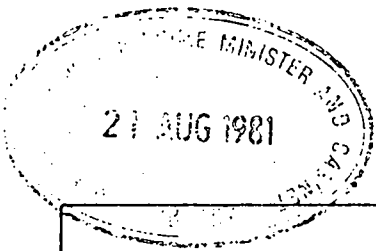


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**PRIME MINISTER**

THURSDAY, 20 AUGUST, 1981

ADDRESS AT AUSTRALIA-JAPAN BUSINESS  
CO-OPERATION COMMITTEE LUNCHEON  
CANBERRA

(As Delivered)

I welcome very much the opportunity to be with you today, and I am glad to see that both organisations are growing in health and strength, in membership, and in the width of your activities. Both organisations are important. We recognised long ago, when the Australia-Japan trade treaty was first signed and negotiated on Australia's side by Doug Anthony's predecessor, John McEwan, in about 1955 or 1956, that it was not only to be a trade relationship. It needed to be a much broader one than that. Therefore, there had to be interconnections between companies, between people from many different walks of life from both Japan and from Australia. Much has been achieved in the years since then, I believe probably much more than the signatories of that treaty envisaged in 1956.

Your members represent many companies and statutory bodies with a very significant involvement in economic and trade relationships between Japan and Australia. The Committee has made a very valuable contribution in strengthening ties between our two countries over what is very nearly 20 years.

There is no need to emphasise to anyone here the importance of the relationship between our countries. Japan is Australia's largest export market. Australia is certainly one of Japan's fastest growing export markets. But one thing which is particularly welcome; new Japanese investment in this country has grown from a little under \$200 million two or three years ago to nearly \$500 million in the year to March. This is something that we have sought to encourage. We are very glad indeed to see that it has taken place. Traditional investment in this country I suppose has mostly been from the United Kingdom and from the United States but one of the features of the last 10 to 15 years is the broadening of other countries' interest in Australia as a place in which to invest. We welcome very much the growth of Japanese investment in this country.

One of the very important principles which was established early in the life of this Government between Japan and Australia, is that there needs to be certainty and stability in trade in both directions. There can be no sound trade relationship if that is subject to undue, sudden, unforeseen disruptions, embargoes, one way or the other. The strength of the relationship between Japan and Australia has improved very greatly with the broad, and as I understand, absolute recognition that that principle must be maintained. It is an important, indeed an essential foundation, for a sensible and growing trade relationship and one which leads to an improved understanding between the countries involved.

There are other areas where Japan and Australia stand together. We both have strong and growing economies. That is not something that can be said about many advanced industrial countries around the world at the present time. In that context, I would like to say one or two things about the Budget that John Howard introduced a couple of nights ago. I strongly believe that that Budget's priorities are right. It needs to be seen, as the case with all our Budgets, in the broadest perspective, maintaining balance between different sections and groups within the Australian community but driving in a determined way towards objectives which will advance the living standards of all Australian families.

The Budget with a domestic surplus, which on a comparative basis with last year because there is an extra pay day in this year for the Commonwealth which costs something over \$400 million, so on a comparative basis with last year the domestic surplus rather than the \$1,540 million the Treasurer announced, nearer \$2,000 million. The overall balance in the Budget must, for a considerable period, very nearly be a first again amongst advanced industrial countries. Getting rid of a domestic deficit that has to be funded by Government borrowings or in some cases even by just plain straight printing money only does enormous damage. Having got rid of that situation I regard as a very significant achievement.

I noted one of the editorials which said that this was still big Government spending, or a big Government spending Budget. Well, if it is I do not know what words would be used for most other Budgets in most other countries around the world, because if you take out that extra pay day - and it is legitimate to do so - expenditures have increased by less than one per cent in real terms over last year. Have in mind that within that there is a 5% to 6% real increase in defence expenditure, over 14% increase in welfare expenditure which some people say is not enough but others say is too much. That increase is not insignificantly influenced by indexation of pensions but also by the fact that there are more people in this community of pensionable age. So that again, is a very real area of increase.

To judge whether or not a Budget is a big spending Budget or whether it is a restrained Budget, as I am certain in my own mind that this is, it is important to look on the total claims that the Budget puts upon the resources of the community. When we came into office the Federal Government was claiming nearly 31% of the total resources produced by the community. We have that down to 27.6%. If you make some adjustments for different accounting and different policies in one or two areas, the difference would be even more marked but again, with a continuation of policies, there is not the slightest doubt

that the proportion of resources taken by the Budget will fall further, but having reduced it from a little under 31% to 27.6% over four or five years is a very significant achievement indeed.

The Budget obviously has to balance a variety of important factors. It obviously needs to achieve economic and employment growth. If the economy does not continue to grow as it has, then that upsets business plans of industry, it makes it difficult if not impossible to achieve rising living standards for Australian families. At the same time, while we have maintained balance, improved the domestic surplus, we have increased defence spending very greatly and greater assistance in some special areas of need.

One of the greatest contributions of this Budget ought to be relieve pressure in the markets on interest rates. That is something that not only affects businesses, it affects Australian families, home builders and it is important that those pressures be reduced. It is not possible to reduce those pressures unless demand is reduced. If we want to make room, as we do, for continuing expansion and growth in the private sector, then it is important that Governments - and not just the Federal Government - be as restrained as possible in their demands on the nation's resources. So the Budget, as we believe, will continue to strengthen Australia's growing but still recovering economy. You cannot go through the trauma and the difficulties of the middle 1970s without it taking some considerable time finally to leave the legacy of that behind. The Budget will very significantly contribute to our primary aim of establishing the circumstances in which there will be rising living standards for Australians.

