



PRIME MINISTER

FOR MEDIA

SATURDAY, 15 MAY 1982

FEDERAL COUNCIL

I would like to thank my colleague Prime Minister Ratu Mara for coming here and being our guest of honour on this occasion. He has been a good friend of Australia and relations between Fiji and Australia have grown closer and closer over recent times.

I will be saying a little more about John Atwill this evening. Seven years of presidency is a long time, it is a record. He served this Party faithfully and well. Bob Southey 16 years on the Federal Executive, earlier on the Victorian Executive has served the Party very well and over some very difficult times. Jim Samson, 11 years as Vice-President and he again has given great service. Jim has always spoken his mind, as has everyone in this organisation, but he does it with a bluntness and a forthrightness that always commands respect.

I would also like to thank Phillip Lynch for being a great servant of the party and a great deputy to me over the period of this Government and John Howard has deserved very much the support that the Parliamentary Party bestowed on him a few weeks ago. These are people who have served the Party well, over long periods. They are the kind of people that make this Party great.

I believe that you would want me to say good luck to Robin Gray in Tasmania. We expect to hear a little more good news this evening. He has run a great campaign and he deserves support and Tasmania deserves release from the socialist government that has held it back and damaged its future over recent times. There is somebody else that I believe that we should send good wishes to and some words of thought to at this present time.

Margaret Thatcher has been a good friend of this Council. She has been before us on more than one occasion and I think in very difficult days for her, it would not hurt to send from the Council a message of good wishes and of courage.

We have a great responsibility to proclaim Liberalism, what it stands for, how it affects the lives and the well-being of Australians and Australian families. It is not some remote philosophy that people talk about in the cloisters. Liberalism, to us, to Australians is a way of life that goes out to the hearts and minds of people. It affects people in their homes in every part of this land. Under Liberalism Australians have had and will have a better life than under any other philosophy. There have been rising living standards. Our policies have released the energy, the creativity of Australian people. There has been much achieved and much which Australians can take pride in.

It is not what we as governments have done, it is what we through our policies have made possible. It is Australians who have done the building, it is Australians who have done the creating. Governments only set the policies and unleash the energies of the most imaginative and creative people that the world knows.

I believe that sometimes young Australians don't understand how much their fathers have in fact achieved over the last 20 or 30 years, but if they can think back and look to the measure of that achievement - the rising living standards, the better homes and houses, better equipment in those houses - then they will see what their fathers have built during their lifetime. There is much in which they can take pride for that achievement.

As a Liberal Party we have great obligations and great responsibilities, we have common purposes, a common philosophy. We obviously don't agree on every item of policy. The purpose of this Party, of this organisation, of the Party room and the Party committees is to enable us to talk about our policies, to see whether adjustments need to be made, to see whether changing circumstances or the interactions of Australia and countries overseas require some adjustment, some trimming of the sails. But we have common purposes, we have a great obligation to act as one team, as one group committed to one thing only: not to the advancement of this Party, or to the people in this Party, but to the advancement of the people of Australia and to their well-being. That is our purpose.

I believe that since 8 April, which is not a very long while ago, there is a new reality about the Liberal Party, a reality of the Liberal Party acting as one team with a common purpose, a common sense of direction and a total and absolute commitment to winning that next election and winning seats back that we lost at the last election.

The revitalised Ministry: Ian Macphee in Industrial Relations, the appointment has been applauded; Neil Brown, great challenges ahead of him in Communications with the great technological changes that are upon us; Jim Killen, to try and re-instil and re-establish respect for the institution of Parliament and surely that is very much needed and there is nobody

better suited to do it; Ian Viner, to be a voice for industry to make sure that we can maximise defence purchases from Australian industry rather than from overseas; Wal Fife, Education; Ian Wilson, Aboriginal Affairs; Jim Carlton in Health; John Hodges in Immigration and Ethnic Affairs. These are not all the changes, but changes which have been applauded and the Ministers will be acting in their tasks with great vigour and with great energy.

I do not want to speak about the Labor Party on this occasion, except to make one point. We all know that Labor's policies would be disastrous for Australia. The obligation on us to make sure that our policies are understood - to make sure that our policies are right, and their merits are understood and accepted right across Australia - rests not just with me and John Howard and my Parliamentary colleagues, but on all of you, on every member of the Party. That is the great task ahead of us over the next 18 months.

