



PRIME MINISTER

33/92

STATEMENT BY THE PRIME MINISTER, THE HON. P.J. KEATING MP SUMMARY OF REMARKS TO EPAC - TARIFFS

On 12 March 1991 path breaking changes were announced to the Parliament which altered forever Australia's dependence on the tariff.

In greeting these momentous changes I said in the Parliament:

"The package of measures announced today ends forever Australia's sorry association with the tariff as a device for industrial development."

I also said at the same time:

"Today's statement completes the program announced in the Economic Statement of May 1988.

It puts an end to the high tariff culture which did so much to diminish Australia's potential in the post-war period.

But the decisions announced today do more than complete the transition to an open economy."

The 1991 tariff changes completed the process of tariff adjustment and were not the stepping stone to further downward adjustment.

As I have always said, the Government's policy has been to wean Australian industry off protection and to make it competitive with world industry.

And this has been absolutely essential if we are to develop secure industries capable of generating wealth for Australia and permanent jobs.

But the Government has always sought industry restructuring and adjustment rather than industry elimination.

As I said in the Parliament on 17 September 1990, this Government has never believed in the mindless pursuit of zero tariffs without regard to the impact that it would have on industries.

In the House on 17 September 1990 I said:

"we make decisions about whether we want industries. For instance, we want a car industry. We know that a car industry will not function at zero protection levels, but apparently those opposite believe that at a zero level of protection a car industry will remain viable. It will not. The Opposition is really saying it does not want a car industry.

The car industry is willing to invest with a tariff phasing down to 15 per cent by the year 2000.

Evidence of this is the commencement of the new Toyota car plant announced a few weeks ago and the decision by GMH to commence a new paint plant which I attended last week in Adelaide.

Mitsubishi is also commencing a new paint shop in Adelaide.

The key point is that these investments would not have taken place with a zero tariff and this is the key policy difference between the Government and the Opposition.

Phasing down tariffs to zero on motor vehicles and parts, such as passenger car tyres, would mean that these industries could no longer exist in Australia.

The same is true for textiles, clothing and footwear.

With a tariff of 25 per cent in the year 2000 these industries can adjust and restructure and will continue to exist.

With a zero tariff they will simply disappear.

This is the policy difference between the Government and the Opposition, and the Opposition should admit it.

This is not to say that the textile, clothing and footwear and motor vehicle industries will not be competitive in the year 2000.

At present, textile and clothing imports into most developed countries including the US, EC (UK, France, Italy, Germany), Canada, Sweden and Japan are covered by the Multi Fibre Arrangement (MFA) which places quantitative restrictions on imports through Voluntary Restraint Arrangements.

And quantitative restrictions are the ultimate form of protection extending beyond any tariff.

Notwithstanding what happens under GATT, Australia will end up with a textile industry more internationally competitive than all of these countries with the tariff levels decided in March 1991.

The motor vehicle industry around the world is also protected by voluntary restraints and quotas.

By the year 2000, when the tariff on motor vehicles phases down to 15 per cent, Australia will also have a motor vehicle industry which will be competitive and able to hold itself up in world terms without quantitative restrictions.

CANBERRA
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