



PRIME MINISTER

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**ADDRESS BY THE PRIME MINISTER OF AUSTRALIA
THE HON R J L HAWKE AC MP
TRADE AND INVESTMENT CONFERENCE
LONDON - 22 JUNE 1989**

Mr Chairman
Ministerial Colleagues
Distinguished Guests

I welcome you all most warmly to this significant, unprecedented and timely conference. The concept which this conference embodies originated in the discussions I had with the British Prime Minister during her visit to Australia last August for our Bicentenary. Mrs Thatcher and I agreed - and we do agree on many things - that, strong as the traditional association between Britain and Australia remains, there was a need to inject it with a new vitality and a new sense of purpose; in Mrs Thatcher's own words "to modernize the relationship". And specifically, we agreed to set in train a process to identify and develop potential new areas for trade and investment, to the mutual benefit of both our countries. This conference is the first step towards that very important objective.

In this process, the first need is to provide an opportunity for British and Australian business leaders to get together and explore mutually beneficial ways of advancing our investment and trading links. This is what this occasion is really all about.

I have taken a deep personal interest in the preparation for this conference, and without presuming to speak for Mrs Thatcher, I can say that we are both gratified and encouraged by the enthusiastic response by so many distinguished business leaders from both countries.

The importance the Australian Government attaches to it is attested by the presence of my colleagues, the Minister for Industry, Technology and Commerce (Senator John Button) who is your Co-Chairman and the Minister for Foreign Affairs and Trade (Senator Gareth Evans). I should mention that the Minister for Defence (Mr Kim Beazley) is also with us in London. The four of us comprise the most senior Ministerial representation assembled in London together for working purposes, certainly since the war, and probably since Federation.

Mr Chairman

I put forward four interlocking propositions which, I believe, underpin the purpose of this conference.

First, the traditional association between Britain and Australia, based on a shared heritage of history, culture and institutions, will in future increasingly draw its strength, vitality and relevance from our economic links.

Second, while Australia seeks to enmesh its economy with the rapidly growing economies of our region, and while Britain merges its economy with Europe, these historic developments should not become mutually exclusive pre-occupations, but rather, part of a common drive towards a more open and expanding world trade order.

Third, the economies of both our countries are undergoing a period of dynamic change - in Australia's case, a massive restructuring, and a move towards a greater capacity in manufacturing and services.

And finally, I put a fourth proposition: that all of these developments present new, challenging, and mutually beneficial opportunities for the trading, business and investing communities of both our countries.

Mr Chairman

The most remarkable aspect of the British-Australian economic relationship is not the profound changes which have occurred over the past two centuries. What is really remarkable is its enduring substance and strength.

The latest figures on foreign investment show that Britain has overtaken the United States as the major investor in Australia.

That applies both to accumulated investment and current investment in 1987-88.

The total level of British investment at 30 June 1988 was \$44 billion. The investment flow for the year was \$6.7 billion.

Britain was also the principal host country for investment from Australia - \$4.7 billion in 1987-88. Australian investments in Britain totalled \$14.1 billion, second only to our investments in the United States. On the trade front, Britain remains our third largest source of imports and Australia's sixth largest export destination.

Clearly, this is a very substantial association indeed. The interdependence of our two economies remains significant. Our trade and investment flows are complementary. They continue to contribute to improved living standards in both countries. This is a sound and broad basis for the revitalisation of our relationship.

And we must not lose sight of the substantial interdependence which already exists, even as we look increasingly to new opportunities and new fields of endeavour - as Britain focuses on closer integration with Europe, and as Australia seeks to involve itself in the exciting developments in the Asia Pacific region, the fastest growing region in the world.

It remains important that in pursuing these opportunities we should recognise the mutuality of our interests and the interdependence of our economies. And this recognition should be reflected in our decision-making at both government and business levels.

This will not only strengthen our bilateral ties, but provide an example of potential gains from co-operation at a time when the openness of the world trading system is under threat.

