



PRIME MINISTER

3 June 1996

TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
ADDRESS TO THE INTERNATIONAL MONETARY CONFERENCE
SHERATON ON THE PARK, SYDNEY

E&OE

Thank you very much Tom. I hadn't realised until that warning about the embargo that what I was about to say was quite so hot! It is an enormous pleasure for me to welcome all of you here to Australia and to the beautiful city of Sydney.

This is undoubtedly, if I can put it this way, the most prestigious banking gathering that this country has seen, and it is a compliment to my country and to the city of Sydney that you have chosen to meet here. And it does bring together the Chief Executives of so many of the world's large financial institutions, and you meet at a very interesting and very positive and a very exciting time in Australia's economic development.

When I scanned the morning newspapers today, they presented a very very stark and interesting message - you might almost say a tale of two industries - and a very strong message about something that is very important to the free enterprise capitalist system and that is the issue of competition.

I saw one lot of stories talking about changes in the level of housing interest rates. Can I say openly, as a practicing politician, housing interest rates are always very important to politicians. There was a well loved Australian Labor Prime Minister called Ben Chifley who was involved in a banking Royal Commission in the 1930s. He was ultimately to fall foul of an over-zealous attempt to nationalise the private trading banks of Australia, but he contributed one of the richest phrases to Australia's political lexicon when he spoke of the hip pocket nerve. And the hip pocket nerve is a part of the anatomy that all politicians constantly enquire after the health of. So therefore whenever you see housing interest rates in the newspapers you are fixated but seriously

there are stories, and I'll say no more than that, there are announcements and there are further considerations, but the fact of the matter is that at a time when some of the predictions might have been less optimistic, because of the existence of strong competition in the sector in the banking sector, housing interest rates at least in relation to one bank are coming down.

Now the significance of that is that in a companion newspaper, the *Australian Financial Review* I see a story about a stalled attempt to bring about some reform on the Australian waterfront, and those many of you in this room who are visitors to our country wouldn't have been here long before you must have heard some remarks about the dinosaur industrial relations characteristics of Australia's waterfront. And when you read these two stories they really are, they really present a tale of two industries. One industry which is heavily into competition and another industry that still suffers very severely from an almost total absence of competition particularly so far as the labour market is concerned. And those two comparisons and those two stories send a very strong message to people here in Australia, and where they are duplicated in other countries as I am sure they are, they should send a very strong message to the citizens of those countries that however much special interests may build arguments for shutting out competition, at the end of the day if you want a good deal for the consumer, then you must embrace competition, and there remain areas of the Australian economy and I'll touch on them in a moment, that are not subjected to the winds of competition as is the banking sector.

But competition is crucial, it's been crucial in the changes that have occurred in the Australian financial system over the last 15 to 20 years, and this has been in Australia, as it has been in many other parts of the world, a remarkable period of time of change in the financial system.

It was in 1979 as Treasurer in the former Coalition Government, I announced the establishment of the Campbell Committee which was the first thorough going look at the Australian financial system since the 1937 Royal Commission into banking that I mentioned earlier. As a consequence of the recommendation of the Campbell Committee, fundamental restructuring of the financial system was undertaken, and I am very happy as I have been over the past 13 years to give due credit to the contribution made by the previous Labor Government and in particular to my immediate predecessor as Prime Minister, Mr Keating.

It was an area where there was totally bipartisan support for the cause of financial deregulation. The process was begun in response to the Campbell recommendations by the Coalition Government and the process was continued with vigour by the incoming Labor Government from 1983 onwards, and at no stage during the long process of deregulation that took place through the 1980s was there any political obstruction or objection from the Coalition opposition, and as you know, I'm sure, the current Treasurer Peter Costello has established what he has chosen to call a 'Daughter of Campbell' inquiry to be headed by well-known Australian businessman Stan Wallace, to conduct really an update of what has happened post-Campbell. It is in no way intended to be an attempt to roll back the deregulatory thrust that followed Campbell. That is with us for all time, and there is no constituency, serious constituency in Australia for a re-regulation of the financial system. But the changes

that have happened over the last 16 or 17 years as such that an audit of what has occurred during that time is clearly required, and I express the hope that, when is inevitably the recommendations come from that inquiry, that positive responses to the implementations of those recommendations by the current Government will enjoy the same level of bipartisan support as the Coalition extended through the 1980s to the former Government.

