

Mr - Y e e n d

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PRIME MINISTER

22 MAY 1979

STATEMENT TO PARLIAMENT

During the five days I was away from Australia I had discussions with Presidents Marcos and Soeharto and Prime Minister Ohira of Japan, and addressed the UNCTAD meeting in Manila.

This series of discussions was held against the background of significant changes in the international strategic situation. There is continuing instability in Africa and parts of the Middle East. Developments in Iran continue to generate anxiety regarding oil supplies and about the security of the north west Indian Ocean area. In Korea, new assessments of the north's military strength have placed this at a significantly higher level than had previously been estimated, and concern over security in the Korean Peninsula has led to adoption of a longer time scale for United States ground troop withdrawals from the Republic of Korea. Hostilities continue in Indo-China as Vietnam attempts to consolidate its position in Kampuchea. The tensions which led to fighting between China and Vietnam are still in evidence. A resurgence of fighting would lead to the danger of wider international involvement.

In this international environment my discussions with President Marcos and President Soeharto made clear our common recognition that broadly based co-operation between Australia, the Philippines and Indonesia -- and between Australia and the other members of ASEAN -- has become all the more important. We recognise our responsibility to press for moderation and conciliation in the conduct of international affairs.

The movement toward greater cohesion among ASEAN countries is of particular importance to Australia's interests. It provides mutual support, promotes co-operation, strengthens confidence and assists forces for stable development. Accordingly, Australia seeks to strengthen our links with the ASEAN countries.

My talks with President Marcos made manifest that Australia and the Philippines, as members of the same region with similar interests and attitudes, have a joint desire and determination to work together to respond effectively to the strains and tensions in the international situation. We both welcomed the normalisation of relations between Peking and Washington. It will assist the development of a more effective U.S. policy in the Pacific and Asia, which had been hampered by the absence of formal recognition.

Normalisation, and the conclusion of the friendship treaty between China and Japan, creates new opportunities for these countries to play a positive and constructive role in the Asia/Pacific region. We expressed the hope that the Soviet Union would make a similar constructive contribution to the peaceful development of the region -- a contribution which would be of particular importance because there are areas in which the Soviet Union is not without influence.

Australia welcomes the conclusion of agreements between the Philippines and the United States on military bases. These agreements are of major importance to the strategic balance in the western Pacific. By concluding them the Philippines has made a major contribution to the stability and security of that region.

Against the background of a potential world energy shortage the Philippine and Australian governments will co-operate on energy matters. A bilateral nuclear safeguards agreement has recently been concluded, opening the way for negotiations for the supply of Australian uranium to the Philippines. In an exchange of letters between President Marcos and myself, Australia has undertaken to be a reliable and reasonable supplier of energy to the Philippines, and to give technical and other assistance to help the Philippines develop its own energy potential, including uranium exploration.

With respect to other aid programmes it is noteworthy that Australia's two largest current aid projects are in the Philippines.

The growing co-operation between Australia and the Philippines is further reflected in the signature of a double taxation agreement and the ratification of the trade agreement between Australia and the Philippines that had for some time been put aside. The ratification of this agreement comes at a time when trade with the Philippines has been growing faster than our trade overall, with Philippine exports to Australia growing at more than 45 per cent a year. The joint commission, which will be set up under the terms of the agreement, will pursue means of furthering our bilateral trade and investment.

President Marcos warmly welcomed Australia's strong support for ASEAN and the arrangements which Australia is making to assist the Philippines as a member of ASEAN to take up market opportunities for exports to Australia.

The Philippines and Australia have many common concerns and common interests, a common perception of the challenges that confront us and that we can work together to surmount.

The recent visit to the Philippines, at President Marcos' invitation, resulted in the consolidation of a strong and constructive relationship between our two countries. The joint communique issued at the conclusion of the visit, which I table for Honourable Members, reflects the range of matters we discussed, and something of the spirit of the meeting.

The visit to the Philippines has contributed to making possible a relationship with that nation of a kind we have not had before. I wish to record my thanks to the President, Mrs Marcos, and members of the Philippines government, for all that they did to make my visit such a warm and very constructive one.

As Honourable Members will know, UNCTAD V is meeting in Manila throughout this month. It is a meeting of enormous importance. It comes at a significant time, towards the end of the Tokyo round of Multi-lateral Trade Negotiations and before the Tokyo economic summit. It comes at the end of a period of some real progress on the North/South Dialogue, particularly on the Common Fund.

