



PRIME MINISTER

EMBARGOED UNTIL 9.30 P.M.

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SPEECH BY THE PRIME MINISTER - NATIONAL CONFERENCE
THE AUSTRALIAN INSTITUTE OF POLITICAL SCIENCE
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I am pleased once again to participate in a National Conference of the Australian Institute of Political Science.

Indeed, I particularly am delighted to have the opportunity now to launch the book "Industrial Confrontation", which, as you would all know, contains the proceedings of last year's Summer School.

At that Summer School I outlined a new approach to Australian industrial relations and economic decision-making. That approach very soon after was being implemented by a Labor Government.

The pace of events following the 1983 Summer School was quite extraordinary. I recall John Wilkes at the tea break after my presentation last year congratulating me on my Paper, suggesting it be made the main policy plank for the next election and predicting that, if this were done, I would become Australia's next Prime Minister!

Whatever success I have enjoyed since in fact assuming that office has been in large measure due to the quality of the staff and advisers around me. Percipience is always at a premium John - feel free to come aboard!

The strategy I outlined to you last January became the main thrust of the Labor campaign for the March 1983 election and has guided the industrial relations and economic policies of my Government since then.

Central to that strategy is the overt recognition that there is a large degree of mutual interest between the major participants in our national economic system. There is no necessary reason, in this view, why industrial issues need be addressed in a confrontationist fashion.

This might sound rather unremarkable in May 1984. But need I remind you of the pessimism implicit in your own January 1983 conference theme, 'Industrial Confrontation - Can We Survive It?'

This was a direct reflection of the fact that Australia then was a deeply divided society, with a disastrous recent history of turbulent industrial relations and an economy in the process of shedding a quarter of a million jobs in a single year.

In those circumstances, what was needed was a deliberate redirection of Australian attention to the compelling shared interests of all parties to the industrial relationship. The common ground or point of convergence lay in the legitimate goal shared by all Australians of maintaining and, over time, improving their real incomes. All Australians share a fundamental interest in working constructively towards the achievement of real growth.

At the Summer School I spelled out the conditions necessary for the achievement of co-operative, more productive endeavour by all Australians. Government, as I saw it, had a particular responsibility to provide the framework within which realization of those conditions might be possible.

The essential elements of that framework boil down to three reasonably straight-forward propositions:

First, that all parties need to understand the context in which their relationship is conducted; that is, a requirement for adequate information about the issues and choices available.

Second, that all sides need to feel they are involved in decisions affecting that context; and

Third, that the rules which govern the relationship between the parties be seen by all sides as compatible and consistent.

I would add that there is another requirement - namely, that the likely outcomes should be broadly accepted as being fair. In our complex, modern democracy, many groups have the power effectively to veto the changes necessary for growth.

It is unrealistic to expect Australians to co-operate in joint endeavours to lift our national performance unless they are confident the benefits of growth will be shared equitably.

In other words, a successful economic relationship requires information, consultation and fair treatment under the rules.

Quite obviously, none of those circumstances prevailed in January 1983. Labor's strategy sought to address these needs as a means of bringing together all the participants in the industrial relationship, in Australian economic life. We aimed to return to Australia a sense of purpose and unity based on a genuinely co-operative approach between Governments, business and unions.

The strategy of co-operation and consultation was begun over three years before we won government. The ALP and the ACTU, realising that competition over income claims would not contribute to a better quality of life, and would restrict and quite possibly destroy the efforts of government to reduce unemployment, negotiated a Prices and Incomes Accord. This was an achievement of historic significance.

The Accord is not just a wages policy. It encompasses a spectrum of economic, industrial and social policies and provides a framework for continuous consultation and co-operation between the government and the trade union movement.

Those doomsdayers who have predicted the demise of the Accord, have been shown to be wrong. They have not recognised that the Accord represents a long-term commitment to employment, stability and equity on the part of the Government and the union movement. This commitment is unshakeable, even if the detail of its implementation must be the subject of complex negotiation.

The outcome of our strategy is now a matter of record. And what gives me so much satisfaction tonight in reviewing the past sixteen months is the great sense of achievement the Government can derive from the speed with which our strategy has been put into effect.

The National Economic Summit held in Canberra in April 1983 was our first step as a Government in the process of bringing together the main actors in Australia's economic and social life.

