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PRIME MINISTER

FOR PRESS

16 MAY 1978

A.I.M.M. CONFERENCE, CANBERRA

I was delighted to be invited to be patron of this joint conference, but the challenging task you have set yourselves, and your speakers' depth of expertise, deny anyone, even the patron, the opportunity to be patronising.

Australia's history has been inextricably linked with the fortunes of our great mining industry. That link will remain.

Just as the gold rushes of the last century, and the discoveries at Kalgoorlie and Broken Hill changed the lives of generations, so the more recent development activity in iron ore, bauxite, nickel, coal and uranium are having a significant impact on the lives of Australians today.

The minerals industry has contributed to Australia's jobs and prosperity. Mining is not free of problems, but so long as safeguards are strong and appropriate the net benefits the mining industry brings Australia will continue to be enormous.

We rely on our mining industry to find, prove, develop and sell our minerals profitably, and my Government is committed to maintaining a healthy mining industry.

In the past year there have been positive signs of a resurgence in exploration and development. The North-West Shelf ventures are spending $50 million on a feasibility study to work out the extent of future investment in that project; exploration expenditure for minerals other than petroleum increased by 34% in 1976-77 to $134 million; petroleum exploration increased dramatically last year almost doubling to $94 million - this year it is projected to reach $125 million.

Much of this new exploration is occurring in Western Australia, a State lucky enough to have a rare diamond amongst its mineral wealth. It's called Charlie Court, it's the only one of its type in the world, and that's our good fortune.

Other major developments, such as the proposal to establish a large-scale aluminium smelter at Gladstone, have been announced.

To a significant degree, these developments have been a produce of Government policies. We have created a healthier environment for investment in the mining industry. An environment in which

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investors both here and overseas will find it profitable to invest in Australia.

We have rich and abundant mineral resources. Their development depends on stability of costs and investment conditions in Australia and the availability of profitable markets overseas.

The Government can influence costs and therefore the investment arithmetic by taking effective action to control inflation so that business can plan with confidence.

We have succeeded and we shall keep going. We have improved the climate of industrial relations - another element of uncertainty in investment plans.

We believe economic growth is best fostered by private enterprise and we have acted to curb the massive increases in public spending which occurred between 1973-1975. A stable policy environment, so necessary to encourage investment, has been re-instated.

Our policies have met with considerable success. In the past two years inflation has been halved. The O.E.C.D. acknowledged this achievement in its latest review. Even blind Freddy and his dog must now concede this to be true.

The Consumer Price Index increased by only 1.3% in the March quarter - the smallest March quarter increase since 1972. This compares favourably with the U.S. Wholesale Price Index, which increased 1.3% last month alone.

Our anti-inflation policy has enabled official and private sector interest rates to move down, with every prospect of falling further as inflation falls. Lower inflation strengthens our currency and international competitive position - both of vital concern to the overseas investor. Recent figures showing strong private capital inflow - $676 million in the last two months - are in line with these developments.

We welcome foreign investment in Australia. The Foreign Investment Guidelines are administered with flexibility. Each proposal is considered on its merits. The guidelines are being monitored. They were revised in April 1976, and certain aspects of the guidelines, as well as the Reserve Bank's administrative controls, are again being reviewed to see if they in any way unreasonably impede investment.

Our aim is to preserve, wherever possible, 50% Australian equity in mining projects. But I want to make the point clear - if it is demonstrated that this objective cannot be reasonably achieved, projects will <u>not</u> be held up.

The mining industry has benefitted from a wide range of tax and duty concessions. Investment allowances, which allow for a fast tax write-off of capital spending ara available; exploration incentives in the mining industry have been restored, depreciation allowances have been extended; and the coal export levy introduced by the previous government is being phased out.

A realistic energy pricing policy has been introduced. This will allow petroleum products to be sold at world parity prices. Federal and State administrative and licensing arrangements have been clarified, and relevant Federal and State Ministers now meet regularly at the Australian Minerals and Energy Council.

The Government has also simplified procedures applying to mineral export controls. Our anti-inflation policies and incentives for minerals exploration and development are proving effective. They will continue.

Although I know that not all the mining industry's problems have been solved, I am confident that Australia is in the forefront of those few countries in the world where overseas businessmen can invest their capital and use their technology and management skills, with profit and confidence.

We are particularly keen to see greater processing of Australian raw materials in Australia. For example, while Australia is the major alumina exporter we produce only 2% of the world's aluminium.

The announcement of the new Gladstone development is accordingly most welcome.

There are sound economic reasons why more energy-intensive mineral processing should be carried out in Australia, close to ample sources of relatively cheap energy.

I should say that we are at present consulting with the States on the steps that we can take to influence the amount of raw materials processing conducted in Australia.

Australia's ability to supply increasing quantities of energy and of other vital minerals will bring added rposperity both to Australia and to our trading partners. But for this promise of prosperity to be fully realised, there is a need for growth in the world economy and an expansion in world markets.

Government leaders everywhere are currently concerned about the slow rate of world economic expansion. It has been estimated that 5% annual growth rate in total world output is needed if unemployment is to fall internationally.

Although there has been a tentative recovery in the economies of the major western countries, world growth has certainly not reached this rate, and will in all probability fall short of it in 1978.