Over the last five years, both developed and developing countries have come to accept the necessity for compromise-- for movement from the rigid positions they adopted in the past. In this process, Australia has sought to set an example and has worked to build consensus. This is reflected in Australia's work to advance the Common Fund, which has long been a policy of this Government.

At one stage, both developed and developing countries took the position that the other side had to move first. Australia's view was that, if such rigid stances were maintained, there would never be agreement, and that Australia, in the interests of progress, should take the initiative.

At the 1977 Commonwealth Heads of Government Meeting in London, Prime Minister Manley of Jamaica and I took the lead in setting up a Commonwealth technical group to define the realistic possibilities for a Common Fund, and how this could relate to an integrated programme for commodities. A negotiating conference on the Common Fund was held in November 1977. Its results were disappointing, the outcome was a virtual deadlock which held out the prospect of continuing frustration and conflict between the developed and developing countries.

To aid in avoiding this outcome at the Sydney Commonwealth Heads of Government Regional meeting in February 1978, Australia took a new and positive position on the Common Fund. In April 1978, the Hon. R.V. Garland, Minister for Special Trade Representations, represented Australia at a Commonwealth Ministerial Meeting, called to discuss the report of the technical group set up at the London Commonwealth Heads of Government Meeting. This Ministerial Meeting contributed to a greater flexibility in the positions of the developed and developing country participants. And, before the November 1978 Common Fund Negotiating Conference, Australia circulated a paper setting out a suggested model on fundamental aspects of the Fund, with the aim of encouraging an accommodation between the two sides. Much of what Australia put forward was adopted by the Conference.

In addition to Australia's actions in international forums, the Foreign Minister and I were active in discussions with the United States Secretary of State, the Secretary-General of the Commonwealth, the Secretary-General of UNCTAD, and with others, in advancing the idea that countries must be prepared to move if the Common Fund were to become a reality.

The discussion at the December 1978 Heads of Government meeting in Jamaica was instrumental in helping to reinforce developed countries' support for the Common Fund.

The most recent Common Fund negotiating conference, in March 1979, agreed on the fundamental elements of a Common Fund -- a position that, eighteen months ago, few would have thought possible. Australia made an important contribution to that, but there is much work to be done before the Common Fund becomes a reality. UNCTAD must build on the gains that have been made.

At UNCTAD I announced the Government's decision to contribute to the first window of the Common Fund, which will finance buffer-stocks of international commodity agreements. Further negotiation is needed to define the formula for contributions to the first window.

Australia will also make an effective contribution to the Fund's second window, which will finance other measures for the stabilisation of commodity prices, such as adequate research and effective promotion. It will also be important for commodities where it is not appropriate to establish a commodity agreement based on buffer-stocking, for example, a perishable commodity.

Our support for a second window is firmly based in our own history. We know from experience that such supports as research and promotion can be crucial to the success of a commodity agreement. Australia believes that with respect to the second window, although contributions are to be voluntary, it too needs a formula approach which would give more stability in financing and would do much to guarantee its success.

Australia will continue to be involved fully in the further negotiation within UNCTAD, on the Common Fund.

If the Common Fund is to work there need to be international commodity agreements for certain commodities. Unfortunately there has been little progress in negotiating commodity agreements involving both producers and consumers, and consistent with the principles of the Common Fund.

Although some progress is being made in relation to rubber, the International Sugar Agreement is in jeopardy because of the attitude of the E.E.C. While the U.S. administration is experiencing difficulties in having the agreement ratified, further, some aspects of existing agreements would need to be re-negotiated to make them acceptable.

Developed countries must join, and agree to participate financially, in all viable commodity arrangements where they have a major interest in the trade, otherwise it will be difficult to see their agreement to the establishment of the Common Fund as other than an empty and rather cynical gesture.

The effective translation of the commitment to a Common Fund into a reality will contribute to the well-being of developing and developed nations, but alone this is not enough. The dangers of inflation and increased protectionism represent major problems to both the developed and developing nations.

Inflation undermines both confidence in governments and the confidence of governments. It causes unemployment by reducing profitability and increasing uncertainty. With inflation, costs rise, industries are priced out of markets, firms invest less and employ less - creating a national and international unemployment problem. Inflation 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 percent over the previous 20 years.

In Europe in particular, new protectionist devices have been created in recent years. Export subsidies and wage and agricultural subsidies in the E.E.C. run as high as \$25 billion each year. These are just as protectionist as tariffs, quotas or "voluntary restraint" arrangements. They deny markets to developing countries and cause unfair competition for developing countries products in third markets.

