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PRIME MINISTER

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Mr President,

On behalf of the Australian delegation, it gives me pleasure to congratulate you on your election for this session of the United Nations Conference on Trade and Development. It reflects both your personal merit and the standing and reputation of your country.

I would also like to express my thanks to Dr. Gamani Corea and the UNCTAD Secretariat for their work in preparing for this Conference and in anticipation, for the assistance we will all receive in the coming weeks. Further, my delegation wishes to associate itself with others in expressing to the Philippine Government and people, its warm appreciation for the excellent arrangements which have been made for this Conference in these very fine surroundings, and for the most generous hospitality we have received.

It is a matter of special satisfaction for me to be present at this United Nations Conference on Trade and Development in the Philippines, a country with which Australia has close regional ties and which has in recent years made rapid progress in a wide range of endeavours, under the purposeful leadership of its President.

Mr President, this Conference meets at the end of what has been a troubled decade for the world economy, a decade characterised by high inflation, high unemployment, and, as a consequence, a dangerous drift to protectionism. A decade which has also seen a great deal of acrimony and friction between developing and developed countries, causing alarm in some and disillusionment and cynicism in others.

As we come together at such a time, I believe it is essential that we come armed with a sense of historical perspective, so that we can see these recent events in their proper context and proportion. But while the last few years have been difficult ones, it is as well to remember that the last three decades have been ones of unprecedented growth and prosperity for the world economy. In the aggregate, both developing and developed countries have participated in and benefited enormously from this growth.

But the aggregate figures hide the fact that there remain areas of great human need, and that there are countries which have hardly participated in the general advance. The scope of the gains made is indicated by the fact that despite the economic stagnation and slow growth which some countries unfortunately experienced, the average per capita incomes of developing countries more than doubled in real terms over this thirty year period.

Indeed, the reason why the last few years have seemed as bad as they have is largely because they stand in such sharp contrast to the immediately preceding period. For a quarter of a century the system worked so well that all our expectations -- our sense of what was normal -- rose very rapidly. During this period, it was not just the peoples of developing countries, but those of developed countries who experienced a "revolution of rising expectations" and a consequent impatience with any performance which did not meet those expectations, even if by historical standards it was very respectable.

Despite the confrontationist atmosphere which built up in the years 1974 - 1975 and which continued to prevail to some extent after that, in historical perspective the decade clearly stands out as one in which real progress was made in the North-South dialogue. It is worth remembering that the term "North-South dialogue" only gained currency during this period.

Ten years ago there was really little in the way of sustained, serious economic discussion between developed and developing countries to which such a label could be attached. Five years ago the dialogue was strained and tense. On both sides there was little evidence of empathy and much of rigidity and self-righteousness.

To a disturbing extent we were attempting to deal with very complex issues using the blunt instruments of dogma, and on the assumption that they could be dealt with in simple terms of two undifferentiated "sides".

Mr President, we have not solved all our problems -- far from it. And it is entirely possible that if we do not consolidate and build on our gains the atmosphere may again deteriorate. That is the main theme of what I have to say. I believe that the friction and polemics of the mid seventies were in a real sense evidence that the two groups of countries, were going through the painful process of learning how to speak and deal with each other, and discovering what was productive and counter-productive, acceptable and unacceptable in their dealings.

If there is less drama and rhetoric today, it is largely because certain things have been learnt by both developed and developing countries. In particular, I believe that most of us have learnt that moderation and compromise are not treason to a cause, but a necessary condition for accommodation and progress.

Over the last three years my Government has proceeded on the assumption that it is essential that countries move away from and break down rigid, fixed positions. We have sought to give an example. We have worked to strengthen the middle ground and to build consensus.

We have done so not only over the issue of the Common Fund, on which we took up a stance well in advance of the Group B position, but also in Commonwealth and Regional meetings and indeed wherever we have been able to inject an influence. Nothing illustrates the progress which has been made better than the history of UNCTAD itself.

When it was created 15 years ago, on the initiative of the developing countries it was received with considerable indifference and scepticism. Today we are in a position to take a more balanced view. The institutionalisation of the economic demands of the developing countries which took place in UNCTAD, concentrated, and therefore dramatised, the conflict between national interests.

