



**PRIME MINISTER**

FOR MEDIA

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ELECTORATE TALK

Australia has long been concerned at the almost total exclusion of our farm products from European markets - markets which were once major ones for our produce. We are equally disturbed by the fact that European countries have also been exporting increasing volumes of heavily subsidised agricultural produce to third markets, in many cases markets which Australian exporters have fought hard to build up after their virtual exclusion from Europe.

Obviously, these concerns were among the issues that we discussed with the current President of the European Communities, His Excellency, Mr. Gaston Thorn, during his recent visit to Australia. It is a matter of regret to Australia that we should have a continuing dispute with the European Community over trading matters, for in many ways, in many fields, we have relationships that are substantial and important. Of course, this is not suprising. Australia and the European Communities have a shared history and shared cultural values, and we share a commitment to democracy as partners in the Western alliance.

In the past year a delegation of the European Parliament visited Australia; Australia signed an important nuclear safeguards agreement with EURATOM (that is the European Community's Atomic Energy Commission); and Australia and the European Community have held talks at Ministerial level twice, in Brussels last December, and here in Canberra last week. Moreover, one of the main duties which President Thorn performed during his visit was to open officially the Canberra offices of the Commission's delegation to Australia. Australia is one of the very few countries outside Europe where the Commission has established an office responsible for relations with a single country, and its establishment must surely contribute to better understanding and more constructive relationships between Australia and Europe.

President Thorn and I spoke about the international political situation as well as about economic matters. We discussed Afghanistan and Poland and the important processes of consultation among the Western allies following those events. We agreed that in the present international situation, the unity of the Western alliance is more important than ever, and we agreed that this means that special efforts need to be made to avoid disputes among Western countries in all fields, and to solve them if they arise.

Trade disputes in particular can place additional and unnecessary strains on Western unity. In this regard there has been a recent dispute in relation to Australia's import policies on footwear and motor vehicles. The European Community has raised the matter with the GATT in Geneva. However, during President Thorn's visit it was agreed that any action on this should be deferred pending further study and consultations between the two sides. Despite our broad agreement on a wide range of issues, the fact remains that the European Community's policies with respect to agricultural products have cost our farmers many hundreds of millions of dollars annually in lost export earnings. Indeed, the Bureau of Agricultural Economics has estimated that in respect of sugar alone, the trading policies of the European Communities have cost Australia \$130 million annually in lost export earnings during the past decade. These losses are a direct consequence of the Community's common agricultural policy which provides assistance and protection to agricultural producers in Europe. It has been estimated that assistance to those producers from the European Community and from national governments, amounts to some \$30 billion annually, and imposes a huge burden on individuals in Europe in the form of higher taxes, and higher food prices.

The common agricultural policy pursued by the European Community involves setting very high domestic prices for the full range of temperate agricultural products, and applying variable levies which effectively prohibit imports except in rare cases where there are shortfalls in domestic production. Not surprisingly, these policies have led to surplus production of many agricultural products by Europe's farmers, which are then exported, with the farmers receiving further subsidies on these sales in the form of so-called export refunds. So, not only are our farmers' products effectively excluded from European markets, they also face competition on unfair terms in other parts of the world market from European farmers who are being subsidised for exporting.

I was very pleased that President Thorn assured me during our discussions of his own personal commitment to the goal of ending the subsidisation of European farm exports to international markets, and, generally, of reforming the common agricultural policy to put firm upper limits on overall European farm production. On the other hand, the President also emphasised that the economic situation in Europe at present is rather bleak, with 10 millions unemployed and the likelihood that this will rise to 11 or even 12 millions by later this year, levels which could place considerable strains on political stability in several European countries. He stressed that these circumstances mean that there are limited possibilities at present for the ten sovereign European Governments to implement significant early structural changes in industry or agriculture.

We understand Europe's problems. We are not asking the European Commission to force farmers out of farming. But we do ask that policies of excessive protection and assistance be reformed, and that change is not indefinitely deferred. Most importantly we ask that the consequences of those policies are not exported outside Europe, undermining the returns to efficient agricultural exporters in markets around the world. I am pleased that the European Commission has now at its helm a man committed to work towards reforms in these areas.