



# PRIME MINISTER

FOR MEDIA

WEDNESDAY, 17 JUNE 1982

## ADDRESS TO ROTARY CLUB DINNER, CAMDEN

It has been a busy day, but it has been an enjoyable one in a wonderful part of Australia. I am delighted that you have asked me to speak to you in this combined dinner-meeting, because Rotarians epitomise so much of what is good in Australia, so much of what makes all of us I believe, very proud to be Australian. It not only promotes goodwill within its own communities, but what Rotarians do helps to build a nation, to improve on its own community, but then that reaches out beyond the boundaries of Australia to try and extend understanding and goodwill with people from other countries. There are Rotary exchange students here this evening, and the programmes that Rotary pursues year by year are of enormous value and I would like to thank you for the work that you do.

I would like to speak for a few moments about where Australia is going, about some of the problems that we have within the Australian economy, some of the concerns that we have for Australian security. About one or two of the things that we sometimes do to damage ourselves when we do not work together well enough and when we spend perhaps too much time arguing about different directions or ways of doing things instead of getting on with the job of building Australia up.

Over recent years we have had some success in economic terms. We have moved very much against the international tide - we know we have problems here of employment and inflation - but this economy has been growing. The real household disposable incomes of Australian families have been rising and it is possible to draw some comparisons between the sorts of things that have been happening here, in the United States or in Europe. The motor industry in the last 12 months has had an all time record year in Australia. In the United States it has had just about the worst year it has ever had, because instead of producing what they regard as normal, something like 14 or 15 million automobiles, they have produced about 8 million automobiles. You start to measure the difference in terms of the number of people employed, the level of unemployment in Detroit, and obviously the harm that does is enormous. It not only affects the United States or the automobile workers, a great deal less steel is needed, less coal and less iron ore are needed, so a reduction of that size in one industry alone is enough to affect the international markets of coal and iron ore. That starts to affect us and this region which is very dependent upon coal for much of its employment and its well-being.

In Europe we find that unemployment in a number of countries is around 10% and up to 12%. In the OECD countries unemployment is forecast, and it will indeed reach 30 million people this year. The prospects of that level of unemployment coming down rapidly in a short time are not with us. It shows how the world changes, as I mentioned earlier that if you asked the major Western world leaders 10 or 15 years ago: "could unemployment ever again reach 30 million people amongst advanced Western countries, industrialised countries?", they would have said: "no, it cannot happen, we know much better how to run our economies than that. It is not possible." Well, unfortunately, it is not only possible, but it has in fact happened. One of the things that concerns me very considerably is the fact that I do not really see at this point the kind of action being taken on the world stage that is going to get substantial growth back into those major economies which are so important if world trade is to grow and expand. That is very important for us because 30% of what Australia produces of Australia's Gross Domestic Product, to use economist jargon, is represented by trade, and we live by what we can sell to markets overseas. Again in this part of New South Wales you feel the effects of that in reduced demands for coal, and greater difficulties for coal companies and it is all part of the world scene.

In six of the seven major economies over the last 12 months they have in fact produced less than they had the year before in the last recorded figures. in the United States, Canada, Japan, Britain, France and Germany. That is not very encouraging because we all want better living standards, people want more dollars, more real dollars not inflated dollars in their pockets so that they can do more for themselves and their families. Most people want governments to do more whether it roads, schools or hospitals, or other kinds of services or in better directed welfare for needy or elderly people, and that can only come out of what a nation produces. Government's do not have some bountiful chest that they can dip into, all government's can do unfortunately, is to dip into people's pockets. We are told everyday that we do too much of that, and I notice a few 'hear hear's' around the table. I agree that government's dip too much into my pockets and everyone else's, but the services that people expect from governments have to be paid for and if governments don't take from people, there is no way else it can be paid. Local government wants more from us, I hope they do not ask that 2% of income tax to be increased because I do not think that we could afford to increase it. State governments will want more from us. We will be having a meeting with Premiers in a short time, I hope it can be an amicable, friendly meeting and I am going to do my best.

