



PRIME MINISTER

FOR PRESS

28 May 1978

ELECTORATE TALK

This year, important decisions will be made concerning the international economy and world trade. The decisions will be so important that they could well set the pattern to the end of this century.

Australia is a great and significant trading nation. Therefore we have much at stake.

We have a basic interest in an orderly and reasonable world trading system that recognises the rights and responsibilities of all nations.

We recognise the limits of our influence in world economic affairs, but at the same time it is our obligation to express views that we hold firmly and to advance Australia's cause in international forums at every opportunity.

This year is important because the Tokyo round trade negotiations begun in 1973 are due to conclude in the middle of the year. America is aiming for an outline package of conclusions by mid-July.

I am concerned that if there is no positive advance in these trade discussions that both Europe and the United States might revert to protectionism.

President Carter has stood out against a protectionist Congress with great strength. But if what are called the Multi Lateral Trade Negotiations are not successful it would be harder to withstand those pressures. Increasing protectionism in Europe would also be likely.

A reversion to protectionism would lead to beggar-thy-neighbour policies of the kind the world saw in the 1930's with enormous damage to many countries. Because Australia is a significant trading country, we have a greater interest than most in preventing that from happening.

My talks with the Prime Minister of Japan a few weeks ago concentrated on these issues. Japan also relies heavily on trade, upon access to markets in Europe and in America. We found a remarkable identity of view and agreed to cooperate and consult closely.

Australia believes there will be no success at these trade negotiations unless industrial goods, agriculture and commodities are all included in the final result.

In the past, when there have been significant world trade meetings Europe and America made agreements about industrial goods but then they put agriculture aside - in the "too hard" basket. While there are rules for fair trade in industrial goods, nations seem to reserve to themselves the right to have arbitrary restrictions on access to markets in agriculture and in commodities.

Over the next few months we will be trying to see that rules for fair trade in agriculture are promoted. Let me explain why this is so important.

Trading nations need an expansion of markets. That will lead to an expansion of trade.

It is only through an expansion of markets that we will be able to provide for increased output from our factories, from our farms and from our mines. Increased output, increased demand will lead to increased employment. It is the same in many countries.

If world markets do not expand, nations are going to be left arguing about the cut-up of existing markets and that will do nothing for unemployment around the world.

Under the guise of calling for a 40% tariff cut the major industrial nations have put forward a proposal which in fact is little more on average than a half a percent reduction in tariffs a year for eight years. In the first five years those reductions would be mandatory under the formula. Reductions in the last three years would depend upon the economic circumstances of the time. The programme would start in 1980.

This proposal of the formula applied to industrial items would cover less than 20% of world trade. It is not therefore a proposal of itself which can lead to an expansion of markets and an increase in world trade.

That just underlines the importance of making sure that agriculture and commodities are part of the arrangements at the Multi Lateral Trade Negotiations - to broaden the scope, the coverage of the agreements. That is important from a number of points of view.

The application of the formula to industrial goods would cover about 40% of the exports of Northern America and of Europe but only about 5% of Australia's exports.

Developing countries need fairer terms of trade - they need arrangements that will give them commodity and price stability.

Australia has some experience in that.

For a long time we have been involved in the International Sugar Agreement, in the International Wheat Agreements, and we operate a wool marketing proposal which works greatly to the advantage of consumers and producers. It brings stability and predictability at a reasonable price into the trade.

If it is possible for these commodities, it is possible for others.

Australia has been trying to take a position that would bring the developed and developing world closer together.

Through the last six months we have had some success, but it is enormously important to bring in the developing world with their tens of millions of people in need of more schools, better hospitals and all the infrastructure of government.

That is not only a need in itself, but economic take-off in the developing world could well be a significant factor in providing a boost to markets and an expansion of demand that could sustain economic recovery through to the end of this century.

So Australia does not base its plea and argument for a better deal for the developing world on idealism alone. We base it on the mutual self interest and economic interdependence of all nations, developing and developed alike.

On Wednesday I leave to further the discussions I had with the Prime Minister of Japan, with the Prime Ministers of Britain, of France and the Chancellor of Germany. They will be having an economic Summit meeting in Bonn in July, and their counsels will be of enormous importance in helping to come to a realistic and responsible conclusion.

Following these discussions I will be holding further talks with Mr Lee Kuan Yew, Prime Minister of Singapore. The Prime Minister and I will then meet with the Prime Minister of Malaysia in Kuala Lumpur.

Amongst other things, we will be discussing the general world trade position as a result of my discussions in Europe, especially as they relate to the developing world.

Australia has the desire to consult closely with countries in our region on these issues, as they are dependent on access to the great markets of the major industrialised countries. Australia today has special international obligations - which are being met.

We are taking a determined and vigorous part in negotiations on world economic issues. We owe this to our own community. Our meetings over the next three weeks further demonstrate our desire to continue to act as a responsible member of the international community.