

EMBARGOED UNTIL DELIVERY

SPEECH BY THE PRIME MINISTER  
EMF SYMPOSIUM  
DAVOS - 29 JANUARY 1987

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FOR SOME YEARS NOW YOU HAVE BEEN KIND ENOUGH TO INVITE ME TO JOIN YOU HERE IN DAVOS. IT WOULD BE EASY TO SAY THAT IT HAS NOT BEEN PHYSICALLY POSSIBLE TO ACCEPT YOUR INVITATION BEFORE THIS - BUT IT WOULD BE UNTRUE.

WHILE THE TYRANNY OF DISTANCE HAS FOR US IN AUSTRALIA BEEN DIMINISHED BY THE MARVELS OF MODERN TRANSPORT, ONE DOES NOT LIGHTLY CROSS THE WORLD MERELY FOR THE PROSPECT OF CONGENIAL COMPANY OR SALUBRIOUS SURROUNDINGS - AFTER ALL WE ARE NOT IN OUR COUNTRY ENTIRELY WITHOUT THESE ATTRACTIONS, PARTICULARLY AT THIS TIME OF THE YEAR.

BUT TWO RELATED CONSIDERATIONS LED ME TO AGREE, WITH PLEASURE, TO OPEN THIS 1987 SYMPOSIUM.

FIRST, THE STATURE OF DAVOS HAS BEEN GROWING. THIS REFLECTS THE GREAT CREDIT YOU DESERVE FOR YEAR AFTER YEAR ASSEMBLING IN THIS FRANK AND INFORMAL ATMOSPHERE SEVERAL HUNDRED OF THE WORLD'S LEADERS IN FINANCE, TRADE, INVESTMENT AND GOVERNMENT. PUT IN THE SIMPLEST OF LANGUAGE, THIS IS BEING INCREASINGLY RECOGNISED AS A BODY OF CONSIDERABLE CLOUT.

SECOND, THERE IS A RISING SENSE OF FRUSTRATION FELT BY THE PEOPLE OF AUSTRALIA AND MANY OTHER NATIONS ABOUT WHAT CAN, WITHOUT EXAGGERATION, BE DESCRIBED AS THE DISINTEGRATION OF THE GLOBAL ECONOMIC SYSTEM AND THE THREAT TO WORLD SECURITY THAT THIS IS FUELLING.

SO I COME HERE TO GIVE VOICE TO THAT SENSE OF FRUSTRATION. I COME TO MAKE SOME SPECIFIC, RELEVANT AND PRACTICABLE PROPOSALS. AND I COME WITH THE CONVICTION THAT I DO SO IN A FORUM COMPOSED OF PEOPLE NOT SATISFIED MERELY TO EXCHANGE VIEWS, IDENTIFY PROBLEMS AND THEN TO CONTINUE ON THEIR WAY AS BEFORE.

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I COME WITH A CONVICTION THAT YOU RECOGNISE A RESPONSIBILITY ON ALL OF US AT THIS CONFERENCE, IN OUR VARYING CAPACITIES, TO ACT DECISIVELY TO REMOVE THE OBSTACLES STANDING IN THE WAY OF A DURABLE ECONOMIC AND POLITICAL REVIVAL.

LADIES AND GENTLEMEN:

I SPEAK TO YOU THIS EVENING AS A PRACTISING POLITICIAN. THE PRIORITIES OF THE TASKS I FACE MAKE IT AN UNACCEPTABLE LUXURY MERELY TO ENGAGE IN SPECULATION ON THE PROBLEMS CONFRONTING US.

INSTEAD, MY BASIC CONCERN IS TO OUTLINE SOME OF THE MEASURES BY WHICH WE CAN MAKE IMMEDIATE PROGRESS TOWARDS THIS GOAL OF POLITICAL AND ECONOMIC REVIVAL.

HOWEVER, ALLOW ME, BY WAY OF NECESSARY BACKGROUND, TO ESTABLISH THE CONTEXT FOR THESE PROPOSALS.

THE STARK ECONOMIC PROBLEMS FACING THE WORLD ARE FAMILIAR TO THIS AUDIENCE. WE LIVE IN AN ERA OF UNCERTAINTY WITH TROUBLING WORLD-WIDE DEVELOPMENTS IN DEBT ACCUMULATION, CURRENT ACCOUNT IMBALANCES, INTEREST RATES AND UNEMPLOYMENT.

BENEATH THESE PROBLEMS LIE DEEPER COMPLEXITIES. MANY OF THE PREMISES OF THE POST-WAR DECADES ARE ERODING - OR HAVE VANISHED ENTIRELY - WITHOUT BEING REPLACED BY NEW PRINCIPLES UPON WHICH TO BASE THE RESOLUTION OF OUR DIFFICULTIES.

TO UNDERTAKE EFFECTIVELY THE SHAPING OF THESE NEW PRINCIPLES WE SHOULD APPRECIATE HOW THESE PREMISES OF THE POST-WAR DECADE WERE THEMSELVES SHAPED.

