



# PRIME MINISTER

5 FEBRUARY 1980

## ADDRESS TO U.K. AND AUSTRALIAN BUSINESSMEN, LONDON

I am sorry time is quite as tight as it is, because of schedules that have to be kept later in the day. I welcome very much the opportunity to be with you and if I can speak for just a moment or two, I will be happy to try and answer any of your questions about Australia or how we see the next few years developing.

But first, I think I would like to say that we all, as I believe, understand that the world has changed over the last 4 or 5 weeks - or perhaps, more accurately, our perceptions of it have changed - and the Russian movement into Afghanistan and the opportunities that that will open up creates a new and more dangerous and more difficult environment than we hoped we had. I do not know that it really means there is any changed policy on the part of the Soviet Union. I think it is just another particular application of long, continuing policies, but it does mean that we have to look again at our own perceptions of detente and the way our relationship with the Soviet Union should develop and I think it also means that we have to look to our own defences and our own arrangements.

There have been strong reactions from the British Government, which Australia certainly supports, and a strong and courageous lead from the United States, which also, as I believe, needs the strongest possible support from independently-minded nations around the world. And what we do need is a collective will and a collective determination, and it might be a somewhat gloomy view, but the time we are living in at the moment - if one wants to make comparisons - might be equivalent to 1935 or 1936, and then it would have been possible to do certain things which would have prevented later events. It was not possible to take those actions in 1938 or 1939, because neither Britain nor France then had the power that was necessary. And so, a collective will, led by the United States but supported by major countries in Europe, as we would believe from Australia, is of enormous importance at the present time.

We have got no presumptuous view of what a nation of 14 million people can do in this kind of situation, but we are nevertheless determined to do what Australia can and we will be increasing our own defences. We will be undertaking greater military activities in the Indian Ocean in cooperation with the United States. There will be closer liaison with South-East Asia, and additional actions in the Pacific, doing what we can to look after our own particular region.

But what this new environment emphasizes, I think, more than ever before is that we all need strong and vigorous economies, and if we were worried about the fight against inflation and the dangers posed by high inflation, then we need to worry doubly now, because you cannot have the kind of economy and the kind of strength that is necessary to meet the political and strategic challenge which will

lie in front of us, not for 6 months, for 12 months, for 5 years, but maybe for 10 years or 20 years - then we need an economy that is vigorous and strong, with inflation low, and with a determination within a nation to look after its own affairs and to protect its own. And in that environment, the fight against inflation remains, so far as Australia is concerned, a number one economic priority, and if we have to spend additional sums on defence, it will not be at the expense of increased deficits, it will not be at the expense of letting our money supply run out, it will not be at the expense of allowing inflation to run away from us in a way which would not otherwise be the case. Unless we do that, I think we run the risks of losing some of the gains in our economy over the last 4 or 5 years where, as many of you will I hope know and understand from your own context of Australia, there has been significant success in the fight against inflation - not as much as we had hoped, not as much as we would have wanted, but nevertheless, by world standards, we are increasingly competitive. Manufacturing exports are rising and getting into markets in many different places, and we intend that that will continue.

We want to promote profitability, and businesses of all kinds in Australia, I think, are more profitable than they have been for a very long while. We want to encourage investment, and last year there was a record for overseas investment - a record and a higher figure in real terms than there had been for 10 or more years.

As a result of what we have been doing, there is an increased competitiveness, the best, I think, again for 10 years. The balance of payments is much stronger. For a number of reasons, the strength of mineral and resource industries and the great rural industries of Australia, are doing much better than they have for a long while. They have come together, the major industries, profitably, for the first time, maybe, for 15 years. It is not often that all our major industries are having a good year at one time, but when that does happen in Australia it adds enormously to the strength of our own balance of payments.

But it is not only those things. Our manufactured exports are going to play a growing role in absolute if not in relative terms, and I think that in itself is an indication of the competitiveness of the Australian economy.

In the 1980's I think there are going to be great and growing opportunities and while what is happening in oil-producing countries is of great concern to all of us, in a perverse kind of way there are some advantages in that for Australia, because while we are not self-sufficient in oil, we have a surplus of other forms of energy and it enables the bringing together in processing of Australia's natural resources - minerals - with electricity based on coal which gives us, as we believe, a significant competitive advantage.

This is already happening in the aluminium, alumina, industry with 4 billion dollars' worth of investment going ahead at the present time. That would not have happened, obviously, without the bauxite in Australia. It would not have happened without abundant supplies of electricity based on coal in either Queensland, New South Wales or Victoria. And we would expect that more of this would happen as oil prices rise and as the natural force of economics and freight costs will make more processing in Australia, rather than merely carting the raw materials away, increasingly effective. Government policy is designed to promote and encourage this kind of development. We have over the last 18 months, started new policies in cooperation with

States to make sure that the basic governmental infrastructure is available, so that it will not impede or hold up major resource developments, and whether it is a need to shift vast quantities of coal, a need for the development of ports or roads or internal transport, we want to make quite certain that there is all encouragement for the great projects which await the capital and entrepreneurial skills in the development of Australian resources. Where, about 3 years ago, we could see ahead of us something like 6 billion dollars' worth of investment in mining and manufacturing, over the last 2 years something over 6 billion dollars has in fact taken place, but now the prospective list of firmly committed projects or projects in the final stages of decision-making, stands between 16 and 17 billion dollars, which I think indicates the increased tempo of resource and industrial development in Australia.

Some of the consequences of what has happened: I think there is a wider range of industries which are internationally competitive. It is not just the raw material, quarrying industries, but extending also into advanced manufacturing and aluminium. The economy is more diversified, I think, than it has been before, with rural products, metals, minerals, manufactures and service and financing industries all playing a role. And really, as a result of that, as I believe, we enter this decade with a more strongly-based economy than Australia might have had in the past. And perhaps because of this, there is some greater insulation from the swings and changes that can happen in other countries. I think if we had asked our treasury officials in, say, July or August of this year, and if we had known in asking the question what was going to happen to Britain and British interest rates, to the United States and United States Interest rates, and say, "what is going to be the impact on Australia?" I believe they would have looked slightly horrified at interest rates of the kind that are seen here and in the United States and indicated a much greater impact on the Australian economy than in fact has been the case. The impact on the Australian economy has been minimal. Certainly, there have been pressures, but we have been able to meet those pressures by and large with minimum adjustments within Australia and I think that more than anything else might be a mark of the strength of the Australian economy, because if we had been subject to those same pressures 5 years ago or 10 years ago, I have not got the slightest doubt that the adverse effects on Australia would have been very much graver.

I do not think there is any need for me to say, amongst this group, that we welcome foreign investment and welcome overseas investment - more welcome if it is in partnership with our own, but that is not an absolutely necessary criterion for development and activity within Australia.

We see ourselves working in partnership with people from many other countries and especially from the United Kingdom, with a longstanding, traditional relationship, which so far as I and my Government are concerned we would want to see enhanced and fostered, not just in our time but for a very long while to come. We also believe, with the energy problems that face the advanced industrial world in particular, that there is an increasing role for Australia because of our possession of coal and minerals and that that will help over a period of time probably to strengthen links with countries such as the United Kingdom on the one hand and with Japan and other countries of Europe also.

Gentlemen, thank you for joining us today. I am sorry that time is short, but I welcome the opportunity to be with you.