Ladies and Gentlemen, it is now just over 3 months, in fact 3 months yesterday, since the change of Government occurred in Australia, and the incoming Government inherited an Australian economy which I would have to say was, and I say it very positively, was really better than the "curate's egg" it was a little better than just good in parts, there's no doubt that the Australian economy continues by world standards to enjoy very strong growth. We have had 19 quarters of positive economic growth. In common with most of the OECD countries we have low levels of inflation, and we continue to enjoy the benefits - although they can never be taken for granted - of very close geographic proximity to the fastest growing economic region in the world. And let me take the opportunity at this gathering to say very directly that the change of Government does not connote any change in the importance placed by Australia on her involvement in the Asian-Pacific region.

There is a strong commitment across the political divide in this country towards the economic and political significance of the Asian-Pacific region, and the involvement in that region will go on unhindered and without restraint under the new Government. There will be differences of emphasis, perhaps some differences of nuance. Perhaps one of the differences of nuance will be that I thought on occasions our predecessors sometimes gave the impression that they saw this country's associations with Europe and North America as perhaps not being a plus in relation to our involvement in the Asian-Pacific region, whereas the new Government takes the view that so far from those associations being anything other than a plus, we regard them as positive advantages in our involvement in the Asian-Pacific region.

The future of Australia and her linkages with different parts of the world will never in my view involve a choice between this country's history and this country's geography. The two should always compliment each other, but beyond that observation, it is fair to say that our associations will continue in much the same direction as those followed by the former Government and in fact followed by Governments before that. But we have inherited an economy that has some very strong characteristics, and we intend to build on the strengths that we have inherited. I also must acknowledge that there are some characteristics of the Australian economy that of course bear a more critical examination.

It seems to me that we have three major challenges ahead of us. The first of those is to do something about Australia's chronically low savings performance. Savings is a deep problem with the Australian economy. Our household savings level has continued to fall almost continuously over the last decade and measures are required by the current Government to boost the level of both public and private savings, and that is why from the moment we were elected we embarked upon a process of fiscal consolidation. Never popular, never easy in the judgments to be made between social

obligations and fiscal responsibilities and the debate will rage on on what that appropriate balance is here as it does around the world.

But it is an urgent task to repair Australia's savings position, and we remain very strongly committed to that process of fiscal consolidation. The second of our great problems are the rigidities that exist still in our labour and in our product markets. I touched a moment ago on the rigidity of Australia's industrial relations system. Of all the policy causes to which I have been committed in my years in politics, none has been pursued more vigorously and more energetically than my commitment to the deregulation of Australia's industrial relations system. It remains the last great bastion or outpost of protective and monopolistic practises in this country.

We have an inefficient waterfront because there is a monopoly over the supply of labour on the Australian waterfront. We have a far more efficient Australian financial system because there are not monopolies held within that system as may have been the case in earlier years, and the message of that is very clear, and that is why my Government has put an enormous emphasis on changes to Australia's industrial relations system. And by far the most significant piece of legislation we've asked the Parliament to endorse since we were elected is the widespread plan we have to change our industrial relations system.

It seems to me to be no accident that Australia's unemployment rate is much higher than the unemployment rates of countries that have a more flexible approach to the industrial relations system. It seems to me to be little in doubt that the relatively lower rates of unemployment in countries such as the United States and New Zealand, owes something, ladies and gentlemen, to the more flexible approach to industrial relations in those countries.

We also have a lot of rigidities still in our product markets and the commitment to competition reform by both the Commonwealth and the State Governments of this country are designed to address that.

And the third of the great challenges that remains of course, is the both a social and an economic one and it is a challenge that we share with many other countries around the world and that is the still unacceptably high level of unemployment. At almost 9% it does remain something of a national disgrace that so many Australians are out of work, and it is fair of me to acknowledge that one of the things that will brought into judgment at the end of my Government's first term in office, the progress that we've made in the area of unemployment, particularly youth unemployment.

I chose to make that an important issue in the last election campaign, and it remains, so far as I am concerned, one of the great social as well as economic challenges of the Government. I remember in 1979 when as Treasurer of Australia, I first had the opportunity to meet Alan Greenspan, and I always remember the conversation because one of the first things that he said to me was "you are from Australia, you people have the biggest middle class in the world". And I thought that was a very interesting observation coming from a man who was then the chairman of the council of the President's economic advisers, I recall. And I thought it did encapsulate something about Australia which we had for a longer period of time than many other countries

and that is that the gaps between the rich and the poor were not as wide in Australia and not as deep and as endemic as they were in other societies. I have to acknowledge that in the 17 years that has gone by since that conversation, I think we have deteriorated quite a lot in that department, and I don't think it would have been said so passionately, quite so accurately perhaps by him if we had our first meeting in 1996, than it would have been said in 1979.

