

JOINT PRESS CONFERENCE - Prime Minister and Minister for Primary Industry,
Brussels Hilton - 4.00pm, 4 February 1985

E & O E - Proof only

P.M.: Well ladies and gentlemen I know that there are some matters other than the matters that we've been discussing with the Commission that you'd probably like to address some questions to me on, so I may I make the suggestion that we deal with the events of today - at least the events of today in Brussels - with Mr Kerin here and dispose of that matter and then Mr Kerin has to go off and have some other discussions and then I'll be available for questions on other issues.

If that is acceptable to you let me say that Mr Kerin and I today have had lengthy discussions. Firstly, I had half an hour with Monsieur Delors, the President of the Commission, and then we had a lengthy session from 11.00 o'clock through till about half past one in session and then further informal discussions over lunch until three. I put to the President of the Commission and then to all the Commissioners in full session the concerns of Australia with the impact upon Australia of the operation of the CAP. I prefaced our exposition to the President and Commission by pointing out that Australia did not come to the Commission on the basis of asking it to adopt policies and approaches which were inconsistent with the way in which we as a Government were prepared to operate ourselves. By that I meant that within Australia we had brought the various social partners together on the basis that the achievement of proper national objectives would best be served by the trade unions and business seeing that their own enlightened self interest was much more likely to be served by a perception of the broader national interest and that we had, certainly by international standards, succeeded admirably by pursuing that approach. That we had within that framework indicated not merely a disposition but an intention in practice to go about a review of our own economic structure to make it more relevant to current circumstances. I instanced what we had done in the steel and the automobile industry to make those industries more efficient or export oriented and ultimately more exposed to international competition. Not only had we adopted these approaches within Australia but that we had in our relations with the countries of our region in a way in which we were gradually seeking to come together in that area, had also sought to see the interests of Australia in the context of that broader international community of which we are part. And it was in that sense that I said to the Commission, therefore, that we came with clean hands as it were in asking them to adopt the same approach - that there was we believed, when viewed in that perspective, a mutuality of interest between Australia and the community in that there was no doubt that the pursuit of the CAP policies by the Commission through time and presently was such as not merely to operate against the interests

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P.M. cont...: of Australia, but also against the real interests of the community itself here. Because, of course, the pursuit of these policies which had transformed the Community from one which was seeking to achieve merely self-sufficiency into a major world exporter of primary products, had consistently and increasingly been involved in misallocation of resources within the Community, it had meant higher food prices, it had meant higher wage costs and it involved a significant increase in rigidities within the Community and therefore reduced the capacity of the Community to make those adjustments which were necessary if the European Community was going to be able properly to achieve the greatest degree of economic growth in competitive world situations.

Now it was within that conceptual framework, if you like, that we put our point of view to the Commission about the adverse impact upon Australia of the operation of the CAP. We said to them that we were not here to merely beat drums, make empty threats and carry on in a confrontationist way but that we did have very strong concerns generally and in regard to specific commodities. I addressed those specific commodities and our concerns of the way in which through the operation of the CAP Australia had not merely, as it had in the first stage, lost traditional markets here, but as the Community had become a substantial exporter we had lost traditional markets. For instance in beef we've lost markets in the Middle East and North Africa and reduced markets in Canada. And if I may go there from that point directly to one area that we pressed strongly with them, that there was very substantial concern within the Australian rural community that we faced problems in regard to the Pacific Basin region for our beef exports in that that region, which markets had been developed by the industry to compensate for the loss of the previously traditional markets in U.K. and Europe. And so we pressed with the Commission that there should be not merely a confirmation but a strengthening of indications that had previously been given about a preparedness on their part to address this issue. And in the result I believe I'm able to say that the Commission in the detailed discussions now that Mr Kerin will be conducting with Commissioner Andriessen tomorrow, that I believe that out of those discussions now will come a firming up of the position by the Commission to the effect that the Commission will be expressing a position of having no intention presently or in foreseeable circumstances of applying export funds or introducing beef at discounted prices in those markets to which I've referred - the Pacific Basin region. Now we believe from the discussions we've had today that we'll get that sort of indication, but Mr Kerin will be taking those discussions now in more detailed form with the Commissioner tomorrow. But I am confident, therefore, that as a result of our discussions the apprehension that had been felt by the rural community and by the National Farmers Federation in the talks we'd had as recently as yesterday here, that we will be in a position to achieve some reassurance there. I say no more about beef other than to express as I say that optimistic view.

