



**PRIME MINISTER**

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ELECTORATE TALK

International trade is of great importance to the Australian economy. Indeed in 1980-81, the value of Australia's international trade was equivalent to well over one third of our gross domestic product. With a population of only 15 million people, Australia's domestic market is relatively small. We need large and growing markets overseas to achieve the expansion of employment opportunities and of real living standards that trade makes possible. And during the 1950s and 1960s, when total world volume of exports grew at an average annual rate of 10%, our living standards were greatly increased by the trading opportunities that then were made available.

But, while the Australian economy has derived enormous benefit from overseas trade, if overseas economic conditions are poor, the Australian economy is bound to be affected, and the reality is that economic conditions and prospects in major economies overseas are not good. In recent months industrial production has fallen in 6 of the 7 largest western industrialised economies; total unemployment in the industrialised countries of Europe and North America is set to soon exceed 30 million people, and last year, for the first time in over 20 years, the value of world trade actually fell. Moreover, under the stress created by prolonged recession, many governments have relaxed their resistance to pressures for increased protection for their domestic industries.

This world wide economic crisis poses a real threat to Australia's living standards, and it has already had a significant impact on all sectors of the Australian economy, on the mining industry, on agriculture and on manufacturing. We have shaped our domestic policies in response to the challenges posed by these circumstances, and in the current world economic climate, Australia is by no means the worst affected country. But the longer the world recession continues, the longer protectionism persists and the further it spreads, the more Australia will be affected.

Next weekend, in Versailles, the heads of government of seven major economies, the United States, Japan, West Germany, the United Kingdom, France, Italy and Canada, meet in an economic

summit to discuss the nature of the current economic crisis, and to seek solutions to it. This is the background against which I undertook my recent visit overseas to the United States, Canada, Japan and South Korea.

In discussions with the heads of government of these countries, three of whom will be at Versailles, I put the view that Australia's living standards, and those of the entire world are heavily dependent on the Summit producing actions not just words; what the world is looking for is a lead - a demonstration of political resolve - from the seven major economies, which between them account for well over half the output of the industrialised western world, and about half the world merchandise trade. All agreed that concrete action was needed to break out of the circle of continuing recession and stagnant world trade, and all agreed that protectionist policies constitute a central problem in achieving a break-through which will give a realistic and lasting prospect of economic recovery.

I took to those leaders a concrete proposal designed to tackle these problems head-on. Specifically, I suggested that the participants at the Versailles Summit give a lead to the rest of the world by agreeing to: a halt on increases in protection in all forms; a commitment to the abolition of export incentives and subsidies over a five year period; and significant and progressively implemented reductions in all other forms of protection.

This is not a package of measures which any country could implement alone: indeed it would not solve the problem for Australia or any other country to implement them in isolation. Nor may it be the only proposal for action that would get sustainable recovery going, though to my knowledge it is the only concrete proposal that has so far been put forward, and I have indicated that if this proposal - or something like it - were agreed to by the Summit participants, Australia would join them in implementing it.

All the world leaders I met agreed with the general principles underlying the Australian proposal and acknowledged its particular relevance to the world's problems, and the broad thrust of the proposals has received widespread support by leaders of international economic organisations.

It would not be an overstatement to say that the participants in Versailles Summit carry an enormous burden of responsibility, not only to their own people, but to people throughout the world - including Australians - whose living standards depend vitally on the promotion of world growth and trade. The objective of getting world trade moving again is surely one which must be shared by all nations.