



PRIME MINISTER

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EMBARGOED UNTIL DELIVERY

Speech by the Prime Minister
Launch of Alan Oxley's 'The Challenge of Free Trade'
Sydney - 19 November 1990

Alan Oxley has written an extraordinary book.

The GATT - the General Agreement on Tariffs and Trade - is not exactly the world's most easily understood or most transparently lucid of organisations. Not for nothing has it earned the nickname "The General Agreement to Talk and Talk".

As for the Uruguay Round, it has too often, especially in its early years, run the risk of being mistaken for a kind of Latin American dance.

If ever there was a topic that needed a knowledgeable and readable author to explain its fundamental importance to international affairs, then GATT is that topic.

And Alan Oxley is precisely that author. As Australia's Ambassador to GATT from 1985 to 1989, he has spent more than his fair share of hours engaged in the hard, long-drawn-out grind of international trade negotiation.

But instead of writing some dry-as-dust analysis, Alan's book is fast-paced, engaging and even - especially when you get to Appendices Three and Four - funny.

His subtle insight into how the crisis in the current round of trade talks unfolded, his explanation of the profound significance of this crisis, and his plea for a successful outcome, are masterly elements of this book.

"The Challenge of Free Trade" will be rewarding reading for the specialist, for the businessman and woman, and for the general reader alike, and I hope it will reach the wide audience it deserves.

This is also a very timely book, and I know I will be excused if I spend a few minutes outlining Australia's views about the current impasse in international trade.

GATT emerged from the political and economic rubble of World War Two.

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With a certain degree of idealism it sought to establish an international order in which free trade between nations could flourish - unimpeded by the senseless and vicious bouts of protectionism that had so damaged the pre-war global economy.

The fundamental principles of GATT are that open markets are the most efficient, and that measures which impede trade should have the least distorting effect on markets and should be gradually reduced.

GATT has, by and large, been a resounding success. It created a free trade umbrella beneath which the world has enjoyed a dramatic and continued growth in prosperity since the Second World War.

But as the GATT approached its fortieth anniversary, in the mid-1980s, it was well and truly into a mid-life crisis. Resurgent protectionism in a number of the more prosperous countries was threatening to overturn the multilateral system of trade rules - the very system which had helped make them prosperous in the first place.

So in 1986, at a meeting in Uruguay, the GATT members decided to embark on a critical four-year round of negotiations to liberalise world trade and to revitalise the GATT rules.

That Uruguay meeting was an auspicious one. There were more participating countries than ever before, including developing countries; and there was a broader agenda than ever before - including the issues of trade in services and, of special importance to Australia, trade in agriculture.

Because we believed it imperative to realise this first-ever opportunity to establish a firm and sound basis for trade in agriculture, Australia took the initiative to bring together a number of other like-minded agricultural nations in the Cairns Group.

This Group represents 25 per cent of world trade in agriculture, and we have been relentless in applying pressure on those agricultural producers whose protectionist measures are distorting our markets and seeking to negate our efficiency.

Ladies and Gentlemen,

GATT is now approaching the final few days of that four-year negotiating period of the Uruguay Round.

And despite its auspicious start, it is no overstatement now to say that the Uruguay Round is in a state of crisis.

The cause of that crisis is that the European Community, stubbornly and short-sightedly, has refused to negotiate in any genuine way on agriculture.

If the Europeans do not shift their position on agriculture - if they do not show they are prepared to reduce the massive distortions to the world economy caused by their agricultural protectionism - then the Uruguay Round as a whole will fail.

I don't make that statement as a threat. I make it as a statement of plain fact.

Agriculture has become the key to the success or failure of the Round.

The Cairns Group and the United States have made it clear that the Europeans must agree to substantial and progressive cuts in support and protection for agriculture, with specific commitments on each of the three key types of support.

But it was only earlier this month, with merely a few weeks to go before the end of the Round, that the Europeans finally made an offer on agriculture - and it was an offer that fell far short of what we have been seeking. It contains no prospect that the Europeans will significantly cut their subsidies of agricultural exports, nor that they will open their markets to imports.

And since they tabled that offer, it has become plain that the European Governments have given their representatives no significant scope to negotiate.

In other words, with time running out, we are deadlocked.

Let me make quite clear to you what I believe is at stake.

Success in the Uruguay Round will offer the opportunity - to borrow from Alan Oxley's crisp summary -

- to increase global growth;
- to break the developing-country debt cycle;
- to increase global food production;
- to underpin economic and political renewal in Eastern Europe; and
- to apply the dynamism of the information age to expand global trade.

Failure in the Round will not only mean we have missed the opportunity to reap those benefits, it will also see the start of a slide into the economic and political dangers of renewed protectionism.

As I said at the outset, GATT was established explicitly to prevent a recurrence of the economic mismanagement of the 1930s that helped bring about the Second World War.

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The Europeans of today seem to have forgotten what the founders of GATT knew, from their own terrible experience of the 1930s: that protectionism is not just an economic disease but a potential source of political friction and conflict.

That is why the weakening of GATT, brought about by a failure of the Uruguay Round, would not only pose a grave threat to the world's prosperity but would also be a tragically regressive step at the very time when we should be trying to make permanent the truly positive trends that are emerging in the world.

Surely, the lesson of the 1930s is a lesson too costly to repeat.

With that much at stake, you can well understand why it has been my Government's high priority to ensure a successful outcome to the Round.

Even with the prospects of success as dim as they now are, we must not simply lie down and die. We have to fight this out to the end.

That is why I spoke to President Bush last Friday. And it is why I have written today to the leaders of the European Community - Chancellor Kohl, Prime Ministers Rocard, Andreotti, and Thatcher, EC President Delors, and the leaders of the other Community members - urging them all to exercise real political leadership in the interests of the international system.