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P.M. cont...: In regard to dairy products we observed again the adverse impact that has been felt by our industry as a result of the massive export surpluses that have been generated as a result of the CAP. And in particular in regard to cheese I indicated to the Commission that our import regime for cheese will have to be reviewed because of the significant increase in cheese imports that have occurred particularly since the understanding was reached with the Community in November of 1983, that even since that time there's been significant increases in cheese imports into Australia, I pointed out that our import regime for cheese will have to be reviewed in these circumstances pointing out to them that any changes, however, that we'll make will be fully consistent with our international obligations and MTN commitments.

In regard to sugar I again pointed out to the Commission the significantly adverse impact upon of Australia of developments in the international sugar market. You know that there's been this dramatic reduction in price from about 40 cents a pound back in 1980 down to a situation more recently, it's been down in the order of 5 cents a pound. This has created very significant problems. And the position following the failure last year to achieve an international sugar agreement following the discussions in Geneva at which John was present has meant for our industry, which is we assert the most efficient in the world, very substantial problems. You will recall that in the election campaign I undertook to the representatives of the canegrowers that I would seek to use my influence to see if we could get some international meeting to try and get a degree of co-operation. And I put to the Commission that following discussions that had been taking place amongst representatives of producers that Australia is considering an initiative whereby it would convene a meeting of the major producers - that's Australia, Brazil, Cuba and the European Community. And I put to the Commission that it would be helpful if they could adopt the attitude in respect of their own producers as saying that they saw such an approach as being a helpful and constructive measure. And I hope that that will be the case. Let me also say that I put to the Commission that their sugar regime runs until 1986 and indicated that our producers would seek to have the opportunity to present their views to the Commission during the course of that review and I hope that as a result of the discussions that we've had that the Australian producers will take that opportunity.

In regard to cereals we again put the view that again our industry had been substantially disadvantaged by the fact that the European Community had become a very substantial exporter in this area. The quite remarkable position has been achieved that last year the European Community actually as a result of its policies had a higher harvest of wheat than the United States.

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P.M. cont.... I particularly also went to the area of barley and I pointed out to the Commission that EC subsidised barley exports had reduced the world price for feed barley by 13% and that if the EC were to continue to export barley subsidised malt during 1985 into the Pacific region then Australia would stand to lose 110,000 tons in sales representing some 40% of its traditional market.

Finally in regard to wine we put the view to the Commission that there was a lack of reciprocity in the trading relationship in wine between Australia and the Community in that we in Australia accepted the Community standards in regard to wine and didn't seek to impose the artificial barriers in that respect, but there was not reciprocity in that area as far as Europe was concerned. And we put to them strongly that they should be prepared to accept our standards and that again will be a matter that John Kerin will be discussing with them.

So ladies and gentlemen I apologise that it's taken some time but I hope I've now covered the areas that we discussed both in general conceptual terms and in regard to specific commodities with the Community. And I believe that as a result of the discussions certainly the relationship between Australia and the Community is now on a basis where rational discussion can be held. We're not in the business of confrontational rhetoric but we are in the business of putting forcefully to the Community the legitimate concerns of our rural community and, as I say, I believe that in the discussions which have now been set up following our meeting today that we can hope for some fleshing out of those areas of assistance to which I have referred.

JOURNALIST: Prime Minister given the background of the new members of the Commission that there was some hope on the Australian side that there would be a degree of what Mr Kerin characterised yesterday as 'economic sanity' ... do you think that's what they've got ...