Now, there are a complex range of explanations as to why that deterioration should have occurred and it is way beyond either the remit to me or the time available to me to touch on them. Suffice it to say that one of the unarguable causes of the widening gap between income groups in this country is of course the stubbornly high levels of unemployment that we continue to suffer and it remains a constant obligation of Government and of those involved in shaping public policy in Australia to make a contribution towards that.

Ladies and gentlemen, one of the better features of public life in Australia over the last 10 to 15 years has been I think a more informed debate and a more informed discussion about economic issues. I think there is a greater understanding now and a greater convergence, to use one of those buzz words, there is a greater convergence of views amongst people holding in the past different political attitudes. There's a greater acceptance I believe in many areas of the trade union movement of the link between profitability and employment, not in all sections but certainly better so than used to be the case. There is less of gap between two political parties on some of the significant economic issues. I mentioned earlier that it was possible to have bipartisan support for financial deregulation in the 1980s. It was also possible during the same decade to have bipartisan support for significant reductions in tariff levels which represented another major contribution to the re-ordering and the restructuring of the Australian economy. And many of the organisations and companies represented in this room have made a major contribution towards a better understanding of the operation of the Australian economy.

When I first entered politics a monopoly on information was virtually held in the hands of the federal Treasury and the Reserve Bank, without in any way reflecting at all upon the expertise in those organisations for which I have immense personal regard. It is true that over the last 20 years, the quality of private sector economic analysis and economic advice has expanded quite dramatically, and all of it has played a significant role and a better understanding amongst the Australian people of the nature of our problems and the sort of challenges ahead of us.

I suppose it is in the nature of political leaders, particularly Prime Ministers and people practising politics to strike notes of optimism and hope and I think it is part of the responsibility and it is also properly what people expect of those in positions of leadership, but I do speak of Australia's economic future with a great deal of optimism and hope. I acknowledge, and I've touched upon them briefly, some of our areas of weakness, but I do believe as I think others in this room would believe that if we can seriously attack those problems, if we can succeed in our task of fiscal consolidation, if we can make progress in freeing up the arthritic areas of our markets particularly our labour and our product markets and if we can make something of a dent on the social

blight of unemployment then there are reasons, many reasons for us to feel particularly enthusiastic and particularly optimistic about Australia's future.

Can I conclude by again thanking our many visitors from all around the world for the honour that you've done our country of welcoming you again on behalf of the Government to Australia and to Sydney. It's an exciting, interesting, enjoyable time to be involved in doing anything in Australia. We have ahead of us, particularly here in Sydney, the vista of the Olympic Games at the turn of the century. We have a nation which still retains a great deal of vibrance and hope and optimism and I'm particularly pleased as Prime Minister that the International Monetary Conference has decided to hold this very important gathering here in Australia.

QUESTIONS AND ANSWERS
INTERNATIONAL MONETARY CONFERENCE
3 JUNE, 1996

QUESTION

Prime Minister, we listened very carefully to your analysis, to your remarks. You might know money is a very sensitive commodity. There is a saying - 'as shy as a deer' - it does not necessarily apply to bankers, obviously. The capital markets appear to have welcomed your election with a 50 to 75 basis points reduction in the Australian long bond rate versus U.S bonds. We welcome that, certainly. Would you mind to rank in terms of priorities eventually, what achievements would you like to see to continue the momentum of that positive change in perceptions? This question deals with your priorities you just touched on, particularly on economic issues.

PRIME MINISTER:

I don't want to overstate the links. There are obviously some forces in the markets that were there, irrespective of the change of government. However, I think the things that I would like to see taken into positive account in the ongoing momentum of that development, obviously the commitment of the new Government to implementing the reform agenda in the area of industrial relations, the commitment to physical consolidation. I also would like to believe that as time goes by the Government will be seen to be wanting to achieve change in those areas where there are genuine differences between the two sides of politics. But where there are no differences, let us put those issues aside. I think part of the desire of the Australian public for a more efficient and a more focussed government in the 1990s is an impatience with unnecessary conflict where there is no difference of opinion. The artificial manufacturer of political difference where it doesn't exist is wasteful and inefficient, and although it's part and parcel I suppose of the paraphernalia of politics - and I'm not saying that one or other side is more or less guilty than the other of this - there are some issues where one can find a remarkable level of agreement, and one ought to embrace those and fix those things and then move on to the next issue. I can assure you I don't believe in the theory of politics that the age of ideology is over. I think the ideological differences now are over different issues, they are more over social issues than perhaps intensely in the 70s and 80s they were all about economic issues. I think there's been something of a greater convergence in some of those areas than used to be

