



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
PRESS CONFERENCE, PARLIAMENT HOUSE
15 DECEMBER 1993**

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PM: Well, the Uruguay Round of the GATT, long in the making, has finally come to a conclusion. And, for those of us who have been talking about it for so long, and participating in it for so long, one would have to say, it is well worth the wait. And it has been well worth the wait.

Because the Government has had an approach to trade, to multilateralism, and to open markets right through its history, from 1983, and the changes of which we have made in opening Australia up and in reducing tariff protection, and abolishing quotas on the 1980s, all of those things were predicated upon us having an open trading opportunity in the GATT Round, of the likelihood of the GATT actually coming to some conclusion.

Now, as a consequence, we have built Australia's policy expressly on the GATT Round. And the GATT Round has now come to fruition and as a result there will be at least conservatively \$2.5 billion worth of benefits for Australia, including \$1 billion of benefits from an agreement on agriculture. And they mean that there will be cuts in subsidised export volumes of 21 per cent by the end of the 6 year period, the elimination of non tariff barriers by conversion to more transparent tariffs, an average cut-in agricultural tariffs of 36 per cent, a 20 per cent cut in trade ... sorting domestic subsidies for farm production and incomes.

Across Australia's key agricultural exports this could see an extra \$340 million per annum in beef exports, \$200 - \$250 million in wheat exports, \$125 million in dairy, \$90 million in coarse grains, \$40 million in sugar, and \$25 million to rice growers. So, this is, in a nut shell, a very substantial outcome which could only, in agriculture, be achieved by a multilateral trade agreement. And, of course, in agriculture it wouldn't have been achieved without Australia injecting agriculture into the Round, in putting the Cairns Group together, and in fighting the agriculture issue right down to the end.

Now, what it will mean is that in terms of the US and EC subsidised export sale of wheat, which will give an indication, there will be 50 million tonnes less subsidised wheat and flour over world markets over a six year period. US and EC subsidised wheat exports are likely to be down by a third by the year 2000 compared to current levels. But because it was expected that EC and US subsidised wheat exports would grow, the outcome will now actually be about a half the expected level. It is a third off the current level, but about half the expected level of where it would be by the year 2000.

So, this is a fairly remarkable change. And other important breakthroughs have been in other key agricultural markets; in the US there will be a 25 per cent increase in access for Australian beef in 1995 compared with the level in prospect for 1994. In Japan the rice ban will be lifted and rice imports will grow to around 800,000 tonnes by the year 2000 - that is around twice Australia's total current rice export - and tariffs on beef, dairy and sugar will be reduced. In the European community area access will improve for Australian exports of meat, milk, powder, butter and cheese. And we have also continued the European assurance not to sell subsidised beef exports to key Asian markets which has undefined growth in Australian exports to these markets of 200 per cent since 1985.

So, that's the picture in respect of agriculture. I will just say something in respect of manufacturing - on industrial goods we expect average tariff cuts on the products of interest to us to be over 50 per cent, as closely as we can calculate it to be about 53 per cent. Now, that is the tariffs of other countries which we are facing in terms of our products, including key product areas such as, non ferrous metals, medical and scientific equipment, pharmaceuticals, chemicals and beer. The United States, and the European community, and Japanese offers represent tariff cuts of around 60 per cent, and alone cover Australian exports totalling \$18 billion. So, \$18 billion of our exports now will be dealt with by this reduction of tariff cuts in the US and European community, and Japan, of over 60 per cent.

The new GATT agreement on services ensures Australian service exporters can compete on an equal footing in the fastest growing area of world trade, and that, as you know, is growing very rapidly for us.

So, I might also add that Senator Cook has over night obtained an agreement from the United States that it will not export subsidised rice to the Japanese and Korean rice markets, so our farmers will be competing on a level playing field there.

There has been much, can I just say on the question of the export enhancement program, which has been an issue in Australia with the United States. I just can't put my hand on the figure but there is a substantial reduction in the impact of that, from about \$1 billion of subsidised product to about \$340 million over the six year period. So, all in all, I think this has been a remarkable outcome. It's the largest ever world trade deal and an enormous shot in the arm for the world economy. At a time when economies

have been struggling to grow, that we are seeing growth of ourselves, the United States growing, Japan still finding itself in recession, Germany the same, this will be a huge boost to confidence. Apart from the financial effects and commercial effects this will be a huge boost to confidence.

The OECD has estimated that for agricultural and industrial products alone, it will result in an increase in global economic activity of up to \$418 billion by the year 2002. And, as I have said, that translates to us at about \$2.5 billion per year. More recent assessments by the Industry Commission suggest there may be as much as \$5 billion increase in exports and a \$3.7 billion increase in Australian GDP.

So, it's a tremendously important outcome and could I say that a statement issued today by the Trade Negotiations Advisory Group, by Geoff Allen... it said, "The Australian business community is delighted with the achievement of a meaningful result in the Uruguay Round; we will not get all we want but the result will be overwhelmingly positive for all Australians. In this eighth round of negotiations under the GATT there has been unprecedented cooperation between government and the business sectors, it has represented a model for close government/ business collaboration in international affairs."

