



## PRIME MINISTER

TEXT OF SPEECH BY THE PRIME MINISTER, MR HAWKE,  
TO THE FOREIGN POLICY ASSOCIATION,  
NEW YORK,  
16 JUNE.

AT THE NATIONAL PRESS CLUB IN WASHINGTON YESTERDAY I HAD THE OPPORTUNITY OF OUTLINING MY NEW GOVERNMENT'S GENERAL APPROACH TO INTERNATIONAL AFFAIRS AND ITS SPECIFIC APPROACH TO OUR ALL-IMPORTANT RELATIONS WITH THE UNITED STATES, I STRESSED THEN THE IMPORTANCE OF OUR MANAGEMENT OF OUR NATIONAL ECONOMY TO THE EFFECTIVENESS OF OUR FOREIGN POLICY, TODAY I WISH TO DEAL WITH OUR GENERAL APPROACH TO ECONOMIC AFFAIRS BOTH NATIONAL AND INTERNATIONAL, AND TO SAY SOMETHING ABOUT OUR SPECIFIC APPROACH TO THE ROLE OF AMERICAN BUSINESS IN THE AUSTRALIAN ECONOMY.

YESTERDAY, IN SPEAKING ABOUT INTERNATIONAL RELATIONS GENERALLY AND THE UNITED STATES-AUSTRALIA RELATIONSHIP IN PARTICULAR, I STRESSED THE THEMES OF CONTINUITY AND INTERDEPENDENCE - THE ESSENTIAL CONTINUITY OF THE MAJOR DIRECTIONS OF FOREIGN POLICY AND THE BASIC INTERDEPENDENCE OF THE NATIONS, THEIR ECONOMIES AND THEIR SOCIETIES. TODAY, I WISH TO TAKE UP THOSE THEMES AGAIN, IN THE CONTEXT OF THE ECONOMIC POLICIES OF MY GOVERNMENT.

AMERICANS AND AUSTRALIANS SHAKE SO MUCH IN THE WAY OF POLITICAL TRADITIONS, ECONOMIC INSTITUTIONS AND ECONOMIC INTERESTS THAT WE CAN AT TIMES ASSUME TOO EASILY AN EXACT IDENTITY OF VALUES AND INTERESTS. THIS CAN LEAD TO THE DISAPPOINTMENT OF EXPECTATIONS IN OUR RELATIONSHIP WITH EACH OTHER. THUS IT MAY BE USEFUL FOR ME TO POINT OUT ONE OR TWO MORE WAYS IN WHICH OUR EFFORTS TO ACHIEVE NATIONAL ECONOMIC RECOVERY DEPEND ON FEATURES OF THE AUSTRALIAN ECONOMY AND SOCIETY THAT DIFFER FROM YOUR OWN.

THE FUNDAMENTAL CONSTRAINTS ON AUSTRALIAN ECONOMIC DEVELOPMENT ARE LITTLE AFFECTED BY A CHANGE OF GOVERNMENT, AS A LIGHTLY POPULATED COUNTRY, WITH LARGE RESOURCES THAT CAN BE CONVERTED INTO INCOME AND WEALTH ONLY THROUGH INVESTMENT AND INTERNATIONAL TRADE, OUR LIVING STANDARDS DEPEND HEAVILY ON THE MAINTENANCE OF A LIBERAL INTERNATIONAL TRADE AND PAYMENTS SYSTEM.

OUR NATURAL PATTERN OF TRADE SPECIALISATION, WITH RELATIVELY STRONG EMPHASIS ON EXPORTS OF PRIMARY COMMODITIES,

CAUSES OUR ECONOMIC FORTUNES TO BE AFFECTED MORE THAN MOST INDUSTRIAL COUNTRIES BY THE SITUATION IN THE LARGE ECONOMIES OF THE NORTHERN HEMISPHERE.

MORE THAN IN MOST OTHER INDUSTRIAL COUNTRIES, AUSTRALIAN ECONOMIC GROWTH DEPENDS UPON THE INFLOW OF CAPITAL FROM ABROAD. THUS IN AUSTRALIA, INTERNATIONAL FINANCIAL DEVELOPMENTS ARE IMPORTANT DETERMINANTS OF LONG TERM ECONOMIC GROWTH AS WELL AS OF SHORT-TERM ECONOMIC CONDITIONS.

ANY AUSTRALIAN GOVERNMENT MUST COUNT AMONGST ITS MAIN TASKS THE MANAGEMENT OF DOMESTIC AND INTERNATIONAL RESPONSES TO AN EVER-CHANGING WORLD ECONOMY. WITHIN THIS CONTEXT, OUR RELATIONSHIP WITH THE UNITED STATES IS OF CENTRAL IMPORTANCE: AS ONE OF OUR TWO LARGEST TRADING PARTNERS: AS OUR LARGEST SOURCE OF DIRECT INVESTMENT: AS A PRINCIPAL DETERMINANT OF CONDITIONS IN WORLD COMMODITY AND FINANCIAL MARKETS: AND AS THE MAIN SPONSOR OF THE LIBERAL INTERNATIONAL TRADING AND FINANCIAL SYSTEM THAT HAS FACILITATED POSTWAR GROWTH IN AUSTRALIA AS IN THE WORLD AS A WHOLE.

OVER THE POSTWAR PERIOD THERE HAS BEEN A REMARKABLE SHIFT IN THE GEOGRAPHICAL PATTERN OF AUSTRALIA'S RELATIONS WITH THE INTERNATIONAL ECONOMY, AWAY FROM THE UNITED KINGDOM AND EUROPE TOWARDS THE ASIA-PACIFIC REGION. THIS HAS HAD SEVERAL CAUSES. FIRST, THERE HAS BEEN THE RAPID GROWTH IN TRADING OPPORTUNITIES ASSOCIATED WITH THE INDUSTRIALISATION AND STRONG ECONOMIC PERFORMANCE IN NORTHEAST ASIA, AND MORE RECENTLY IN SOUTHEAST ASIA. SECOND, THE WAY IN WHICH EUROPE HAS TURNED INWARD, ESPECIALLY ON AGRICULTURAL TRADE, HAS PUSHED OUTSIDERS, INCLUDING AUSTRALIA AND ITS PACIFIC NEIGHBOURS, INTO CLOSER ECONOMIC LINKS WITH EACH OTHER AND WITH OTHERS OUTSIDE THAT INWARD-LOOKING BLOC. THIRD, THE WITHERING OF THE OLD IMPERIAL TRADING SYSTEMS HAS FREED AUSTRALIA TO TRADE MORE INTENSIVELY WITH ITS NEIGHBOURS IN ASIA. FOURTH, THE GOVERNMENTS AND BUSINESS COMMUNITIES OF OUR REGION HAVE APPLIED CONSIDERABLE EFFORT TO BUILDING THE RELATIONSHIPS ESSENTIAL TO THE STRONG EXPANSION OF TRADE. CRUCIAL TO ALL OF THIS HAS BEEN THE ROLE OF THE UNITED STATES: INDIRECTLY THROUGH ITS CONTRIBUTIONS TO THE 'UMBRELLA' OF POLITICAL STABILITY THAT WAS NECESSARY FOR THE EXPANSION OF ECONOMIC ACTIVITY AND TRADE, AND DIRECTLY AS A MAJOR PARTICIPANT IN THE ECONOMIC LIFE OF THE REGION.

ADVERSE DEVELOPMENTS IN OUR INTERNATIONAL ECONOMIC ENVIRONMENT WERE PART OF THE CAUSE OF THE ACUTE ECONOMIC PROBLEMS IN AUSTRALIA WHICH MY GOVERNMENT WAS ELECTED TO OVERCOME. WE WILL WORK TO IMPROVE THAT ENVIRONMENT, ALTHOUGH WE DO NOT DELUDE OURSELVES THAT A COUNTRY OF AUSTRALIA'S SIZE CAN EXERCISE MUCH INFLUENCE OUTSIDE ITS OWN IMMEDIATE REGION. BUT WE CAN AND DO AIM TO IMPROVE AUSTRALIA'S DOMESTIC POLICY RESPONSE TO INTERNATIONAL ECONOMIC CONDITIONS. WITHOUT IN ANY WAY FIGHTING THE AUSTRALIAN ELECTION CAMPAIGN OVER AGAIN IN NEW YORK, I THINK IT IS FAIR TO SAY THAT WHILE INTERNATIONAL CONDITIONS HAVE CONTRIBUTED CONSIDERABLY TO AUSTRALIA'S RECENT ECONOMIC PROBLEMS, THESE DIFFICULTIES HAVE BEEN GREATLY EXACERBATED BY THE NATURE OF THE RESPONSE TO THEM.

#### DOMESTIC ECONOMIC MANAGEMENT

WHEN MY GOVERNMENT TOOK OFFICE IN MARCH, AUSTRALIA WAS EXPERIENCING INFLATION AT OVER ELEVEN PER CENT PER ANNUM, OR TWICE THE RATE IN MOST MAJOR O.E.C.D. COUNTRIES, AND UNEMPLOYMENT AT OVER TEN PER CENT. DATA RECENTLY TO HAND INDICATE THAT THE MARCH QUARTER THIS YEAR WAS THE THIRD SUCCESSIVE QUARTER, AND THE FIFTH IN TWO

YEARS, IN WHICH ECONOMIC ACTIVITY CONTRACTED.

THE AUSTRALIAN LABOR PARTY DURING THE ELECTION CAMPAIGN OFFERED A PROGRAM OF NATIONAL RECONCILIATION, RECONSTRUCTION AND RECOVERY. THE MANDATE CONFERRED ON MY GOVERNMENT BY THE PEOPLE OF AUSTRALIA IS QUITE PRECISE. IT IS TO RESTORE GROWTH, REDUCE INFLATION AND ARREST THE EXPLOSION IN UNEMPLOYMENT.