P.M.: Well let me say that I think that the composition of the new Commission is such as that the new Commissioners do bring to their very substantial and difficult task a degree of expertise which is welcome and it was certainly the case that we were able today to have the discussion which was an intelligent and rational discussion. I think they certainly understand the dimensions of the problems confronting Australian rural producers and they accepted, I believe, the rationality of the case that we put. I mean having said that one is forced to say that they in turn are faced with a situation which is not one to which economic rationality is the only consideration which we've brought to bear. They have their own very substantial rural constituencies. But in that respect may I say that I pointed out to them we understand the nature of the political pressures that can be brought to bear by rural interests and the legitimate concerns of producers that they are not going to be disadvantaged. But what we pointed out was the economic fact that the way in which the CAP was operating was not efficient in terms of meeting those needs of farmers. Because the facts are that 8% of the benefit of the CAP program goes to about 20% of their producers - their most efficient producers.

P.M. cont...: So if you like as a social instrument it is inefficient and so you're not only getting inefficiencies in terms of equity but, as I said at the opening of my statement, you're also getting very substantial economic efficiencies and rigidities within the European Economic Community which mean that their capacity to have an economic structure which will make them most efficient in competition in other areas is to that extent reduced. Now those arguments, I think, are well understood. Now the extent to which they can move to give effect to the arguments is a matter of time. But I believe there is a commitment and an intention on the part of this new Commission to address those issues with a degree of realism.

JOURNALIST: On sugar did the EC actually respond that they would attend the proposed meeting in Australia.

P.M.+ Well this is not a meeting of Governments or Government institutions. It's proposed as a meeting of producers and representatives of producers. And really what I put to the Commission was that they should allow their producers to see from the Commission's point of view that they would regard that as an initiative which could be useful.

JOURNALIST: On the beef, did they actually promise they would not trade unfairly in Asia, or did they promise to talk about it.

P.M.: What we have reached is a position where I believe I'm able to say what I did about the sort of thing they'll say. The actual specifics of the formulation are to be finalised by Mr Kerin tomorrow. But I feel able on the basis of today's discussions to express confidence that there will be a view emerging following today and the detailed discussions tomorrow that there will be a position emerging in which they will be saying that they have no current intention or in the foreseeable future of operating to our disadvantage in that region by the use of subsidised exports.

JOURNALIST+: What was it they said today that leads you to expect that and who was it who said it to you.

P.M.+ Well I had first of all discussions with the President and then these points were put to the Commission in full today. And concurrently there have been discussions at the official level. And it's out of all of those discussions that have been going on that I believe tomorrow should see that sort of position emerging.

JOURNALIST: Are you looking at a watertight guarantee that the Europeans are not going to dump their beef in the Pacific Basin.

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P.M.: Yes, that they will be giving us an undertaking that they will not be dumping and that they will give us that undertaking now and into the foreseeable future. And I would hope that we may also be able to achieve a position that in addition to that sort of undertaking for the present and foreseeable future that they may be prepared to go to the point of saying that should there be beyond that foreseeable future any contemplation of change that no such change would take place other than at the Commission level. In other words it's not something that could be affected subsequently by bureaucratic decisions.

JOURNALIST: So you think you're leaving Brussels with a good result in other words. Is that the way you would look at it.

P.M.: Well I want to be careful about not raising undue expectations. I hope, I think I've put it fairly, I believe that as a result of the work we've done which is to be finalised by John tomorrow, I think that sort of undertaking that I've indicated should be forthcoming. If it is that certainly meets the hopes that were expressed to us by the representatives of the rural community.

JOURNALIST: So if you get those guarantees what do they want in return.

P.M.: Well that's matter that will be part of the discussions tomorrow. If we can get satisfaction in that respect then I believe it would be possible for John to discuss with them whether there would be a pursuing of the Article 23 matters under GATT.

JOURNALIST: Did you get any undertakings on the barley and malt?

P.M.: All that was done there Mike was to put the details to them of what's happened adversely in the reduction as I said of the 13% in price and to indicate the apprehension that we've got. I received at that stage no undertakings from them but merely there was an acceptance by them that they took aboard what we said and it would be a matter pursued in discussion tomorrow by Mr Kerin.

JOURNALIST: Did that also apply to sugar. Was that the situation ...

