



PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
ANNUAL DINNER OF THE
AUSTRALIAN MINING INDUSTRY COUNCIL
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Tomorrow you will be conducting your annual seminar under the title 'Minerals - Sustaining the Future'.

It can be predicted with confidence that Australia's future will remain reliant for many years to come on the export earnings of our two largest and oldest industries - agriculture and mining.

After all, in 1987-88, processed and unprocessed minerals contributed some \$16.6 billion to our export earnings - more than 40 per cent of the total of merchandise exports. That represents a massive contribution to Australia's wellbeing.

But if the mining industry is to continue this contribution, many challenges must be overcome in an increasingly complex international environment.

As one of the world's leading commodity exporters, Australia is all too familiar with the risks of excessive reliance on volatile commodity markets. We suffered an enormous loss of national income - some \$11 billion - because of the collapse of world commodity prices in 1985/86.

It is to reduce that vulnerability that the Federal Government has made such efforts to restructure our economy, to diversify our exports and to increase our competitiveness. These efforts must continue throughout the 1990s and beyond.

However we need also to address a more immediate threat to our prosperity - one which dramatically magnifies the perils of our reliance on commodities. I refer to the distortion of the international marketplace created by the scourge of protectionism.

Protectionism, wherever it occurs, acts to depress world prices. It stifles demand and imposes substantial costs on industries and consumers within the protecting countries.

Most of the attention about the crippling effects of protectionism, and much of the pressure for remedial action that Australia is exerting, has focused on agriculture.

Fair trading producers such as Australia successfully pushed for agriculture to be placed on the agenda of the Uruguay Round of GATT negotiations when it was launched in 1986. Through the Cairns Group, Australia has made reform of agricultural trade a major priority of foreign and trade policy, and we recently achieved a very important breakthrough in Geneva which opens the way for reform.

But that is not to say that other Australian export industries have not also suffered from the reluctance of our trading partners to break down the barriers to free multilateral trade.

In fact, in the crucial coal industry, subsidies and other support measures in some major economies are seriously damaging the health of world trade.

For Australia - an efficient coal producer and, with the United States, the largest coal exporter in the world - these subsidies translate into a loss of billions of dollars in lost export opportunities.

Reducing the massively subsidised coal production in the European Community and Japan would inevitably open up greater opportunities for world trade.

In 1987, hard coal production subsidised by the European Community and Japan totalled 232 million tonnes - equivalent to about 70 per cent of world trade in hard coal. Subsidised steaming coal production was around 175 million tonnes - about the same volume as the total of world trade in this product.

And coal subsidies are on the increase.

In the Federal Republic of Germany, for example, annual total subsidies paid to the coal industry rose by 70 per cent in the four years to 1988.

These German subsidies have actually grown faster than the income that either Australia or the US earns from coal exports.

The Japanese are winding back on uncompetitive coal production, albeit more slowly than we had hoped. Nonetheless, coal subsidies in Japan have about doubled over the last four years.

The United Kingdom is also a substantial subsidiser of its coal industry. Like Germany, Britain is a very large coal producer with relatively minor imports. The result is inevitable: coal prices soar for European homes and industries.

British coal prices are some 180% higher than the prices of imported coals; in Germany the price is some 250% higher.

At the same time, European taxpayers are paying a heavy burden to keep the subsidies going.

In the European Community, the coal sector received subsidies totalling some \$US12 billion in 1986 - equivalent to about \$US25,000 per employee.

In other words, restructuring the coal industries in both countries would not only have a dramatic effect on improving the market access for efficient producers like Australia. It would also lead to lower prices for European consumers and would reduce the heavy subsidies burden on European taxpayers.

So we learn here the same lesson about protectionism that we learn in agriculture. It hampers the efficient producer and it weighs down the domestic consumer and taxpayer.

My colleague the Minister for Trade Negotiations, Michael Duffy, has recently launched a new Australian campaign to have coal subsidies addressed effectively in the Uruguay Round of multilateral trade negotiations.

As we have found with agriculture, progress is certain to be slow. But we must make the effort because the international trading system cannot tolerate indefinitely the distortions and unnecessary costs of Europe's self-defeating coal policies.

We must work for the dismantling of coal protectionism, both bilaterally and in international forums such as the GATT.

Coal protection featured prominently in discussions yesterday at the inaugural Australia/FRG Economic Consultations, building on my talks in Canberra with Chancellor Kohl last year.

The issue was also discussed in the Australia/UK Economic Consultations in March, and I can assure you I will be pursuing it further in my visit to both Britain and Germany next month.

The Government has played a leading role in the Natural Resource Base Products Negotiating Group, which in the GATT talks covers all mining and energy products. We will continue to work closely with industry, through, for example, the AMIC Trade Committee and the Government's Trade Advisory Board, in developing our negotiating priorities and strategy in the Uruguay Round.