In these letters I expressed my deep concern over the future of the Round in the light of the totally unsatisfactory nature of the European offer on agriculture.

That offer was too restrictive on access by other nations to the European market, and failed to reduce the export subsidies which are the most trade-distorting of all policies.

They are also the most damaging to efficient agricultural producers - and I said in my letters that the rural economies of Australia and of many of our Cairns Group colleagues are being devastated by export subsidies.

Of course it is relatively easy to spell out the damage protectionism is causing countries such as Australia.

It is more difficult, but equally important, for the European leaders to understand that their own people are being hurt.

I said in my letters that I understood the internal pressures that made it difficult to cut support for agricultural producers.

But underlying this must be the recognition of the fact that more open markets will mean much cheaper food costs for European consumers; while the elimination of subsidies will liberate taxpayers of the massive burden they bear in supporting inefficient farmers.

In other words, the ordinary man and woman in Europe will enjoy the benefits of a more efficient economy in which the resources of the community are directed towards productive investment - not poured into the bottomless pit of farm supports.

And consider the context in which this situation has arisen.

The European Community is poised on the verge of an historic breakthrough - the creation of a single market in 1992 which will, if it is an open market, dramatically improve the living standards of Europeans and generally provide a boost to world economic prosperity.

It is a triumph of mature and far-sighted political leadership; a demonstration that the Europeans can overcome the obstacles that stand in the way of an even more prosperous and more productive life.

At the same time, Western Europe is facing up to the challenges of closer economic integration with Eastern Europe, now being freed from the shackles of central planning.

What a tragedy it would be - what an absurdity it would be! - if at the time of these historic developments - developments which demonstrate the unqualified merits of competitive open markets - the Europeans were to deny those merits, and undermine their bright prospects, by a failure of will in agriculture.

What are we to make of a Europe which in respect of the 1992 Single Market is capable of vision and wisdom, and which in respect of agricultural protection is capable of selfishness and short-sightedness? At the very least, the claims of Europe to a position of respect and influence in the international community will be significantly diminished if it caves in to the pressures of its farm lobby.

My appeal is not for favours to Australia or charity to the Cairns Group. It is an appeal to the European Community's own long-range self-interest. The subsidisation of inefficiency cannot serve that self-interest; nor can the imperiling of a negotiation which in so many other sectors offers Europe great benefits and opportunities.

All this underlies my plea to the European leaders to exert political muscle in the final days leading up to the ministerial meeting in Brussels in early December.

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I know from my conversation with President Bush that he and Secretary of State Baker will be urging the Europeans to adopt a more reasonable stance - and I unreservedly welcome the pressure that the US has exerted and continues to exert in these vital talks.

To be sure, we have no fondness for American export subsidies, and I have never neglected to criticise them publicly or privately. But the difference is that in the Uruguay Round, the United States is willing to cut, and cut substantially, if others will do likewise. The onus therefore lies squarely with the European Community.

I stress that it is still the very earnest wish of the Australian Government to see the Brussels meeting yield a successful outcome.

However, I have made it clear that should it fail, then I would see merit in bringing Heads of Government together in a subsequent meeting - not to settle fine points of detail but to give the process new impetus and firm direction from the top.

We simply must do whatever we can to ensure a successful outcome of the Uruguay Round. We cannot afford to fail.

Ladies and Gentlemen

Throughout the entire Uruguay Round, Australia has diligently and ardently pursued what we consider to be our essential interests - ensuring our farmers get fair access to the world's markets, and generally protecting the global system of unimpeded trade.

It was very much in pursuit of these interests that we established the Cairns Group - so that nations with similar interests can speak with a collectively louder and more influential voice.

The Cairns Group activity in the Uruguay Round is but one example of Australia's increasingly productive emphasis on multilateral diplomacy.

Be it in international trade talks, or in global or regional efforts to ban chemical weapons, or the campaign to ban mining in Antarctica, or the initiative to find a peaceful solution in Cambodia, or the Asia Pacific Economic Cooperation initiative, or indeed the task of building a stable post-Cold War world order in the United Nations, Australia is prepared to do the hard work of multilateral diplomacy.

We stand to gain - and the world community stands to gain.

I want to take this opportunity to say a few words about the men and women who are at the coal-face of this work - people like Alan Oxley.

Multilateral diplomacy demands patience, commitment and an unshakeable perception of the long-term goals. It may not be particularly glamorous work but it is essential and it is an increasingly important part of what diplomacy is all about.

Australia is particularly well served by its overseas representatives and I want to take this opportunity to record the Government's appreciation of their work. In particular I want to say to those engaged in the multilateral efforts I have outlined, how much the Government respects the contribution they are making to advancing our national interests.

I had the opportunity to see Alan Oxley's work at close quarters when I visited Geneva in October 1987 to deliver a Cairns Group address to GATT. As he records in this book, the preparation of that speech couldn't be finalised until - shall we say - quite late in the piece and required a degree of international coordination of Cairns Group members. That the speech went smoothly was of course a tribute to Alan's efforts, and I express my thanks to him for that.

Ladies and Gentlemen,

This is as I said at the outset an extraordinary book.

In addition to all the other reasons I have outlined, it is extraordinary because it tells a story as intricate and as dramatic as any detective thriller.

It is about nothing less than how the world managed to get itself to the edge of a precipice.

And unfortunately for the world, this real-life thriller doesn't yet have a last chapter.

We don't know if the world crawls back from the abyss or whether it plunges down to the depths.

It is my very sincere and profound hope that commonsense - and a greater degree of political leadership by the European Community - will ensure that there is a satisfactory ending to this tale.