There was an occasion when one Premier said interest rates are too high I move that we move interest rates down 2%. We said that is fine, we will move that interest rates come down 2% but how are we going to put it into affect. Do you think you are going to get any money for your electricity authority? Do you think you will be able to raise any money for your semi-government authorities at all? If we just move the Government rate down, other people have to follow, but they might not follow, they might send their money overseas, or they

might lend it to private enterprise and you might end up with no money at all. Well there were not any other Premiers who thought that you could just move that interest rates come down 2% and who really believed that that would happen. I suppose these are stories out of school, but on one occasion I asked Premiers whether they thought that high interest rates were caused by the demand for funds or by a bunch of crooks out on the market. Obviously if it was going to be a bunch of crooks out on the market we should be taking some action to stop it. But the answer I got was a silence, because they know it was demand and if you want to reduce demand it might mean less money for Premiers. In the kindest possible way I have never yet met a Premier who did not believe that the Commonwealth ought to provide more money for everything which a State does. We have not got any money that we do not take from you and I much prefer to have a situation in which the Premiers had to ask you quite directly instead of through me or through John Howard. If I could establish that kind of system - I would love to do it, I think it would be a much better one and the Commonwealth could just stand aside and say to the Premiers: "well you go to it with your own citizens", and the results might be quite different.

We are concerned about the state of the world economy and as a result of that we did propose a number of things which we believe the major economies could do, could set a lead, at the meeting that was recently held in Versailles. There were some things in the communique which pleased us, they condemned protectionism, they said that we had to get economies moving and growing again. I do not really believe that that conference achieved as much as anyone would have wanted, but there will be a GATT Ministerial meeting held later this year which will be very important we believe, in determining whether world trade starts growing again or not.

The things that we suggested at the meeting I do not believe, should have been all that difficult. We had suggested that all countries commit themselves to no further increases in protection, to just leave it where it is as a first step. Now that would be a difficult thing to do, one country by itself, but if the major economies were prepared to do it other countries would be able to follow.

We had also suggested that there ought to be steady reductions in protection over the next five years by a formula, by a set amount to be agreed. Again that is not something that any one country acting alone could do, but it is something that countries acting in concert would be able to encompass. We had also suggested that export subsidies should, over a period, be abolished, because I think one of the silliest things of all is that one countries start subsidising its exports, and therefore another country can give their own exporters an equal go when the first country starts subsidising its exports, and it is just a competitive subsidy business. It really is wasted resources which could be better used in other ways. If nobody was subsidising their exports, nobody would need to subsidise their exports, the people that could do it best would be able to be successful.

My Government believes that a country like Australia could do these sorts of things, if the major economies also were, but we also believe very firmly that we cannot and could not take unilateral action. There are sometimes economic writers who say: "it doesn't matter what countries overseas do, protection in Australia is too high and it must come down." Well that is all very well, but there is not much point in bringing protection down in this country which in the very difficult world trading conditions we are now facing, it certainly means that more overseas-made goods could come into Australia, some of them at dumped prices which are very difficult to prove because in many cases of marginal costing and all the rest, there are some countries that are prepared to export to keep their factories or steel industries operating even if they are selling at a loss, and it is not always easy to prove the dumping proposition.

If a country like Australia acted alone to reduce whatever protection we had, and did it in an environment where we were not going to get better access to markets overseas for the things we could do best, then that is just like stripping yourself naked in the middle of the street, it really is, and I think it would be the utmost foolishness because we have hard and fast quantitative restrictions against maybe 30%-35% of our exports and there is no way we can export more of those things to the countries that have those restrictions against us unless they lift those quantitative barriers.

