



PRIME MINISTER

FOR MEDIA

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ADDRESS TO THE NATIONAL FARMERS FEDERATION, CANBERRA

Thank you very much for the invitation to be with you this morning and to open this conference of the National Farmers Federation. I would like to congratulate you on having if not reached, nearly reached your target of the construction of your own national headquarters. It is an objective which farmers' organisations have looked forward to for a very long while and to know that it is now very close to reality must be encouraging indeed.

The National Farmers Federation can take a good deal of pride in the way it has represented the interests of the farming and pastoral community in the relatively few years since the foundation of the Federation. An amalgamation of old and historically experienced organisations into one was not a particularly easy task, but it is one that has been encompassed well, effectively and generally with the interests of Australian farmers. I wish the organisation all good fortune in the future.

The work that it will have to do, the policies that it will need to advocate are going to be all the more important in the period ahead of us. Most people here are practical farmers, so there is no need to emphasise the difficulties of the present circumstances, but they are real and they are substantial. It is going to take wise and sensible leadership to make sure that the industries come through as strongly based as possible and as well able as possible to take advantage of a break in the drought when it does come.

The importance of agriculture to Australia does not need emphasising. It has formed the foundation and the base of the Australian economy for a very, very long while and there have been occasions when people have said farm exports are not going to be so important over the next decade because something has been happening in iron ore or coal or other minerals. After the first flush of that kind of euphoria is passed by, people come back to recognising that the export income earned by Australia's farmers and pastoralists is really just as important to this country for the maintenance of living standards right around Australia as it ever was. Whether it is 40% or 50% of Australia's export earnings, the product of Australian farmers have been there to provide a base in which other exports and other commodities can build, but without the contribution of Australia's farms and properties, Australia would be in a very difficult situation indeed.

We well know that there are many current difficulties not only caused by drought. The present world downturn which has gone on longer, is a deeper recession than any that we have known since the 1930s, certainly since the end of the war is having its impact on the prices for our commodities. There is stagnant trade. There is in many countries a rising tide of protectionism and it is a major objective of the Australian initiative. Doug Anthony will be at the GATT ministerial meeting to stem that tide and if possible, turn it back. In addition there are rising costs, rising wages of a kind that make it very difficult indeed. All this is on top of the worst drought in the living memory of many Australians.

The Government has obviously been concerned about these situations. I know when the Budget was first introduced, even though there were some useful things, wiping off a debt in the beef industry and of course continuing other policies which I believe are a significant advantage, income equalisation deposits to support the Primary Industry Bank and tax averaging of course, these things go on they tend to be taken for granted, but they are a very real benefit and assistance to Australia's rural industries. In spite of that I know when the Budget was introduced there was a feeling of has the Government paid adequate recognition to the problems that farmers are facing today and for the emerging drought?

I well recall a conversation I had with Peter Nixon when the budget was framed. He asked what we were going to do about the drought. I said "How serious is it?" This was in July. "How serious can you persuade our colleagues that it is in July?" I think we agreed then that it is much better to wait a little later till the full seriousness of the drought for not just farmers or governments, but indeed for the whole country and that enabled the circumstances to unfold where we took the decisions which you know about and which I believe are the most imaginative or most generous in relation to any drought. Generous, but still necessary because this drought is more severe than any that I can remember since my childhood days in the Riverina in the 1930s. There was no drought assistance in those days, in those years, but I can remember knocking lambs on the head three years in a row in an effort to try and save the mother.

That was the year when Carter Brothers, the biggest poultry farmers of Australia started to buy sheep to be boiled down for chook feed. I can remember my father hearing about this and they were being offered about 4 pence a head. Then he found that they had had so many offers they said if we paid the freight from Deniliquin to Werribee, they would accept delivery and take them off our hands. That I thought was a very generous offer.

It is no consolation to know that in different parts of Australia sheep are being slaughtered, that there is very real hardship, very real difficulty of a kind that we had hoped we had put behind us for all time. The Government's policies I believe, will enable Australia's essential breeding herds to be preserved and therefore enable farmers to be in a position in which they can take advantage of relief when the season finally breaks.