So, I'd like to, again, record my appreciation for the work which has been done jointly by Australian business, with the government. But, again, I signal that what has happened here is a very definite view, by the government, of the kind of society and country it wanted Australia to be. And that was an efficient, open, exporting country. And that's changed from the day we removed exchange controls in 1983 and started reducing tariffs in 1988. And, as a consequence, we're now set up to face the world but it wanted, in our terms, to be a world which was open and more free. This we've achieved under the GATT and, of course, where the GATT leaves off APEC will take over in the Asia-Pacific where we can do other things of the trade facilitating kind which are not part of the general reductions in protection under the GATT.

So, Australia has been turned into a competitive, open, trading economy - by a Labor government - and then we have set in place structures; by putting together the Cairns Group in the Uruguay Round and getting agriculture into the round... set in place structures which will also help now with APEC to complement, again, the work of the GATT. So, in all, Australia should be well placed to grow its commercial sectors as our economy picks up and our competitiveness is now so strong. And, I think, as a leader of the Cairns Group we have, at the same time, played a role for those countries in the Cairns Group of countries and, not just played a role but kept faith on the big issues which are important to them.

I'd like to take this opportunity to congratulate Peter Cook and his negotiating team in Geneva on the effort that they have led in the last week, but most particularly in the last year. I'd also like to thank those who have been

involved in this over such a long time - seven years. In the first place, the Treasurer who was then Minister for Trade and who put the Cairns Group together, John Dawkins, followed by Michael Duffy who played a very important role at a key time in the round, as also did Neal Blewett and John Kerin. This has occupied the time of many ministers and many officials, I might say, who have had to endure those many nights locked up in hotel rooms and conference rooms arguing over these points. One of those people is with us today, Peter Field, and I'd like to pay a tribute to Peter's work as Deputy Secretary of the Department of Foreign Affairs and Trade (DFAT) who had the principal carriage of this responsibility for most of the period - and other people of DFAT who were involved in it throughout the period.

So, could I wrap up my remarks by saying it's a tip-top outcome for Australia, well worth the wait, the largest world trade deal ever done, a great thing for the world economy, a bull point for markets around the world and giving Australia the trading environment it could only have dreamed of seven years ago.

J: Can you bring all these billions home to average Australia? What's it going to mean to workers, to families, to young people?

PM: Well, it's going to mean a pick-up in employment - the best we can estimate this at quickly is around 50,000 jobs which is a very large complement. It's going to add another \$3.5 billion to Australia's GDP which is an important addition. And what it means is that we'll have the confidence that as we grow these markets and commodities of ours, we'll be growing them into markets where we have access. So, the confidence that Australians and their children will have jobs and that they'll be able to trade into this area, into these markets, will, I think, be very high.

The GATT Round, the GATT outcome is largely an employment and wealth outcome. And, I said recently, GATT equals growth equals jobs - I'd repeat that and say this is a place where Australia's view of itself and Australian diplomacy has played a really important role.

J: When do you think that Australia will actually start seeing some of these benefits flow through? The implementation period on most of these doesn't start until 1995 but do you expect any immediate benefit?

PM: Well, that's when it does start. I think that it's going to flow through earlier because, like all of these things - like the time we announced tariff reductions - behaviour changes almost instantaneously before the actual changes take place. And I think this will be true here - you'll see a change in the way countries approach markets. When they know protection is coming down and they know they're going to have to earn their keep in these markets they start changing their

habits and I think, as a consequence, it will start to pay off for us much earlier rather than later.

J: Do you think we'll get an even better outcome with the negotiations that Peter Cook's still going on with in Geneva?

PM: Well, I think it's a case of watching the bouncing ball. Obviously, in particularly some commodities, these things are changing by the hour and that's why you have to be on the spot, you have to be in there for your chop and arguing your case. And Peter Cook, who has rung me a couple of times since the weekend, has been in there arguing his case on these particular things. And, I might just say, he just turned up another one on rice, by getting that assurance from the United States that they will not be exporting subsidised rice to those two markets which I mentioned - Japan and Korea.

J: Are there any further details about that rice assurance from the Americans?

PM: We've got officials here and you're welcome to talk to them after I'm finished, if you like.

J: The United States has been fairly generous with its market access package but the European Community doesn't seem to have been, does that disappoint you?

PM: Well, I think the Europeans will pay a price for holding onto the tenets of protectionism in some of these areas and I think this is going to be an expensive lesson - that you can't hope to give Europeans the living standards that they wish and the income and employment levels that they wish if a large part of their product is being funnelled into subsidies for agriculture. And while it may suit a particular political need at the time I don't think, over time, it's going to help. A couple of key things have happened in the United States that are well worth recording... one is the very deliberative vote of the American Congress in favour of NAFTA which is a trade liberalising decision and new the support through three administrations - Reagan, Bush and the Clinton administration for the GATT round and open trade and the fact that they have held on to the Blair House. Sure, the impact will come a little later rather than earlier, but it is largely held there I think speaks volumes for the United States view of open multi-lateral trade. This is not the view of the European community, it is the view of some members of the European community, but it is not the view of some countries and as a consequence the rest of us will have a higher standard of living and better incomes relatively speaking than will Europe as a consequence.