Countries must move to adopt the positive policies advocated by the O.E.C.D. and allow market forces to work. As my discussions with the Secretary-General of the O.E.C.D., Mr Van Lennep, made clear, the O.E.C.D.'s view is that interventionist policies by government have the effect of locking labour and capital into particular industries. The removal or reduction of such policies would significantly enhance the prospects for growth in the international economy and international trade.

The Tokyo round of Multilateral Trade Negotiations has put some brake on the increasing move to protectionism, and that may be its greatest success. But although there are individual negotiations within, the round will be of significant benefit to Australia, and many of our exporters will have better assurance of market access than ever before in their history. In the world-wide scene, the gains are modest and the impact is certainly not revolutionary.

There has been some progress in the reduction of industrial tariffs but little has been done in relation to non-tariff barriers, particularly in relation to agriculture. Virtually nothing has been done in relation to wage subsidies and export subsidies. Against this background the world must look beyond the M.T.N. and ensure the continuation of effects to liberalise trade.

A lapse into protectionism would 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.

Nothing would lead to greater bitterness and disillusionment among developing countries, would do more to strengthen the case of those who argue for extreme policies than the systematic frustration of access to developed country markets.

If the reward for success is to be punishment by means of new protectionist devices, it will demonstrate that the economic principles by which the developed countries have professed to live, apply only to those who have arrived and not those who are on their way. The major developed countries carry a great burden of responsibility. Their management of their own economies has decisive effects on the international system.

Australia has proposed that UNCTAD should call on these countries when they meet at the economic summit in Tokyo to adopt policies that will bring inflation under control and to resist the temptation to surrender to the pressures of protectionism.

Australia is developing a resolution on inflation, protectionism and structural adjustment and it is expected that this resolution will be launched at UNCTAD tomorrow. We hope that the resolution will have a productive effect and will cut across group lines in UNCTAD.

For Australia's part our record of trade with the developing nations is a good one. In 1966 Australia introduced the first system of tariff preferences to assist developing countries. The Australian system has been substantially expanded. Some 80 percent of imports from developing countries now enter Australia duty free or at a preferential tariff rate. Australia's imports of industrial products from developing countries have increased substantially. On a per capita basis, Australia's imports of manufactured products from developing countries, excluding petroleum, more than doubled between 1973 and 1977 - a better performance than that of the United States, the E.E.C., or Japan.

In the sensitive textiles, clothing and footwear area, access to Australia is very high. Australia's imports on textiles, clothing and footwear from ASEAN countries represent \$A2.14 per capita compared with 63 cents for the U.S., 51 cents for the E.E.C. and 25 cents for Japan.

If these three areas allowed imports to the same extent as Australia then ASEAN imports of these products would expand by \$1 billion.

The task before UNCTAD is a formidable one. In approaching it, we will need to display moderation, we will need to display realism, we will need to display vision, and last, and perhaps most important, we will need to display the resolution to face formidable problems and to surmount them.

A useful aspect of the visit to the Philippines was the opportunity it afforded for discussions with the Prime Minister of Japan, Mr. Ohira, on important international economic, political and strategic issues.

This broad based dialogue between Japan and Australia is something which I believe both countries find useful. It is a recent development which took shape primarily following my 1978 talks in Japan with Prime Minister Fukuda when the Australian Government engaged Japan in a broad discussion rather than focussing on bilateral issues which important as they are are not the only matters of concern to our nations.

In discussing the forthcoming Tokyo Summit, we agreed that the strongest action against inflation is necessary, especially in view of the link between inflation, world trading opportunities and the North/South dialogue. It was plain from our discussions that Japan and Australia have common views on many matters including the Common Fund, co-operation in the peaceful uses of energy and the continuing importance of the U.S. role in world affairs, and in particular with respect to the Asia/Pacific region.

One particular point of interest raised in the course of our discussions was Mr. Ohira's concept of a Pacific Basin Community in which there would be closer regional co-operation amongst Pacific nations. The idea has considerable potential and merits further discussion and consultation. At the moment the concept is tentative and exploratory and requires a great deal of thinking and consultation, and I have asked the Foreign Minister to develop ideas and approaches to this subject.

The discussions with Mr. Ohira confirmed that Australia and Japan have close economic relations, a growing political understanding and shared perceptions about the Asia/Pacific region. We now have a broad and mutually accepted framework for constructive dialogue with Japan across the range of bilateral and more general issues which can only be to the advantage of our countries.