Only six weeks ago our market in the United States for sugar was cut from admittedly a record of 800,000 tonnes last year to something between 150,000 and 200,000 tonnes in this coming year. That is a pretty fair reduction. The Administration opposed it but it went through Congress nonetheless, and I am told that there are a hundred protection bills before the United States Congress. I have not got any doubt at all that there would be more than one that would affect Australia's exports to the United States and the imbalance in our trade with the United States on a pro-rata per capita basis is much worse than their imbalance with Japan. I have been watching the arguments they have been using against Japan to try and get a better balance between those two because we can turn the arguments around and use them all against the United States, and that is a country that is friendly to Australia. So the trade scene is difficult, the Government has to argue for access to markets around the world. We have to do what we can to be competitive, and this is where we sometimes do much more damage than we should to ourselves.

Two years ago we would have been pretty competitive on the world scene, but the economy was growing fast, employment was rising strongly, it had risen up to 400,000 over three years. There was not another industrial country that could point to the same record. So everyone immediately starts to want a piece of this action, it means that wages can be higher, work less and have reduced hours and enjoy it all. As a result of that we have a situation where wages in the last year have gone up something like 15%-20% in real terms, and on

some figures by more than that. We have a situation where people are now in many industries working less, but because there has been real recession overseas, they have been getting wage settlements of around 5%-6% and they have become more competitive and we are finding that there are more imported goods coming into the country and we are finding it much harder to sell Australian goods overseas.

The industrial disputes, the wages difficulties that we have had over the last 12 months have really made it difficult and the people that are going to be hurt are the people who do not have jobs or the people who are going to lose jobs. There are many manufacturing industries in this country right at the very moment, there have been for the last 2 months, there are one or two who talk about it, and others just go about doing it, they have their unprofitable lines of production and they rub them out and every time they do that it means that they employ some less. The national wage case was helpful, it gave no further general increase which gives us some time to digest the excessive increases of last year.

In industrial relations there are far too many disputes and I spoke earlier today about the problems in the coal industry and the harm it does Australia as a reliable supplier to markets overseas. But in industry after industry, there have been industrial disruption and difficulty and I do not think that there is any one cause of it. Ian Macphee is working very hard to establish a better climate. There will be a tripartite conference between the ACTU, employers organisations and governments in two or three weeks time in Canberra and I hope that out of that there will emerge a firm understanding that these are not groups that are competitive in terms of their real interests, they are groups that are complementary in terms of their real interests.

People are not going to be employed unless businesses can make profits and if businesses are making losses, then it is not a time to be pressing for higher and higher wages because that would lead to more unemployment. If the trade union movement really understands where its real interests lie they would be wanting industry in Australia to make more and more profits, because the more profitable Australian industry is the better wages they can pay and the more people they can employ. What we need to understand in this country to a much greater extent, is that as Australians we have complementary interests, our real interests are not competitive at all. We need to build on Australia's strength in the skills that we have. We have vast natural resources, rural resources, capacities in manufacturing, but the real resources are the resources of Australian people who now come from nearly every continent and nearly every nation around the world.

I can recall sometime last year I gave a reception in Sydney for ethnic leaders in and around Sydney and over 50 nations were represented. Now for those of us who can, and I can, just remember back before the world war, that would not have happened, it could not have happened, we were not that kind of nation. We were narrower, smaller, our population had come from very few countries at

that time, very much Anglo-Saxon, but now we are very much a multi-cultural society with people born in every continent of every nation and I believe, we are a better and I hope a wiser and more tolerant society, as a consequence.

We live in an uncertain world. Britain's experience in the Falklands shows that very clearly. Nobody believed, nobody had predicted that the Argentine military leadership would invade the Falklands which had been under the British flag for about 140-150 years. While the purpose of foreign policy and the purpose of defence policy is to operate in concert to make sure that dangers do not arise, I do not believe that anyone can guarantee that events cannot occur that might cause real difficulty.

That means two things. It means that we need to do what we can on our own account to improve our own defences to make sure that we have the best and most modern equipment which is possible for our defence forces. I am delighted to see that the retiring Chairman of the Chief of Defence Force Staff, Admiral Synott, said on his retirement, that we have the best equipped and the best trained force that we had ever had in peacetime. I believe that to be an accurate statement.

