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PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
24TH ANNUAL CONFERENCE OF THE
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Eleven years have elapsed since the International Iron and Steel Institute last met in Sydney.

On that occasion this distinguished Conference was addressed by my predecessor, Prime Minister Malcolm Fraser.

It is my hope - indeed, it is my very firm belief - that this audience will have noted the huge changes that have been wrought in Australia over the intervening years - economic, social and attitudinal.

These changes have created in Australia a more competitive and more productive economy, and a more outward-looking and more cooperative society.

It has been nothing short of a dramatic process of national revitalisation.

Nowhere is this more clear than in the way the Australian steel industry has been turned around from a basket case in 1983 to a profitable, internationally competitive and increasingly productive economic player.

One of the important contributions Australia can make to the future of the world steel industry is the lesson that we learned, as a medium-sized producer of steel in a small domestic market, here during the 1980s.

In particular, the lesson of consensus - the diligent search for ways of harnessing the interests of Government, trade unions and employers to advance the common good - is, I believe, an instructive Australian lesson that deserves more widespread international recognition.

On many occasions, I have praised the commitment shown by BHP and the steel unions to making a success of the Steel Plan that the Government created in 1983. It is a pleasure to do so once again, in talking to this international audience that truly knows what it takes to succeed in this competitive industry.

I want to speak to you more generally this evening about the turnaround in the Australian economy since the early 1980s, of which the steel industry provides but one example, albeit an eloquent one.

As my friend and colleague, the Deputy Prime Minister Paul Keating told you yesterday, this Government has changed Australia in ways that were inconceivable before we came to office in 1983.

We have floated the dollar, abolished exchange controls, deregulated the finance industry and removed most restrictions on foreign investment. We have dramatically - by one third - slashed tariffs on what was once a heavily protected manufacturing sector. And we have transformed a prospective \$9 billion deficit in our budget to a healthy surplus.

Would that they could do that in the United States - and not by raising taxes but by doing it the hard way, as we have done, by reducing outlays. At the same time as we achieve our fourth successive budget surplus, we are also seeing revenue as a proportion of GDP declining for the fourth successive year, to only 25.5 per cent in 1990-91.

We are tackling in decisive ways the inherited inefficiencies of our micro-economy, with reforms of telecommunications, civil aviation, land transport and waterfront, and with a new initiative, in co-operation with the State Premiers, to make our ninety-year old Federal structure of Government more up to date and efficient.

We are improving our education system and expanding the resources we devote to research and development. We want, as I have said repeatedly to Australian audiences, to be the clever country, not merely the lucky country.

The exercise of wage restraint by unions has cut real unit labour costs by more than 10 per cent since 1982-83.

It has brought about the creation of 1.6 million new jobs - a rate of employment growth nearly double the OECD average.

At the same time, the resulting lift in the profit share, along with a more efficient taxation system - including a cut in company tax and the elimination of double taxation of dividends - has created an investment boom virtually without parallel in modern Australian history.

Again, it is a uniquely Australian achievement - different sides working together through consensus and, where necessary, shared sacrifice, to improve the national good.

Only the Prices and Incomes Accord between the trade union movement and the Government could have achieved the necessary wage restraint that triggered this process.

By the same token, only under the Accord could improvements in the social wage - for example, our reintroduction of universal system of health insurance, Medicare - have been delivered to help compensate for that wage restraint.

Perhaps most fundamental of all the changes we have wrought in Australia has been the change of Australian attitudes.

For much of the post-war era, Australian manufacturers basically shirked the challenge of international competition. Governments acquiesced in this saga of lost opportunities by erecting high tariff walls behind which the manufacturing sector could shelter, servicing the small domestic market but ignoring the wider regional and world markets.

The problem was not that Australians could not mount effective international competition; we did it every day with our high quality commodity exports.

Our agricultural sector was and remains one of the world's most efficient - a point to which I shall return.

The problem was that we chose the easier option of reaping the profits of our God-given resources rather than complementing that with the harder work of creating new export industries with our hands and our minds.

That basic indisposition was reinforced by a failure to harness what was potentially a world-class intellectual base to the task of applied research.

At the same time, our fragmented, craft-based, increasingly antiquated industrial relations structure was hampering progress. I can tell you, as a former trade union leader, that the "us-versus-them" philosophy was deeply entrenched throughout the Australian economy.

Short term perspectives, measured by the relative gains and losses of employers and employees in wage bargaining, heavily outweighed long-term perspectives of what was actually good for the nation.

In the same way, the confrontationist nature of our industrial relations structures all too often allowed disputes to turn into strikes - especially when, as often happened, short-sighted Governments poured fuel on the fire.

To take all these factors together, Australian attitudes throughout the long post war decades, and especially for much of the 1970s, could be summed up as the complacent belief that the world owed us a living and would keep on buying our commodities to support our high standards of living.

The truth was very different.

The world doesn't owe us a living.