It was the first time in our national history that such a diverse but representative group actually joined together to identify goals, to come to some understandings about the options before them, and to establish agreement about the appropriate means of pursuing joint goals.

The Prices and Incomes Accord was endorsed at the Summit and was accepted as the foundation of the Government's policies for setting the economy on an upward path once more.

Importantly, the Accord has provided an essential measure of stability and predictability to decision-makers in the economic process:

- The trade unions have committed themselves to wage restraint in the knowledge that the Government's policies will work to their advantage in job creation and improved standards of living over time
- An environment of stable real costs, in which profitability is being restored, has also been created. As a result there is a basis for renewed confidence in the business sector.

Apart from ratification of the Prices and Incomes Accord, the broader achievements of the Summit were also tremendously important in creating an appropriate climate for the pursuit of economic growth. It provided the opportunity for the sharing of views, the exchange of information and perspectives across what could have been thought of in the past as the Australian 'Industrial Divide' - what, truly, had been "The Great Divide".

The work of the Summit in sponsoring a pooling of knowledge and viewpoints has been carried forward since April 1983 in the work of the Economic Planning Advisory Council - EPAC - and in a wide range of other formal and informal bodies. In this manner, the habit of consultation and consensus has been established in our economic system and I have no doubt that it will be continued. The most persuasive argument in its favour is quite clearly its success.

The main economic indicators confirm the view that recovery is well and truly underway.

- . Economic growth has gathered pace somewhat more quickly than had been expected. The growth performance for the six months to December was the strongest since records have been kept in Australia.

While this record in part reflects a low base and is not therefore likely to be sustained, the fact remains that growth into the foreseeable future is likely to be very strong by historical standards. A review of recent economic indicators justifies this confidence.

- . Exports have reached a new record level
- . The housing sector is bouyant
- . Industrial production has picked up

- . At the same time inflation has fallen dramatically with a rise in the CPI of only 5.9 per cent in the last twelve months. Even with the medicare factor excluded the CPI rose by only 7.6 per cent - the lowest inflation rate for a long time.
- . There has been strong growth in employment with 225,000 new jobs being created since April last year. And the unemployment rate has fallen by $\frac{3}{4}$ of a percentage point to 9.5 per cent in the same period
- . Non-seasonal interest rates have dropped to levels significantly lower than a year ago. We expect that a reduction in the deficit for 1984/85 will further reduce public sector pressures on financial markets.
- . Business investment is also beginning to pick up. The figures for the March quarter of this year show a seasonally adjusted estimate of new fixed capital expenditure seven per cent higher than the December quarter result.
- . There has, finally, been a very sharp drop in the level of industrial disputation:
 - The number of working days lost per thousand workers as a result of industrial conflict is at its lowest point in seventeen years.

We have achieved in little more than a year a basis for a return to confidence in our capacity, as a nation, to get our resources working for us again. The economy is now moving in the right direction. We aim to see the recovery sustained.

Indeed, the challenge before us now is to consolidate our achievements and to ensure that our basic economic structure is appropriate for charting a sustained growth path into the medium and longer term.

In this regard I think it quite right that this conference should be asking: - 'Australia - Poor Nation of the Pacific'?

Provocative as this question might be, it draws attention to the real issues which must be confronted by those concerned with Australia's long-term economic outlook.

Our postwar record in harnessing the economic potential of Australia's significant resources - human, technological and natural - has not been good. Australia's per capita gross domestic product (GDP) growth performance between 1960 and 1980 was in the bottom 25 per cent of OECD nations. Compared with some of our East and South East Asian neighbours, our per capita GDP growth performance has been even less impressive.

While care needs to be taken with direct extrapolation of such trends, we would be foolish to seek to deflect attention from some of the uncomfortable truths which are at the foundation of these comparisons. An inward-looking and reactive Australia, not geared to the prospects available through innovation and market expansion, will inevitably suffer a comparative decline in its standards of living.

The risk is real. This reflects an Australian inheritance of past policies which have insulated our industry from the dynamic realities of world markets. The price of the misallocations and distortions caused by these policies, in additional costs for consumers and industry alike, has become unacceptably high.

In an era of lower global growth and proportionately weaker world demand for many of our major primary exports, we can ill-afford such policies.

And even more seriously, to continue with an inward-looking industry strategy will mean forgoing the opportunity which now exists to share in the rapid economic growth of our own region. Premier Zhao was right when, earlier this year, during a visit to the United States, he spoke of the 21st century being the century of the Pacific. President Reagan has also drawn attention to this prospect.