I mentioned earlier today that Jim Killen made a statement three or four weeks ago and every newspaper in the country had massive headlines - defence spending slashed. They did this because we brought forward, to the newspapers mind but they had not understood, that we had brought forward two major items in the defence program - the purchase of Invincible, which I hope the British will still want to sell - it has been a very effective ship and the Harriers have also been very effective in the Falklands in giving support for the army - and also the purchase of another squadron of maritime reconnaissance aircraft to get in on the current United States production run, because if we had not done that, we would have had to pay a lot more for the same aircraft at some later point. Bringing forward two major items of equipment which together would total several hundred million dollars, we obviously have to increase the vote enormously now, or reshape other expenditures and expenditures were reshcheduled. So the papers came out and said - defence spending cut - well in fact it was up 19% in money terms, 9%-10% in real terms and if anyone went along to their employer and said I have just had a 19% increase in wages and I regard that as a cut and I am therefore very discontented, I do not think they would get much of a response from their employer. That is part of the problems of communication that Governments are told they always have.

We not only need to do what we can on our own account, we also need to be a reliable ally, because I really do believe that the vast majority of Australians are a committed nation, committed to democracy, committed to a free way of life, committed to a free and open society, which we believe creates the best country in the world to live in and to bring up our children and families. If we do believe in these things

then we have to work, as I believe, with our traditional friends and allies, whether it is with Britain with whom there are no formal links because the roots of tradition and friendship are sufficiently strong, or with the United States where there is a formal alliance which commits us to consult in time of danger, but which commits us also in the normal course of events to do what we can separately and jointly, acting together to prevent a time of danger ever arising.

I hope you won't regard me as being too political if I say something - I was told that I could and should be provocative tonight - to say something about ships, because one of the things that has happened over the last 10 years is that we have had over 500 visits from United States, United Kingdom and some French Naval ships. Now these are all nuclear weapon states, they are all within the Western Alliance. The United States, is with New Zealand with us, in ANZUS, and it is not possible to say which of those ships are going to be carrying nuclear weapons and which are not because that would obviously be enormously important information for any potential enemy. Enormously important information for the Soviet Union and they would give their eye teeth to have that kind of information, to be able to pinpoint which British which American and French ships were carrying nuclear weapons and which were not. Therefore, they just don't say, and they won't say. If an Australian Government is to come along and say we will only have the ships in our harbours and ports that don't carry nuclear weapons, then in those circumstances there would be no ships from those countries visiting our ports. They need access to our ports for replenishment, for repair, for rest and recuperation for sailors who have been on patrol for upwards of six months at a time in the Indian Ocean. If in peacetime we can say to friends and allies: "I am sorry you cannot even visit our ports", then I think we would be a pretty lousy ally, and I think we would be regarded as a lousy ally and we would not have an Alliance.

It is worth noting in spite of a lot of the talk that has gone on that up until recently there has been a great deal of bipartisanship in relation to this policy because of the 500 visits that I mentioned, a large number of them occurred when Mr Whitlam was Prime Minister. He accepted absolutely the principle which I have just enunciated and we also say that a large number of those ships have also visited Sydney Harbour during the time Mr Wran has been Premier, and neither I nor Mr Wran has known which of those ships has had nuclear weapons on board and which have not. I regret that this element of bipartisanship in Australia's defence and foreign policy is under threat right at the present time.

There is one other thing that I would like to say. Australia is a relatively small nation of 15 million, but in so many areas Australians have reached the very top in their professions and skills. Whether it is in the arts, opera or in ballet, medical research or in the various sports in which Australians have done so well in many forums around the world. There are many of our countrymen who have done great things in which we can take great pride. Australians have always sought to do

the very best in their own particular field of endeavour. This is something which I believe gives us all great cause for pride in being Australian.

I would like to thank all of you as Rotarians and friends of Rotarians for what you are doing to build a better Australia, for what you are doing to build up your own communities. Because it is those kind of actions, the kinds of ideals that Rotary has, that makes this country what it is, which makes this country as I very fervently believe, the best country in the world.

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