P.M.: Well I think with sugar what we've achieved is this - and again I don't want to overstate the position - but I believe that we have reached a position with the Community that I think they would make it clear to the European producers that they could see some merit in the meeting of the sort that I have indicated. And if we can do that, well then we will have taken that part of fulfilling the undertaking which I gave to producers. Because there is absolutely no doubt that the present position is intolerable where the Australian industry, as I say we believe we're the most efficient sugar producer in the world, is because of the absence of an international sugar agreement emerging from last year's discussion, are operating in this position where they are getting such a pitiful return - below cost of production return - for their product. And all we can say, and I don't want to overstate it, but what the Australian producers have said is well, let's at least try and get a meeting of the major producers to see whether there is a possibility of doing something about getting a more rational international marketing position. And I think as a result of the discussions today Australia will be in a position where

P.M. cont....: it will be able to convene that meeting and it will be able to be convened in the circumstance where at least the European Commission would not be indicating to the European producers that they were averse to that meeting taking place.

JOURNALIST: Did you seek an assurance that they wouldn't be dumping any more butter below GATT prices.

P.M.: Well what we put to them was a general exposition of the problems that have been created for the dairy industry generally as a result of their actions. The officials, of course, have made clear the adverse impact that we saw that resulted from the decisions they had made in regard to sales to the Soviet Union in defiance of the international dairying arrangement. But the specific aspect of the dairy industry that we put to them which represented our own conviction and certainly followed the discussions that we'd had with the representatives of the National Farmers Federation - we put to them quite clearly that we could not and would not tolerate a position where subsidised dairy products were being brought into Australia, taking up a very significant share of the Australian market and made it quite clear that in those circumstances we would be reviewing our import regime to try and meet that situation.

JOURNALIST: Mr Kerin given that the EEC broke the international dairy agreement and given that they welched on agreements with Australia over cheese imports, why would you have any confidence whatsoever that they would abide by any undertaking given to Australia over beef.

KERIN: I'd just like to make the point that there is a new Commission. We've been the first country to come here with the new Commission. It's a chance to restate again how we expect the EC to behave in the international commodity arena and I don't think there was any, well they certainly didn't equivocate today from that point of view. And although they didn't say we're sorry chaps, or anything, we're dealing with a whole new Commission. The Prime Minister made the case in the strongest possible terms. He mapped out the high ground on the specific commodity matters that I'll be talking about tomorrow with Mr Andriessen.

JOURNALIST: What did they reply on the cheese matter.

P.M.: Well they took note of what I said and I indicated that Mr Kerin would be spelling that out and the clear implications of it tomorrow. And there was no equivocation about our position on that.

JOURNALIST: I get the impression, Prime Minister, that you've been pleasantly surprised with the attitude of the Europeans.

P.M.: Let's be clear about this. I don't want to leave the impression that we've just come here and put what I believe has, of course, been a totally rational, legitimate and well-founded case.

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* in the total level of community export operations and the two-way trade between us Australia represents a minuscule proportion of their operations.

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P.M. cont...: That we've done. I believe we've done it effectively. But I hope that the answers I gave before did not overstate the way our expectations can be. I believe that we've got legitimate expectations of a satisfactory response in the area of beef in the Pacific market. I think that is a legitimate expectation of our talks. In the area of sugar I've set out what I believe we've achieved there and I don't want to overstate that - that is that we ought to be able now to have this international producers meeting that we'd seek to convene without opposition from the Commission and that there will be an opportunity for our producers to have an input if they wish to consideration by the Commission of the sugar regime which expires in 1986. Those are specifics. I hope also that in regard to wine that they will see, I think, the unarguable case that we've put there. I mean we accept their standards, they should accept ours. And I am hopeful that in the discussions something will come of that. So if you add those things together you can point to achievements and pluses. But having said that you are still faced with a total regime which creates very significant problems because we have the basic and unarguable fact that you have this very substantial Community with fertile soil and political imperatives which has pursued policies leading to significant oversupplies in all our major rural areas of production other than wool. Now that's not something that I want to leave the impression that we've solved our basic problem. I think the fair statement is that in realistically achievable areas we have got some runs on the board which will be of benefit to sections of our industry.

JOURNALIST: In terms of getting them to accept your economically rational arguments is the reaction better than you expected or as you expected or not ...