At the conclusion of the meeting I expressed the hope that Mr. Ohira would be able to visit Australia at the earliest possible date. He would certainly receive a warm welcome.

Finally, I turn to my visit to Indonesia. I had earlier enquired whether President Soeharto would, like Prime Minister Ohira, be visiting Manila for UNCTAD V, in which case we could have had an opportunity to meet there. As an alternative, he suggested having talks on my way back, an invitation which I very readily accepted because it provided an opportunity for constructive forward-looking discussions on a wide range of international, regional and bilateral matters.

Our talks made it perfectly plain that Australia and Indonesia recognise that, living together in one part of the world, we need to work closely together. A strong relationship between Indonesia and Australia is a fundamental foreign policy objective of this Government and, I believe, of President Soeharto's Government also.

The talks confirmed the strength of our relationship and served further to advance it. They revealed a high degree of common interest and common understanding on the many political and economic problems facing the region. There have in the past been some strains between our two countries. Those difficulties are now firmly behind us, and we are determined to look to the future constructively and realistically.

The President and I reviewed developments at UNCTAD including the debate on the Common Fund, and the renewed instability in Indo-China and its implications for the region. Australia welcomes Indonesia's current efforts to strengthen its relationship with Papua New Guinea. On the issue of the Australia/Indonesia seabed boundary negotiations we were both hopeful that they will be brought to a speedy conclusion. Progress has been made in the reunification of Timorese families and there was agreement that this programme should be continued as rapidly as possible. The problem of refugees from Indo-China is a human problem of vast proportions which affects all of us. It is a problem which needs to be tackled at the international level. Indonesia's co-operation in the Indo-China refugee problem is of importance in maintaining an orderly intake of refugees into Australia. Indonesia's continuing help in forestalling unheralded arrivals of refugees is very much appreciated, for it is much easier for Australia to take in a significant number of refugees when this is done in an orderly way and under proper immigration procedures. Indonesia's generous and constructive proposal to establish an island processing centre for refugees is welcomed and supported by Australia and we will be contributing towards the cost of this centre. The Government urges other nations to make financial contributions.

Finally, we discussed the possibility of President Soeharto visiting Australia before too long and the Government looks forward to offering President Soeharto the hospitality of this country.

I discussed the new Australian low air fare scheme with both President Marcos and President Soeharto. We welcomed the progress made at the recent meeting of Australian and ASEAN officials in Kuala Lumpur where as a result of considerable good will on both sides, agreement was reached to recommend to Ministers a package proposal for a settlement.

As General Romulo, the Philippine Minister for Foreign Affairs said to the UNCTAD delegates, the joint communique on civil aviation agreed by ASEAN and Australian officials at Kuala Lumpur was "an example of the way in which differences can be reconciled in the spirit of compromise".

The Australian and Philippines Governments are to discuss arrangements covering routes between Australia, the Philippines and countries to the North.

Mr. Ohira and I agreed that lower air fares between Japan and Australia are necessary and we urged that the negotiations that are already underway between JAL and Qantas should be concluded as quickly as possible.

In conclusion, this brief visit to nearby countries was a particularly valuable and effective one. It advanced our bilateral relations with the Philippines, Japan and Indonesia. It advanced Australian-ASEAN understanding. It allowed Australia's views on major international economic issues to be put at the world forum of UNCTAD V. The visit allowed a warm and friendly exchange of views between Heads of Government on a range of issues which can only lead to better international co-operation and understanding on world issues and to enduring relationships between the peoples of our countries, our region and the world.

JOINT COMMUNIQUE
President Marcos and Prime Minister Fraser
Manila, 11 May 1979

At the invitation of His Excellency President Ferdinand E. Marcos, the Prime Minister of Australia, the Rt. Hon. Malcolm Fraser, made an official visit to the Republic of the Philippines from 8 to 11 May 1979.

During the visit the President and the Prime Minister held extensive discussions on a wide range of subjects of mutual interest. The talks were held in a very cordial and friendly atmosphere, reflecting the important and expanding relationship between the Philippines and Australia.

Discussion covered three broad areas: regional and world stability; the international economic situation; and the bilateral relationship between the Philippines and Australia.

The President and the Prime Minister agreed that some aspects of the international situation caused considerable concern, with areas of instability affecting parts of Africa, the Middle East and Indo-China. In addition, they noted that international economic difficulties added significantly to world tensions.