We live at the present time in a somewhat unhappy world. There are very great difficulties. Last year for the first time in 20 years world trade actually fell. It has been the growth of world trade over the last three decades which has been the engine of the progress; the liberal system of trade and payments which has made possible the rising living standards of Australia and of other countries right around the world. It is not generally understood that there has been negative growth in the last recorded quarter for industrial production in 6 of the 7 major countries of the world: in the United States, where it is not just one quarter but two; in Germany, Japan, Canada, France and in the United Kingdom - negative growth in all those major countries. And it is not surprising under those circumstances that unemployment in the OCED area has risen to nearly 30 million, and is expected to go beyond 30 million - twice the total population of Australia. The President of the European Commission, when he was out here, was suggesting that the degree and extent of the economic hardship and of unemployment could lead to real social instability, major political instability, in some countries of Europe in the period ahead of us. I think we sometimes find it hard to understand what has happened. We get concerned when new homes starts fell by 12% and we are right to be concerned. But in the United States the building industry is running at 35% to 40% of what it was only a short period ago. Instead of producing 15 million automobiles, the U.S. is producing about 7½ million automobiles: measure that in terms of hardship and unemployment and damage to an economy.

We have been told that in 6 months time there will be a recovery. Certain economists have been telling us there will be a world recovery so often over the last period - it's always six months ahead, it's always around the corner - that I'll believe when I see it and I don't believe it can yet be guaranteed.

There are some optimistic signs. In the United States inflation has fallen dramatically, and that is certainly a great gain. But interest rates remain at historically high levels, historically damaging levels. I think we are all conscious of the damage that is done when interest rates stay at these high levels for a prolonged period. It is not just small businesses and farmers or people who might want to buy a house who are damaged as a consequence. It is also the great corporations who find themselves in difficulty if these historically high interest rates are sustained for too long a period. There is no universally agreed solution to these particular problems.

The Ministerial Meeting of the OECD, held last week seems to have run in every direction. There were some promoting policies that we believe to be right: restraint in expenditure, bearing down on inflation. But in France they seem to be taking pride in trebling their deficit, even though they have 14% inflation and it is likely to get much worse under the policies that they are pursuing. There have been countries that have said that Germany and Japan should reflate - in other words perhaps damage their economies so that the weaker economies will have a greater chance of competing. That hardly seems to be a solution.

Australia is affected by this situation; we find that we are affected by changes in commodity prices; by the downturn in trade; and the longer it goes on the more damage there is likely to be to this nation, the harder it will be for the Government to insulate Australia from the worst effects of the world downturn. We need to be conscious of that, conscious of what we need to do. We need to be particularly careful that in those areas where we have done so much over the last 12 months we do not damage ourselves as a nation; strikes that were not necessary; additions to costs and wages, that in the world environment in which we have to trade and sell, have been quite unreasonable; and because of shortages and difficulties in the waterfront, especially in New South Wales and especially in the coal exporting ports, our reliability as a trading partner has come into question in certain quarters. Australians also damage themselves by maybe at this time last year having had undue optimism, incapable of achievement: the 1980's, with the resources boom, where the sky was the limit. But earlier this year, with one or two unfortunate economic statistics, the pendulum swung very much in the other direction and people seemed to be filled with despair. The truth, of course, is in between. It was never as good as some seemed to think, and certainly is not as bad as some people have been writing over the last few months.

There are great strengths in this economy, and Australia is marching forward while other countries are shrinking, while they are not producing more. Australia in 1981 produced 5% more on revised figures - very significant growth indeed. Investment in 1980/81 rose at a 30 year record, up 21% in real terms; it will be up very much in this year again - somewhere between 10% and 15%; and while the increase for next year might not be as great, it is still projected to rise and rise from a high base.

And the business investment that has taken place in Australia is establishing a secure base, a strong foundation on which Australia will be able to build whenever the inevitable world upturn comes at some point. It will be our factories, our mines, our people who will be standing ready to take advantage of those opportunities.