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## 3.

IF WE ARE TO LEARN ANYTHING FROM PRE-WAR HISTORY IT MUST BE THAT THE GLOBAL CONFLICT OF WORLD WAR 2 WAS IN LARGE MEASURE THE PRODUCT OF THE FAILURE OF POLITICAL LEADERSHIP TO RECOGNISE AND ADJUST TO THE COLLAPSE OF ECONOMIC RELATIONSHIPS BETWEEN AND WITHIN NATIONS. ONE OF THE MORE REMARKABLE MINDS OF THIS CENTURY - JOHN MAYNARD KEYNES - HAD HOISTED THE EARLY WARNING SIGNALS, FIRST IN HIS "ECONOMIC CONSEQUENCES OF THE PEACE" (1919) AND LATER IN THE "GENERAL THEORY OF MONEY, EMPLOYMENT AND INTEREST" (1935-36).

IN THE AFTERMATH OF THE CONFLICT WHICH KEYNES HAD FORESEEN, THE WORLD SHOWED THAT IT HAD LEARNED CONSIDERABLY FROM THOSE MISTAKES. WITHIN NATIONS, THE IMPORTANCE OF, AND MECHANISMS FOR MAINTAINING, ADEQUATE AGGREGATE DEMAND WERE BETTER APPRECIATED AND APPLIED. AS BETWEEN NATIONS, THE VICTORS NOW, FAR FROM IMPOSING GREATER REPARATIONS UPON THE VANQUISHED, SET ABOUT ASSISTING THE RESTORATION OF THEIR ECONOMIES WITH THE REMARKABLE SUCCESS TO WHICH WE ARE ALL WITNESS; AND MECHANISMS WERE ESTABLISHED FOR THE BETTER CONDUCT OF INTERNATIONAL ECONOMIC RELATIONSHIPS.

AS A RESULT, IN THE DECADES AFTER THE SECOND WORLD WAR, CHAOS AND BEGGAR-MY-NEIGHBOUR POLICIES GAVE WAY TO MULTILATERALISM WHICH PRODUCED GROWTH AND PROSPERITY.

BUT, IN TURN, THAT WORLD HAS GONE. THE CLEAR ECONOMIC LEADERSHIP PROVIDED BY THE US HAS DISSIPATED. RELENTLESS TECHNOLOGICAL CHANGE AND THE EVOLUTION OF THE INFORMATION SOCIETY HAVE RENDERED MANY OF OUR EXISTING INSTITUTIONS AND ATTITUDES OUT OF DATE. A SIMPLE FAITH IN THE KEYNESIAN PANACEA IS NO LONGER ADEQUATE - NOR, FOR THAT MATTER, MIGHT I SAY IS THERE SALVATION IN THE NOW MUCH MORE MUTED DOCTRINES OF MONETARISM.

AS DECISION MAKERS FACED WITH THE RESPONSIBILITY OF MANAGING THESE CHALLENGES, WE MUST BE PREPARED TO RELINQUISH WHATEVER SUPERSEDED ASSUMPTIONS AND INHERITED IDEOLOGIES IMPEDE OUR TASK OF LEADERSHIP IN THE FINAL YEARS OF THE TWENTIETH CENTURY.

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4.

IN THEIR PLACE, WE MUST ACCEPT AS A BASIS FOR ALL OUR DECISIONS-THE NOW INDISPUTABLE TRUTH OF OUR TIME - OUR COMPLETE INTERDEPENDENCE. WE MUST AVOID ANYTHING RESEMBLING A RETURN TO THE ECONOMIC INSANITIES OF PRE-1939. FOR LET ME EMPHASISE THIS POINT. I HAVE SAID THE WORLD PAID A HEAVY PRICE IN WORLD WAR 2 FOR ITS INCAPACITY TO READ AND RESOLVE THE EMERGING ECONOMIC AUTARKY OF THE 20'S AND 30'S - HORRENDOUS AS THAT PRICE WAS, IT WOULD BE AS NOTHING COMPARED TO THE CONSEQUENCES OF CONFLICT IN THIS NUCLEAR AGE.

THIS COMPLETE INTERDEPENDENCE MEANS, AS THE DEBT CRISIS AND THE COMMODITY PRICE SLUMP DEMONSTRATE, THAT THE POVERTY OR PROSPERITY OF INDIVIDUAL NATIONS ARE QUESTIONS THAT CONCERN US ALL.

IT MEANS THAT NATIONS WHICH SEEK TO ACHIEVE DOMESTIC POLITICAL GOALS THROUGH DISTORTING THE INTERNATIONAL TRADING FRAMEWORK ARE DELUDING THEMSELVES WHILE THEY ARE HURTING OTHERS.

FROM THIS IT FOLLOWS THAT SUCCESSFUL LEADERSHIP WILL REQUIRE TWO CLOSELY RELATED COMMITMENTS.