In such circumstances, Australia and the countries of the ASEAN region had a strong mutual interest in working closely together to prevent such tensions from impeding the peaceful progress and development of the region.

The President and the Prime Minister noted the recent normalization of relations between China and the United States and the conclusion of the Friendship Treaty between China and Japan, and agreed that these events created new opportunities for these countries to play a positive and constructive role in the Asia/Pacific region. They expressed the hope that the Soviet Union would make a similar constructive contribution.

The two leaders expressed serious concern about the situation in Indo-China and called for a settlement of differences among the parties concerned. They agreed that disputes should be settled by peaceful means, and without resort to the use of force.

The President and the Prime Minister referred to the critical importance of the 5th Session of the United Nations Conference on Trade and Development, currently being held in Manila. They agreed that its location and timing made the present conference especially important. The immediately preceding period had been one of reduced growth of world trade caused by inflation and leading to the spread of unemployment and the dangerous increase of protectionism.

The two leaders recalled the part they and their governments have played to date in bringing about an agreement on the basic elements of a Common Fund, and welcomed the prospects it brings for greater stability in commodity prices at levels which are remunerative to producers and equitable to consumers. They expressed the firm conviction that the Fund should be established as soon as possible.

They also called, in particular, upon producers and consumers to proceed to negotiate expeditiously appropriate international commodity agreements and arrangements under the Integrated Programme for Commodities of which the Common Fund was a key instrument.

The President and the Prime Minister agreed further that there was a need to look to the future and to improve on the results of the Multilateral Trade Negotiations. It was of critical importance to achieve significant reductions in barriers to world trade. In this context, they noted that high rates of inflation were a significant element in the slower growth in volume of international trade and in market opportunities for all countries, especially developing ones. They therefore called upon countries, and in particular the major industrialized ones, to pursue policies to bring inflation under control.

The President and the Prime Minister were pleased with the contribution that had been made by ASEAN to political stability and the economic and social development of the region. The Prime Minister emphasized Australia's strong commitment to South-East Asia and the whole-hearted support for ASEAN, which he referred to as an excellent example of the strength and stability which could be achieved through regional cooperation. It was a basic element of Australia's policy to work closely and cooperatively with ASEAN in all matters.

The two leaders discussed the new Australian low air fare scheme and, in this connection, they welcomed the progress made in the discussions at the recent meeting of Australian and ASEAN officials in Kuala Lumpur, including the agreement to recommend to ASEAN and Australian Ministers a settlement on a package basis.

The President and the Prime Minister agreed to start discussions on arrangements covering routes between Australia, the Philippines and countries to the north.

The President and the Prime Minister reviewed the full range of the bilateral relationship between the Philippines and Australia and were able to settle a number of issues, thus clearing the way for the fuller development of the existing network of bilateral agreements.

Referring to the Nuclear Safeguards Agreement which has just been concluded, the two leaders agreed that this would be the basis for subsequent arrangements for the supply of uranium from Australia to the Philippines.

The President and the Prime Minister noted that while the value of trade between the two countries has increased considerably, there remains a significant balance in Australia's favor. In this context, they noted and the President welcomed the arrangements that the Australian Government was making to increase market opportunities for exports to Australia from the Philippines and other ASEAN countries.

The two leaders welcomed the exchange of letters of ratification which they had authorized to bring into force the trade agreement between Australia and the Philippines and agreed that this was a significant development.

The Prime Minister and the President further welcomed the signing of a double taxation agreement between the two countries which would help promote greater economic cooperation.

These various agreements, together with the accompanying strengthening of the political relationship, reflected the growing warmth and cooperation between the Philippines and Australia.

The two leaders recognized the considerable prospects for the substantial growth in tourism between Australia and the Philippines and agreed to consider early measures to realize this potential.

The President welcomed the continuing commitment of the Australian Government to the economic development of the Philippines through its various aid programs, and the Prime Minister confirmed that the Australian Government expected to maintain its aid allocations to the Philippines.

The Prime Minister said that the Australian Government had studied a recent Philippines request for assistance in the development of its energy capability, and confirmed that Australia would provide such assistance. The President welcomed the Prime Minister's assurance that Australia intended to be a reliable and reasonable supplier of energy sources to the Philippines.

The Prime Minister expressed his pleasure and deep gratitude to the President and Government of the Republic of the Philippines for their invitation to him to visit Manila, and for the excellent arrangements and gracious hospitality that had been offered to his party. The President accepted an invitation by the Prime Minister to visit Australia at a mutually convenient time.