WE SAID IN THE CAMPAIGN THAT, UNDER OUR POLICIES, THE ECONOMY WOULD GENERATE IN THE ORDER OF HALF A MILLION NEW JOBS OVER THREE YEARS. THIS STOOD IN VIVID CONTRAST TO THE LOSS OF OVER ONE HUNDRED THOUSAND JOBS IN THE PREVIOUS YEAR. THE POLICIES THAT I WILL OUTLINE TODAY ARE DESIGNED TO FULFILL OUR COMMITMENT. WORK THAT HAS BEEN DONE SINCE WE TOOK OFFICE THREE MONTHS AGO SUGGESTS THAT OUR OBJECTIVE IS WITHIN REACH. BUT EVEN SUCH A DRAMATIC REVERSAL IN THE TREND OF EMPLOYMENT WOULD MAKE TOO LITTLE PROGRESS IN REDUCING UNEMPLOYMENT. ACCORDINGLY, WE ARE COMMITTED TO ADDRESSING THE SPECIAL PROBLEMS OF THE LONG-TERM UNEMPLOYMENT THROUGH A COMMUNITY UNEMPLOYMENT PROGRAM. WE ARE COMMITTED TO REVIEW THE WHOLE RANGE OF TRAINING AND RE-TRAINING SCHEMES TO ENSURE THAT THEY ARE RELEVANT TO A RAPIDLY CHANGING ENVIRONMENT. WE ALSO AIM TO ENCOURAGE INNOVATION IN WORK PATTERNS, TO ACHIEVE AS CLOSE A BALANCE AS POSSIBLE BETWEEN THE NUMBER OF PEOPLE WANTING JOBS AND THE NUMBER OF JOBS THE ECONOMY CAN DELIVER.

BUT OUR MAIN INSTRUMENT IS IMPROVED MANAGEMENT. BEYOND SPECIFIC GOALS, THE ELEMENT OF OUR APPROACH TO ECONOMIC POLICY THAT MOST DISTINGUISHES US FROM THE FORMER GOVERNMENT IS OUR COMMITMENT TO THE SEARCH FOR COMMUNITY CONSENSUS ON THE GREAT ECONOMIC ISSUES, AND ABOVE ALL TO MORE CO-OPERATIVE AND LESS COMBATIVE MEANS OF DETERMINING WAGES LEVELS AND INCOME SHARES.

WE BELIEVED BEFORE OUR ELECTION, AND OUR BELIEF HAS BEEN CONFIRMED BY OUR EXPERIENCE SINCE THE ELECTION, THAT SUCH AN APPROACH IS MORE LIKELY TO ACHIEVE THE RESTRAINT IN INCOMES CLAIMS ESSENTIAL FOR SUSTAINED NON-INFLATIONARY GROWTH.

WE BELIEVE THAT A MORE CO-OPERATIVE APPROACH TO ECONOMIC POLICY-MAKING, INVOLVING CLOSE CONSULTATION WITH THE MAIN ECONOMIC INTERESTS, ESPECIALLY BUSINESS AND UNIONS, WILL FACILITATE ADJUSTMENTS NECESSARY TO RESTORE AUSTRALIAN ECONOMIC GROWTH. WE BELIEVE AS WELL THAT A REDUCTION IN INDUSTRIAL CONFLICT IN AUSTRALIA WILL IN ITSELF IMPROVE ECONOMIC PERFORMANCE.

IN DRAWING UP OUR PROGRAM, WE HAD IN MIND TWO PRINCIPAL INSTRUMENTS FOR THE BUILDING OF NATIONAL CONSENSUS ON ECONOMIC POLICY ISSUES THAT HAD BEEN HIGHLY DIVISIVE IN AUSTRALIA. THE FIRST WAS A PRICES AND INCOMES POLICY, BUILT AROUND AN ACCORD PRIOR TO THE ELECTIONS BETWEEN THE AUSTRALIAN LABOR PARTY AND THE AUSTRALIAN COUNCIL OF TRADE UNIONS. THIS ACCORD EMBODIES COMMITMENT TO CONSULTATION BETWEEN A LABOR GOVERNMENT AND THE AUSTRALIAN COUNCIL OF TRADE UNIONS ON MAJOR ECONOMIC POLICY MATTERS AFFECTING ORGANISED LABOR.

THE SECOND INSTRUMENT FOR BUILDING NATIONAL CONSENSUS ON ECONOMIC POLICY ISSUES WAS A NATIONAL ECONOMIC SUMMIT CONFERENCE, WHICH WAS HELD WITHIN A MONTH OF MY TAKING OFFICE. PARTICIPANTS INCLUDED ELEVEN MINISTERS WITH ECONOMIC RESPONSIBILITIES IN MY GOVERNMENT, THE PREMIERS AND SENIOR ECONOMIC MINISTERS OF OUR STATE AND TERRITORIAL GOVERNMENTS, ALL MEMBERS OF THE EXECUTIVE OF THE AUSTRALIAN COUNCIL OF TRADE UNIONS, THIRTY-FIVE LEADERS OF BUSINESS ORGANISATIONS AND

1983-84  
MON.

AUSTRALIAN BUSINESS, AND SIX LEADERS OF PROFESSIONAL AND COMMUNITY ORGANISATIONS.

ONE PARTICIPANT WHO WOULD HAVE BEEN KNOWN TO SOME OF YOU HERE TODAY, WHO MADE AN IMMENSE CONTRIBUTION TO DISCUSSION AT THE SUMMIT, AS HE HAD THROUGHOUT HIS CAREER, TO AUSTRALIAN BUSINESS AND PUBLIC LIFE, WAS SIR KEITH CAMPBELL, CHAIRMAN OF THE COMMITTEE ON THE AUSTRALIAN FINANCIAL SYSTEM THAT BEARS HIS NAME. TRAGICALLY, SIR KEITH DIED A FEW DAYS AFTER THE CONFERENCE, TO THE GREAT LOSS OF ALL OF US.

THE NATIONAL ECONOMIC SUMMIT CONFERENCE IS WIDELY RECOGNISED AS HAVING CREATED A COMMUNITY OF OUTLOOK AMONGST THE MAJOR ECONOMIC INTERESTS THAT HAS NO PRECEDENT IN OUR PEACETIME HISTORY. THE SUMMIT WAS MEANT TO - AND DID - MARK THE BEGINNING OF CONSENSUS IN ECONOMIC POLICY-MAKING, NOT THE END. SINCE THEN CONSULTATIONS WITH UNIONS AND BUSINESS HAVE LED TO AGREEMENT ON THE FORM THAT A PRICES SURVEILLANCE AUTHORITY SHOULD TAKE, NAMELY THE EXCLUSION OF AREAS OF THE ECONOMY WHERE THERE IS ADEQUATE COMPETITION, AND THE AVOIDANCE OF COSTLY BUREAUCRATIC PROCEDURES. AGREEMENT HAS ALSO BEEN REACHED ON THE FORM AND ROLE OF AN ECONOMIC PLANNING ADVISORY COUNCIL, WHICH WILL CONTINUE THE WORK OF THE SUMMIT AS A MEANS THROUGH WHICH THE GOVERNMENT CAN INFORM AND SEEK ADVICE FROM LEADING FIGURES FROM BUSINESS, TRADE UNIONS AND COMMUNITY GROUPS.

I MUST EMPHASISE THAT OUR COMMITMENT TO CONSULTATION WITH THE UNIONS AND BUSINESS, AND OUR SEARCH FOR CONSENSUS, DOES NOT INVOLVE ANY ABROGATION OF OUR RESPONSIBILITY AS A GOVERNMENT. ULTIMATELY, THE GOVERNMENT ALONE IS RESPONSIBLE FOR NATIONAL ECONOMIC POLICY. BUT WE BELIEVE - AND THE EXPERIENCE OF THE SUMMIT AND BEYOND HAS BORNE OUT OUR BELIEF, THAT CLOSE CONSULTATION CAN ENRICH POLICY AND STRENGTHEN THE ABILITY OF THE GOVERNMENT TO CARRY OUT ITS INESCAPABLE RESPONSIBILITIES.

MY TREASURER, PAUL KEATING, PRESENTED TO THE SUMMIT A DETAILED STATEMENT OF THE NEW GOVERNMENT'S APPROACH TO ECONOMIC POLICY. HE PROVIDED TO SUMMIT PARTICIPANTS, AND TO THE AUSTRALIAN COMMUNITY, MORE DETAILED INFORMATION ON AUSTRALIAN ECONOMIC PERFORMANCE, POLICY AND PROSPECTS THAN HAD EVER BEFORE BEEN MADE AVAILABLE BY AUSTRALIAN GOVERNMENTS. THIS SHARING OF ECONOMIC INFORMATION WILL CONTINUE TO BE A FEATURE OF ECONOMIC POLICY-MAKING UNDER THIS GOVERNMENT. A SHARED PERSPECTIVE ON ECONOMIC FACTS IS OBVIOUSLY A NECESSARY PRE-CONDITION TO SHARED PERSPECTIVES ON POLICY. IN TURN, SUCH SHARED PERSPECTIVES ARE NECESSARY TO PROVE THE POLITICAL BASE FOR CONTINUITY OF POLICY.