FIRST, GOVERNMENTS MUST SHOW THEIR WILLINGNESS TO RESTRUCTURE THEIR OWN ECONOMIES, WITH DEVELOPED COUNTRIES LEADING THE WAY.

WE MUST ALL ACCEPT THE LESSON THAT GOOD DOMESTIC POLICY AND GOOD INTERNATIONAL POLICY ARE INSEPARABLE. IF WE CANNOT PERSUADE OUR DOMESTIC CONSTITUENCIES TO ACCEPT CHANGE - INDEED, IF WE ALLOW THEM TO ISOLATE AND INSULATE THEMSELVES FROM IT AND ENCOURAGE THEM TO RESIST AND RETARD DOMESTIC STRUCTURAL ADJUSTMENT - WE HAVE FAILED NOT ONLY THEM BUT THE REST OF THE WORLD.

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5.

IN THIS RESPECT I ASK YOU TO OBSERVE WITH ME ONE OF THE MORE INCONGRUOUS AND CERTAINLY LESS ATTRACTIVE FEATURES OF THE PRESENT WORLD ECONOMIC LANDSCAPE. I REFER TO THE CONSTANT LECTURING TO THE DEBTOR NATIONS OF THE DEVELOPING WORLD ON THE NEED TO EXERCISE THE HARSH DISCIPLINES OF RATIONAL AND RELEVANT ECONOMIC POLICIES - AND THIS BY MAJOR ECONOMIC POWERS WHO AT THE SAME TIME THEMSELVES ESCHEW THE STRINGENCIES RELEVANT BOTH TO THEIR OWN CIRCUMSTANCES AND TO THE VERY CONDITION OF THOSE WHOM THEY LECTURE.

OUR SECOND COMMITMENT MUST BE TO THE DEVELOPMENT OF FREE AND FAIR INTERNATIONAL TRADE.

FOR RESTRICTIONS ON TRADE TODAY STAND OUT AS MAJOR OBSTACLES TO RENEWED PROSPERITY.

PROTECTIONISM IS SPREADING LIKE A PLAGUE. QUOTAS, VOLUNTARY RESTRAINTS, DOMESTIC PRICE SUPPORT SCHEMES AND CONTRIVED QUALITY STANDARDS HAVE SUPPLEMENTED TRADITIONAL TARIFFS TO FORM BARRIERS TO TRADE IN A STAGGERING RANGE OF MANUFACTURES, FARM PRODUCTS AND SERVICES.

WE MUST BE ABLE TO TRADE OUR WAY OUT OF OUR PROBLEMS, AND TO DO THIS WE NEED, AS A BASIC AND URGENTLY REQUIRED CONDITION, A MARKET PLACE FREE OF THE DISTORTING INFLUENCE OF UNNECESSARY GOVERNMENT INTERVENTION.

NOWHERE IS THE RELATIONSHIP BETWEEN THESE COMMITMENTS CLOSER NOR THE NEED FOR ACTION GREATER, THAN IN THE TRADE IN AGRICULTURAL PRODUCTS, WHICH CAN FAIRLY BE SAID TO BE IN ITS DEEPEST CRISIS SINCE THE GREAT DEPRESSION.

SHORTSIGHTED AGRICULTURAL PROTECTIONISM HAS ALLOWED - INDEED ENCOURAGED - FARMERS IN SOME COUNTRIES TO IGNORE THE NORMAL MARKET SIGNALS OF OVERSUPPLY FOR THEIR PRODUCTS, SUCH AS FALLING INTERNATIONAL PRICES AND EXCESSIVE OVERSTOCKING.

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AS A RESULT THEIR FARMS ARE LIKE MACHINES OUT OF CONTROL, CHURNING OUT GLUT ON GLUT OF WHEAT AND BEEF, BUTTER AND MILK, SUGAR AND RICE. SINCE THE BEGINNING OF THE DECADE, INTERNATIONAL WHEAT PRICES HAVE FALLEN BY NEARLY HALF, SUGAR PRICES BY MORE THAN TWO THIRDS - YET STILL THEY ARE PRODUCED, AND STILL THE STOCKPILES GROW.

PROTECTIONISM HAS FOSTERED SOME TRULY LUDICROUS ANOMALIES. BUDGETARY ASSISTANCE IN BOTH THE EC AND THE US IS DIRECTED TO FARMERS WHO IN MANY CASES ARE WEALTHIER THAN THE AVERAGE INCOME EARNER WHOSE TAXES PROVIDE THAT SUPPORT. SOME EC DAIRY FARMERS PAY MORE TO IMPORT FEED FOR THEIR COWS THAN THEY COULD HAVE RECEIVED ON THE WORLD MARKET FOR THE MILK PRODUCED FROM IT. JAPANESE RICE PRODUCTION IS SO HANDSOMELY REWARDED THAT PART OF THE ANNUAL OVERSUPPLY HAS BEEN SOLD AT HUGE LOSSES AS ANIMAL FEED.

