

QUESTIONS AND ANSWERS FOLLOWING ADDRESS TO BUSINESSMEN'S LUNCHEON

LOS ANGELES

Question

I would appear, Mr. Prime Minister, that one of the driving forces in the United States' economy towards inflation might be the defence spending. What share of your Budget is going into defence spending, and do you think that is going to be moving?

Prime Minister

I believe that defence spending will increase in Australia. Traditionally, we have kept pretty small forces. A great deal of defence expenditure finds its way to the United States, because of much of the sophisticated equipment that we purchase comes from your country. But, the proportion of GDP that we spend on defence would be significantly less than the United States. We have already called for a review by our own defence people of their strategic assessment, and for a review of their defence programmes. I hope both those reviews will be ready to be put in my hands when I get back to Australia in about two weeks.

Question

Prime Minister, what is the reaction of the people of Australia to your announcement that you would join with the United States in the boycott of the Olympics in Moscow?

Prime Minister

I believe general support. Your Olympic Committee has gone further than ours. Ours has committed itself to putting the Government's views to the International Olympic Committee. They have kept their final options open at this stage. But the Government's view is almost identical to that of the United States Government. Having stated that position, I would hope that it will be seen that an effective boycott of the Olympic Games in Moscow might well be the strongest weapon any of us have in demonstrating to the Soviet Union the depth of our concern and the depth of our opposition to what they have done in Afghanistan, because there is not the slightest doubt that the Soviets want the Olympic Games in Moscow to be a great public relations operation for their own people - athletes from all the countries of the world going to Moscow virtually paying homage to the Soviet Union by their presence, competing, and as the Soviets would want, being defeated in the Soviet Union; to have a great domestic success. Now, a number of things, trade sanctions and all the rest, can be hidden - their effects can be hidden - from the Soviet people. If there are a large number of countries that do not go to the Olympic Games, the effects of that cannot be hidden from the Soviet people. There would be a wondering why, a questioning. Our people, who have watched and examined, advisers on Soviet affairs, believe that an effective boycott of the Olympic Games would bring home the view of

Prime Minister (continued)

independent states and nations about Afghanistan, bring that view home to the Soviet people, more strongly and more forcefully than almost any other non-warlike act that it would be possible to take.

Question

Prime Minister, recent decades have seen a tremendous build-up of the trading partnership with Japan. Do you foresee a similar development with Mainland China in decades to come?

Prime Minister

Yes. I think it might be slower. Are you talking about between Australia and Japan?

Question

Yes.

Prime Minister

We, obviously, will be seeking every opportunity to trade with China, but there is a very - the Japanese and Australia economies, they are complementary. We both have something that the other needs, so a rapid growth in trade and relationships between Japan and Australia was prompted and promoted by the economic relationship which grew very naturally. I think there will be great opportunities to trade with China, and I hope trade both ways. But at the moment, for example, it is much more one way. There are some things that we sell to China, very little at the moment that they produce that we need. In some things they produce they want to compete with a number of others, and are pretty effective in the business. I believe the opportunities are there. The practical effect of increased trade will be seen in coming years. But I doubt if it would be as great as the growth with Japan.

Question

Prime Minister, is there any possibility of the Federal Government building a studio, for the production and the benefit of the various States, in the production of feature films in Australia, and incorporating into that studio operation the amount of money that is presently spent on the school, the motion picture school, that is presently operating there?

Prime Minister

I have not heard that suggestion put forward. The film industry seems to be moving ahead quite rapidly in Australia. There have been not only some domestic successes, but international successes over recent years. For a long while that did not happen in Australian production. We have also done one or two things to give the Government Broadcasting Corporation a greater stimulus

Prime Minister (continued)

to get out and produce and to sell by allowing them to keep the profits of what they produce and sell. Before the Treasury used to grab it back. So I hope that they will be doing a bit more. But I had not heard of the suggestion that we should - the Government - should build a studio. I think government should only be a thing that private enterprise or other people cannot do.

Question

I don't private enterprise can do it.

Prime Minister

No. But I make the point the film industry has been highly successful at the moment, with the facilities and arrangements that do exist.

Question

Prime Minister, (inaudible) the economy in which the Australian Government welcomes investment and are there any problems in connection with the repatriation of profits (inaudible) ...