MY GOVERNMENT HAS STRESSED THE DEEP-SEATED NATURE OF THE POOR AUSTRALIAN ECONOMIC PERFORMANCE IN RECENT YEARS: THERE ARE NO QUICK OR EASY SOLUTIONS. WE HAVE STRESSED THE NEED TO FIGHT INFLATION AND UNEMPLOYMENT SIMULTANEOUSLY. FOR THAT, CORRECT POLICIES, STEADILY APPLIED OVER A LONG PERIOD, ARE NEEDED. AND I BELIEVE THAT THIS IS NOW BETTER UNDERSTOOD BY THE AUSTRALIAN PEOPLE THAN EVER BEFORE.

DURING THE ELECTION CAMPAIGN WE ARGUED THAT WAGE RESTRAINT WITHIN THE PRICES AND INCOMES ACCORD WOULD SUPPORT THE PURSUIT OF NATIONAL ECONOMIC RECOVERY THROUGH MODERATELY EXPANSIONARY FISCAL POLICY. WE REMAIN COMMITTED TO THAT GENERAL APPROACH. HOWEVER, INFORMATION PROVIDED TO US BY OUR OFFICIAL ADVISERS SOON AFTER WE TOOK OFFICE SUGGESTED THAT THE POLICIES HASTILY INTRODUCED BY THE PREVIOUS GOVERNMENT IN THE LEAD-UP TO THE ELECTION WOULD ALREADY YIELD A BUDGET DEFICIT FOR

1983-84 SIGNIFICANTLY IN EXCESS OF WHAT WE HAD IN MIND AS MODERATELY EXPANSIONARY

THE CONTINUATION OF INHERITED POLICIES AND PROGRAMS WITHOUT AMENDMENT WOULD HAVE LED TO A 1983-84 DEFICIT OF ABOUT DOLLARS 9.6 BILLION OR ABOUT 6 PERCENT OF G.D.P. BROAD ESTIMATES SUGGEST THAT ABOUT HALF OF THIS MAY BE CYCLICAL IN NATURE. BUT ABOUT HALF, REPRESENTING AROUND THREE PERCENT OF GROSS DOMESTIC PRODUCT, SEEMS TO BE STRUCTURAL, AND COULD BE EXPECTED TO CONTINUE EVEN IF STRONG RECOVERY OCCURS.

THE REMOVAL OF THE STRUCTURAL COMPONENT OF THE DEFICIT, WHICH WILL BE NECESSARY FOR THE MAINTENANCE OF ECONOMIC STABILITY IN THE LATER STAGES OF ECONOMIC RECOVERY, WILL REQUIRE CHANGES IN FISCAL POLICY. SOME OF THE ADDITIONAL STIMULUS PROVIDED BY THE STRUCTURAL DEFICIT IS APPROPRIATE FOR 1983-84, WHEN PRIVATE INVESTMENT IS EXPECTED TO REMAIN LOW IN THE RECESSION CONDITIONS. BUT THE SUSTENANCE OF RECOVERY WILL REQUIRE ACTIVE MEASURES TO HAUL IN THE STRUCTURAL DEFICIT IN 1984-85 AND 1985-86. EVEN IN 1983-84, IT WILL BE NECESSARY TO BEGIN THAT TASK IF WE ARE TO AVOID PRESSURES IN FINANCIAL MARKETS AS RECOVERY PROCEEDS THROUGH THE YEAR.

THE GOVERNMENT MOVED QUICKLY AGAINST THE STRUCTURAL BUDGET DEFICIT. WE WERE COMMITTED DURING THE ELECTION CAMPAIGN TO STIMULATE THE HOUSING INDUSTRY AND TO INTRODUCE A NEW COMMUNITY EMPLOYMENT PROGRAM. TWO MONTHS AFTER TAKING OFFICE WE ANNOUNCED A PACKAGE OF MEASURES WHICH SIMULTANEOUSLY IMPLEMENTED THESE ELEMENTS OF OUR PROGRAM, AND MORE THAN OFFSET THEIR EFFECTS UPON THE DEFICIT THROUGH A RANGE OF CUTS TO EXPENDITURES AND TAXATION EXPENDITURES INHERITED FROM THE PREVIOUS GOVERNMENT. SOME OF THESE CUTS INVOLVED PAINFUL ADJUSTMENTS TO LONG-STANDING BENEFITS AND CONCESSIONS. FOR EXAMPLE, WE FOUND IT NECESSARY TO APPLY AN INCOME TEST TO CERTAIN AGE PENSIONS, AND TO REMOVE, PROSPECTIVELY, SOME OF THE TAXATION CONCESSIONS ASSOCIATED WITH LUMP SUM SUPERANNUATION RECEIPTS. THE NET EFFECT OF THESE MEASURES WAS TO REDUCE THE PROSPECTIVE DEFICITS BY ALMOST HALF A BILLION DOLLARS IN 1983-84 RISING TO ABOUT ONE AND A HALF BILLION IN SUBSEQUENT YEARS. THIS REPRESENTS A REDUCTION IN THE STRUCTURAL DEFICIT IN THE OUTER YEARS OF ABOUT 1 PER CENT OF GROSS DOMESTIC PRODUCT.

THE OVERALL AIM OF OUR BUDGET STRATEGY IS TO MAINTAIN SUBSTANTIAL FISCAL STIMULUS IN THE IMMEDIATE FUTURE, BUT TO ENSURE THAT THE STRUCTURAL DEFICIT IS PULLED BACK IN THE COURSE OF RECOVERY AS THE DEMANDS OF PRIVATE INVESTMENT ON FINANCIAL MARKETS INCREASE.

OUR BUDGET STRATEGY IS, OF COURSE, CLOSELY LINKED TO OUR APPROACH TO MONETARY POLICY. WHILE WE REJECT THE BELIEF THAT CONTROL OF THE MONETARY AGGREGATES ALONE CAN DELIVER NON-INFLATIONARY GROWTH, WE BELIEVE THAT THERE IS A ROLE FOR SOUNDLY BASED TARGETS FOR THE GROWTH OF THE MONEY SUPPLY. IT IS OUR INTENTION TO PROVIDE JUST SUFFICIENT MONETARY GROWTH TO ACCOMMODATE THE INCREASE IN NOMINAL OUTPUT THAT WE CONSIDER DESIRABLE AND FEASIBLE, BEARING IN MIND IN PARTICULAR THE WAGE INCREASES GENERATED WITHIN THE CENTRALISED WAGE-SETTING SYSTEM. THIS IS A POLICY DESIGNED TO CURB INFLATIONARY IMPULSES WITHOUT PUTTING A BRAKE ON GROWTH. WITHIN THIS CONTEXT, WE EXPECT OUR WAGE-SETTING SYSTEM, IN CURRENT AND PROSPECTIVE CIRCUMSTANCES, TO DELIVER SUBSTANTIALLY LOWER RATES OF COST AND PRICE INCREASES. THIS LESS INFLATIONARY OUTLOOK WILL BE REINFORCED BY MONETARY POLICY.

THE SUMMIT SOMMUNIQUE RECOMMENDED THE RETURN TO A CENTRALISED

WAGE-SETTING SYSTEM. STEPS HAVE BEEN TAKEN ALONG THESE LINES. WITHIN THE CENTRALISED SYSTEM WE ARE EXPECTING NOMINAL WAGE INCREASES IN THE ORDER OF 3 TO 4 PER CENT IN THE CURRENT CALENDAR YEAR, COMPARED WITH THREE OR FOUR TIMES THAT LEVEL IN EACH OF THE PRECEDING YEARS.

I WOULD EXPECT AMERICANS TO BE SCEPTICAL ABOUT CENTRALISED WAGE-SETTING, AND IN PARTICULAR ABOUT WHETHER IT WOULD BE CAPABLE OF DELIVERING A GREATER DEGREE OF WAGE RESTRAINT THAN COLLECTIVE BARGAINING ALONG AMERICAN LINES. THIS IS ONE AREA WHERE AUSTRALIAN TRADITIONS AND INSTITUTIONS ARE MARKEDLY DIFFERENT FROM THE AMERICAN. IN AUSTRALIA, STRONG TRADITIONS OF RIGID WAGE RELATIVITIES READILY TRANSFER WAGE GAINS BY STRONG UNIONS THROUGHOUT THE ECONOMY, EVEN IN THE FACE OF SUBSTANTIAL GENERAL UNEMPLOYMENT. THIS HAPPENED IN 1981 WHEN WAGE GAINS BY SOME SECTIONS OF THE WORKFORCE THAT WERE FAVOURED BY AN INVESTMENT BOOM IN THE RESOURCE SECTOR LED TO A GENERAL WAGE EXPLOSION THAT WAS AN IMPORTANT CAUSE OF OUR CURRENT DIFFICULTIES. THE TRADE UNION MOVEMENT HAS ACCEPTED THAT THE RETURN TO A CENTRALISED SYSTEM MUST BE ACCOMPANIED BY THE REPUDIATION OF SECTIONAL CLAIMS. IF THERE IS COMPLIANCE WITH THIS UNDERSTANDING, THEN THERE ARE GOOD PROSPECTS THAT ECONOMIC RECOVERY OVER THE NEXT FEW YEARS WILL BE ACCOMPANIED BY SUBSTANTIALLY LOWER RATES OF WAGES GROWTH THAN HAVE BEEN EXPERIENCED IN AUSTRALIA OVER THE PAST DECADE.