The Government is also promoting trade and co-operation opportunities for the minerals industry through involvement in a range of specialist bilateral consultative forums with major markets and some fellow producers. The list already includes Korea, China, Thailand and Canada, and arrangements are in train for a new forum with Indonesia.

Ladies and gentlemen,

What we have done to increase the opportunities for the mining industry at the international level is being complemented here in Australia.

You will be aware that the Government is engaged in a major program of micro-economic reform to improve the efficiency and effectiveness of our economy.

We have already cut tariffs, floated the dollar, ended the two airline agreement, deregulated crude oil marketing, exposed telecommunications to greater competition and deregulated grain transport and marketing.

Starting next week, a series of ministerial statements will underline the Government's determination to press ahead with this program. Together with the April Statement, with its emphasis on award restructuring as a vital element of wages and industry policy, those statements will lead to real productivity improvements throughout the economy.

Perhaps of greatest interest to this audience is our commitment to effective reform on the waterfront and in coastal shipping.

This is an essential area of reform - shirked by Governments for decades past - where the competitiveness of our agricultural, manufacturing and mining industries can be dramatically improved.

The interdependence of mining and coastal shipping is particularly strong. In 1985/86 minerals accounted for over 60 per cent of total cargo carried on coastal shipping.

So the potential benefits of reform are very large and action is essential.

As you know, the report of the Inter-State Commission, released in April, proposes fundamental changes to the way the waterfront is organised. My colleague Ralph Willis, the Minister for Transport and Communications, is currently seeking the views of key participants and the Commission's recommendations will then be considered by Cabinet.

I am aware that AMIC has welcomed the Commission's recommendations and I look forward to your co-operation in implementing reform.

The Government has also received the Report of the Shipping Reform Task Force, whose recommendations we will be considering over the next few weeks. I confidently expect we will be able to announce a program of reforms which will provide for substantially more efficient and competitive coastal shipping services.

Ladies and gentlemen,

These initiatives show our determination to help the mining industry 'sustain the future' of Australia.

I want to focus now on an issue which is profoundly relevant to that goal of sustaining the future in a global sense.

You have quoted in your program notes some words taken from the recent Report of the World Commission on Environment and Development - the commission which was so ably chaired by the Prime Minister of Norway, Mrs Gro Harlem Brundtland.

These quoted words concentrate on the Commission's recognition of the need to revitalise global economic growth.

So far so good. But you don't quote the words that immediately follow which provides the all-important "but":

"But many people fear that a more rapidly growing world economy will apply environmental pressures that are no more sustainable than the pressures presented by growing poverty."

Balancing those twin imperatives, the Commission reached its "overall assessment" that "the international economy must speed up world growth while respecting the environmental constraints".

That balanced assessment provides the basis for the Brundtland Report's vision of a sustainable world economy.

We must not succumb to the temptation to put the environment in one category and development in another, or to imagine that policy dealing with one does not deal with the other.

If I can quote once more from the Report, this time from its Foreword, "the environment is where we all live, and development is what we all do in attempting to improve our lot within that abode. The two are inseparable."

This Federal Government has certainly proven its credentials as a Government that recognises the inseparability of these two values.

We are now creating a means whereby the Australian community can reach that balance in determining complex issues of resource use.

Legislation to establish the Resource Assessment Commission was introduced into the House of Representatives this afternoon by my colleague, the Minister for Primary Industries and Energy, John Kerin.

The RAC will provide a new and important vehicle for inquiring into, and reporting to the Government on, the environmental, cultural, social, industry, economic and other aspects of Australian resources and their uses.

It will be guided by the three policy principles I announced last November covering the Government's management of competing claims for resource use.

In summary, these principles are that there should be an integrated approach to conservation and development; that we should maximise the net benefits to the community from the nation's resources; and that we recognise that in some cases the interests of both conservation and development can be accommodated while at other times choices will need to be made.

RAC inquiries will not be substitutes for Environment Impact Statements, which will continue to apply to project proposals.

The Commission's task will be broader: to consider complex and contentious resource use issues covering whole industries or regions and to assess the costs and benefits of alternative or multiple uses of resources.

The RAC's first reference will be on forestry and timber resources.

As John Kerin announced, the first chairman of the RAC will be the Hon. Mr Justice Stewart, currently Chairman of the National Crime Authority. Mr Justice Stewart has had a distinguished career and his analytical skills, experience in the conduct of inquiries and knowledge of government will serve him, and the community, well in this important new appointment.

As well as advising the Government, the RAC will also provide a means for significant public involvement. In this way the Commission's inquiries will make a major contribution both to informed public debate and to rational decision making.

The mining industry has pressed for a clear and predictable process such as this for a considerable time. I believe it offers all interested parties a very good opportunity to bring their views on these crucial issues to the Government's attention.

Complementing the new Commission, the Federal Government has also sought the States' views on how to improve the consultative processes between the two levels of government in both conservation and development portfolios.