Prime Minister

No, and we expect people to make profits. You do not invest unless you do. In Australia, profits is an honourable term. We like people to make profits. The major overseas investment has been in the resource industries or manufacturing. But there are a number of construction firms, or service-based industries that have also got significant overseas investment. There is one area that can become sensitive, and that is in the investment of land, farming land, and I think you would understand that. There are some rules which determine the basis of foreign investment. In the major resource projects we try and get 50 per cent Australian partnership in an operation. But if an overseas corporation wants to do something and cannot get an Australian partner and can demonstrate that quite clearly, they will still get approval to go ahead. It is a pretty flexible policy and one that is quite deliberately designed to encourage overseas investment in Australia. If you make profits, well, subject to paying our normal taxes which are the same as any other corporation has to pay. Well, they are yours to determine what you do with.

Question

Prime Minister, would it be proper to ask about the impact of Prime Minister Thatcher's Government on the relations with Australia, with all the changes that are being wrought?

Prime Minister

I think Prime Minister Thatcher has a tremendous task ahead of her, which I think she is tackling boldly and with a good

Prime Minister (continued)

deal of vigour. It is going to be a long haul, because there are many things that had to be put right, but I know this is understood in the United Kingdom. As far as I am concerned, all praise to Margaret Thatcher for what she is doing. I think a lot of Australians would see it that way also.

Question

Prime Minister, the other day I read a speech by your Deputy Prime Minister, I think it was given in San Francisco recently, in which he commented at some length upon the concern about growing protectionism in the United States. I wonder is this something that is especially noted in Australia, and would you comment on the general subject of protectionism as you see it.

Prime Minister

In general terms, protection is an evil, but we have to face that we live in a world where all countries, to a greater or lesser extent, practice protectionism. There have been times in the past where some United States actions have damaged Australian industries by quantitative restrictions. This is largely in the primary industry field, although restrictions have been placed in the past on lead and zinc. I think going back to the Eisenhower regime there were limits for bans. When my colleague Doug Anthony was talking about that sort of thing, he would also I suppose be having in mind the trade balance, which is two to one in the United States' favour. We do not look for people to have a balanced trade balance because that is just not possible. We have a favourable balance with Japan for example. The quantitative restrictions on major bulk commodities and whatever have sometimes inhibited expansion of trade between Australia and the United States. I think we made good progress in the MTN so far as the bilateral relationship was concerned. Access for meat and for wool and for some other commodities was significantly improved. I think we made real progress in that area. Our people have, for a long while, wondered about the rationale of a tariff on raw wool. The United States was the only country in the world that had it, and all we could see happening from that was the wool industry in the United States being damaged, as well as our own. Under the new arrangements, that is going to be very significantly reduced. Significant progress has been made. We also of course, have got elements of protection and we are accused also of sometimes being too protectionist in Australia. I do not think we are when you take into account the fact that Australia uses tariffs, sometimes quantitative restrictions but not very often. We have particular access for the goods from developing countries. Exports from the ASEAN group have been growing into our market by over 30 per cent a year for nearly 10 years. We import large quantities of textile, apparel and footwear from developing countries. Some manufactured goods from developing countries. When you look at the sort of protective devices that Australia pursues and then look at the protective devices in Europe, well, we are very much novices

Prime Minister (continued)

and learners in the game. I do not know that we want to become as expert as the Europeans. We would hope that they might diminish some of their elements of protection. They spend \$25 billion a year in wage subsidy and export subsidy. They are all protective devices, just as much as a tariff. They have levies and quantitative restrictions and quotas and labelling devices, and health regulations and all sort of things. That does inhibit the opportunity for trade. Indeed, much of our trade with Europe - well, it has fallen very greatly over the last ten years with Britain going into the Common Market as a result of these devices. If it was not for a standard trade with Japan and Korea and Taiwan and Hong Kong and South East Asia, Australia would have been in very real difficulty. But we have made up for it with a trade offensive in other areas. Protection is bad. I think we have all got to work at lowering it. We have also got to face the reality of the domestic economy sometime which, in a protected world, make some elements of protection inevitable. No one country I think can afford a sudden inflow of no protection. A country our size could not. You can make judgement for the United States.