SUSTAINED ECONOMIC GROWTH WILL REQUIRE COMMUNITY ACCEPTANCE OF TECHNICAL AND STRUCTURAL CHANGE IN THE ECONOMY TO FACILITATE INCREASES IN PRODUCTIVITY AND INVESTMENT. ONE OF THE AIMS OF CONSULTATION AND CONSENSUS WILL BE TO BUILD COMMUNITY UNDERSTANDING AND SUPPORT FOR SUCH CHANGE. ALREADY THERE ARE SIGNS THAT AUSTRALIAN WORKERS AND THEIR TRADE UNIONS ARE PREPARED TO ACCEPT CHANGES IN MANNING PRACTICES WHERE THIS IS RECOGNISED AS BEING IMPORTANT TO PRODUCTIVITY INCREASES AND THEREFORE TO LONG-TERM EMPLOYMENT SECURITY. ALREADY WE ARE SEEKING SUBSTANTIAL IMPROVEMENTS IN INDUSTRIAL RELATIONS ON THE WATERFRONT AND IN THE BUILDING INDUSTRIES, WHERE IN THE PAST, EXCESSIVE DISPUTATION HAS IMPOSED HEAVY COSTS ON AUSTRALIAN DEVELOPMENT.

#### AUSTRALIA'S EXTERNAL POLICIES

THE EXPLOSION OF AUSTRALIAN COSTS IN 1981 AND 1982 WHEN THE UNITED STATES AND MUCH OF THE REST OF THE WORLD WAS ENTERING A REMARKABLE PERIOD OF DISINFLATION, LEFT THE AUSTRALIAN DOLLAR HIGHLY VULNERABLE. SINCE LATE 1976, THE DAILY VALUE OF THE AUSTRALIAN DOLLAR HAS BEEN SET BY REFERENCE TO A TRADE-WEIGHTED BASKET OF CURRENCIES, WITH THE RATE BEING VARIED FREQUENTLY BY SMALL AMOUNTS AGAINST THIS BASKET IN RESPONSE TO MARKET CONDITIONS. I SUPPOSE THE SYSTEM CAN BE DESCRIBED AS A HEAVILY MANAGED FLOAT. IN RESPONSE TO DOMESTIC INFLATIONARY PRESSURES, OUR AUTHORITIES WERE FORCED TO ENGINEER A SUBSTANTIAL DEPRECIATION OF THE DOLLAR AGAINST THE BASKET FROM AUGUST 1981 ONWARDS. A FURTHER ONCE-FOR-ALL DEVALUATION WITHIN DAYS OF THE MARCH 5 ELECTION RESTORED AUSTRALIA'S RELATIVE COST POSITION. THE PRESENT EXCHANGE RATE SYSTEM WILL CONTINUE.

IN AUSTRALIA AS IN ALL COUNTRIES, DEEP RECESSION BRINGS PRESSURES FOR INCREASED PROTECTION. THE PROTECTION ISSUE CUTS ACROSS PARTY LINES IN AUSTRALIAN POLITICS. MY GOVERNMENT BELIEVES THAT AUSTRALIA'S INTERESTS WILL BE SERVED BEST BY GRADUAL MOVEMENT TOWARDS LOWER PROTECTION. BUT WE DO NOT BELIEVE THAT THE INTERESTS OF PERMANENT MOVEMENT TOWARDS A MORE LIBERAL TRADING STANCE WOULD BE SERVED WELL BY RADICAL REDUCTIONS IN PROTECTION AT PRESENT, WHILE UNEMPLOYMENT REMAINS EXTREMELY HIGH. WE WILL NEVERTHELESS RETAIN

PROGRAMS FOR GRADUAL LIBERALISATION OF IMPORTS IN THE TWO MOST HIGHLY PROTECTED AREAS OF AUSTRALIAN MANUFACTURING INDUSTRY; TEXTILES CLOTHING AND FOOTWEAR, AND MOTOR VEHICLES, IN THE INTERESTS OF PRESERVING CONTINUITY IN THE ECONOMIC POLICY ENVIRONMENT. SPECIAL DIFFICULTIES MAY LEAD US TO PROVIDE SOME INCREASE IN ASSISTANCE FOR A STRICTLY LIMITED PERIOD IN ONE OR TWO OTHER AREAS. BUT THERE SHOULD BE NO DOUBT ABOUT MY GOVERNMENT'S COMMITMENT TO TRADE LIBERALISATION AS THE ECONOMY STRENGTHENS IN THE YEARS AHEAD.

I KNOW THAT THIS GREAT FINANCIAL CENTRE, NEW YORK, HAS A SPECIAL INTEREST IN OUR APPROACH TO REGULATION OF THE FINANCIAL SECTOR. THIS WAS THE SUBJECT OF THE MAJOR INQUIRY CHAIRED BY THE LATE SIR KEITH CAMPBELL. MY GOVERNMENT HAS RECENTLY ANNOUNCED A REVIEW OF THE CAMPBELL REPORT RECOMMENDATIONS IN THE LIGHT OF OUR OWN OBJECTIVES AND PRIORITIES. ANY DETAILED STATEMENT OF OUR POSITION MUST AWAIT THE RESULTS OF THAT REVIEW, WHICH WILL NOT BE AVAILABLE FOR SEVERAL MONTHS. HOWEVER, YOU SHOULD KNOW THAT WE SEE NO VIRTUE IN REGULATION FOR ITS OWN SAKE.

MORE GENERALLY ON FOREIGN INVESTMENT POLICY, GUIDELINES FOR FOREIGN INVESTMENT IN AUSTRALIA HAVE BEEN DEVELOPING UNDER SUCCESSIVE GOVERNMENTS SINCE THE 1960S.

THERE HAD BEEN VARIOUS POLICIES ADDRESSED TO ASPECTS OF FOREIGN INVESTMENT BUT A COMPREHENSIVE POLICY WAS NOT FORMULATED UNTIL THE PREVIOUS LABOR GOVERNMENT IN 1975. WHILE THAT POLICY WAS ELABORATED BY THE LIBERAL-NATIONAL PARTY COALITION, THE FUNDAMENTAL FEATURES HAVE REMAINED UNALTERED. THIS HAS REFLECTED THE CONSIDERABLE DEGREE OF BIPARTISAN POLITICAL SUPPORT AND, MORE GENERALLY, COMMUNITY SUPPORT FOR THE ROLE OF FOREIGN CAPITAL IN DEVELOPING AUSTRALIA'S INDUSTRIES AND RESOURCES.

THE FOREIGN INVESTMENT POLICY OF SUCCESSIVE AUSTRALIAN GOVERNMENTS HAS BEEN BASED ON THE TWIN PILLARS: FIRST, A RECOGNITION OF THE SIGNIFICANT CONTRIBUTION THAT FOREIGN CAPITAL CAN MAKE TO THE DEVELOPMENT OF AUSTRALIA'S INDUSTRIES AND RESOURCES; AND SECOND, OF THE IMPORTANCE, AT THE SAME TIME, OF PROVIDING ADEQUATE OPPORTUNITIES FOR AUSTRALIANS TO PARTICIPATE IN THAT DEVELOPMENT. IN ECONOMIC TERMS, FOREIGN CAPITAL ENABLES AUSTRALIA TO HAVE A HIGHER RATE OF GROWTH IN ECONOMIC ACTIVITY AND EMPLOYMENT THAN WOULD OTHERWISE BE THE CASE.

WHILE RECOGNIZING THE IMPORTANT ECONOMIC BENEFITS FLOWING FROM FOREIGN INVESTMENT, GOVERNMENTS HAVE ALSO BEEN AWARE OF THE NEED TO BALANCE THOSE BENEFITS AGAINST AN EXCESSIVE INCREASE IN FOREIGN OWNERSHIP AND CONTROL OF AUSTRALIAN RESOURCES AND INDUSTRIES. THIS HAS NOT BEEN SO MUCH A MATTER OF CONCERN OVER THE POSSIBLE ECONOMIC COSTS OF FOREIGN OWNERSHIP. RATHER, IT HAS BEEN A RECOGNITION OF CONTINUING COMMUNITY CONCERN THAT THE DEGREE OF FOREIGN OWNERSHIP AND CONTROL SHOULD NOT EXCEED CERTAIN BOUNDS.

VARIOUS STATEMENTS BY THE TREASURER AND MYSELF SINCE ASSUMING OFFICE HAVE AFFIRMED THE RECOGNITION OF THE ECONOMIC BENEFITS OF FOREIGN INVESTMENT AND ACCEPTANCE OF THE BROAD THRUST OF THE POLICY THAT HAS BEEN IN OPERATION FOR SEVERAL YEARS.

THE TREASURER HAS ALSO ANNOUNCED THAT AN EARLY REVIEW IS BEING UNDERTAKEN. THE TREASURER HAS INDICATED THAT THE MAIN EMPHASIS OF THE REVIEW WILL BE ON POLICY CONTINUITY, ALTHOUGH THERE MAY BE SOME CHANGES OF EMPHASIS, PARTICULARLY IN RELATION TO REAL ESTATE, AND FOR LOCAL EQUITY REQUIREMENTS IN MANUFACTURING. ANY SUCH CHANGES OF EMPHASIS WOULD BE APPLIED

FLEXIBLY SO AS NOT TO EXCLUDE INVESTMENT THAT WOULD BRING BENEFITS TO AUSTRALIA.

UNDER THE ESTABLISHED POLICY, FOREIGN INVESTMENT PROPOSALS ARE CONSIDERED CASE-BY-CASE BY THE TREASURER, IN THE LIGHT OF ADVICE FROM A FOREIGN INVESTMENT REVIEW BOARD.

IN ITS FIRST TWO AND A HALF MONTHS IN OFFICE, THE GOVERNMENT CONSIDERED 228 FOREIGN INVESTMENT PROPOSALS, OF WHICH 208 WERE APPROVED AND 20 WERE REJECTED. ALTHOUGH THIS RATE OF REJECTION IS SOMEWHAT HIGHER THAN THAT UNDER THE PREVIOUS GOVERNMENT THE MORE RECENT FIGURES REFLECT A NUMBER OF FACTORS AND, ESPECIALLY AS THEY APPLY TO ONLY A LIMITED PERIOD OF TIME, SHOULD NOT BE TAKEN AS INDICATING ANY NOTABLE CHANGE IN POLICY.