A good example of the sort of supportive interdependence I have in mind is the adoption by the Australian coal industry of longwall mining techniques which has provided an export market for British mining equipment.

This has led to greater efficiencies in the Australian industry. Obviously, what we are seeking now are assurances of unimpeded access for that cheaper coal into the UK in the light of pending privatisation of the UK electricity industry.

The domestic policy stance Britain takes on this issue of this kind impinges directly on our bilateral relationship.

But against the backdrop of Europe 1992 it can have much wider implications. The external policies adopted by the European Community at that time depend very much upon the domestic policy preoccupations of member countries.

Australia looks to Britain to lead by example and to help ensure that Europe 1992 becomes not "Fortress Europe", but a mighty bridge to a more integrated and open world economy.

Like Britain, Australia is a committed advocate of a more open world trading system. Australia's interests will be vitally affected by the outcome of the current Uruguay Round of multilateral trade negotiations. Our desire is to see the GATT framework strengthened and trade placed on a fairer and more open basis.

It is clear the Round cannot be brought to a satisfactory conclusion in the absence of a package embracing all subjects under discussion. The view of the Cairns group, including Australia, and of the developing countries among others, is that there can be no successful conclusion without a satisfactory result on agriculture. We all see agriculture as pivotal in securing a successful outcome to the Round.

Some of you may be aware that there are Australians, certainly one very prominent Australian, so enamoured of the European Community that they want Australia to join it and indeed believe that we should have little difficulty in getting in. The concept has been expressed in the rather eye-catching words: "Australia is the last bastion of Europe".

From the vantage point of the Treasury benches in Canberra, this intriguing idea does not appear to fall within the realm of politics as the art of the possible. In the elegant phrase of my colleague John Kerin, the Minister for Primary Industries and Energy, who, with his agricultural responsibilities, knows a little about the EC, it fails the test of propinquity, let alone contiguity.

We are directing our efforts closer to home.

Complementing our multilateral efforts, Australia is taking a leading role in promoting greater economic co-operation in our region.

In recognition of the increasing interdependence of the countries of our region, I recently proposed a formalisation of regional co-operation aimed at better harnessing the potential for regional growth and development through the creation of new consultative and institutional arrangements. Serious discussions are now underway in the region on ways to implement my proposal.

We are hopeful that a vehicle for intergovernmental co-operation in the region will provide a means for encouraging competitive efforts to enhance prospects for trade liberalisation in the context of the MTN Round. It will also provide a forum to increase the dialogue on ways to reduce regional trade barriers consistent with the GATT and, generally, to help identify and build upon common regional interests.

Like Europe 1992, the emergence of the Asia-Pacific region as a major economic grouping will have a profound impact on the future shape and character of the world trading system.

It would be foolish to attempt to predict where that will lead us as a global economy. What does seem obvious, however, is that there will most likely be an intensification of competition in both Europe and the Asia-Pacific region.

Australian industry is well placed to meet this challenge in our region and a number of leading Australian corporations have already taken up strategic positions in Europe in the lead up to 1992, including forming alliances with British counterparts.

For example, a recent survey undertaken by our High Commission of Australian firms established in the UK revealed that most are well prepared for 1992, are intending to increase investment in both Britain and Europe and are actively seeking British partners interested in joint ventures.

I congratulate this initiative and believe that there are considerable benefits offered by such collaboration both here and in Australia.

Much of the recent investment by Asia-Pacific countries in the UK and mainland Europe has been reported as strategic or defensive and aimed at securing a foothold in Europe before 1992.

Similarly, investment by Australian firms in the UK over the last couple of years is seen as providing a base to penetrate the European market.

There is a degree of truth in these assessments. But they can be simplistic and even misleading.

They contain a danger of a distorted view of our existing bilateral association.

An important determinant of Australian investment flows into Britain has been the relative openness of your economy.