Expansion in world trade last year was also sluggish, and on present indications the same will be true this year. The world is suffering from under-utilization of its resources. Factories, farms and mines working at less than capacity, and of course the greatest waste of resources of all, the unemployment of so many of our young.

What is required is a revitalization of world trade - an expansion of world markets.

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Recent international discussions have focussed on this central and all important issue. World leaders are united in the belief that combined action must be taken to make sure that the world moves to the kind of growth rates we have previously enjoyed.

What is needed is a greater commitment, a greater determination to find solutions of lasting benefit to all sections of the world trading community.

Certain actions are needed if we are to start on this path. We must continue to reduce inflation - inflation is still too high. We have seen that Governments can, by determined and responsible economic policies, reduce inflation substantially and put their domestic economy on a sound basis.

In many cases, certain fundamental imbalances have been allowed to arise. In Australia's case amongst others, a surge in wage rates has far outstripped general inflation and gains in productivity. By correcting these imbalances each country can participate effectively in strong and lasting world recovery, and indeed contribute to it by pursuing moderate expansionary policies.

This year Australia has been able to introduce significant cuts in personal income tax without precipitating renewed inflation. In addition, barriers to trade expansion need to be reduced in a co-ordinated and equitable manner.

The current multi-lateral trade negotiations have the potential to increase significantly world trade. These negotiations will soon be drawing to a close. The decisions which are taken will set the pattern of international trade relations for years to come. It is vital to the whole trading world that the result is a comprehensive and significant reduction in trade barriers.

Regrettably, so far the discussions have not greatly progressed. It is not yet clear that agricultural products and other commodities will be included in the final agreement. Some of the major industrialised countries are proposing a 40 percent cut in tariffs on manufactured products, and some claim that this would constitute a significant breakthrough.

But when this seemingly attractive proposal is examined, it quickly becomes evident that by itself it would provide only a very limited basis for expanding world trade. With average tariffs on manufactured goods being about 10 percent, the cuts would average as little as one half of one percent per year, for 8 years starting in 1980 - hardly the spark to ignite the engines of world trade expansion.

What is more, the proposed cuts do not affect trade within the EEC or trade in non-manufactured goods. They would cover less than one-fifth of total world trade, and they could be quickly cancelled out by even minor movements in currency exchange rates.

I imagine the proposed cuts may have some value to the major developed countries - up to 40 percent of exports from Japan, the EEC and the United States would be covered. But they would cover not more than five percent of Australia's exports, and no more than five percent of the exports of many developing countries.

For MTN to be a success, the inclusion of agricultural products and other commodities is vital. Such wide-ranging trade liberalisation negotiations as the MTN may not occur again this century.
The opportunity must be taken and taken now to reduce the protectionism which obstructs world trade. The MTN could lead to a new international compact of historic significance if meaningful reductions in barriers can be achieved for manufactured and for agricultural products.
It is not enough merely to avoid an increase in protectionism.
Avoiding a negative outcome is not a sign of success.
It may appear to have some limited benefits for the developed world, it would do nothing for the third world. The interests of the developed countries would once again have been promoted while the developing nations interests as commodity producers would have been virtually ignored.

This result would have serious long-term economic implications for all nations - developed and developing alike.

The Second World War was followed by 25 years of economic growth unparalleled in the world's history. If we, in 1978, stand back and look again at the dynamics of world growth we can ask what will provide the impetus for a renewed expansion in world trade.

We cannot look with certainty to consumer demand in developed countries providing a sufficient drive to generate the expansion we need. Any meaningful response to the problem of depressed global demand must involve the developing countries and expand their access to the developed world's markets.
This would help the developing nations to meet more effectively the basic human needs of their people. Increased demand from the developing countries would provide additional growth in the world economy and the expansion in world markets which is so urgently required. This would help get our economies operating to capacity, and provide jobs for our unemployed.

The developing countries view the world trading system as inherently biased against them. Relying heavily on commodity trade, they have been severely hurt by falling commodity prices, adverse movements in exhcange rates, and in some circumstances, difficulties in obtaining access to markets in the developed countries.

In 1975, the latest year for which figures are available, the terms of trade for the non-petroleum exporting developing were worse than at any time in the preceding 15 years.

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Between 1973 and 1976, official aid doubled. It would in fact have had to increase fourfold - that's an additional $22 billion - just to compensate for the deterioration in the non-oil developing nations balance of payments - a deterioration largely caused by a worsening in their terms of trade.

In the light of this, it is not surprising that the developing countries want to stabilise world commodity prices, through the introduction of a Common Fund for commodity trade. There are signs that at last all countries are moving away from inflexible positions on this issue and genuinely want a conclusion beneficial to all. Australia is convinced that a Common Fund can be established, which will help commodity producers avoid disastrous cyclical price drops, and will help consumers by avoiding inflationary cyclical price rises.

This belief was reinforced at the Commonwealth Ministeral Meeting last month in London which broadly endorsed Australia's position on the Fund. Much of the economic progress since the Second World War has come from international specialisation made possible by the great expansion of world trade.

1978 is a crucial year. It is of paramount importance that every effort be made to get a sustained expansion of world trade. It is in the interests of both developed and developing nations. Australia is committed to playing its part in achieving a strong and lasting expansion in the world economy.

I am confident that the Australian Mining Industry will participate in this recovery.