And while in other countries, employment has fallen, in Australia employment has grown by over 400,000 in the last three years. The motor industry has had record sales, record for all times, over the last year and that doesn't get on the front pages of the newspapers - you find it on page 26 in small print if you look hard. In the last few weeks, the interest rates on John Howard's Treasury notes have come down by 3% or a little better. That doesn't necessarily get on the front pages either, and I don't write too much into it. I think we all learn from past predictions, and I am making none, but at least it is some kind of a pointer. It is certainly significant. The consumer price index of 1.7% in the March quarter was the lowest quarterly index since 1979. What does that say to those people who were suggesting, only a short while ago, that inflation was running out of control.

And the wage decision that was announced yesterday, while maybe giving Ian Macphee some difficulties in diplomacy early in his term of office is certainly the best wage decision for many years, and maybe the best decision since we have been in office. Because that decision will give us breathing time, an opportunity to absorb the increases of last year which were too high, an opportunity to accommodate the reductions of hours which came at an unfortunate time. And that being so, we will be able to maintain and re-establish Australia's competitive position in the world.

We need to know that our policies are on track. We need to know and understand that the well-being of Australian families is being protected and enhanced by those policies. In the 1980/81 year, the after-tax disposable incomes of Australian households rose by nearly \$3 billion and that is a substantial amount. There will be more than a 10% increase in wages through this year, but even a 10% increase in wages increases the income of Australian households by \$5 billion after tax. That is one of the reasons, obviously, why some areas of consumer spending are running high. But the outlook for the future is plainly flatter than it has been over the last 18 months. Flatter for us, it is flat, much flatter still for the world.

We need solutions to be shrinking of world trade; we need solutions for the problems in the major economies because they are the engine of growth and progress around the world; and I believe that we need more than just more of the same. We need more than just the same suggestions that we need to be restrained in government spending, to bear down inflation and be responsible for all those areas that you have heard us talk about so much over recent years. Those policies are right and while they can always be adjusted at the margins, their main thrust is secure.

It is quite plain that for whatever reason - whether it is difficulty with internal politics or whatever - a number of countries around the world have found it difficult to apply those policies adequately to achieve the advances that are necessary to lower world unemployment and to achieve a wider living standard for their own people, to achieve a growth in world trade.

It is against that background the two meetings that are going to be held in Europe next month take on a very particular importance. For six or seven years there has been an economic summit involving the seven major economies. The next economic summit is going to take place at Versailles early in June. That will be followed by a NATO heads of government meeting in Bonn a day or two later and that is unusual because NATO heads of government don't often meet.

I believe that it is not going to be good enough for those seven major economies to come out with some anodyne communique which wraps all the difficulties up on cotton wool and pretends that the world can march on as though nothing had happened. There is the shadow of those 30 million unemployed in OECD countries and quite plainly that poses a problem of immense human proportions.

There is a responsibility on those seven major economies, a responsibility to give a lead. Some kind of circuit breaker is needed. It is worth recording I think, that once before when there was great concern once before when there was very real fear abroad in the world, major leaders were able to come together with imaginative proposals which led to the greatest period of growth and progress and of rising living standards in all countries that the world has ever seen. In the days just after the World War, world leaders were then enormously concerned that with the demobilisation of millions of people, with the transfer from the war time to a peace time economy, with the fall off in massive proportions of defence orders, that there would be a reversion to the Depression and to the unemployment and hardships of the 1930s.

So, they came forward with proposals. With extraordinary generosity, the Americans launched the Marshall plan. Through the Bretton Woods Conference, the formation of the International

Monetary Fund, and the World Bank, the liberal system of trade and payments was established. And it led, to the greatest period of growth and trade, growth in living standards, that the world has ever seen. It may be some of the same imagination is needed in present circumstances.

I valued the opportunity that I will have to speak with President Reagan and Prime Ministers Trudeau and Suzuki over the next week. I am sorry I am leaving in the middle of this Council later tonight, but there are some views that Australia wants to put forward, there are some views that we have, that we believe may help to act as a circuit breaker in these circumstances. They have been discussed by the Government and I will be speaking to 3 of the Heads of Government who will be at that economic summit.

It is not only economic matters that offer us some concern, because if countries are arguing about economic directions, if there is bitterness about high interest rates, or falling trade or growing protection, it is obviously going to be much harder to get the unity within the Western Alliance that is needed at the present time. There have been strains within that Alliance: how to respond to Afghanistan; how to respond to the problems of and repression in Poland. And so often the Alliance talks about the nuts and bolts of military arrangements without realising - without necessarily understanding - that new generations have grown up who knew nothing really of the reasons why the Alliance was first born. Perhaps there is a need for Western leaders to argue the need for the Alliance to argue that it needs to be in place so that free societies can live and breath and create and go about their business in security.