the case. But if at the end of another period of time at which people look back, if we can be seen to have stuck to our determination on industrial relations reforms, stuck to our determination on fiscal consolidation, stuck to our determination on privatisation and be seen as not wasting our time on the irrelevancies of government, then I'd like to believe that that initially positive reaction has continued.

QUESTION

Mr Prime Minister, given the positive development over the last 10 years in inflation, growth and structural changes in this country, to what do you attribute the impressive margin in your election victory?

PRIME MINISTER:

Well, I think there are, you know, apart from skilful campaigning of course - I think there are a number of explanations and that's an interesting question. I mean one of the extraordinary things about Australian politics is that - the cynics might say that the former Government won despite economic circumstances in 1990 and 1993, and somebody observed the other way that they lost in 96 despite positive economic circumstances. I think that's an oversimplification. But there's no doubt that after 13 years there is an 'It's Time' factor everywhere, there's no doubt about that, unless there is a massive negative about the alternative.

I do think though, and I don't want to embarrass him by saying it, but I read a very perspicacious comment piece by Max Walsh the other day when he talked about the sense of disequilibrium that a lot of people felt as a result of very, very rapid social and economic change. I think we're living in a period in our history where you could see governments turning over more rapidly. This may not be a politically sensible thing to say, but then I'm sometimes not politically sensible and sometimes I'm also accused of being politically incorrect which I'm very happy on occasions to plead guilty. But I don't share the view automatically that because you have a big majority in one election, that that automatically insulates you against defeat for another two or three terms. I think we are living in a more volatile political climate, and I keep telling my colleagues that and I'd say it again today. I think the instability that change has brought about has produced that. I think also the people did make some judgements about style. I think there was a sense in which the former Government was seen to be focussing on division in the community rather than things that brought people together. I think the former Government was seen as pursuing interest group politics to the detriment of the mainstream. There's a real rejection of that in Australia. I think quite rightly I would like to see the next few years as being years in which we focus very strongly on things that we have in common as Australians rather than things that push us apart. Those are a complex variety of reasons. No doubt the high level of unemployment was one. There's also a nagging fear, and I touched on this in my remarks about savings because the chronic savings problem is one of the reasons we have a huge current account deficit, there was that nagging way that month after month we kept having a current account deficit outcome and that somehow or other we didn't seem to have made enormous progress in coming to terms with that over a fairly long period of time. But as always there are a complex range of explanations.

QUESTION

Prime Minister, I am impressed with the enthusiasm which you have offered to us on the future outlook of Australia, and those of us from abroad who are involved in the market in Australia certainly do share that. In your speech you were emphasising the bipartisan approach to settle solutions here in Australia. Would you care to offer a comment on the bipartisan approach or support on the privatisation of Telstra which is of importance for Australia and obviously also for the international market? Thank you.

PRIME MINISTER:

Well sir, hope springs eternal, but I would have to say there's no evidence at the moment of the bipartisan approach on that. What I sought to do in my speech was, I think quite fairly, to draw attention to the fact that financial deregulation was one of those areas that benefited enormously from the bipartisan approach taken. I mean the conventional wisdom was in 1983 that a Labor government would not proceed with deregulation of the financial system. Now to the surprise of many people it did and to its credit it maintained that. We continued 100% support of that and as a consequence the task of the former Government was made a lot easier. I think the same thing applies in relation to tariff reform which was another significant change that occurred in early 1991, through the 80s and into the early 90s. Now as far as privatisation is concerned, I would hope the Labor Party would get a dose of bipartisanship. I would hope the Labor Party would be as generously bipartisan on that as we were to them on something like tariff reform where it would have been very easy for us to have been politically tricky and obstructive but we weren't, and there may have been some short term political plaudits in it.

I don't think the Labor Party will change its view on privatisation because parties tend to be recaptured by their primeval spirits when they go into opposition, and I think what might happen is that the Labor Party will find it very hard to adjust on that particular issue. It's a pity because apart from the fact that what we're proposing is good policy, it's also a bit hypocritical of the Opposition to oppose privatisation given that with our help they were able to privatise the Commonwealth Bank and do a number of other, undertake a number of other privatisations which they previously said, that gentleman to whom I referred, Ben Chifley, would spin in his grave if he thought the Party that he once led was allowing it to happen.