UNDER THE ESTABLISHED POLICIES WHICH WILL BE BROADLY MAINTAINED BY MY GOVERNMENT, AMERICAN CORPORATE, INSTITUTIONAL AND PRIVATE FINANCIAL GROUPS INVESTED APPROXIMATELY DOLLARS 6 BILLION IN AUSTRALIAN ENTERPRISES DURING THE FIVE YEARS TO 1981-82. THE UNITED STATES RETAINED ITS POSITION AS THE LARGEST SOURCE OF DIRECT INVESTMENT CAPITAL, WHICH IT HAS HELD FOR MOST OF THE POSTWAR PERIOD.

A SUBSTANTIAL PART OF AMERICAN INVESTMENT IN RECENT YEARS HAS BEEN IN MINING AND RELATED ACTIVITIES. THE TECHNICAL AND MARKETING SKILLS, MANAGEMENT AND FINANCIAL STRENGTH OF AMERICAN CORPORATIONS MADE A CRUCIAL CONTRIBUTION TO THE DEVELOPMENT OF THE MINING AND PROCESSING INDUSTRIES WHICH PROVIDED THE MAIN IMPETUS TO AUSTRALIAN ECONOMIC GROWTH THROUGH MUCH OF THE PAST ONE AND A HALF DECADES. THE POLICIES OF MY GOVERNMENT WILL FACILITATE THE CONTINUED EXPANSION OF THESE INDUSTRIES AND THE CONTINUED PARTICIPATION OF FOREIGN CAPITAL IN THAT EXPANSION.

THERE MAY BE SOME APPREHENSION AMONGST UNITED STATES INVESTORS ABOUT THE EFFECTS ON THE MINING INDUSTRY OF TWO ASPECTS OF THE PROGRAM UPON WHICH MY GOVERNMENT WAS ELECTED: THE COMMITMENT TO INTRODUCE A RESOURCE RENT TAX ON THAT PART OF MINING INCOME WHICH IS PROPERLY REGARDED AS ECONOMIC RENT: AND OUR POLICY ON URANIUM MINING.

WHILE THE MINING INDUSTRY IS UNDERSTANDABLY ANXIOUS ABOUT ANY PROPOSALS TO CHANGE TAXATION ARRANGEMENTS, GIVEN THE NORMAL HUMAN TENDENCY TO FEAR THE WORST, I AM CONFIDENT THAT THE INTRODUCTION OF A RESOURCE RENT TAX WOULD INCREASE RATHER THAN DIMINISH INCENTIVES FOR EXPANSION OF THE MINING INDUSTRY. AT THIS STAGE OUR PROPOSAL RELATES ONLY TO OFF-SHORE PETROLEUM AND COAL. THE PROPOSAL IS TO REPLACE HIGHLY DISTORTING EXCISES, ROYALTIES AND EXPORT TAXES BASED ON THE VOLUME OR VALUE OF PRODUCTION BY A RESOURCE RENT TAX BASED ON CASH FLOW. NO LIABILITY FOR RESOURCE RENT TAX WOULD BE INCURRED UNTIL ALL CASH OUTLAYS HAD BEEN RECOUPED WITH INTEREST AT RATES THAT WERE SUFFICIENTLY HIGH TO MAINTAIN INCENTIVES. UNLIKE THE CHARGES THAT IT WOULD REPLACE, THE RESOURCE RENT TAX WOULD NOT INHIBIT THE DEVELOPMENT OF MARGINAL MINES, OR THE FULL ECONOMIC RECOVERY OF LOW-GRADE OR LESS ACCESSIBLE PARTS OF MINERAL DEPOSITS. UNLIKE THE CHARGES WHICH IT WOULD REPLACE, THE RESOURCE RENT TAX WOULD NOT DISCOURAGE THE EXTENSION OF OUR MARKETS BEYOND OUR OWN REGION, INTO MORE DISTANT PARTS OF THE WORLD WHICH YIELD LOWER RETURNS AFTER MEETING TRANSPORT COSTS. AS WAS UNDERLINED



IN MY DISCUSSIONS IN PARIS LAST WEEK, REFORMS ALONG THESE LINES COULD BE EXTREMELY IMPORTANT TO OUR EMERGENCE AS A MAJOR COAL SUPPLIER TO EUROPE. UNDER AUSTRALIA'S FEDERAL CONSTITUTION, MY GOVERNMENT HAS AUTHORITY WITH RESPECT TO OFF-SHORE PETROLEUM. IN THE COAL INDUSTRY, HOWEVER, OUR POLICY CAN BE IMPLEMENTED ONLY THROUGH CO-OPERATION WITH THE STATES. THE FEDERAL GOVERNMENT WILL NOT INTRODUCE A RESOURCE RENT TAX ON COAL UNLESS IT IS POSSIBLE TO REACH AGREEMENT WITH THE STATE GOVERNMENTS ON THE REPLACEMENT OF DISTORTING CHARGES CURRENTLY APPLIED BY THEM.

IN THE CASE OF URANIUM POLICY, SOME OF YOU MAY FIND MY COMMENTS OF LESS COMFORT. YOU WILL APPRECIATE THAT THIS IS AN ISSUE OF INTENSE DEBATE WITHIN THE AUSTRALIAN COMMUNITY, NOT LEAST IN MY OWN PARTY. OUR POLICY PROVIDES FOR THE CONTINUATION OF SALES UNDER EXISTING CONTRACTS. THERE IS A SPECIAL ISSUE IN RELATION TO FRANCE, BECAUSE OF THE TESTING OF NUCLEAR WEAPONS IN THE SOUTH PACIFIC. PENDING A POSSIBLE RESOLUTION OF THESE PROBLEMS, PRESIDENT MITTERRAND AND I HAVE REACHED AN UNDERSTANDING THAT THERE WILL BE NO FURTHER SHIPMENTS TO FRANCE UNTIL AT LEAST OCTOBER, 1984.

INTERNATIONAL ECONOMIC POLICY

I HAVE ALREADY EMPHASISED THE IMPORTANCE TO AUSTRALIAN ECONOMIC DEVELOPMENT OF INTERNATIONAL ECONOMIC CONDITIONS, AND OF A LIBERAL INTERNATIONAL TRADE AND PAYMENTS SYSTEM.

SINCE LEAVING AUSTRALIA TWO WEEKS AGO, I HAVE HAD THE OPPORTUNITY OF LEARNING AT FIRST HAND FROM PRIME MINISTER SOMARE IN PAPUA NEW GUINEA AND PRESIDENT SOEHARTO IN INDONESIA, ABOUT THE DAMAGE THAT THE WORLD RECESSION HAS WROUGHT ON DEVELOPING COUNTRIES IN AUSTRALIA'S OWN REGION. PAPUA NEW GUINEA AND INDONESIA HAVE HAD REASONABLY GOOD RECORDS OF ECONOMIC STABILITY AND ECONOMIC MANAGEMENT OVER THE PAST DECADE, AND YET THEY HAVE BEEN FORCED INTO MASSIVE DOMESTIC ADJUSTMENT PROGRAMS BY THE CONTRACTION IN WORLD TRADE AND LOW COMMODITY PRICES OF THE PAST FEW YEARS. MANY DEVELOPING COUNTRIES, ESPECIALLY THOSE WHICH BORROWED EXTENSIVELY - AND WERE ENCOURAGED TO DO SO - ON INTERNATIONAL MARKETS IN THE 1970S, ARE EXPERIENCING EVEN GREATER DIFFICULTIES.

THESE COUNTRIES, LIKE AUSTRALIA, MUST LOOK TO STRONG EXPANSION IN WORLD TRADE IN THE PROCESS OF INTERNATIONAL ECONOMIC RECOVERY. ANY FAILURE OF TRADING OPPORTUNITIES WILL HAVE TRAGIC CONSEQUENCES FOR MANY DEVELOPING COUNTRIES. BUT THE CONSEQUENCES OF FAILURE WILL GO BEYOND THESE TRAGEDIES FOR INDIVIDUAL COUNTRIES, TO THE FOUNDATIONS OF INTERNATIONAL FINANCIAL AS WELL AS POLITICAL STABILITY.

ON THIS VISIT I HAVE BEEN GREATLY ENCOURAGED BY THE EVIDENCE OF STRONG AND BROADLY BASED RECOVERY IN THE UNITED STATES ECONOMY. A STRONG UNITED STATES ECONOMY IS OBVIOUSLY NECESSARY FOR A STRONG WORLD ECONOMY.

IT IS OF GREAT IMPORTANCE THAT THE WELCOME STRENGTHENING OF THE UNITED STATES ECONOMY SHOULD REPRESENT THE BEGINNING OF WORLDWIDE ECONOMIC RESURGENCE. I HAVE TWO KINDS OF DOUBTS ABOUT WHETHER THIS EXTENSION OF RECOVERY WILL OCCUR. FIRST, IN PRESENT CIRCUMSTANCES, THE ADDITIONAL PRESSURES IN FINANCIAL MARKETS ASSOCIATED WITH THE

RESURGENCE OF PRIVATE INVESTMENT IN THE COURSE OF ECONOMIC RECOVERY, COULD ABORT RECOVERY AT A RELATIVELY EARLY STAGE. SECOND, THE PROLIFERATION OF BARRIERS TO INTERNATIONAL TRADE THROUGH THE RECENT RECESSION, IN CONTRAVENTION OF THE SPIRIT OF THE LIBERAL MULTILATERAL TRADING SYSTEM, COULD PREVENT STRONG EXPANSION IN MAJOR INDUSTRIAL COUNTRIES FROM BEING REFLECTED FULLY IN EXPANSION OF INTERNATIONAL TRADE.

