



PRIME MINISTER

PARTIAL EXTRACT FROM SPEECH BY THE PRIME MINISTER, THE HON. P. J. KEATING, M.P. - ERICSSON AUSTRALIA EXPORT LAUNCH, BROADMEADOWS, MELBOURNE - THURSDAY, 26 AUGUST, 1993

...What we are doing as a Government is encouraging this change. And this great cultural change has now overtaken Australia as the whole dependency on protection has dropped. The whole notion that tariff protection was the way forward for Australia - as the Government has weaned Australian industry off tariff protection and opened the market up to truly competitive forces innovative, clever managements have seized the opportunities to develop products we could never have dreamed of years ago, in markets we would never have thought existed for Australian products. Which only proves the point, if you look out and look up you have a future; but if you look down and you are uncertain of yourself and you lack confidence and you seek to artificially protect yourself, in the end all you do is let Australian living standards decline.

Now, we have a chance of being a great industrial nation, a manufacturing nation. I grew up in the 1970's in public life, to those issues, after I went to the House of Representatives with the notion that you couldn't have a competitive manufacturing sector sitting beside a competitive primary export sector, that an internationally competitive sector in minerals and agriculture meant that it was impossible - because of the stress they put on the exchange rate - it was impossible to have a burgeoning manufacturing sector.

And I always thought this was essentially wrong. And even though this was then the popular wisdom of the Secretary of the Treasury and the Treasury it was, in essence, wrong. And it is another example of how the political system leads the way and not the bureaucracy. Because the few of us living through the seventies with low growth, watching factories close one after the other, we said, 'Why must Australians be doomed to a sub-culture in manufacturing simply because of this mistaken view that you can't have a good manufacturing sector sitting beside a good primary exports sector?'

And so we then went about doing all the things that needed to be done to change that. From opening up our financial markets to floating the Australian dollar, changing the tax system, getting the profit and wage shares in the economy right, promoting research and development, changing the education system to feed our research and development base and our higher technologies and taking down the tariff wall. And in the end what we've done is we've succeeded in changing the view. Nobody today subscribes to the view that we can't have a burgeoning manufacturing sector. But just a little over ten

years ago the bureaucracy in this country, the view of the former Government was that these sorts of products couldn't be made and sold competitively. And that's changed, and changed enormously.

It's very hard to get - as the Government in a period of great change - any marks from the commentators in this country who, of course, always lag behind the game. They are always about seeing it better than we are and being up the front showing the way. But, in fact, they're mostly trailing behind. Because none of them ever articulated a modern, burgeoning, industrial Australia linked into the Asia Pacific. It had to come from the political system and from the Australian community. And we're now seeing all of these policies home.

And the Budget which we've just introduced - which has had more than its share of flak - again is about doing this. We're getting our budget deficit down in the middle nineties so that when the next phase of investment goes through Australian manufacturing it doesn't put too big a strain on our current account and on our domestic savings. Now, by the middle nineties we'll have the Australian Budget deficit down to about 1% of GDP. The United States - which has just been through a heart rendering process of getting the Bills through the House of Representatives in the Congress, President Clinton's Budget, with the Vice President casting the casting vote in the Senate - they'll be down to 3% of GDP only by the middle 1990's. In other words again, in fiscal terms, we're going to be ahead of the world. As we are now with sustainably low inflation and the rest.

Now, the Australian community has got to think about the long run; and to understand that the Government has to think about their long run interests. And if we want higher levels of employment and lower levels of unemployment we have got to get more growth. We can't get more growth without more investment and we can't get the investment if the Government's got its hands in the savings cookie jar, taking the savings for public consumption. But right now we want to kick the economy along with some extra spending which will come via the tax cuts, because we need that extra push to make the economy grow. But as it starts growing and we get the investment really cracking again we want to pull the public sector out of the way so the private sector can come through and create the jobs. So the balances have got to be there.

And all of the people who have urged upon the Government this kind of policy, when you produce the policy they say, 'Well thanks very much for that but we don't quite like the way you got there. You know, you should have cut outlays more, you should have relied less on revenue, you should have done this and done that.' Well the fact is, let's play for the medium to long term. And not think about things just tomorrow, but think about the medium term and in doing that we'll be there ready with public policy to help the likes of companies like Ericsson Australia to be in there to develop a future for themselves as we see these stronger growth policies come through.

Now, unemployment is Australia's great problem. And you know, working in a plant like this, that higher productivity - those machines which are doing the stamping and

putting the components on are not employing people. But it does make the business competitive and it does give the business a future. And then as it grows it employs more people. Sure, it's fewer people for the given units of production. But in the end if there are many more units of production there will be many more people. But the difference is, in a business which will last and grow and not in a business which will be sub-economic, uncompetitive and which is static. So this is why we've always got to try and blend higher productivity and mechanisation in with employment. And the key to that is growth and the key to growth is low inflation, a competitive exchange rate, good budgetary policies, good shares of the profits and wages in the economy and a decent education system pumping research and development capacity and innovation into our industrial products.

They're all the things that are sitting there now. For a country which has got a great future; not just alone here in Australia but abroad, in the Asia Pacific and the world in general. Where, in the 1970's we were consigned to being a quarry and a farm, where companies like this and industries like this were written off as not having real capacity..

ENDS.