I am aware, however, that recent decisions to refer proposed acquisitions to your Mergers and Monopolies Commission have created some unease in Australian business circles, concern which my Government has also felt on occasion.

Short term social and cultural apprehensions in all countries which encourage foreign investment are expressed from time to time. However, unnecessary uncertainties or delays must not be allowed to hamper legitimate business decisions which ultimately underpin the living standards of all countries.

We urge the British Government to ensure that decisions relating to proposed mergers and acquisitions are based on their economic merits and the processes involved and factors considered made clear and open.

No doubt this conference will provide a forum for Australian companies to air their misgivings and to become better informed about investment policy in the UK. If there are misunderstandings we have an opportunity to clear them up. If there are effective non-economic constraints on investment in the UK we urge you to make clear the grounds on which such decisions will be made.

In Australia's case, the liberalisation of foreign investment policy is a significant element in the massive task of re-structuring the Australian economy we have undertaken.

We have moved on a broad front to open up the Australian economy and to make our industries more outward looking and internationally competitive.

We have deregulated the financial sector. We have reduced tariffs substantially. We have overhauled the taxation system to ensure that decisions are based on expected economic returns, rather than on tax breaks. We are tuning our education and training networks to meet the emerging needs of industry.

We are reforming the operating of Government business enterprises to improve their efficiency and accountability by requiring enterprises to operate on a more commercially competitive basis.

These reforms have applied to Australia's Telecom and Overseas Telecommunications Corporation and our domestic aviation and international air freight sectors.

We have reduced public sector spending to its lowest proportion of the Gross Domestic Product since 1972.

Our commitment to microeconomic reform is on-going and in the recent months we have moved to reform the transport sector including coastal shipping and the waterfront.

There have also been dramatic changes in Australia in wages policy and industrial relations.

Due largely to the unique Prices and Incomes Accord established between the Government and the trade union movement, there has been unprecedented wage restraint over a six-year period. Industrial relations have improved markedly - with industrial disputes reduced by 60 per cent.

Unit labour costs have fallen by 10 per cent.

We have recently forged a wage/tax trade-off package which will help restrain wage costs and which links wage increases to a fundamental restructuring of industrial awards. This is a good package for individuals and families. But it happens to be a very good package for business.

Award restructuring provides a unique opportunity to tackle the barriers against improving efficiency and productivity in the workplace; enhancing skills formation and flexibility; and laying the foundation for greater competitiveness and growth in productivity.

The combined effect of these domestic reforms has been to improve the competitiveness of Australian industry, while at the same time maintaining pressure towards efficiency by increasing the trade exposure of the Australian economy.

Mr Chairman

These are fundamental strengths underpinning the Australian economy. They are, of course, the very basis of our capacity to surmount the current problems of economic management we are addressing - the problems associated with strong employment growth, strong investment growth and strong demand.

The policies appropriate for the solution of those problems are firmly in place.

The over-riding fact - for business, for investors - is that the essential basis for sustained and sustainable growth in the Australian economy has never been broader or stronger.

Mr Chairman

I have indicated some of the areas for discussion at this conference. But, just as important will be the informal exchange of ideas and contacts that will no doubt be made outside of the conference. The task before us does not, of course, end with this conference. It is only the beginning.

I said in my opening remarks that Mrs Thatcher and I envisaged that this would be the start of a process. Towards the close of today's proceedings, Senator Button and I will be putting forward proposals to provide a follow-up for the work we have begun today together.

While Mrs Thatcher and I have been concerned to bring you together, and to do all we can to build on the British-Australian friendship, both our governments have a basic commitment to letting business make the running on trade and investment decisions. Our main purpose today is to point to the new opportunities before us.

But with opportunity goes responsibility; and I hope that you will take from today's deliberations a better understanding of our respective economies and where we are heading; and, a renewed commitment to build profitably - in all senses of the word - on the foundation we have mutually established over two hundred years of association in the field of trade and investment.