FARM SUPPORT PROGRAMS FOR 1986/87 ARE ESTIMATED AT \$US23 BILLION IN THE EC AND \$US26 BILLION IN THE US - WHILE JAPAN IN 1985 SPENT MORE THAN \$US10 BILLION.

IN ADDITION TO THESE DIRECT BUDGETARY COSTS, HIGHER DOMESTIC PRICES MEAN THE CONSUMERS IN EACH SOCIETY ARE PAYING BILLIONS OF DOLLARS MORE EACH YEAR TO KEEP FARMERS ON THE LAND.

THE TOTAL SUBSIDIES ARE HUGE. AS JUST ONE INDICATION, DAIRY FARMERS IN EUROPE RECEIVE AROUND \$400 A COW. THAT MAY SOUND AN EXTRAVAGANT SUM - AND IT IS. BUT IT IS MODEST COMPARED TO AMERICAN SUBSIDIES WHICH AMOUNT TO SOME \$835 FOR EVERY DAIRY COW IN THE UNITED STATES.

BUT DESPITE IT ALL, AND THIS IS THE MOST DAMNING INDICTMENT OF PROTECTIONISM, IT JUST ISN'T WORKING - NOR COULD IT EVER HAVE DONE SO. THE INCOMES OF PROTECTED FARMERS HAVE NOT RECOVERED AND FARM BANKRUPTCIES ARE CONTINUING.

7.

BECAUSE OF THE MISALLOCATION OF RESOURCES AND RESULTANT HIGHER COST AND PRICE STRUCTURES, THE ECONOMIC GROWTH RATES OF EUROPE ARE LOWER AND THE DOLE QUEUES AT LEAST A MILLION PERSONS LONGER.

AT THE SAME TIME, IT IS HURTING THE REST OF THE WORLD. LESS DEVELOPED COUNTRIES ARE HURT BY BEING EXCLUDED FROM THE WORLD AGRICULTURAL MARKET. FREE TRADE IN FARM PRODUCTS WOULD ALLOW DEBTOR NATIONS TO EARN SUFFICIENT FOREIGN EXCHANGE TO MORE THAN DISCHARGE THEIR INTEREST COMMITMENTS. MORE IMPORTANT, THEY WOULD BE ON THEIR WAY TO DEVELOPMENT THROUGH TRADE, NOT JUST AID.

LADIES AND GENTLEMEN,

WE KNOW THIS PROBLEM IS NOT PURELY AN ECONOMIC ONE, TO BE CURED PURELY BY ECONOMIC MEASURES.

FOR THE ISSUES AND VALUES AT STAKE ARE ESSENTIALLY POLITICAL ONES - THE LIVING STANDARDS OF OUR PEOPLE. AND THE COMMITMENTS I HAVE URGED - THE PURSUIT OF STRUCTURAL ADJUSTMENT AT HOME AND THE CREATION OF AN ANTI-PROTECTIONIST ETHOS ABROAD - ARE ESSENTIALLY POLITICAL ONES TOO, REQUIRING THE BALANCING OF THE OFTEN CONFLICTING DEMANDS OF FARMERS, CONSUMERS, TAXPAYERS, CONSERVATIONISTS AND OTHERS.

IN THE SEARCH FOR THESE POLITICAL SOLUTIONS, I BELIEVE THE AUSTRALIAN VOICE HAS CREDIBILITY.

OUR CREDIBILITY DERIVES NOT FROM THE FACT THAT AUSTRALIAN FARMERS, PERHAPS THE MOST EFFICIENT AND LEAST PROTECTED IN THE WORLD, HAVE BECOME THE INNOCENT VICTIMS OF THE CYCLE OF PROTECTIONISM BY THE WORLD'S RICHEST COUNTRIES - THOUGH THAT CERTAINLY FUELS OUR FRUSTRATION.

OUR CREDIBILITY ARISES FROM THE FACT THAT WE IN AUSTRALIA HAVE LEARNT THE LESSON THAT MANY OF OUR TRADING PARTNERS SEEM SLOW TO GRASP OR RELUCTANT TO APPLY - THAT SIMPLY STATED LESSON OF OUR WORLD-WIDE MUTUAL INTERDEPENDENCE.

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8.

AS A MEMBER OF THE ASIA-PACIFIC REGION, THE MOST DYNAMIC AND FASTEST GROWING PART OF THE WORLD ECONOMY, AUSTRALIA HAS HAD NO CHOICE BUT TO LEARN THAT LESSON.

SIMPLY TO SURVIVE AS A RELEVANT, MODERN ECONOMY AND SOCIETY IN THIS DYNAMIC REGION, AUSTRALIA COULD NOT CLOSE ITSELF OFF BEHIND ARTIFICIAL AND ARCHAIC BARRIERS.