It is within our choice to make Australia a participant in the dynamism of the region or to slump passively into relative inefficiency and, by comparison with others, declining living standards.

What we need to do nationally is to make sure that we make the best use of the resources available to us - in both our private and public sectors - to meet the requirements or preferences of society. Creating the conditions for growth will at the same time contribute to the achievement of a more equitable society.

In present circumstances, the Government's emphasis has been particularly on the employment generating effects of growth. Given the disastrous effects of the recent recession this has been an inevitable priority. It will, however, be apparent that strong growth will also provide scope for improved and more equitable provision of services to the community in fields such as social welfare and education.

With strong growth we can provide:

- . Maximum opportunities for employment;
- . High quality education which equips us for the demands of the workforce;

- . A decent standard of living for all, including the aged and the disadvantaged;
- . Universal health care services;
- . Adequate housing;
- . Essential community facilities such as services for children, immigrants and other special groups;
- . Encouragement for the expression of national art and culture;
- . Community sport and recreation facilities;
- . Preservation of unique aspects of the environment;

And so the list could be continued.

Ultimately, the scope which we have as a community to work towards these and other goals depends critically on the use which we make of our national resources of land, minerals, skilled labour and capital.

In this sense, it will be far easier to devote resources to improving living standards if the economic cake as we measure it is growing bigger. This has been achieved both through raising the quantum of the resource base, or by achieving a more effective application of Australian skills. In essence this means there can be no shrinking from the need to improve our economic efficiency. In order to achieve this, we need to make more effective use of our existing natural and human resource endowment.

I have already outlined to you the successes the Government has recorded in its macro-economic policy setting to date. We have also adopted a number of measures aimed at encouraging industry to become more efficient, more flexible and more responsive to changes in economic circumstances.

In respect of financial markets, our decision to deregulate the exchange rate was a major step.

We have also acted on the Martin Committee recommendations on deposit regulations and on foreign exchange licences. Major aspects of that Report still remain for decision and are currently the subject of wide-ranging consultation by the Government.

We have also been active in exploring with our regional neighbours the scope for improved trading opportunities both bilaterally and as they might emerge from any future global trade negotiations.

These are all important policy areas which will have a profound influence in the medium to longer term on Australian prosperity.

A particularly pressing requirement, is the need to secure a properly co-ordinated approach to industry policy.

In this regard useful progress has already been made. The concentrated attention being given by the Government to the issues involved has already seen the sterile discussion of past years on appropriate levels of industry protection replaced by a more realistic and constructive concern with the parameters, processes and timing of industry restructuring.

This has involved not only thorough reviews of Australian opportunities in such major markets as Japan and China, but has also seen a vigorous, co-operative effort with countries of the region to secure international attention to the region's most important interests in the international trade system.

The recent meeting of the region's senior trade officials at Denpasar in Indonesia was particularly successful in this latter regard, and has seen a good number of the countries of the region, including Australia and all the ASEAN countries, register their particular and shared concerns with the participants at the forthcoming Western Economic Summit in London.

Quite early in my Government's period in office we confronted the need to make some urgent decisions about the future of the steel industry in this country. In co-operation with the trade unions and industry we worked out a plan for rationalisation and recovery in that sector. That plan has been enormously successful.

Another area requiring attention has been the motor vehicle industry. Details of the Government's new motor vehicle industry policy will be announced by Senator Button next week. It has also been developed through an intense, and I believe highly productive, process of consultation with all interested parties.

It is a policy which will clearly demonstrate the Government's commitment to the gradual achievement over the long-term of rational, competitive industry structures.

The question of industry structure generally is too important, and the consequences too far-reaching, for the policy issues which effect it to be treated in isolation from one another. Accordingly the Government is giving particular priority to co-ordinating more effectively all those aspects of our policy making which impinge on our long-term industry structure. Above all, we need a sense of direction and purpose in our efforts.

To this end a special Committee of Ministers, chaired by the Minister for Industry and Commerce, Senator Button, has been established to co-ordinate Government work in areas relevant to structural change in the economy. The issues are also being examined within EPAC and the Australian Manufacturing Council.

Clearly a wide range of Government policies have an important influence on the performance prospects of various sectors of the economy and should be encompassed by any strategy aimed at improving the efficiency of Australian industry.