We have also invited industry, union and conservation representatives to participate in a consultative group to provide another avenue for inputs to the Government.

I hope that through this new consultative group - which I expect will hold its first meeting early in the new financial year - it will be possible to start addressing issues in a way which will give the general public a clearer understanding of what concerns are unfounded, what are problems of substance, and what measures may be necessary to address them.

I am heartened at the way the Australian Conservation Foundation and the National Farmers Federation have joined forces to address Australia's soil degradation problems. I hope the AMIC and the ACF will find the means to co-operate in tackling mining issues.

Ladies and gentlemen,

The global view taken by the Brundtland Report attests to an important change in the public's concern about the environment.

Much of the concern has traditionally, and very properly, focussed on specific questions: efforts to save the Franklin river, to protect architectural elements of the national estate, to safeguard the future of particular forests or alpine regions with national parks.

But increasingly we are seeing the emergence of genuinely global environmental problems: the prospects for climatic change caused by the Greenhouse Effect and the depletion of the ozone layer, the possibility of the disappearance of whole species of animals, birds and plants, the massive consequences of industrial accidents such as Chernobyl or the grounding of the Exxon Valdez in Alaska.

By marking this transition to an increasing adoption of a global perspective, the Brundtland Report represents a significant milestone. I have recently invited Mrs Brundtland to visit Australia because I believe we would all benefit from hearing her views at first hand.

For Australia's part, we are taking a very active part in responding to global environmental issues, especially the Greenhouse Effect and the depletion of the ozone layer.

We have signed the Montreal Protocol which requires countries to reduce levels of ozone-depleting gases, backing this up at home with the Ozone Protection Act, one of the world's most stringent pieces of legislation controlling and reducing the manufacture and use of chlorofluorocarbons and halons.

Australia needs to be prepared to participate fully and constructively in what will obviously be an increasing number of international negotiations and conferences.

In March this year I was represented at an intergovernmental Conference in the Hague by my Foreign Minister, Gareth Evans, who played a significant part in negotiating the Conference resolution.

Federal Cabinet recently formulated a series of principles to guide Australia's participation in such forums.

I point out to this audience that in formulating these guidelines for environmental activities, we have placed proper weight on our economic and trade interests, including our coal exports.

We decided that in pursuing its international environment objectives, Australia should support the concept of sustainable development as a basis for promoting economic activity in an environmentally sensitive manner and for protecting and enhancing the interests of current and future generations.

This would involve a commitment to continued, positive, national and international economic growth in order to satisfy fully the legitimate socio-economic aspirations of all communities.

It would also involve the need for close integration of environment and development policies, including taking full account of environmental and developmental costs and benefits in assessing all aspects of economic activity.

We must recognise the need to promote and preserve our national comparative advantages in addressing outstanding environmental issues, and to ensure that the burden of adjustment is carried equitably by the international community.

An international environmental issue of direct relevance to the Australian mining industry is the question of mineral exploration and development in Antarctica.

Mining in Antarctica is most unlikely to benefit the Australian mining industry, owing to its adverse effects on world mineral prices and correspondingly, on the profitability of Australian mineral developments both in Australia and overseas. Certainly, subsidised mining cannot be in the interests of the Australian mining industry, as AMIC itself has recognised.

My Government has fought subsidies wherever they have arisen. The prospect of subsidised mining in the Antarctic represents a direct threat to the unique and fragile Antarctic environment.

We have all witnessed from the Alaskan oil spill the appalling damage that can be done to that sort of environment from unregulated activity. Considered judgements have to be made about the course of action that Australia can take which is most likely to result in the preservation of the Antarctic environment.

The Government will be considering the issue in the relatively near future. Our objective is clear - we simply must not imperil the unique Antarctic environment and we will be pursuing with other relevant nations the best course for ensuring that the Antarctic environment remains protected.

In particular it is a matter I will be taking up with French Prime Minister Rocard and with other leaders when I am in Europe next month.

Ladies and gentlemen,

I have discussed environmental issues at length tonight in a forum that might not, at face value, have been the most receptive to such a discussion.

However I did so because I want to make clear the Government's determination to achieve a truly balanced approach to this issue which is of such importance to us all.

I did so as well because I know that - as tomorrow's seminar attests - your industry is increasingly becoming involved, in a constructive way, with the resolution of environmental issues.

I am also conscious of the very considerable contribution the mining industry itself has made to proper environmental management, through its work on mine site development and rehabilitation, and through its involvement in environment impact assessments of all major projects.

In a broader sense too, the mining industry has played and will continue to play a most important role in dealing with the environmental impacts of use of our mineral resources. The mining and petroleum industries have a good track record of innovation in developing technologies that save energy, control emissions and enhance the safety of workers.

The challenge of the future will come from environmental as well as economic imperatives.

The industries that survive and prosper in the next decade and beyond will be those that satisfactorily address both imperatives.