AS ANYONE WHO HAS SOME ACQUAINTANCE WITH THE RECORD OF MY GOVERNMENT FOR THE PAST FOUR YEARS WILL KNOW, WE HAVE SHOWN OUR WILLINGNESS TO MEET THE TWO COMMITMENTS I MENTIONED EARLIER. WE ARE RESTRUCTURING OUR DOMESTIC ECONOMY, AND WE ARE OPENING OURSELVES UP TO FREE AND FAIR INTERNATIONAL TRADE.

WE ARE PHASING DOWN PROTECTION OF OUR MANUFACTURING SECTOR AND AS A RESULT OUR CAR MANUFACTURERS AND TEXTILES, CLOTHING AND FOOTWEAR MAKERS ARE FACING STEADY REDUCTIONS IN ASSISTANCE. SIMILARLY THE GOVERNMENT HAS DECIDED TO REDUCE TARIFFS ON CHEMICALS AND PLASTICS TO RATES MORE IN LINE WITH OTHER OECD COUNTRIES. THE STEEL AND HEAVY ENGINEERING INDUSTRIES, WHICH HAVE NOT IN THE PAST BEEN HIGHLY PROTECTED, ARE NOW BEING REVITALISED THROUGH SECTORAL PLANS WHICH WILL ENCOURAGE THEM TO LOOK OUTWARD TO COMPETE IN THE WORLD'S MARKETS.

IT IS TRUE THAT SOME AREAS OF AUSTRALIAN PRODUCTION CONTINUE TO RECEIVE HIGH, ALBEIT DECLINING, BARRIER PROTECTION. IT IS NOT TRUE HOWEVER, DESPITE THE FREQUENT MISREPRESENTATIONS TO THE CONTRARY, THAT THESE MEASURES CAN BE PLACED IN THE SAME CATEGORY AS THE NON TARIFF PROTECTION PROVIDED TO AGRICULTURAL AND IN SOME CASES INDUSTRIAL PRODUCTION, IN EUROPE, NORTH AMERICA AND JAPAN.



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9.

LET ME EXPLAIN THE KEY DIFFERENCES. AUSTRALIA'S BARRIER PROTECTION IS GENERALLY EXTENDED BY WAY OF TARIFFS. THIS IS A TRANSPARENT FORM OF ASSISTANCE. IT ALLOWS SIGNIFICANT MARKET ACCESS TO IMPORTS. IT IS NOT PROJECTED BEYOND OUR BORDERS. IT IS NOT RESPONSIBLE FOR THE CREATION OF MASSIVE SURPLUS PRODUCTION.

NOR DOES IT WEAKEN OUR TRADING PARTNERS' ACCESS TO TRADITIONAL MARKETS THROUGH DUMPING AND OTHER EXPORT SUBSIDISATION SUCH AS WE SEE WITH THE CURRENT TRADE WAR.

FINALLY, AUSTRALIA IS COMMITTED TO THE STEADY REDUCTION OF PROTECTIONISM OVER THE NEXT DECADE.

AS A PRACTISING POLITICIAN LET ME TELL YOU THERE IS NOT MUCH SHORT-TERM POPULARITY TO BE GAINED IN TELLING WORKERS THEY MUST ACCEPT REAL WAGE CUTS AND CHANGE LONG-STANDING, COMFORTABLE BUT OUTMODED WORK PRACTICES, OR IN TELLING ELDERLY PENSIONERS THEY MUST ACCEPT A DELAY IN THE RECEIPT OF THEIR PENSIONS, OR IN TELLING AN OWNER OF A BUSINESS OR PURCHASER OF A NEW HOME THAT THEY SHOULD PAY HIGHER INTEREST RATES THAN THEY MIGHT HAVE EXPECTED.

BUT THE HARD DECISIONS YIELD LONG-TERM BENEFITS - A MORE RESILIENT AND COMPETITIVE ECONOMY AND A HIGHER STANDARD OF LIVING.

OUR SUCCESS IN THE TASK OF STRUCTURAL ADJUSTMENT HAS RELIED ON THE WAY WE HAVE GONE ABOUT THE TASK. I HAVE A LONG-HELD CONVICTION THAT PROGRESS TOWARDS FAIRNESS AND PROSPERITY CAN ONLY BE ACHIEVED THROUGH CO-OPERATION RATHER THAN CONFRONTATION. IN PLANNING OUR REFORMS, MY GOVERNMENT HAS SOUGHT THE VIEWS OF ALL THOSE AFFECTED AND AIMED AT BUILDING A COMMUNITY CONSENSUS AS THE BASIS FOR OUR DECISIONS.

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10.