Now, I might be wrong. I hope I am. Even if I am wrong I hope that some of the other disparate elements of the Australian opposition scene can be gathered in the next time the legislation comes up to the Senate, because if we don't get that through, then we can't find the capital for our environmental program, and that would be a great pity and that would be an immense disappointment to Australians right across the political spectrum. But at the moment I'm not too optimistic about that and I wouldn't want you to think that my references to bi-partisanship in the area of financial deregulation suggested that the Australian political scene was awash with the habit, but it's not, but it just happens that in the financial area there was a lot of it and it seems both appropriate and fair to acknowledge it.

QUESTION:

Mr Prime Minister, I was very much impressed by your speech, particularly to improve industrial relations in your country but I'm sorry to say, as far as I remember, 20 years ago lots of strikes were going on in this country. As one of the largest trade partners to to your country, I hope that wouldn't come again.

PRIME MINISTER:

Well, it's very interesting. There were lots of strikes some years ago and there's no doubt that the number of, the level of industrial disputes in Australia has declined over the last ten to fifteen years. It is also true that the number of industrial disputes all around the world, particularly in industrialised countries, has declined over that same period of time. Now, as part of the domestic political debate in Australia it is often suggested that there were fewer strikes during the 1980s because of the prices and incomes accord. It is also true that there were fewer strikes in other countries such as the United Kingdom, in other countries in Europe, in Canada and so forth where the industrial relations systems and the industrial relations approaches were quite different. I mean for example, if my memory serves me correctly, in Britain in 1991 which is not all that long ago, the number of strikes recorded was lower than at any time since statistics began to be kept. It started 100 years earlier and the same sort of observations can be made in a number of other countries, so I think what you have seen is a world development away from such industrial disputation.

Look, obviously we have a different approach to industrial relations than did our predecessors and we make no bones about it. We're unashamed. It is the area that they could never have changed or reformed. I think one of the reasons why, many reasons why we won the election was the feeling in the Australian community that there were a few areas that were completely off limits to a Labor Government and could only be tackled by a Coalition Government and labour market reform was one of those. Now, having said that I would acknowledge that there has been a change in the attitude of the leadership of many unions in this country. There is a more intelligent, pragmatic, co-operative, public spirited attitude. Now, it doesn't always still apply but it's certainly different from what used to be the case and there is a greater recognition and acceptance so I think many of the practices and attitudes to which you referred have gone completely. That's not to say that our industrial relations reforms are going to be full bloodedly embraced by the leaders of the trade union movement but I think below the surface there would be a pragmatic acceptance that some change is needed and a realisation that if the notion of political mandates means anything in the modern Australia, then the new Government does have the authority of the Australian people to make a lot of changes in this area.

QUESTION:

What important role would you like to see Australia play in the Asian-Pacific region?

PRIME MINISTER:

Well I want the Australian nation to be seen for what it wants to be and that is a

wholehearted participant in the Asian-Pacific region, a country that will bring to that participation a different history and a different cultural bent and its own particular set of values. One of the things I said on the night of my election was that I would defend and promote abroad the values of Australia. Australia has her own set of clear, identifiable unique values and attitudes and a proper relationship between countries must have as its starting point mutual respect for the different cultural values, and one of the things we have to understand is when talking about the Asian Pacific region, is that we're not talking about a monolith. We're talking about an area that has an immense variety of cultures, very different economies, a set of political institutions that vary enormously, different attitudes in relation to the role of the media. I mean we bring to our relations with the area of the western tradition of a free, unhindered media which is part of the strength of our political system.

We recognise that opinions will vary in different countries on that, but having said that, I wouldn't want anybody to go away from this conference without a very clear understanding of the tremendous emphasis that we place on the involvement of Australia and the extent to which we regard Australia's economic and political history as being bound up with our region, and I use the word "our" rather than "the" very advisedly and very deliberately. It is the fastest growing economic region in the world. I don't take our participation in it, I don't take the advantages we might derive from it for granted, and if we do we will be very sadly mistaken, but I think if we can make the structural changes to which I adverted to in my speech, if we can address the weaknesses in the Australian economy as well as consolidating the strengths then I remain very very hopeful that we can be a very effective participant, a respected player and have a participation that will deliver very great benefits to the Australian people.

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