There are other things of course which all Australians benefit from and so the farming and pastoral community also does. The changes in taxation arrangements, the reduction in taxation and a number of other measures in the Budget help the farming community just as much as anyone else. The Australian Bicentennial Road Development Program is one which is going to provide I would have thought very great assistance to the rural community. It is a program that is of benefit to the whole country. There will be cheaper transport costs, and I would have hoped a lesser road toll. Local roads, arterial roads, as well as national highways are going to be enormously improved over the five or six years of this program. With an additional \$2½ billion being spent on road construction we can see a revitalisation, an advancement in the quality of Australian roads which is going to assist farmers and pastoralists in a very real way right across Australia of a kind that I think people had only dreamt about before this program was announced.

We believe very much that the Budget does form a basis for Australians working together and does form a basis for wage restraint. A single income family with dependent wife and say two children is about \$17 to \$19 better off as a result of our Budget. If they had to get that from employers, it would be \$26 to \$30 and in many cases that additional wage might be enough to send the employer bankrupt. Against that background it has been reasonable to argue for and expect a level of wage restraint that might otherwise have been difficult to achieve.

There has been some progress in this area. Public sector pay increases have been from 5% to 7% compared to the 15% or 20% of last year. The maximum level of restraint is going to be necessary if the competitive base of Australian industry is to be restored, not just over the last few months, and not just for the remainder of this year, but at least for a couple of years ahead of us and it is going to be difficult. We are going to need to argue as hard as we can and persuade as hard as we can. It has not been made much easier when we go around and say your family is significantly better off as a result of our Budget and then Eric Risstrom has demonstrated that Mr Cain and his Budget ripped most of it back off again. A family that might have been \$18 better off as a result of the Federal Budget is suddenly \$12 worse off a week as a result of Mr Cain's Budget. They are Mr Risstrom's figures not mine and it shows how that Budget at least and the NSW Budget also, are pulling in opposite directions and making it therefore more difficult to achieve the level of wage restraint that is so vital.

The consumer price increase of 3½% in September quarter comes from a variety of factors, but whatever factors we ascribe it to, whether it is the drawing forward of some increases that would have otherwise have been in the December quarter, whether it is because of doing sums differently, whether it is because of much greater increases in state taxes and charges - hospital charges have gone up in the states 60% over the last year and some by 40% since June or July and electricity charges

have been up by about 42% over recent periods. These increases have obviously had an impact on the Consumer Price Index of a kind that would not have been present in other years.

Overwhelmingly, I believe the greatest part of the increase has come about as a result of the wages and hours decisions of last year which have done so much damage not only to farming and pastoral communities, but to manufacturing industry and indeed also damage to state and to Federal budgets because if it had not been for those wage increases, if it had not been for the shorter hours, state governments would not have needed to put up their charges anything like as much as they have. The services component of the CPI went up by a massive 18% and that is nearly all wages. Then a large part of the state increases in their charges has to be attributed to the impact of the wages and hours decisions on their budgets. I suspect the impact of those decisions are not yet fully worked out through the economy and we are obviously hoping for a better December figure than we achieved last year, but how much better is going to depend on the elements in wage increases still to work through the Australian economy.

These matters are obviously of great concern to us and they would be to you and they show that in no way can we relax in our fight against inflation. We have had a very severe setback in that fight as a result of what happened in the wages front through last year. We have got to make sure that that kind of thing does not happen again.

I have already mentioned something about the drought, but I do not know that too many Australians apart from the farming community understand that this drought is effecting about 110,000 farms, about 93 million sheep and 13 million beef cattle. The wheat crop is estimated to be less than 9 million tonnes compared to over 16 million tonnes in 1981-82. These figures demonstrate in the starkest possible terms the impact of the drought on some of Australia's major and most important industries. It is catastrophic not just for the families directly concerned, but the country towns, the rural cities and also for those industries which are dependent and which supply the rural community and this gets back into the major cities. So the breaking of the drought, is something that we are all going to be looking forward to. Unfortunately the weather maps and the weather patterns do not seem to be particularly favourable and have not been for many, many months.