IF I COULD PUT THIS PERHAPS IN EVEN MORE DIRECT TERMS. I HAVE OPERATED ON THE BASIS THAT IN THE SWEEP OF HISTORY THE HORSE CALLED "MORAL IMPERATIVE" HAS, UNFORTUNATELY, USUALLY BEEN A POOR PERFORMER. THE ONE CALLED "SELF INTEREST" IS A SUPERIOR CONVEYANCE BECAUSE IT IS ALWAYS TRYING. THE SECRET OF SUCCESSFUL POLICY ACHIEVEMENT IS TO MAKE THE RELEVANT CONSTITUENCIES UNDERSTAND THAT ENLIGHTENED SELF INTEREST MEANS UNDERSTANDING THE INTERESTS OF, AND CONSTRUCTIVE CO-OPERATION WITH, EACH OTHER.

IT IS A FORMULA WHICH COULD WELL BE APPLIED TO THE RESOLUTION OF OUR AGRICULTURAL TRADE PROBLEMS, AS THIS WILL REQUIRE PATIENT NEGOTIATIONS AND A REALISTIC - IF YOU LIKE, A SELF-INTERESTED - UNDERSTANDING OF THE BENEFITS TO BE GAINED FROM ENDING THE TRADE WAR.

LADIES AND GENTLEMEN:

A MAJOR STEP TOWARDS RESOLVING THE PROBLEM OF AGRICULTURAL PROTECTION WAS TAKEN WITH THE RECENT DECISION TO LAUNCH THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS, WITH AGRICULTURE SERIOUSLY ON THE AGENDA FOR THE FIRST TIME.

THIS NEW ROUND PROVIDES A TIMELY OPPORTUNITY TO RESTORE CONFIDENCE IN THE MULTILATERAL SYSTEM AND PROVIDES SCOPE FOR A RETURN TO FREER TRADE TO THE BENEFIT OF ALL COUNTRIES.

AUSTRALIA WAS EAGER TO BE AT THE VANGUARD OF THIS REFORM MOVEMENT.

WE CONVENED A MEETING IN CAIRNS OF REPRESENTATIVES OF FOURTEEN FAIR TRADING NATIONS IN AGRICULTURE. THIS CAIRNS GROUP PROVED TO BE AN EFFECTIVE ALLIANCE AT PUNTA DEL ESTE LAST SEPTEMBER.

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## 11.

WE ARE FULLY COMMITTED TO MAKING THE MTN ROUND A SUCCESS. TO DEMONSTRATE AUSTRALIA'S COMMITMENT, I AM PREPARED TO STATE NOW THAT WE ARE WILLING TO NEGOTIATE THE BINDING OF TARIFF LEVELS IN ALL SECTORS OF AUSTRALIA'S TARIFF REGIME.

THIS IS A SIGNIFICANT COMMITMENT, GIVEN THAT PREVIOUS AUSTRALIAN GOVERNMENTS HAVE BOUND ONLY A VERY LOW PORTION OF ITS TARIFF.

STRONG MOTIVATION AND COMMITMENT IS REQUIRED OF ALL THE PARTICIPATING COUNTRIES IF THE NEW MTN ROUND IS SUCCESSFULLY TO LIBERALISE WORLD TRADE. THE NEW ROUND MUST BE ALLOWED TO PROCEED FREE OF FUTILE DELAYS, AND NOT GET SIDE-TRACKED BY PERIPHERAL OR TECHNICAL ISSUES. SOME PARTICIPANTS WILL HAVE TO CONTEMPLATE OPENING UP PREVIOUSLY STRONGLY PROTECTED SECTORS.

BUT, LADIES AND GENTLEMEN, WITH ALL THE COMMITMENT IN THE WORLD, THE MTN ROUND WILL STILL SPAN SEVERAL YEARS. MY CONCERN IS THAT MANY COUNTRIES CAN'T AFFORD THE LUXURY OF WAITING TO SEE WHAT THE NEW ROUND BRINGS.

INDEED, IF PRICE CUTTING BETWEEN THE US AND THE EUROPEAN COMMUNITY CONTINUES AT ITS CURRENT FRANTIC PACE, THE TOTAL INTERNATIONAL TRADE FRAMEWORK MAY BE UNDERMINED BEFORE THE NEW MTN ROUND ACHIEVES ANY RESULTS.

SO THIS EVENING I WANT TO EXPLAIN HOW WE CAN START MAKING PROGRESS IMMEDIATELY.

BECAUSE OF THE IMPORTANCE AUSTRALIA ATTACHES TO THIS ISSUE, I WANT TO SPEND A LITTLE TIME OUTLINING TO YOU THE STEPS I BELIEVE CAN AND SHOULD BE TAKEN TO ACHIEVE THIS. (A MORE DETAILED STATEMENT AMPLIFYING THIS PROPOSAL IS BEING CIRCULATED.)

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12.

CENTRAL TO THE AUSTRALIAN PROPOSAL IS THE OBSERVATION THAT THE CORRUPTION OF WORLD AGRICULTURAL TRADE IS BEING CAUSED BY GOVERNMENTS RAISING THE PRICES THEIR FARMERS RECEIVE ABOVE PREVAILING WORLD PRICES, RESULTING IN A SUBSIDY TO UNECONOMIC PRODUCTION. THIS PRICE ADJUSTMENT GAP PROVIDES A CLEAR PICTURE OF THE ALMOST UNBELIEVABLE AMOUNT OF PROTECTION PROVIDED TO SOME PRODUCTS.

