc has appreciated against the Canadian Dollar almost 50%. Over the same period, the U.S. Dollar has depreciated against the yen by over 20%.

The causes of these problems, to the extent that they are known, are many and complex but they are clearly a world-wide phenomenon. The major world economies do seem to be staging a tentative recovery but it has not been enough so far to reduce the numbers of those looking for work.

It has been estimated that total output needs to grow by about 5% per year if unemployment is to start to decline across the world. Growth in 1977 was lower than this, and will probably fall short of this figure again in 1978.

.../2

Growth in international trade in 1977 was also sluggish and the prospect is that the same will occur this year. It is in this area that both the mighty American economy, and our small but highly developed Australian economy, have of late been sharing some uncomfortable experiences.

On the one side, we have both felt acute social problems -- notably high unemployment in sensitive sectors. A sharp rise in imports from the industrialising countries has been a contributor to this. We have both been obliged to take the inevitable palliative action to protect employment while at the same time acknowledging that the carefully regulated and coordinated reduction of barriers to international trade is the best long term guarantee of prosperity, of progress -- and incidentally of peace.

On the other side, both our countries have felt the lash of protectionism applied against our own exports. On this score, Australia's experience has been more painful, more dramatic than America's. After all, what has happened to our exports of agricultural products to the European community in recent years is quite extraordinary.

Through no fault of our own -- indeed while in most areas we have been boosting our capacity to supply quality food cheaply and reliably -- we have seen our sales of beef, cheese, wheat and fruit to the community plummet. Its purchases of our sugar have virtually ceased and, while in 1966 we were selling over 60,000 tonnes of butter to Europe, last year we were permitted to sell the princely amount of one solitary tonne. Yet we permit some 4,000 tonnes of heavily subsidized European cheese to enter this country annually. In all, our exports of foodstuffs to the European community over the past four years, have been reduced by over 80%.

We recognize that the common agricultural policy is an integral part of the social and political fabric of the European community and no one is seeking to have this dismantled. What we do seek, and the United States share this objective, is to have the more extreme aspects of the C.A.P. modified to have alterations made at the margin to provide relief to efficient producers.

All Australia desires is a reasonable degree of access to European markets, and more restraint on the part of the Community in its practice of exporting artificially generated agricultural surpluses to other markets which have previously been supplied by Australia.

Although Australia's principal concern with E.E.C. trade relates to agricultural products, there are problems in other sectors as evidenced by the Community's action to restrict imports of steel.

Last June, the President of the E.E.C., Mr Jenkins, and I agreed that bilateral discussions would be held to find meaningful solutions to these problems. We put forward specific proposals in October, and talks were scheduled for mid-May to hear the Commission's response. This week we were told that the Commission was not ready to have such talks, that they must be postponed until June even though the Commission had had our propositions for eight months.

I recognise it is now impossible to hold the discussions on the due date, and that the postponement is an inevitable fact. But I find it incomprehensible that after eight months, the Commission has directed so little attention to the matter that they have not yet done their homework.

Now some elements in the Commission are apparently suggesting that there be no bilateral talks at all, that they be encompassed in the general multilateral trade negotiations that have been dragging on for some time.

Such a course is totally unacceptable to Australia. I would regard it as a flagrant abrogation of the agreement reached between myself and Mr Jenkins less than a year ago.

What faith can we have in the Community when they show such a blatantly self-interested attitude as this? Why they show so little interest and concern in important bilateral issues?

Let me say that concern at the European attitude is not confined to Australia and the United States. It is one which has come to be widely shared, especially amongst developing nations.

I well recall that I was one of the very few members of the Australian Parliament who strongly supported Britain's entry to the E.E.C. when this was first mooted in 1961.

The Treaty of Rome seemed to offer the real prospect of European unity and cohesion, an opportunity for Europe to take a constructive role in world affairs. It would be a tragedy if these original high hopes were not fulfilled and the European community continues to be primarily a narrow, self-interested trading group, seeking to make the rest of the world dance to their tune.

Let me say that attitude will not survive. It cannot survive. The world is coming to demand a responsible international attitude from all nations - not least from the great and powerful E.E.C.

In the coming months, Europe will have to make a fundamental decision. Are they going to use current depressed economic conditions as an excuse for refusing to modify their trade barriers - or even increasing them? Or are they going to decide to move towards freer trading conditions? It augurs poorly for the success of the multilateral trade negotiations due soon to recommence, when in the one international commodity agreement finalised in the past year - the sugar agreement - the E.E.C. resolutely refuses to be a member.

What confidence can this inspire in the developing world?

Australia has already made its move. Since our 1973 average tariff rate has been reduced by some 30%, and our use of non-tariff barriers is very much less than in the major trading blocs.

Regrettably, our tariff reductions were made unilaterally on our part, without deriving any commensurate reductions in trade barriers inhibiting our own exports. As a result, we now have little room to manoeuvre in tariff reductions, especially when we are faced by the non-tariff barriers which apply to much of our exports - a practice which regrettably is applied against us both in Europe and in North America.

The developing countries have also been facing more than their share of problems, for they too rely heavily on exports of agricultural goods and other commodities. What they seek is a narrowing of the gaps between themselves and the developed countries in fundamental human needs - in nutrition, literacy, life expectancy, education and other public facilities.

So we have two pressing international economic problems which require urgent action and reassessment: the slow rate of economic growth and the unemployment to which this gives rise; and the need to accommodate the developing countries as a growing political and economic force in the world.

Both these problems must be tackled now -- they can be bypassed no longer and it may well be that there are some areas where actions on both sets of problems can be combined. That is to say, there are things which all countries can do jointly that will at one and the same time re-structure trading relations between the developed and developing worlds and assist us to boost world growth.

Any lasting solution to current world economic problems must involve the developing countries. The leaders of the major western economies have to re-assess their trading relations with the developing countries acknowledging those countries' need for wider access to markets if they are to attain greater self-reliance and adopting policies which assist the achievement of that end.

Such a reappraisal is required on grounds of justice and equity for we must do more to reduce world poverty and want. but such a policy would also be in the interests of the developed world for in the creation of bigger markets in the developing countries lies the potential for revitalisation of world trade.

World markets must be allowed to grow at a faster rate for if this fails to occur, there can only be increasing bitterness and despondency as countries fight over the break-up of existing markets.

If we can succeed in boosting world growth and world trade in a non-inflationary manner, economic recovery around the world will be achieved very much faster. Our factories, farms, mines and other enterprises can then operate at full capacity again and that means the creation of more jobs throughout the developed world.

Various formal discussions and negotiations held recently on international trade problems have not progressed far and unless there is a major reassessment by the developed nations, forthcoming meetings will fare little better.

Many world leaders, including President Carter, are conscious of the significance of these coming discussions and negotiations. That is why the next 3 months will see government leaders across the world meeting informally to make sure that all avenues are explored in finding practical and equitable solutions.

We Australians are conscious of our responsibility to take an active role in this process. My talks in Tokyo next week with President Fukuda are in direct response to the concerns felt by the Japanese Prime Minister and myself on these issues.

Progress in defining and implementing solutions will be neither quick nor painless. But I am hopeful that, with a common sense of urgency and commitment, solutions can be found to the mutual benefit of all trading nations.

Mr. President, this is one field in which the United States and Australia can and must cooperate. It is vital for us both that the right solutions be agreed upon without further delay.