And increasingly, since we came to office in 1983 - and in particular since the nation's terms of trade collapsed in the mid-1980s under the weight of our over-reliance on commodities - that truth is being appreciated, understood and acted upon throughout the Australian community.

The magnitude of the challenge facing Australia is at last being recognised.

That is what has underpinned all the other reforms that I have outlined, and what has, indeed, made them possible.

For it would not have been possible to impose this kind of change from above; it has taken the maturity of the community, its willingness to abandon old habits, its preparedness to work harder and work smarter, that has made these reforms possible.

Let me give one detailed example of this.

It used to be the case that our trading partners, with some justification, expressed concern over the effect of Australia's industrial relations on our reliability as an exporter.

But such concerns are now simply out of date.

Under the Accord process, industrial disputes have been cut by nearly 60 per cent; our strike record now compares very favourably with that of other OECD nations.

At the same time, we are undertaking a fundamental restructuring of unions and of industrial awards.

The truth is that these days the trade union movement is a positive factor, not a negative one, in encouraging economic growth and competitiveness in Australia.

When that truth is better appreciated by our trading partners we will see further real gains in our economic relationships.

My friends

In recent days, we have seen Germany united and the British agree to enter the European Monetary System - on the one hand, an exemplar of the complex task of integrating Eastern and Western Europe and on the other, a significant step forward in the continuing process of European economic union.

These developments will present considerable opportunities to Australian investors and enterprises. And if Europe plays the leadership role which it should - if it avoids the temptation of becoming self-satisfied, complacent, and narrow-minded in its pursuit of short-term economic gain - if it harnesses its growing power to a constructive and united international role - then the immense changes taking place in Europe can be greatly to the benefit of the world at large.

But it is on our own Asia-Pacific region, the most economically dynamic in the world, that I wish to address the rest of my remarks this evening.

As a nation, Australia has been aware for many years of the critical economic importance to us of the Asia-Pacific region.

Anyone involved in the Japanese steel industry would appreciate its reliance, over several decades, on imports of Australian coal.

But it is only in recent years - indeed, I make the claim, it is only under this Government - that Australia has effectively projected itself as, and has started to be seen as, a truly active, respected and positive partner in the region.

Indeed, as I said this afternoon in the Federal Parliament, Australia today stands at a high point of its constructive influence in the region.

Our contribution to the creation of the framework, recently embraced by the UN Security Council, for advancing the restoration of peace in Cambodia, and our seminal role in the establishment of APEC, the new forum for Asia-Pacific Economic Cooperation - all attest to that.

APEC is a tangible expression both of the dynamism of the Asia-Pacific region, and of the region's commitment to see what more can be done to enhance that dynamism and prosperity.

Eight of Australia's top 10 export markets in 1989-90 are in the Asia-Pacific region.

APEC members plus the so-called 'three Chinas' - the PRC, Taiwan and Hong Kong - take 68 per cent of Australia's exports and provide 66 per cent of our imports.

So Australia today is as good an example of regional interdependence as any economy in the region.

The basis of our trade has always been commodities, and we will remain an efficient and prolific commodities exporter.

But it is the point of everything that I have said this evening that Australia now looks to a greater diversification of our trade with the region.

There is much scope for further manufactured exports, including from the steel industry, and continued expansion of regional exports by Australia's service industries - such as tourism, education, the law.

In short, we look to the comprehensive enmeshment of our economy with that of the region.

It is important that this process not be seen solely as an economic one.

One of the features of policy making under this Government has been our capacity to integrate domestic economic initiatives with international diplomacy.

For instance, we have ensured that Australia speaks with a loud and clear voice on the great question of trade liberalisation - a question of profound importance for the Asia-Pacific region and for the world.

And we speak with a credible voice.

Having undertaken significant tariff reform within our own economy - having demonstrated our own political commitment to a cause that is of fundamental importance to us all - we have been able to play a prominent role in the Uruguay Round of Multilateral Trade Negotiations.

We established the Cairns Group of nations dedicated to the liberalisation of agricultural trading rules under GATT.

Throughout the vitally important Uruguay Round, Australia and its colleagues in the Cairns Group have been able to exert continuous pressure on those nations - particularly the European Community and Japan - who distort global agricultural markets with their own massive domestic subsidies.

As I said earlier, Australian agricultural producers are among the most efficient in the world, and they are justifiably outraged when those nations that lack our efficiency threaten, by their inefficiency, the very basis of world trade on which we all depend.

My friends,

I am saying none of this merely to pat Australia on the back, or to pretend that we do not still have a long way to go down the path of economic reform.

My message to this influential group is more challenging. It is a message to the international community - and to our trading partners in particular - to recognise the magnitude of the changes that have been wrought in this country over recent years, and to recognise that the process of change within Australia continues. We will not turn back.

Indeed, let me say it bluntly: it is time our trading partners brought their attitudes about Australia into line with the contemporary reality of what is happening in this country.

There is a dramatic turnaround taking place here. We can now say to the world that we are ready and re-equipped in both our institutions and our attitudes to be a fully competitive player and partner in the exciting economic challenges that await us.