Renewed growth in world trade is going to be vital for your industries Mr President and also for economic recovery in the OECD area as a whole. There are some things that Australia can do on its own account and many of these were addressed in our last Budget. Renewed growth in world trade is of vital importance for the vigorous and growing Australia that we want to see. It is worth noting that in the '50s and '60s world trade grew by volume by about 8% a year. It was an engine for growth and progress for rising living standards in many countries of the world, developed and developing countries alike, but in 1981 world trade contracted for the first time in over 20 years and it is no wonder that commodity prices are down and that the situation is difficult.

I know everyone has been looking for economic recovery in the United States and we do have to be encouraged by a fall in their inflation and a fall in their interest rates, but at the same time Americans you speak to seem to be in two categories. One is saying right, the recovery has started and seems to be trying to talk the economy up and others are saying the economy is bumping along on the bottom. Until the recovery is evident, until we can see in a hard-headed fashion that there is real movement in the United States economy, I think it is wiser not to bank too much on that. The professional predictors have been saying there will be recovery in the United States in six months time, but they have been saying that now for about 2½ years and at sometime if they go on saying it long enough, they are going to have to be right. I am not going to join the ranks of those predictors, but I think we need to watch with a little caution what is happening in the United States.

I had a discussion with Mr Dalsager yesterday also, I think he is in no doubt at all about what the Government feels about the trading policies of the European community. We were talking about the importance of the GATT ministerial meeting and the importance of achieving agreement that agricultural trade should be subject to fair rules of trade in the same way that manufactured exports are. There was a great betrayal of agricultural industries outside of Europe when the world trading arrangements, when the GATT was first developed, because it was originally intended that the rules for fair trade could cover all trade. But a deal was done because of the demands of Europe that excluded agriculture and those deals have been done again and again and again.

We know how much what has happened has affected us. We have had to find new additional, expanded markets for a whole range of our products because if you go back to the days when we still had access to Europe in a reasonable way, beef and veal in 1965 we had 31% of our exports going to the community, now it is about 4%. We had about 58% of our dairy products, it is now about 3%. We had 47% of our sugar and now it is nothing. We had 12% of our wheat and now that is nothing. That shows the extent to which their own domestic policies and discriminatory trading policies have diminished opportunities for Australian farmers. If it had not been for the new markets in the Pacific area, in the western Pacific in the newly industrialising countries, and if it had not been for the capacity and energy of Australian industries in getting out and selling around the world, our industries would have been in much greater difficulty than has in fact been the case.

Those figures demonstrate the need for Australian governments and Australian ministers for trade, to continue to press for fair and reasonable rules of trade. You will know the trade initiative that we have put forward, it is multilateral in its consequences, a holding of levels of protection and no increasing levels of protection and then a general winding back of other forms of protection or of export subsidies. There has been a good deal of support for Australia from a large number of countries, from local communities, from ASEAN, from the Commonwealth Regional Meeting in Fiji and from the United States.

There is one thing I would like to say in relation to the role of the USA at the GATT ministerial meeting. I know there are sometimes discussions between the United States and Europe, and there has been very vigorous discussion going on over whether or not a pipeline should be built. That in one sense might be an academic discussion because it seems to me the Europeans are going ahead and building it no matter what the United States does. I also believe that if the United States is absolutely committed and determined to make sure that agriculture shares in the benefits of any trade negotiations, to make sure that agriculture is not allowed to be pushed aside by the European Community as it has been for decades, then I believe that the United States has the strength, has the capacity to achieve that kind of result.