From the point of view of the developing countries this was a necessary step -- those who are fighting to have their cause recognised must dramatise it. But at the same time, it is clear that UNCTAD has been important in helping to provide a framework -- hitherto lacking -- for the clarification and resolution of those conflicts through cooperation and compromise, that is, for constructive dialogue. Such a forum is indispensable -- if it did not exist it would have to be invented immediately. Nevertheless UNCTAD has shown that its utility extends beyond this -- that it has the capacity to be an instrument for initiating the negotiation of significant changes, of policies and structures -- within the existing international system -- and a system which cannot accommodate change cannot survive.

A major achievement on UNCTAD'S part has been agreement on the fundamental elements of the Common Fund. The progress towards the establishment of the Common Fund follows complex and protracted negotiations between developed and developing countries. The Agreement is important not only because it provides hope for commodity exporters that they may have a more stable economic future, but because it gives evidence of a growing willingness on the part of countries to approach the problems of trade and development in a proper spirit; that is, with the aim of achieving practical solutions to the problems of the global economy.

Australia has taken an active role in these negotiations because, as a commodity producer and exporter ourselves, we understand the problems faced by developing country producers and the beneficial role the Common Fund can play. Our history gives us that understanding. While our trade has now greatly diversified, there was a time when we too depended on two or three commodities whose prices fluctuated enormously. We can remember -- we can sympathise with the plight of countries in that position.

Accordingly, at the Commonwealth and other forums, and at informal discussions such as that which several Heads of Government held in Jamaica a few months ago on the initiative of Prime Minister Manley, I have sought to make other Governments aware at the highest political level of the importance Australia attaches to the Common Fund issue. As of now, the Common Fund is far from being a reality.

There is much more work to be done, there are more initiatives to be taken. In proceeding it is imperative that we do not retread the sterile ground of past debates. The Interim Committee when it meets must be prepared to produce agreement on all outstanding issues. Some of these are technically complex and detailed technical preparation will be needed to assist the Interim Committee in arriving at decisions. I see advantage in the assembling of a group of technical experts as soon as possible. Such groups have proved useful in the past and I believe we should utilize them again. We would lend our support and our own expertise to such a group if that was wanted.

Governments have also to consider their position with respect to funding for the Common Fund. Australia will of course be fully supporting the first window's operations, and the sooner proportions of contributions are settled between countries the better it will be. Australia's view has been, and is, that there should be a viable second window; we will make an effective contribution to it. We believe that those prepared to support the second window would do much to guarantee its success if they could agree on a formula for contributions to it. Again our support for a second window is firmly based in our own history -- we know from experience that such supports as adequate research and effective promotion can be crucial to the success of a commodity agreement. We urge all other Governments with a capacity to do so to adopt a similar approach to the second window.

Experience indicates that those funds which have an established burden sharing pattern for voluntary contributions tend to be successful, whereas those which simply make a plenary appeal for pledges often tend to attract little support. We therefore strongly support the adoption by donors of an arrangement which would ensure that the second window is adequately and equitably financed.

At the UNCTAD IV -- in Nairobi three years ago -- this body adopted a key resolution establishing the integrated programme for commodities with a Common Fund as a central principle of it. But while there is now agreement on the basic principles of a Common Fund, progress in respect of the integrated programme has been minimal.

Leaving aside sugar, where negotiations were under way before the integrated programme was agreed upon, not a single agreement has been concluded. This truly is a disturbing situation. Producing and consuming countries with an interest in the relevant trade should be prepared to cooperate in working out practical and viable stabilisation arrangements for appropriate commodities. Yet what we have in fact is a situation in which some of the most powerful of the developed countries refuse to join fully in key commodity arrangements.

It is a matter for concern and regret that the European Economic Community has not been prepared to join the international sugar agreement and further -- that it has used massive export subsidies to frustrate the operation of the agreement. The United States has also been unable to participate fully in the sugar agreement because of domestic political restraints, though, in this instance, the United States Government has indicated its willingness to join and in the meantime, to the extent possible, is conforming with the disciplines of the arrangement.