THE FIRST OF THESE THREATS RELATES TO THE LARGE STRUCTURAL BUDGET DEFICITS IN MANY COUNTRIES. IF THESE DEFICITS PERSIST THROUGH A PERIOD OF INTERNATIONAL RECOVERY, IT IS INEVITABLE THAT THE NECESSARY INCREASES IN PRIVATE INVESTMENT WILL BE REFLECTED IN HIGHER INTEREST RATES. ALL COUNTRIES HAVE A RESPONSIBILITY IN THIS REGARD: IT IS UNREASONABLE TO EXPECT THE UNITED STATES ALONE TO CARRY THE RESPONSIBILITY FOR MAINTAINING STABILITY IN THE INTERNATIONAL FINANCIAL SYSTEM.

ON THE SECOND THREAT TO THE EXTENSION OF THE INTERNATIONAL RECOVERY, I AM HEARTENED AT LEAST BY THE INCREASING REALISATION, AS PRESIDENT REAGAN TOLD ME ON MONDAY FOLLOWING HIS OWN PARTICIPATION IN THE WILLIAMSBURG MEETING, OF HOW MUCH IS AT STAKE FOR WORLD DEVELOPMENT IN THE SPREAD OF PROTECTIONISM. BUT RECESSION AND PROTECTION HAVE FED ON EACH OTHER IN RECENT YEARS TO SUCH AN EXTENT, IN AUSTRALIA AS MUCH AS ELSEWHERE, THAT IT WILL BE NO EASY MATTER TO RESTORE CONDITIONS UNDER WHICH WORLD RECOVERY AND TRADE EXPANSION WILL BE MUTUALLY REINFORCING.

THE INTERNATIONAL COMMUNITY WILL NEED TO LOOK MORE CLOSELY AT THE PROLIFERATION THROUGH THE 1970'S OF 'EXCEPTIONS' TO THE GENERAL GOAL OF LIBERAL TRADE. WE WILL ALSO HAVE TO BE CAREFUL THAT ATTEMPTS TO UNRAVEL THE PAST DISTORTIONS, IN A PEACEMEAL FASHION, DO NOT GIVE RISE TO NEW PROBLEMS ARISING OUT OF PRESSURES WITHIN BILATERAL TRADING RELATIONSHIPS BETWEEN LARGE COUNTRIES.

AUSTRALIA AND ITS RAPIDLY GROWING NEIGHBOURS IN NORTHEAST AND SOUTHEAST ASIA WONDER ABOUT A LIBERAL TRADING SYSTEM UNDER WHICH THE PRODUCTS OF THEIR OWN MOST PRODUCTIVE INDUSTRIES - IN ONE CASE, FOOD, IN THE OTHER, TEXTILES - ARE TREATED AS 'EXCEPTIONS'. FOR OUR PART, WE ARE GRATEFUL FOR THE SUPPORT THAT THE UNITED STATES HAD GIVEN US ON FOOD TRADE ISSUES IN THE MAIN INTERNATIONAL FORUMS, BUT THE 'EXCEPTIONS' REMAIN, I THINK THAT YOU WOULD UNDERSTAND THAT THERE IS SOME CYNICISM ON THAT SCORE IN AUSTRALIA, AND ELSEWHERE IN THE WESTERN PACIFIC REGION.

THE SECOND TYPE OF PROBLEM FACED BY AUSTRALIA AND ITS DEVELOPING COUNTRY NEIGHBOURS IN THE WESTERN PACIFIC HAS BEEN EVIDENT IN THE BILATERAL TRADE CONFRONTATIONS BETWEEN THE UNITED STATES, JAPAN, AND THE EUROPEAN COMMUNITIES. WE ARE NATURALLY CONCERNED THAT THE RESOLUTION OF THESE CONFLICTS SHOULD NOT INVOLVE DEALS WHICH INCIDENTALLY DAMAGE OUR OWN INTERESTS. SIMILAR PROBLEMS COULD ARISE FROM ATTEMPTS BY THE LARGE INDUSTRIAL COUNTRIES TO DEAL IN AN AD HOC FASHION WITH THE TRADE PROBLEMS OF THOSE DEVELOPING COUNTRIES WITH THE MOST ACUTE DEBT PROBLEMS.

AS I EXPLAINED IN WASHINGTON YESTERDAY, AND IN THE INTRODUCTION TO THIS ADDRESS, AUSTRALIA HAS A PARTICULAR INTEREST IN THE ECONOMIC AND POLITICAL LIFE OF THE ASIA-PACIFIC REGION. WE WOULD SUGGEST THAT THE UNITED STATES, TOO, HAS MUCH TO GAIN BY TAKING FULL ACCOUNT OF THE TRADING INTERESTS OF COUNTRIES IN THIS REGION. NOWHERE IN THE WORLD IS THERE A FIRMER BASE OF COMMITMENT TO THE EXPANSION OF INTERNATIONAL TRADE.

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AUSTRALIA IS CONSCIOUS OF ITS SUBSTANTIAL RESPONSIBILITIES IN THE GROWING ECONOMIC PARTNERSHIP THAT HAS EMERGED IN THE PACIFIC.

WE REMAIN A STRATEGIC SHEET-ANCHOR IN JAPAN'S RAW MATERIAL PROCUREMENTS. WE ARE AN INCREASINGLY IMPORTANT SUPPLIER OF RAW MATERIALS, FOODSTUFFS, AND MANUFACTURES TO ALL THE NEWLY INDUSTRIALISING COUNTRIES OF THE WESTERN PACIFIC.

THE UNITED STATES RELATIONSHIP WITH JAPAN IS HUGE AND IMPORTANT IN ITS OWN RIGHT. BUT UNITED STATES DEALINGS WITH JAPAN ON ECONOMIC AND OTHER MATTERS ARE OF PARTICULAR INTEREST TO AUSTRALIA AND OTHER COUNTRIES IN ITS REGION. IN THE NORMAL COURSE OF EVENTS, COMPARATIVE COST DIFFERENCES LEAD AUSTRALIA TO HAVE A TRADE SURPLUS WITH JAPAN, JAPAN WITH THE UNITED STATES AND THE UNITED STATES WITH AUSTRALIA. IN SUCH CIRCUMSTANCES, BILATERAL TRADING DEALS CAN CORRODE OUR COLLECTIVE INTERESTS AND RESPONSIBILITIES.

TO BE SPECIFIC, WE IN AUSTRALIA HAVE A DEEP INTEREST IN ENSURING, FOR EXAMPLE, THAT THE ACCESS THE UNITED STATES GAINS TO THE REGULATED AGRICULTURAL MARKET IN JAPAN IS CONSISTENT WITH THE PRINCIPLES OF A MOST FAVOURED NATION TRADING SYSTEM. OUR OTHER NORTHEAST ASIAN AND SOUTHEAST ASIAN PARTNERS IN THE PACIFIC HAVE SIMILAR INTEREST IN OTHER AREAS OF TRADE.

THE STRENGTH AND THE SIGNIFICANCE OF AUSTRALIA'S RELATIONSHIP WITH JAPAN IN THE WESTERN-PACIFIC MAY BE SOMETIMES UNDERESTIMATED. AT THIS TIME, WHEN WE FACE LARGE PROBLEMS AND CHOICES IN THE DIRECTION OF THE WORLD ECONOMY, IT IS IMPORTANT NOT TO NEGLECT BROADER REGIONAL AND INTERNATIONAL INTERESTS AND COMMITMENTS IN OUR BILATERAL DEALINGS.

THESE CONCERNS IN THE PACIFIC ARE CENTRAL TO THE BROADLY BASED INTEREST IN AUSTRALIA IN EXPLORING THE IDEA OF CLOSER ECONOMIC CO-OPERATION IN THE PACIFIC.

AUSTRALIANS UNDERSTAND WELL THAT THERE WAS NO WAY THAT THE POSTWAR TRADING AND INTERNATIONAL ECONOMIC SYSTEM, WITH ALL ITS BENEFITS TO INDIVIDUAL COUNTRIES LIKE AUSTRALIA, JAPAN, THE STATES OF EUROPE, AND THE NEWLY INDUSTRIALISING COUNTRIES, COULD HAVE EVOLVED WITHOUT UNITED STATES LEADERSHIP.

LEADERSHIP, IN THIS CONTEXT, MEANT CARRYING THE PRIME BURDEN, INITIALLY IN TERMS OF AID FOR RECONSTRUCTION AND DEVELOPMENT BUT MORE IMPORTANTLY IN TERMS OF THE COST OF TRADE ADJUSTMENT AND ECONOMIC LIBERALISATION, TO DELIVER THE POSTWAR RULES OF TRADE.

NO SINGLE COUNTRY CAN CARRY THAT BURDEN ALONE TODAY. THERE IS A CLOSE ANALOGY HERE TO THE PROBLEM IN FINANCIAL MARKETS TO WHICH I REFERRED EARLIER.

THE POINT IS THAT THE UNITED STATES AND AUSTRALIA NEED TO WORK TOGETHER MORE CLOSELY WITH OUR OTHER PACIFIC PARTNERS TO ENSURE THAT OUR ACTIONS ARE CONSISTENT WITH MAKING OUR PRINCIPLES EFFECTIVE IN THE PACIFIC AND GLOBAL ARENAS.