P.M.: Oh, I think yes they understood the arguments that we were putting as indeed as intelligent men they had to. And the arguments and the case, the exposition, is incontrovertible. I think I indicated in answer to a previous question that unfortunately what we're faced with is a consideration not only of the application of economic rationality, but of certain internal political imperatives which are not easily overcome.

JOURNALIST: Well how long would Australia suffer such a drain on the balance of payments before the Government responded with some sort of overt retaliation.

P.M.: Well one has to be realistic in this question of retaliation. I think there is nothing more futile, and I don't seek of course to speak for the National Farmers Federation. They have their very articulate and able spokesman available to speak to you but I don't believe that they would take the view that anything is achieved by empty gestures and threats of retaliation. We have to accept the fact that * And within that framework, therefore, threats can be somewhat empty. What we have attempted to do is to put to the community the views of our Government and the views of the Australian industry. And may I say, I notice the representatives of the National Farmers Federation are present here, that we have been assisted by the way in which both in Australia and here as recently as yesterday, the representatives of the rural community put their case to us. And we weren't faced with a

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P.M. cont...: situation of being asked to make empty threats because where can you get in doing that. But we believe that we are able to say to this Community which is conceptually founded upon the proposition of principles of liberal free trade that they should understand not only in our interests, but in their own, that ultimately our mutual interests are only best served by the application of the principles that we are putting. And we believe that we've got to continue to put that argument.

JOURNALIST: Mr Hawke if you don't get the assurances that you want and you don't take out trade retaliation, will you come back and make the same arguments again.

P.M.: Well let me pick up that point in this direct and relevant way - in the latter part of the discussions the President, Monsieur Delors, indicated to me that they had appreciated the breadth and detail of the exposition that I put. And they expressed the view that they would want to see continuing discussions between us. And so I think we have established a framework now quite clearly where we will be able to continue discussions in the way that we put them. I don't expect, and I don't imagine, that Australian rural interests believe that you're going to resolve these problems in one day or two days. We have got certain advances I believe. I've outlined them, I don't want to go into those again. But in addition to getting those advances which I hope will be of some comfort to our rural industry and to Australia as a whole, in addition to that I repeat, I believe we have established a framework wherein we'll be able to continue to press our point of view.

JOURNALIST: Was the ban on uranium exports to France raised ...

P.M.: Yes, it was raised. We didn't only deal with agricultural matters, but with a whole range of bilateral relations. That was raised. I made it clear to the Community that that decision had been made firmly by the Australian Government for good internal reasons. That it applied to France and I made it clear that it would be quite improper for the Commission to try and create, to erect an implication, of Australia as an unreliable supplier on the basis of that decision. We're specific for specific reasons applying to one country, and one country only as a community.

JOURNALIST: Did they ask you to lift the ban.

P.M.: No, they weren't gauche enough to do that or even droit enough.

JOURNALIST: ... the ban as being for good political domestic reasons. Did you explain it was also for international political reasons.

P.M.: Well we made the decision as a Government because of our perception as a Government that that was the appropriate course of action. It is a course of action which I believe would receive the support of other countries in our region. But we made that decision autonomously and made it in the context of our broader approach on these matters.

JOURNALIST: In what context did they raise the uranium ...

P.M.: Simply because we were, as I say, in addition to talking about agricultural matters, we also talked about the whole range of bilateral trading. Now in that the question of energy resources came up. You will appreciate that the Australian coal industry has made substantial advances recently. And during 1984 in sales to Europe and so the whole question of both Australia as a supplier of energy resources and also of investment by the Community in Australia was a matter of discussion. So let me make it quite clear that the overwhelming proportion of our discussion was in the area of agricultural products. But we had an obligation to address these other issues.

JOURNALIST: Did they say they raised it because France wanted them to.

P.M.: They didn't say they raised it because France wanted them to. But in the course of their exposition on this subject they did make the point that what happened to one member of the Community was regarded as significant for other members of the Community. And it was in that context that I made the point that I've made to you that it would be totally improper for the Commission to erect upon the basis of that decision some proposition about Australia being an unreliable supplier in the general sense.

JOURNALIST: They accepted your explanation.

P.M.: I believe they did.

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