The result of this limited participation in commodity arrangements is doubly unfortunate. On the one hand, it becomes more difficult to achieve the objective -- which is in the interests of both producers and consumers -- of stabilisation of prices on international markets. On the other, the future of the Common Fund as an effective mechanism is put in doubt.

In this second respect, if developed countries are serious -- if they are to avoid the charge of inconsistency and even of hypocrisy, they must join and agree to participate financially in all viable commodity arrangements where they have an interest in the trade. They must be prepared to participate actively in work on the other elements of the integrated programme for commodities. Otherwise, it will be difficult to see their agreement to the establishment of the Fund as other than an empty and rather cynical gesture.

I now turn to one of the main themes of this important meeting, that of the interdependence of North and South, and the need for a greater accommodation of developing countries within the global economy. In the context of UNCTAD, "interdependence" has become something of a term of art. But it has a life beyond that. It has, in fact, become a standard part of the rhetoric of the seventies. In this general sense, the term, and some of the claims attached to it, deserve closer scrutiny than they sometimes get. We should remember that, in itself, interdependence does not guarantee a harmony of interest. It is not irrelevant, for example, to recall that the countries of Europe had achieved an unprecedented level of interdependence at the beginning of this century, but that this did not prevent them from engaging in the most devastating wars.

Again, it should be borne in mind that the existence of a substantial degree of interdependence does not in itself ensure that the benefits flowing from it are evenly distributed and as we all know, economic disputes are often about questions of distribution. It is important that we do not delude ourselves about the situation we are in. There is a considerable -- and perhaps an unprecedented -- degree of interdependence among the countries of the world today. But that interdependence is not something to rest on -- it is something to build on: Australia believes that we must build on it by further reducing restrictions on trade and capital flows. To do this requires a political will to co-operate and to think in terms of mutual interest -- unless and until we do that it will remain part of the problem rather than of the solution.

Against this background, Mr. President, I want to suggest that, the international economic system and the long term welfare of all the participants in it, depend on successfully meeting two fundamental challenges which now face it: the challenge of inflation and the challenge of increased protectionism in all its forms.

I want to lay particular emphasis today on the over-riding importance of overcoming inflation. Its destructive effects can hardly be exaggerated. It is an acid that eats away at the social fabric of nations. It undermines both confidence in governments and the confidence of governments. It causes unemployment by reducing profitability and increasing uncertainty. It leads to disorderly exchange rate conditions and increases pressure for forms of intervention which inhibit market forces in general and world trade in particular.

We cannot overlook the conjunction between the increased rates of inflation since 1973 and the fact that the volume of world trade grew at only 4 percent per annum between 1973 and 1978 compared with 8 per cent over the previous 20 years. This one fact alone underscores the reason why the world's economies are in difficulty. Until the challenge posed by inflation is met, we shall not experience a return to the economic growth rates which developed countries achieved prior to 1973 and which underpinned the great progress which was made in liberalising trade and payments up to that time.

As developed countries provide about 70 percent of the market for the exports of developing countries, and as the volume of capital flows to the latter is linked to demand for their exports, this is a matter of the utmost importance for developing as well as developed countries.

Given these linkages, it is evident that developed countries could make a significant contribution to faster economic growth in developing countries if they adopted policies to overcome inflation. But this is not the end of the matter. It is not simply a question of the effects of inflation on aggregate demand. High inflation rates are also one of the root causes of the drift towards protectionism. They have created distortions in our economies which some governments, responding to strong internal pressures, have sought to correct through resort to various protective measures to shield industries and employment from outside competition.

These protectionist pressures must be resisted. If they are not they will put the future growth of developing countries into jeopardy. They will make a mockery of talk of "interdependence" and of claims that the best prospect for developing countries lies in working within the existing system. If the reward for success is to be punishment by means of new protectionist devices, by means of "selective safeguards", by the abandonment of the most favoured nation clause which in recent decades has been the only real protection for middle-ranking and less powerful countries, then what credence will such claims have? What incentives will there be to succeed? It will demonstrate that the economic principles by which the established countries have professed to live apply only to those who have arrived -- not to those who are on their way.