YESTERDAY AT THE NATIONAL PRESS CLUB I CONFIRMED AUSTRALIA'S COMMITMENT TO THE ANZUS STRATEGIC ALLIANCE. IN CONCLUSION TODAY I WISH TO CONFIRM OUR COMMITMENT TO ANOTHER ALLIANCE LED BY THE UNITED STATES: THE LIBERAL MULTILATERAL TRADE AND PAYMENTS SYSTEM. WITHIN THIS SYSTEM WE ARE PLAYING OUR FULL PART AS A SOURCE OF THE FINANCIAL

AID THAT IS NECESSARY FOR DEVELOPMENT AND POLITICAL STABILITY IN THE NEW NATIONS OF THE SOUTHWEST PACIFIC: AS A RELIABLE SOURCE OF FOOD AND RAW MATERIALS TO THE RAPIDLY EXPANDING ECONOMIES OF NORTHEAST AND SOUTHEAST ASIA: INCREASINGLY AS A SOURCE OF MANUFACTURES AND SERVICES BASED ON THE SKILLS OF THE AUSTRALIAN PEOPLE: AND AS A NATION COMMITTED TO ACHIEVING ITS ECONOMIC GOALS THROUGH CLOSE CO-OPERATION WITH ITS NEIGHBOURS IN THE PACIFIC AND WITH THE WIDER INTERNATIONAL COMMUNITY.

THE PATH TO ECONOMIC RECOVERY WILL BE A LONG ONE, EVEN FOR THE UNITED STATES, WHICH HAS MADE SUCH A GOOD BEGINNING. IT IS OUR HOPE THAT THE WORLD'S RE-COMMITMENT TO THE GOALS OF THE LIBERAL POSTWAR INTERNATIONAL TRADE AND PAYMENTS SYSTEM WILL ALLOW THE EXTENSION OF THE UNITED STATES RECOVERY INTO THE REST OF THE WORLD, AND THE REINFORCEMENT OF THE UNITED STATES RECOVERY ITSELF.

THE PATH WILL BE LONGER FOR AUSTRALIA, WHERE ECONOMIC ACTIVITY AND EMPLOYMENT WERE STILL FALLING RAPIDLY WHEN WE TOOK OFFICE THREE MONTHS AGO. BUT WITH OUR SEARCH FOR COMMUNITY CONSENSUS ON ECONOMIC POLICIES, AND WITH OUR APPROACH TO WAGES, FISCAL, MONETARY AND EXTERNAL POLICIES, WE ARE CONFIDENT THAT THE RESTORATION OF GROWTH WITH LOW INFLATION IN AUSTRALIA HAS BEGUN. WE LOOK FORWARD TO TRADE WITH AND INVESTMENT FROM THE UNITED STATES PLAYING AN IMPORTANT PART IN THAT RECOVERY, JUST AS THEY HAVE IN EARLIER PERIODS OF POST-WAR PROSPERITY.

AT THE NATIONAL PRESS CLUB IN WASHINGTON YESTERDAY, IN SPEAKING ON AUSTRALIA'S FOREIGN POLICY, I EMPHASISED THAT MY GOVERNMENT'S RELATIONSHIP WITH THE UNITED STATES WOULD ACCURATELY REFLECT THE CLEAR VIEW OF THE PEOPLE OF AUSTRALIA, AS TO THE FUNDAMENTAL IMPORTANCE OF THAT RELATIONSHIP. OURS IS A RELATIONSHIP WHICH GOES FAR BEYOND THE DEFENCE, STRATEGIC AND SECURITY CONCERNS, FORMALISED IN THE ANZUS TREATY. TRADE AND INVESTMENT FORM A SIGNIFICANT PART OF THE TOTAL RELATIONSHIP. AND I AM ABSOLUTELY CONFIDENT THAT UNDER MY NEW GOVERNMENT, THAT PART OF THE RELATIONSHIP WILL CONTINUE TO GROW AND FLOURISH, TO THE MUTUAL ADVANTAGE OF BOTH OUR GREAT COUNTRIES, FOR MANY YEARS TO COME.



## PRIME MINISTER

TRANSCRIPT: - QUESTIONS AND ANSWERS, FOREIGN POLICY  
ASSOCIATION LUNCH, PLAZA HOTEL, NEW YORK, 16 JUNE 1983

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QUESTION: YOU MENTIONED THE ANZUS ALLIANCE. PERHAPS YOU CAN EXPAND A LITTLE BIT ON FOREIGN POLICY IN THE SOUTHERN PACIFIC REGION, THE EXTENT TO WHICH YOUR GOVERNMENT PERCEIVES THE SOVIET THREAT AS BEING DIFFERENT FROM OUR GOVERNMENT AND SECURITY MATTERS IN THAT AREA?

PRIME MINISTER: THANK YOU MR CHAIRMAN. I WILL ANSWER THAT VERY BROAD QUESTION AS BRIEFLY AS I POSSIBLY CAN. LET ME SAY FOUNDATIONALLY IN ANSWERING THAT QUESTION THAT WE REGARD THE RELATIONSHIP, SECURITY AND DEFENCE RELATIONSHIP, BETWEEN OUR TWO COUNTRIES EMBODIED IN THE ANZUS TREATY, AS I SAY, FUNDAMENTAL TO OUR POSITION. WE HAVE A SHARED PERCEPTION OF THE GLOBAL SECURITY THREATS TO US ALL. WE CO-OPERATE EFFECTIVELY AND CONTINUOUSLY WITH YOUR COUNTRY UNDER THE AEGIS OF THE ANZUS TREATY. IF YOU WANT TO LOOK AT THE PARTICULAR AREAS IN OUR REGION OF IMMEDIATE CONCERN AND WITH WHICH WE ARE CO-OPERATING WITH YOU, I GUESS THAT THE ONE WHICH IS MOST OBVIOUS AT THE MOMENT IS IN INDO-CHINA. AND MAY I SAY IN RESPECT OF THAT ISSUE THAT WE SHARE THE VIEW OF THE UNITED STATES, INDEED OF THE ASEAN COUNTRIES, AS TO THE ESSENTIAL ELEMENTS OF A RESOLUTION TO THE PROBLEMS IN THAT TRAGIC COUNTRY KAMPUCHEA. AND THEY ARE, OF COURSE, THAT THERE SHOULD BE A WITHDRAWAL OF VIETNAMESE TROOPS FROM THAT COUNTRY AND A CREATION OF CONDITIONS WHERE THE PEOPLE OF THAT COUNTRY WILL HAVE THE OPPORTUNITY FREELY TO EXPRESS THEIR WILL AS TO THE FORM OF GOVERNMENT WHICH THEY DESIRE TO HAVE. I WOULD SAY TO YOU LADIES AND GENTLEMEN

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THAT WE BELIEVE, AND IT HAS BECOME CLEAR TO US SINCE WE'VE COME INTO OFFICE, THAT WE PERHAPS ARE IN THE ALMOST UNIQUE POSITION TO PLAY A ROLE IN ACCELERATING THE ACHIEVEMENT OF THOSE BASIC CONDITIONS BECAUSE WE HAVE A WARM, CONSTRUCTIVE RELATIONSHIP WITH THE FIVE COUNTRIES THAT COMPRISE ASEAN. WE HAVE, AS YOU KNOW, A VERY CLOSE RELATIONSHIP WITH THE PEOPLES REPUBLIC OF CHINA. OF COURSE, NO COUNTRY HAS A CLOSER RELATIONSHIP WE BELIEVE WITH THE UNITED STATES. AND WE DO HAVE A CAPACITY AS WELL TO TALK TO HANOI. AND THEREFORE WE ARE NOT GOING TO DO ANYTHING PRECIPITATE IN TERMS OF SOME SUGGESTED RESUMPTION OF AID TO VIETNAM WHICH WOULD DENIGRATE FROM OUR CAPACITY TO EXERCISE THAT UNIQUE OPPORTUNITY. AND I'M PLEASED TO SAY TO YOU THAT AS RECENTLY AS LESS THAN A FORTNIGHT AGO, WHEN I WAS IN INDONESIA TALKING TO MOCHTAR, THE FOREIGN MINISTER OF INDONESIA, THAT HE CONVEYED TO US THAT AFTER THE ASEAN MINISTERS MEETING WHICH IS TAKING PLACE IN A FEW DAYS IN BANGKOK, IT IS THEIR BELIEF THAT OUT OF THOSE DISCUSSIONS THERE MAY BE THE BEGINNING OF THE OPENING UP OF POSSIBILITIES OF FURTHER DISCUSSIONS WITH HANOI AND THAT THEY MAY ASK OUR FOREIGN MINISTER, MR HAYDEN, TO TAKE A MESSAGE FROM THE ASEAN COUNTRIES TO HANOI. WE ARE EXTRAORDINARILY PLEASED THAT WE MAY BE ABLE TO PLAY THAT ROLE. YOU WILL UNDERSTAND THAT WE HAVE A TOTAL SHARING OF PERCEPTIONS ABOUT THE DANGERS THAT EXIST, NOT MERELY FOR THE TRAGIC PEOPLE OF KAMPUCHEA, BUT THE DANGERS THAT ARE INVOLVED IN THAT TOTAL RELIANCE OF VIETNAM UPON THE SOVIET UNION, A RELIANCE WHICH WAS REFLECTED IN AN INFLOW TO VIETNAM FROM THE SOVIET UNION OF ASSISTANCE TO THE ORDER OF ABOUT DOLLARS 3 MILLION A DAY. WE WITNESSED THE EXPANSION OF THE FACILITIES OF THE SOVIET UNION IN CAM RANH BAY WHICH ARE NOT ONLY INTRINSICALLY DANGEROUS, BUT WHICH PROVIDE A PLATFORM OF PROJECTION FOR THE SOVIET INTO AREAS OF IMPORTANCE TO YOUR COUNTRY AND TO OURS. AND SO ITS IN OUR INTERESTS, ITS IN THE INTERESTS OF VIETNAM, ITS IN THE INTERESTS OF ASEAN COUNTRIES, ITS IN THE INTERESTS OF THE UNITED STATES THAT WE ALL CAN DO WHAT WE CAN THATS POSSIBLE TO GET VIETNAM BACK INTO THE COMMUNITY OF NATIONS AND TO BRING AN END TO THAT ALMOST TOTAL RELIANCE THAT IT HAS UPON THE SOVIET UNION. WE ARE NOT GOING TO PURSUE THAT PATH IN A WAY WHICH PREJUDICES THE PERCEPTIONS OF INTERESTS OF THE ASEAN COUNTRIES, THE PEOPLES REPUBLIC OF CHINA OR THIS GREAT COUNTRY. WE ARE COMMITTED, MR PRESIDENT, LADIES AND GENTLEMEN THEREFORE, TO TRY AND TAKE ADVANTAGE OF THOSE OPPORTUNITIES THAT WE HAVE TO ACCELERATE THE OPENING UP OF THOSE DISCUSSIONS SO THAT OUR SHARED OBJECTIVES AND PERCEPTIONS IN THAT COUNTRY CAN BE ACHIEVED.