THE DOMESTIC PRICE OF EC WHEAT IS DOUBLE THAT OF WORLD PRICES, FOR BUTTER IT IS AROUND TWO AND A HALF TIMES WORLD PRICES, FOR EC AND US SUGAR IT IS AROUND THREE TIMES WORLD PRICES, AND FOR RICE THE JAPANESE PRICE IS SOME EIGHT TIMES WORLD PRICES.

IF WE ARE TO RESTORE SOME SANITY INTO THE WORLD AGRICULTURAL MARKET WE MUST SEE WORLD MARKET PRICES BETTER REFLECTED IN DOMESTIC MARKET PRICES. AN ABRUPT CLOSURE OF THIS PRICE GAP IS NOT POSSIBLE. BUT A MOVEMENT IN THE RIGHT DIRECTION IS NEEDED.

OUR CENTRAL OBJECTIVE SHOULD BE TO AGREE ON WAYS TO FREEZE THE LEVEL OF SUBSIDIES AND TO REDUCE THE PRICE ADJUSTMENT GAP FOR ALL AGRICULTURAL COMMODITIES.

THIS IS CONSISTENT WITH THE TOKYO SUMMIT CALL FOR ADJUSTMENT MEASURES IN AGRICULTURE AND THE OBJECTIVES ADOPTED AT PUNTA DEL ESTE.

WE HAVE DISCUSSED OUR FREEZE, OR CEASEFIRE, PROPOSAL WITH OFFICIALS OF THE US AND THE EC. I BELIEVE BOTH AGREE IN PRINCIPLE WITH THE NOTION. THEY ARE EACH TOTALLY AWARE OF THE FUTILITY OF THEIR TRADE WAR AND OF ITS CONSEQUENCES FOR THEIR TREASURIES.

WITH A FREEZE IN PLACE, THE GAP COULD BE CLOSED BY A COMBINATION OF MEASURES AIMED AT SIMULTANEOUSLY REDUCING INTERNAL ADMINISTERED PRICES AND FACILITATING AN INCREASE IN INTERNATIONAL PRICES BY REDUCING SUPPLIES.

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13.

A RELATED MEASURE MUST BE THE ORDERLY DISPOSAL OF THE EXISTING HUGE STOCKS SO THEY CAN BE PROGRESSIVELY RELEASED ACCORDING TO AN INTERNATIONALLY AGREED APPROACH WHILE CAUSING MINIMUM DISRUPTION TO THE MARKET.

I RECOGNISE THAT ALL THIS WILL NOT BE ACHIEVED WITHOUT TRANSITION DIFFICULTIES. WHERE NECESSARY, FARM INCOMES WILL HAVE TO BE SUPPORTED BY A RANGE OF SUPPLEMENTARY ADJUSTMENT MEASURES.

BUT THIS SHOULD NOT BE PURSUED BY COUNTERPRODUCTIVE MEASURES WHICH LINK THE LEVEL OF SUPPORT TO THE AMOUNT PRODUCED.

AN OPPORTUNITY TO FURTHER THESE OBJECTIVES IS PROVIDED BY A SERIES OF IMPORTANT MEETINGS TO BE HELD OVER THE FIRST SIX MONTHS OF THIS YEAR, INCLUDING THE WHEAT EXPORTERS MEETING NEXT MONTH, THE GATT TRADE MINISTERS MEETING IN MARCH, THE OECD MINISTERIAL COUNCIL MEETING IN MAY AND THE UN WORLD FOOD COUNCIL AND ECONOMIC SUMMIT IN JUNE.

LADIES AND GENTLEMEN:

THE OPPORTUNITY FOR SUBSTANTIAL REFORM IN AGRICULTURAL TRADE IS AT HAND.

IF THE MAJOR PLAYERS SUCCEED IN REACHING A CONSENSUS I BELIEVE OTHER COUNTRIES WILL FOLLOW SUIT.

AND IF WE SUCCEED NOW, SUCCESS AT GATT WILL SURELY FOLLOW.

BUT IF WE FAIL, WE RUN THE RISK OF TOTAL COLLAPSE OF THE INTERNATIONAL TRADING SYSTEM.

INDEED, WE RUN THE RISK OF EVEN MORE SUBSTANTIAL DAMAGE THAN THAT.

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14.

THE REALITY, AS I HAVE ADUMBRATED EARLIER, IS THAT THE PROBLEM OF PROTECTIONISM GOES TO THE HEART NOT JUST OF OUR ECONOMIC WELL-BEING BUT OF OUR FUNDAMENTAL POLITICAL RELATIONSHIPS. IT CONTAINS THE SEEDS OF TURMOIL. AS LEADERS WE MUST PREVENT THE GERMINATION OF THESE DEADLY SEEDS.