There are new generations who did not understand, or who were not part of that earlier history. There are massive peace movements in Europe who would like to subvert the Alliance and I have got no doubt at all that some part of those movements are engineered from the Soviet Union. I also have no doubt that there are well-meaning people within those movements who want only peace, but who don't understand that you will not secure peace by unilateral disarmament faced with a country like the Soviet Union. There is need to explain, there is a need to argue. It is not good enough to say the truths are so old I have forgotten how to argue them.

The conjunction of these two sets of meetings - the economic meeting which will mean so much for the living standards of all of us, alongside the strategic meeting - are going to be of vast importance to the whole free world. Quite plainly their outcomes will affect Australia, just as they will affect other countries

We have to speak very often about economic matters because economic matters have been paramount in people's minds in recent years. But in the last 6½ years of government there are many other things that have concerned the Government. There are many other achievements that we as Liberals need to remember and to proclaim.

In world affairs within the Commonwealth we fought for justice against racism, for the rights of ordinary people. We have co-operated, and sometimes have been a catalyst, in peacekeeping arrangements - and what has happened in relation to the Sinai is an example of that.

We have accepted an obligation to improve and enhance Australia's defence capability. How the media can suggest a 19% increase in defence spending is a cut in defence spending I fail to understand. I don't know how a journalist would get on if they went to their editor and said that 19% increase in salary you gave me is in fact a cut. I don't think it would be accepted with great credibility.

Our forces have high capability. There has been a rescheduling of some major purchases, but the forces have high morale and great capacity. We have co-operated more with South-East Asia, with Malaysia, with Singapore, with New Zealand under the five power defence arrangements; and our co-operation with the United States is deeper than it has ever been.

We have also done much to protect the environment for future generations. We don't own this country at this time to exploit it; we hold it in trust to maintain it, to improve it, our future generations.

For migrants, for ethnic communities we have established a range of unequalled services which perhaps should have been established 10 or 15 years ago. But it was the Galbally Report, and this Government, that established those services. Their implementation is under review: the government will have the review in hand shortly and it will act upon it. It was we who also established as a world first multicultural television, which has even won some of its critics to its side since it started operating.

We have established the Australian Institute of Sport and with the energy that he always shows, Michael Hodgman might even get the next challenge round of the Davis Cup to be played in Canberra at that Institute. That would enable all Australians to see what we have built in that particular Institute. It gives opportunities to Australian athletes to achieve the best training possible in the world and they will have the opportunity to show how that training pays off in the Commonwealth Games that will be held, without boycott, in Brisbane.

We have done much to support Australian culture and the arts - the great flag carriers that have taken Australia's name around the world with pride and with enormous talent. We also have some of the best medical research teams in the world that have been backed by substantial increases in funds. We are supporting centres of excellence in Australian universities. We have established imaginative programs to assist young people move from the difficult period of school to work. We have been supporting excellence, we have been supporting Australians in their desire and will to achieve throughout the last six or seven years. We have done much in legal reform: the Ombudsman; the Human Rights Commission; the changes in Administrative Law; Freedom of Information legislation - and there are sound reasons for these things. In the days of growing, large, encroaching bureaucracies it is important to make sure that ordinary citizens have adequate access to means of redress when they believe they have been wronged or not been able to achieve what is rightfully and properly theirs. We have also announced we are willing to hold a further Constitutional Convention if the States are willing to participate in that.

Ladies and Gentlemen, much has been achieved, but there is a great deal still to do. There will always be difficulties, always problems before a government, but I believe that what we have shown we have been able to do over the last six years gives us the right to claim that whatever the difficulties are for Australia in the future, we can handle them and meet the challenge.

In this Council, there will be a new Platform. I hope you will endorse our Liberal principles and go out to proclaim them. There are Liberal strengths never to be forgotten; Liberal achievements to be voiced abroad. Over some recent weeks, there may have been a certain amount of euphoria in the Labor Party; well let them have their moment of euphoria, because it is all they are ever going to have.

Working together, having faith in ourselves, having faith and good judgement in our policies, and trusting in the good judgement of the Australian people, we will never fail them and they will never fail us.