I can think of nothing which would lead to greater bitterness and disillusionment among developing countries, which would do more to strengthen the case of those who argue for extreme policies, than the systematic frustration of their access to developed country markets by resort to a variety of protectionist devices. But beyond that, even in terms of cold-blooded self-interest, such devices are short-sighted and self-defeating. They deny the basic truth that the success of the existing system - a system which has allowed enormous progress to be made in the recent past, depends essentially on the growth of mutual trade and on maintaining the conditions which allow and encourage that growth.

The recent MTN negotiations, if disappointing in some aspects, helped to hold the line and to prevent a further deterioration in the situation. They made some welcome progress in reducing traditional barriers to international trade. But most of us know to our cost that these traditional barriers have, in many cases, been replaced and supplemented in recent years by other forms of protection, by quotas and market sharing arrangements, and by more subtle and covert forms such as job and export subsidies on a huge scale. What we must do now is to look beyond the MTN towards the reduction of barriers of all sorts to the freer flow of goods. It is of vital importance to the efficient and equitable working of the international economic system that we ensure the continuation of efforts to liberalize trade in the post-MTN world. Much remains to be done, particularly in the area of non-tariff barriers. This is a matter in which all can play a part, working together to achieve mutual benefit. It is a challenge which we would ignore at our peril.

As we meet here in Manila we do so knowing that shortly there will be a much smaller meeting at another place, that the major developed countries of the world will meet in an Economic Summit in Tokyo. We also know that, although the great majority of us will not be represented and will not even know much of what transpires, what will be decided there could be of great significance to the issues which concern us. There is, therefore, a great burden of responsibility on those countries which will meet in Tokyo for it is their management - or mismanagement - of their own economies and the effects of that on the international system which is decisive. Indeed the holding of the periodic summit meetings acknowledges the responsibility which resides with them because of the dominant size of their economies.

I believe that this conference should, therefore, call on the major industrialised countries in the most forthright terms to adopt policies to bring inflation under control. They should do so in their own interests and in the interests of the rest of the world. We should call on them to resist the temptation to evade their long-term responsibilities to their own constituencies, and to the wider world, by surrendering to the pressure for protectionism.

Beyond this, I believe that the individual governments of developed countries should be prepared to allow increased market access for imports from developing countries. Indeed, Australia has been doing this very effectively for over a decade. During this period the percentage of our total imports coming from developing countries has nearly doubled. In recent years the rate of increase has been nearly 35 percent per annum.

We have taken positive measures to encourage this trend. We were the first developed country to introduce a developing country tariff preference scheme. More recently we have set up a market advisory service and held trade promotion seminars to help developing countries who wish to trade with us.

But there are obvious limitations to what a middle-ranking country - nearly half of whose exports suffer from the protectionism of others - can do on its own. Such a country finds in practice that tackling protectionism unilaterally must be a slow and difficult process. That is why we look to the major trading countries, with the tremendous weight they carry in international trade to respond effectively to the needs of developing nations.

Mr. President, Australia attaches special importance to this Conference because it is taking place here in the Philippines, one of Australia's neighbours, a member of the ASEAN group and a representative of regions -- South East Asia and East Asia -- which are both close to my country and among the most economically dynamic in the world. Our host country is an example, and there are others, to remind us that UNCTAD need not approach its formidable agenda in any spirit of despair. Indeed, it should serve the opportunities that are so manifestly there.

The striking success of some countries in promoting development must not of course, induce any form of complacency or lack of awareness of what needs to be done. Some other countries have had to overcome great obstacles in order to make even the most modest steps forward and some have even found the obstacles too great to make any advance. It is a matter of grave concern that progress has been so uneven and that a significant part of the developing world has participated to only a very limited extent in the economic progress of the past thirty years.

The success of this region, however, is important -- both in its own right and because it is indicative of what is happening, and can happen, in the third world. It is well known that some developing countries have sustained better growth rates than any developed countries through the 1970s.