The macroeconomic framework is obviously of paramount importance. But decisions made today, for example, in the areas of education and training, and science and technology, policy will also have a critical impact on the options for Australia's productive capacity and possible industry structure further down the track. Consideration, as well, needs to be given to improving the mechanisms by which Australian industry can benefit from the application of research results.

The industry policies adopted by the Government should also be informed by a balanced appreciation of the relevance for those policies of other Government decisions in the fields of trade, transport, taxation, labour market and foreign investment. Effective co-ordination of approach is a necessity.

In the final analysis, however, what is particularly important is that comparative advantage - whether natural or created - be recognised and accepted as the key factor in determining restructuring policies.

Particularly crucial to the development of a coherent and considered approach to industry policy is the need for a national economic information base which is as full and as accessible as possible. Already we have moved some way in this direction through EPAC which will each year prepare a detailed medium-term assessment of the economy.

We should expect that, through the collection and dissemination of such information to the business sector, unions and other community groups, the process of rational decision-making at the levels of the firm, the industry and the whole economy will be made easier.

The process of adjustment from our present industry structure to one which maximises the opportunities provided by our resource base and our location in the Asian region will inevitably mean costs for some in the community. I have said before that such costs should not be borne disproportionately by those industries and employees directly affected by such change.

Rather, because the change involved will ultimately benefit the whole community, compensating policies designed to spread the burden are absolutely necessary. Community endorsement for policies of the kind needed will hinge on there being broad agreement that all parties are receiving fair treatment.

It will only be by openly and deliberately addressing issues such as these that Australia will secure its path to a prosperous future.

If we are to establish for ourselves an appropriate place in the 'Century of the Pacific' we must apply to the challenges involved those characteristics which in the past twelve months have enabled Australians to pull this country out of its worst recession since the 1930's. In many respects those challenges are more difficult.

During my visits in the Asian region in the last year there was a widespread welcoming of our moves to establish the conditions necessary to ensure a dynamic economic relationship between Australia and the region. There was a clear appreciation that the Australian Labor Government is committed to seeing Australian industry more competitive and more capable of responding to opportunities within the region. The corollary of a more open Australian economic system is judged important by our regional neighbours.

There is, at the same time, acknowledgement within the region that the necessary changes in Australian economic structures can only be phased in gradually. It is particularly appreciated that too rapid a movement would result in negative domestic reactions leading to the sort of stop-start gyrations that are inimical to consolidated and successful change.

It is only by effectively managing the process of change that we will be able to stand our ground in competition and co-operation within our region and consolidate our national economic future.

The challenge is considerable. But with an appropriate national economic framework, and with effective mechanisms for consultation on our goals and how to approach them, I believe we can confront this challenge successfully.

Certainly all Australians stand to gain considerably from the extent to which we do so.

Finally, let me say this. To this point I have been talking in essentially economic terms. I have been trying to convey what I believe is one of the most important truths to be understood by my fellow Australians concerned about the future of our great country - the truth that the standard and quality of life of our children and succeeding generations will be determined by the standard and quality of our relations with the countries of our region.

We can, with good sense and constructive imagination, make the right decisions that will enable our economy to benefit from, and contribute to, the dynamic growth we can expect to see characterise that region. But we delude ourselves if we imagine we can so conduct our affairs as to create the fact, or even the impression, of second-class citizenship for those of our people who have settled amongst us from the countries of that region.

Put simply, this is not only morally repugnant, it is economically self-defeating. Those who, either explicitly or implicitly, give sustenance to such a position in terms of professed concern about lost job opportunities should get their perspectives right, ignoring as they do, in any case, the fact that our immigration levels are framed in the context of employment and capacity considerations. All the correct economic decisions we may make will be diminished, even negated, in terms of creating a productive and employment generating partnership with this dynamically growing region if we are perceived to go down that dangerous path sign-posted in the language of racial intolerance.

I had cause to say in my maiden speech in the Parliament that if considerations of morality will not produce correct decisions perhaps the more persuasive element of self-interest will lead to that end.

The events of recent weeks - and I am not concerned here with attributing blame - have been sad and they have certainly been against the long-term interests of our country.

Let us, as Australians, understand that fact. And let us, as Australians, understand that we shall not be "the poor relation" but together as partners, based on a shared human dignity, we can provide the basis for a glowing and proud future for all the future citizens of our country.