- J: Prime Minister, there was one area that the United States specifically wanted us to open our markets on and that was access to their television and film material. Have we given any ground on that?
- PM: No, we value substantially the maintenance of our capacity to produce cultural material here which reflects our own culture and our own needs and while we see value in general trade in these particular commodities and there is, as you know, Australian audio visual services take a lot of American product, we still have a cultural product to protect and we have argued that case. I think what has happened so too has the French and others and there has been an agreement to disagree on the part of the United States and European community on this question. So audio visual has effectively fallen out of the Round and with it falls away any need for a commitment by Australia.
- J: Is it possible to spell out what changes we will have to make to our own rules as a result of this sort of zero, zero agreements and other ...
- PM: I think you can ask the officials Tim (Dodd) and they would be glad to tell you.
- J: With the boost that this will give business competence, what effect for the European, American economies and recoveries and then what effect for ours?
- PM: There has been a very large change in the United States economy as there has in Australia, a lot of de leveraging by companies, essentially the accounts of most companies are now in better shape as you know. In this country our profit share is very high; we are starting to see investment take off again; we have seen very strong profit performances and therefore a strong stock market performance; a lot of capital has been raised; a lot of capital has been marshalled. I think a decision like this, an outcome like this just adds to that aura of confidence which is developing around the motor economies and those which still have troubles which are still going through de leveraging in the case of Japan and the problems of integration in the case of Germany - that is the integration with East Germany, the GDR. Those things have been real inhibitions for those economies taking off, but this is just such an obviously good outcome world wide that it must be a tremendous bull point in markets.
- J: What does this deal mean in terms of future government policy. Do you see it taking away from protectionism accelerated in the next few years?
- PM: I don't think so because we have already had it ... when I say the trend away it will be a maintenance of the trend towards lower levels of protection which we have in place on a trend basis, a trend decline in protection. We removed all quotas from our markets in the late 1980s

and now with tariffication, tariffs in this country being the only effective protective devices those travelling down to 5 per cent by 1996-97 and in some cases a little higher. I think what this means is that all of this has proven to us that we were correct in the first place in following through on a strategy of multi lateral trade, support for an open multi lateral trading system and every effort even though it has been laborious that we put into the GATT Round is worth it in the end - not to see the world break up into trading blocs and I think that now won't happen. And the Europeans will make a choice when they look at the Asia-Pacific and the growth of the Asia-Pacific and the lift in incomes and employment in the Asia-Pacific now that the world is not going into three blocs, but there is a general GATT back drop, but two trading areas - Europe and the Asia-Pacific - the Europeans will have to decide whether they want to be at the cutting edge of all this or whether they want to try and hide behind protective barriers or do trade distorting things, because, in the end it catches up with you and it will catch up with them.

So, there is great competition in Europe going to come from the Asia-Pacific and they can be in the competition by having open product markets or they can try to resist it.

J: Does this mean the outcome then that you can increase the pace of APEC's development. Do you now have any specific initiatives that you would like to see APEC ...

PM: I have always talked of APEC as a GATT plus outfit - that is, it did GATT plus things. These things become part of the back drop, the GATT becomes part of the back drop, but in the things which the GATT is not doing and can't do, that is in trade facilitating type things, this is going to be one of the strengths of APEC. That is, in things like investment agreements, in things like company law, in things like consumer product standards, all of these kinds of things are things an organisation like APEC can do, but the GATT can't do. So, that is why I think if we make a choice in this part of the world for faster growth and a higher velocity of trade and investment we could facilitate it through APEC. So too can the Europeans, through the European community, but they have got to want to do the same things and I don't know whether they will. Before APEC we didn't have such a structure. With APEC we do have now such a structure and happily it will build upon the GATT and there will be no question of it replacing the GATT or doing something with APEC that might have needed to be done in the event the GATT Round failed.

So, it will be basically GATT plus things, things will enhance the outcome and make it better for all of us.

J: ... that you like the senior officials to adopt ...

PM: The last lot was a very large speech I gave in California which outlined some of the directions we think APEC should go and we articulated some of those at the ministerial meeting in Seattle.

J: One of the things which was one of our highest priorities in the Round was to ask our Asian friends to reduce their tariff barriers to manufactured products from Australia - they had tariff escalation of low tariffs on raw materials, high tariffs on finished products. Are you happy with the success we have ...

PM: It is 53 per cent across the board of the countries we deal with on the weighting of the products we handle, so that one has to say is a spectacular change from any multi lateral trade round. There is no doubt whatever people do with this, looking at it and turning up this leave and having a look at that point, it is by far and away the most spectacular outcome from a multi lateral trading round that we have ever had. I wouldn't be surprised to say likely to have, but certainly that we have ever had it to this point. Thank you..

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