There are obviously several issues of concern: industrial relations and unions using great militancy, seeking unreasonable wage increases is something that must concern all of us. I believe that we might be approaching a period where there is a little more sense in that particular environment. The discussions that we have been having in recent months with the new membership and leadership of the Australian Council of Trade Unions has established a basis of trust and understanding which I believe is and will work to the benefit of this country. It is worth noting that in all the discussions that we have had, there has never been any attempt by anyone from either side to try and score points or make political capital out of the discussions and the negotiations that have taken place. I certainly appreciate the relationship that has been established with the leadership of the Australian Council of Trade Unions, and I believe they also appreciate the access that they have to Government as a consequence of that.

It might have been noticed that we have been adopting a slightly different approach in our own areas of employment. Ian Sinclair and other Ministers have demonstrated that approach. It is one of policy. In our own areas of employment if people want to be paid they are going to have to do the work they are asked to do and expected to do, otherwise they are suspended or stood down for whatever period is necessary and that happens forthwith in the first instance. I do not know how many people understand that about 10:30 one morning the air traffic controllers announced that they were going to ban all aircraft between Australia and the United States. On 11:30 of that same morning, Ralph Hunt announced that anyone

participating in that ban would immediately be suspended from duty. At about 2:00 on the same day, the union lifted the bans.

That I believe, is an example of the way in which employers and especially Government employers ought to be responding when there is a difficult circumstance.

One thing where I really think there was a great deal of unnecessary hysteria for a week or two - I think it has now settled down - but when the Arbitration Commission indicated the abandonment of wage indexation instead of a lot of people saying there is a vacuum, this is going to be disaster, the sky is the limit, I would have thought there should have been and would have been many people saying this is the best thing that has happened in the wage fixing area for five or six years, because all indexation did was to establish a higher limit from which people then set out to negotiate for more. We all know that that is what occurred. There was a 4% or 5% real increase in wages last year. Without indexation there is no vacuum. The Commission is there. All State Governments tell me that they support the centralised wage fixation system, and the ACTU also say the same thing. There will be industry cases that will establish guidelines. There will be a National Wage Case in February that will establish guidelines. People will have to argue their cases with a sense of reason and firmness and strength if they want a result. With indexation of course, everything automatically jacked up onto a higher plateau every year or every six months. The fact that the circumstances have changed is now being much better understood. We had a meeting last week again, with the ACTU, with employers and with Premiers in relation to it. I think that the decisions that were made then should help to understand that there is a system and it is up to all the parties to make that system work. It is worth noting that all Premiers of all political persuasions agreed that they would lend their efforts and energies to achieving that. ..

We need also, in looking at the relationship between Japan and Australia, to make sure we understand the kind of world that we are living in. There are grounds for very obvious concern. World trade is slack. There is no growth in a number of important countries. In a number of countries inflation is entrenched, unemployment is high and in a number it is still rising. If we are looking around the world, I think we would both have to come to the conclusions. that in a number of places appropriate policies are not in place. We ought to be very glad therefore, to find a sense of renewal, of resolve, in the United States. I know it is uncomfortable when their interest rates rise to high levels, and when that has implications for other people but a strong and growing United States economy has great implications for Japan, for Australia, for Europe, and to re-establish strength, to destroy inflation in that economy, is of vast importance to all advanced industrial nations. Indeed, it is of great importance to the whole trading world. President Reagan's resolve to achieve this as a first priority of his Government is one which I believe is to be commended.

It is always possible to argue about particular aspects of policy, but I have not the slightest doubt that the broad thrust of what he is about is right for the United States and in re-establishing the strength of that economy that is good for us, it is good for Japan, it is good for world trade generally. It will also have a by-product, because the more the United States destroys inflation, the more competitive the United States becomes, the harder will other countries find it to continue with policies which are complacent about these particular matters. In a sense, it will therefore compel other major countries in Europe to adopt policies that will also return to a healthier situation than that which they now have. The alternative for them if they do not would be a continuing worsening of their own situation, a continuing destruction of their own competitiveness, and continuing increase in their own unemployment.

I also think that Japan and Australia, both being wealthy countries in a somewhat difficult world, and both being placed as we are one at the North and one at the South of the Western Pacific, need to understand that we live in a world where \$800 million people have an annual income of something less than \$200 Australian a year. They have none of the medical services, the water supply, things which everyone in this country and I would believe most people if not everyone in Japan, would take utterly and totally for granted. I think Japan and Australia have a common view that more needs to be done in this particular area. It is not a question of morality. It is not a question of humanitarianism. It is a question of our own self interest. If one looks at the direction of Japan's trade an enormous amount of it depends upon markets in the Third World. If we look at our trade, a good deal of it depends upon markets in the Third World. If there can be rising living standards, greater economic take-off in more countries, that is going to create more opportunities for the industries of Australia and the industries of Japan. There is an enormous self-interest in seeking to establish the circumstances where world poverty can to some extent be alleviated. But we need to understand also that there are two sides to this coin. It is all very well to say that more resources need to go into the World Bank or that the Monetary Fund needs to accommodate itself to the wishes of the Third World in a way which might not quite be so economically pure but a little more humanitarian and our own direct aid might also perhaps need to be increased, but these lead to the circumstance in which people are producing textiles, people are producing electronic goods, even people are producing motor cars. Now, President Mitterand of France agrees with all the first things which I enunciated, but I then asked him what happens when they start to produce these goods and they suggest that they might want to sell them into the markets of France. That, he said, was a matter to be considered. Indeed it is a matter to be considered, because as people start to produce, as they start to grow, as their economies start to join in, it is not good enough to say that the benefits of the market system are there for those who have arrived and are to be denied to those who have not yet arrived. Now, this involves some difficulty. It can involve some pain to many of our countries. ASEAN's exports to Australia have been growing at nearly 40% a year for the last 10 or 12 years.