QUESTION: IF WE COULD MOVE FOR ONE FINAL QUESTION TO DOMESTIC MATTERS. THERE CERTAINLY IS A DIFFERENCE OF VIEW AND PERCEPTION ABOUT THE ROLE OF PERSONAL INCOME TAXES IN THE

VARIOUS ECONOMIES OF THE WORLD, THE EXTENT TO WHICH THEY REPRESENT A DE-INCENTIVE. COULD YOU COMMENT ON YOUR VIEWS ON THAT.

PRIME MINISTER: I GUESS WE ARE ALL AT ONE IN SAYING THAT WE'D LIKE LESS OF THEM AND I HAD INDICATED IN THE PRE-ELECTION CAMPAIGN THAT WE WOULD ATTEMPT TO MOVE TO SOME REDUCTION IN INCOME TAXES. THAT IS NOT GOING TO BE POSSIBLE. I THINK THE OBJECTIVES THAT GOVERNMENT HAS TO HAVE IN MIND WHEN IT MAKES ITS FISCAL DECISIONS ARE THESE: WHAT SORT OF ENVIRONMENT CAN YOU CREATE WHICH IS MOST LIKELY TO ENSURE THAT THOSE FORCES WHICH CREATE ACTIVITY AND CREATE JOBS ARE GOING TO BEST BE ABLE TO FLOURISH. WITHIN THOSE CIRCUMSTANCES AND I SPEAK NOW ABOUT MY COUNTRY, I'M NOT COMING HERE TO THIS GREAT COUNTRY AND PRESUMING TO TELL THIS ADMINISTRATION HOW TO CONDUCT ITS AFFAIRS, BUT RELATING TO MY OWN WE BELIEVE THAT WE HAVE TO CONDUCT A FISCAL POLICY AND CREATE A FISCAL STANCE WHICH IS LEAST LIKELY TO CREATE UNACCEPTABLE UPWARD PRESSURES ON INTEREST RATES. IT WOULD BE NICE TO CUT TAXES AS I'D HOPED BEFORE THE ELECTION THAT WE COULD. BUT IF I WERE TO DO THAT WE WOULD BE VERY LIKELY TO CREATE A SITUATION OF AN INCREASED BUDGET DEFICIT WHICH WOULD MEAN THAT IN TERMS OF THE COMBINED DEMANDS OF THE PUBLIC SECTOR BORROWING REQUIREMENT, TOGETHER WITH THE HOPE FOR EXPANSION OF THE PRIVATE SECTOR, THAT THERE WOULD BE INTOLERABLE INCREASES IN INTEREST RATES. SO WE ARE NOT GOING TO BE CUTTING INCOME TAXES IN THE IMMEDIATE FUTURE BECAUSE WE BELIEVE THAT AFTER ALL PEOPLE'S INTERESTS, WHAT THEY ARE CONCERNED ABOUT, AS IF THEY GET A REDUCTION IN INCOME TAXES THEY ARE GOING TO BE BETTER OFF. NOW THEY'RE GOING TO BE BETTER OFF IF WE HAVE AN ENVIRONMENT IN WHICH THERE ARE LOWER INTEREST RATES, IN WHICH THERE ARE HIGHER LEVELS OF ACTIVITY AND IN WHICH THERE ARE MORE JOBS FOR THEM AND THEIR CHILDREN. SO IN THAT CONTEXT, MR CHAIRMAN, I GIVE YOU THE MESSAGE THAT THERE'S NO IMMEDIATE PROSPECT OF A REDUCTION OF PERSONAL INCOME TAX RATES IN OUR COUNTRY. BECAUSE WE BELIEVE THAT TO DO THAT WOULD BE TO AVOID THE ACHIEVEMENT OF THE MAJOR OBJECTIVE - THAT IS THE CREATION OF AN ECONOMIC ENVIRONMENT WITHIN WHICH THE TOTAL ECONOMIC CAKE IS MORE LIKELY TO GROW. WE RECOGNISE THAT THE PRIVATE SECTOR, WHICH EMPLOYS 75 PER CENT OF OUR PEOPLE, HAS GOT TO HAVE THE OPPORTUNITY OF GOING TO THE CAPITAL MARKETS AT RELATIVELY ACCEPTABLE INTEREST RATES TO BRING ABOUT THAT CONDITION. SO PERHAPS ITS NOT AN IMMEDIATELY HAPPY MESSAGE FOR THE ACTUAL AND POTENTIAL INCOME TAX PAYERS IN MY COUNTRY. BUT I CAN ASSURE THEM, AND THIS IS WHAT POLITICS IS ALTIMATELY ALL ABOUT, AND THAT IS MAKING SURE THAT YOU HAVE THE RIGHT PERSPECTIVE, THAT YOU DON'T MAKE DECISIONS IN TERMS OF IMMEDIATE PERCEPTIONS OF SELF-INTEREST, BUT THAT YOU GET THE LONGER TERM PERSPECTIVE. AND I HAVE NO DOUBT THAT IF

WE ATTEMPT TO TAKE THAT LONGER TERM PERSPECTIVE THEN IT WOULD BE COUNTER PRODUCTIVE TO MOVE TO A REDUCTION OF INCOME TAX RATES. ONCE WE GET THE ECONOMY MOVING, AS WE WILL, THEN I HOPE BEFORE THE END OF OUR FIRST TERM OF GOVERNMENT WE MAY BE ABLE TO GIVE SOME RELIEF IN THAT RESPECT.

QUESTION: ANOTHER AREA YOU DIDN'T COVER IN YOUR SPEECH - IMMIGRATION IN AUSTRALIA - YOUR PARTY'S VIEW ON THE ROLE OF IMMIGRATION AND DEVELOPMENT OF THE COUNTRY.

PRIME MINISTER: YOU'VE GOT TO ANSWER THAT QUESTION IN TERMS OF IT BEING MY PARTY IN GOVERNMENT IN THE WAR AND POST-WAR PERIOD WHICH INITIATED THE GREATEST IMMIGRATION PROGRAM IN RECORDED HUMAN HISTORY. WE WERE AT THE END OF THE WAR A COUNTRY OF 7 MILLION PEOPLE, NOW 15 MILLION. THAT HAS TRANSFORMED US NOT ONLY IN ABSOLUTE TERMS BUT IT HAS CHANGED THE DEMOGRAPHY AND THE ETHNIC COMPOSITION OF OUR COUNTRY AND HAS ENORMOUSLY ENRICHED US ECONOMICALLY AND CULTURALLY AND IN SO MANY OTHER WAYS. THERE IS AN ARGUMENT THAT WE SHOULD JUST OPEN-ENDEDLY PURSUE HIGHER AND HIGHER IMMIGRATION PROGRAMS. WE DON'T BELIEVE THAT THAT'S CORRECT. WE BELIEVE THAT WITH UNEMPLOYMENT IN OFFICIAL TERMS OF OVER 10 PER CENT IT DOESN'T MAKE SENSE TO HAVE A LARGE EXPANDED IMMIGRATION PROGRAM. SO WE HAVE SLIGHTLY CUT IT BACK AT THE MOMENT. THATS NOT GOING TO HAVE SIGNIFICANT IMPACT IN THE AREA OF OUR COMMITMENT TO REFUGEES. YOU WOULD KNOW THAT NEXT TO YOUR OWN COUNTRY THERE IS NO COUNTRY IN THE WORLD WHICH HAS TAKEN PROPORTIONATELY A HIGHER NUMBER OF REFUGEES IN RECENT YEARS. WE ARE SUBSTANTIALLY GOING TO ADHERE TO THAT. BUT WE BELIEVE THAT WHAT WE'VE GOT TO DO IS TO GET OUR ECONOMY MOVING IN A WAY THAT WILL ENABLE US WITH CONFIDENCE AND WITHOUT THE POSSIBILITY OF A SOCIAL CORROSION THAT MAY OCCUR WHEN UNEMPLOYED PEOPLE SEE MORE COMING TO CREATE THE CONDITIONS WITHIN WHICH WE'LL BE ABLE TO MOVE TO A MORE SUBSTANTIAL INCREASE IN IMMIGRATION. AND LET ME, OF COURSE, MAKE THE POINT THAT OUR GOVERNMENT REMAINS TOTALLY COMMITTED TO THE PROPOSITION THAT THAT IMMIGRATION SHOULD BE ON THE BASIS IRRESPECTIVE OF COLOUR OR CREED, BUT IN TERMS OF THE NEEDS OF PEOPLE WHO WISH TO COME TO OUR COUNTRY AND OF THE ECONOMIC REQUIREMENTS AND THE LABOUR REQUIREMENTS OF AUSTRALIA.

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