THIS IS UNDERLINED FORCEFULLY IF WE AGAIN CONSIDER THE PROBLEM IN THE LONGER HISTORICAL SWEEP. IN THE FIRST POST-WAR DECADES, THE PRINCIPAL ECONOMIC DEBATE CENTRED ON THE IDEOLOGICAL CONTEST BETWEEN EAST AND WEST. IN THE 1970'S, WE FOCUSED OUR ATTENTION AS WELL ON THE NORTH-SOUTH PROBLEMS.

NEITHER OF THESE BIG ISSUES IS RESOLVED. YET IN THE 1980'S THE DEVELOPED DEMOCRATIC NATIONS OF THE WEST AND THE NORTH NOW FIND OURSELVES PREOCCUPIED WITH A DEBILITATING DISPUTE AMONG OURSELVES - IN PARTICULAR, AMONG THOSE NATIONS WHICH THROUGHOUT THE POST-WAR ERA HAVE PROVIDED THE BEDROCK OF OUR POLITICAL CO-OPERATION AND ECONOMIC LEADERSHIP.

I AM NOT PREDICTING THAT THE TRADE TENSIONS WILL LEAD TO THE COLLAPSE OVERNIGHT OF CORDIAL POLITICAL RELATIONSHIPS IN THE WEST. OUR DEEP HISTORICAL, DEMOCRATIC AND STRATEGIC LINKS ARE ALL FAIRLY DURABLE COMMODITIES AND ARE CAPABLE OF ENDURING A HIGH DEGREE OF DISAGREEMENT ON ECONOMIC ISSUES.

BUT WE MUST BE ALIVE TO THE PLAUSIBLE THESIS THAT COMMERCIAL TENSIONS, IF ALLOWED TO FESTER, WILL OVER TIME ERODE WESTERN POLITICAL AND SECURITY RELATIONSHIPS TO THE POINT WHERE THEY EVENTUALLY LOSE THEIR DAY-TO-DAY VITALITY. WE COULD BE LEFT WITH FORM, BUT LITTLE SUBSTANCE.

THAT THE PROCESS MIGHT BE GRADUAL AND SUBTLE, RATHER THAN SUDDEN AND DRAMATIC, WOULD MAKE IT NO LESS PERNICIOUS AND ITS ULTIMATE CONSEQUENCES NO LESS DAMAGING.

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15.

MY COUNTRY IS PART OF THE WESTERN ALLIANCE AS A MATTER NOT ONLY OF TREATY OBLIGATION BUT OF HARD STRATEGIC ASSESSMENT THAT WESTERN STRENGTH AND UNITY OF PURPOSE ARE ESSENTIAL. AND YET IN AUSTRALIA WE HAVE HAD A TASTE OF THE WAY IN WHICH PROTECTIONISM BY OUR FRIENDS CAN PROVOKE PUBLIC ANGER AND LEAD TO THE QUESTIONING OF ALLIANCE CONNECTIONS HITHERTO CONSIDERED ALMOST SACROSANCT.

INDEED, OUR CAPACITY TO PLAY A ROLE IN ADVANCING THE INTERESTS OF THE WEST CAN ONLY BE LESSENERD IF OUR ECONOMY IS WEAKENED BY THE SHORT-SIGHTED PURSUIT OF PROTECTIONISM BY OUR WESTERN ALLIES.

IF THE REACTION OF AUSTRALIANS TO AMERICAN OR EUROPEAN AGRICULTURAL EXPORT POLICIES IS ANYTHING TO GO BY, THE FRUSTRATION AND RESENTMENT BUILDING UP AMONG AMERICANS, EUROPEANS AND JAPANESE ABOUT THE TRADING PRACTICES OF EACH TOWARDS THE OTHER MUST BE TRULY CORROSIVE OF LONG TERM WESTERN COHESION.

LADIES AND GENTLEMEN:

I OPENED MY REMARKS THIS EVENING BY ACKNOWLEDGING THE HIGH CALIBRE OF THIS DAVOS GATHERING. YOU HAVE AN EQUALLY SUBSTANTIAL OBLIGATION TO DISCHARGE.

IT IS MY HOPE THAT IN THE DAYS AHEAD YOU WILL CONSIDER THE PROPOSALS I HAVE OUTLINED IN THE INTERESTS OF A FAIR AND OPEN INTERNATIONAL ECONOMIC ENVIRONMENT IN WHICH TRADE CAN FLOURISH AND IN WHICH THE QUALITY OF RELATIONS BETWEEN COUNTRIES CAN BE ENHANCED.

IF LEADERSHIP IN THE TREND OF IDEAS AND OF POLICIES CANNOT COME FROM PEOPLE SUCH AS YOU, THEN I DO NOT KNOW TO WHOM ELSE WE CAN LOOK FOR THE VITAL COLLECTIVE ENTERPRISE WHICH LIES AHEAD OF US.

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