Both developed and developing countries, including my own, can take a lesson from the recent successes of the South East and East Asian countries. Of course, this success creates new challenges and opportunities as old economic partners are transformed and new competitors, suppliers and buyers appear. We are determined to face the challenge and seize the opportunity of adjusting to that performance and its implications. We hope that others will realise the fundamental importance of pursuing sound domestic economic policies and of creating an economic environment conducive to entrepreneurship.

At this conference the whole range of factors involved in the development process will be considered: industrialisation, technology transfer, finance, transport and commercial arrangements. In some instances it will be true that the most relevant repositories of recent experience for some of us here will not be the mature industrialised countries -- but the newly industrialising countries -- not the MIC's but the NIC's.

Until recently these countries were thought by most to face overwhelming economic difficulties. But they have achieved spectacular breakthroughs to rapid growth and what is more have sustained it in difficult circumstances.

Having mentioned the rapid growth of trade between the developing countries themselves, and the efforts of developed countries like my own are making to accommodate exports from the developing countries, it is appropriate to point out that the centrally planned economies -- communist countries -- have so far proven to be extremely poor markets for developing countries' exports of manufactures. In fact, the communist countries' share in developing countries' trade in manufactures declined in the period 1970-76 from about 5 percent to below 3 percent. When this is set alongside the very low level of aid that the developing world receives from the communist countries, it is apparent that the latter are contributing little to help the development of the third world.

It is to be hoped that the role of the centrally planned economies increases in the next decade in a constructive and co-operative fashion. At present what does most to sustain that hope is the courageous decision of the present leadership of the People's Republic of China to intensify economic relations with the rest of the world. The modernisation of the Chinese economy attracts the closest interest in the countries of this region -- including my own -- and we trust that any impediments to its progress will be overcome.

Mr. President, the agenda of this conference is so vast that it is impossible to cover all of the items on a comparatively brief speech. I have had to concentrate on what I believe are the key issues, the ones which can unlock the doors to general progress. I do, however, want to say something about the question of aid.

It is essential that developed countries maintain, and where possible improve, their aid effort for many countries which have so far not achieved significant growth are unfortunately going to need it for some time yet. I would put particular emphasis on the improvement of the quality of aid, and Australia has tried to set an example in this respect by giving nearly all its aid in grant form and by untying it.

Two things must be recognised. First, in the total picture, as the figures indicate, the role of aid can only be supplementary. Increasingly it is the right and the opportunity to trade which developing countries are demanding and their emphasis is right. It is through trade combined with sound domestic policies, that they will achieve sustained growth. Secondly, in so far as aid continues to be important, it must be recognised that there is likely to be a close connection between the aid performance of developed countries and the general growth and prosperity of their economies. In this respect the general thrust of my comments today have been very pertinent to the question of the prospects for aid.

The other area on which I would like to touch briefly in concluding is that of international monetary questions. We cannot overlook the detrimental effects of instability in the international monetary system on development efforts. I know that concern about this basic issue is shared by all participants in this conference. It is important in this context that the International Monetary Fund's distinctive role is clearly appreciated. While the IMF does not provide development finance as such, the temporary financing it makes available gives countries time to adjust their policies to overcome balance of payments difficulties. This financing, and the pursuit of sound economic policies that go with it, are thus an important element in sustaining economic growth in both developed and developing countries. In approaching its task, the fund needs, of course, to take account of the particular circumstances of individual countries. But beyond this, my Government accepts that the Fund's activities, and its resources, should be directed towards the achievement of the basic objectives of international monetary stability and growth and that questions of direct financing of development are best considered in the context of other international institutions designed for that purpose.

Mr. President, the task before this conference is a formidable one and it is very important that we approach it in the right spirit. We will need to display moderation. Not the moderation of indifference or lack of conviction, but a principled moderation derived from an appreciation of the necessity for compromise and a true understanding of interdependence. We will need to display realism. We will need to display vision.

And lastly, and perhaps most importantly -- we will need to display resolution -- the resolution to control and shape events, rather than be controlled and shaped by them, the resolution to face formidable problems and the resolution to surmount those problems. With this dedication, with these qualities, I am confident that together we can make significant progress. We will at times have our differences. But if we are prepared to seek reconciliation and moderation we will advance our cause -- and that is the cause of mankind.