They have been working very closely with us. They have been supporting us and we them in relation to these negotiations. I know quite well that in the earlier MTN round that there were agreements with the United States Special Trade Negotiator, but in the end, the United States believed that it was not worth pressing Europe as hard as the United States could have. I suppose I am saying that the United States should have enormous confidence in its own capacity to achieve an appropriate result. It should have enormous confidence in its own negotiating strength if it is supported by other countries such as Australia, and many others. It should have enormous confidence in its ability to achieve fair rules for trade and reasonable access in relation to agricultural products. But unless the United States has its own inbuilt conviction, unless it is totally determined to achieve this kind of result, then we will find agriculture pushed aside once again as it has been ever since the GATT was formed.

The discussions that I and my colleagues had with Mr Dalsager last night did not indicate in any sense that it was going to be an easy discussion or that the Europeans would come around and say that after decades they were prepared to promote fair and reasonable rules for trade once again. I don't think it will be easy at all, but the United States should not underestimate her own enormous negotiating strength.

There is no doubt that the world trade system does need overhaul. It is not only agricultural commodities that are prejudiced. Opportunities are often prejudiced for developing countries and I think we in Australia know how well we can benefit from expanded market opportunities in some countries that have been, and still are, growing at a rate of about 10% a year, and they are doing that because of their energy, because they haven't had their economies put in straight jackets through the subsidisation of a whole host of industries as has so often been the case in Europe. There is a lesson in that, because if there can be more developing countries getting to the stage of economic takeoff, there are going to be greatly expanded markets for the products of factories of the Western industrial world. There will be greater opportunities also for Australia and Australian exports.

The kind of trade initiatives that we have been talking about, coupled with greater access, a freer flow of world trade, might be one of the very few positive, forward looking things that can be done to get the growth of the world economies moving in a non-inflationary way. I know, we all know, there can be some difficulty in the immediate process of change and restructuring that would be necessary in a number of countries, but the question is whether we are prepared to take the longer view and establish a sound, solid basis on which market opportunities can expand, and living standards not only in Australia, but around the world, start to rise again. There is not a future, as everyone here knows, in shutting the doors, pulling down the blinds. Some of the arguments that were put to us last night asked-why we let in Japanese and Korean steel when it could all be produced by BHP. One of a number of consequences of that would be that all the users down the line would be paying a higher price for the end product, and their costs would go up. They would come at us for more protection. They would lose markets because they wouldn't be able to compete as effectively as they now are.

From the same district these miners came from, there are about eight million tons of coal that are exported to Japan and Korea each year, used by those countries in the production of steel. Now, if we are going to chop off their imports into this country, would they sit idly by and continue to buy that coal from Australia, or would they buy that coal from some country that is prepared to promote and continue with reasonable and fair open market systems?

If you won that retaliation by just chopping off imports as was advocated to us last night, you would then be in a situation where many hundreds of other Australians could directly be put at risk from the same part of Australia with other countries taking retaliatory action against us.

Now, quite plainly, when the world is in difficulty, when Australia is in difficulty, there is no solution to our general problems by pulling down the blinds and pretending we can live as an island to ourselves. We have got to fight as hard as we possibly can with other middle ranking countries for fair and open rules of trade. Australia has more to benefit from that than almost any country because we have non-tariff barriers of one kind or another against about 50% of our total exports. I doubt if there is any other country that can make that kind of claim. Everyone would benefit from the kind of proposals that we have put to the GATT meeting.

Mr President, your industries are confronted by very real problems of drought and because of the impact of a world recession that is deeper and longer lasting than any of us thought possible. Good, reasonable and sound policies are of vital importance to all of us. The Government is committed to doing what it can to assist in this process. It is also committed to doing what it can to assist the farming and pastoral community through the present difficult period, and especially through the present drought.

This is important for the building of the kind of Australia that we all want. We have enormous natural and human advantages in this country - the skills of Australians, their capacity to work, their initiative in doing things new in better and more economic ways. We have to look to those advantages in a tough, sometimes unpleasant, competitive world. Despite whatever the present difficulties are, I remain an optimist about the future of this country because I have enormous faith in you and your industries. I have enormous faith in all Australia.

I have great pleasure indeed in declaring your conference officially open.

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