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**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
THE 1997 SIR ROBERT MENZIES MEMORIAL LECTURE
'AUSTRALIA AND BRITAIN; THE CONTEMPORARY PARTNERSHIP IN
A NEW INTERNATIONAL ENVIRONMENT'**

E&OE

Mr Michael Cook, Professor Bridge and Ladies and Gentlemen. On your one up-manship introduction, Mr Cook, I regret to say that Mr Blair won a longer term.

After just 15 months in office, I currently visit the United Kingdom as the head of a still relatively new government in Australia to visit a brand new government here in Britain and I take particular pleasure in delivering the 1997 Sir Robert Menzies Memorial Lecture.

I have had, as the Chairman foreshadowed, had a very valuable discussion with Tony Blair and I was struck immediately by the warmth of his attitude towards Australia and his desire to enforce strong continuing anglo-Australian relationships under our two new Governments. In fact, one of the ironic characteristics of anglo-Australian relations at a political level, in the last twenty years, was, of course, that for most of the time that Britain was governed by a Conservative government Australia was governed by a Labor Government. And there has in each country in recent times been a juxtaposition of political leadership and I certainly see it as one of my principle responsibilities, indeed a principle commitment, in developing the relationship to ensure that the political divide, whilst always understood and respected, does not blur overall and greater commitment to building a still stronger relationship between our two societies.

I told Mr Blair that I was convinced of the contemporary relevance of the relationship between our two countries and I was very strongly committed to building a modern relationship with Britain.

That relationship is becoming less and less amenable to false caricatures than it has ever been. It is more open and more balanced. It is modern and dynamic.

I am convinced - and I think I can say that Tony Blair shared my view - that the relationship between Australia and the United Kingdom is a considerable asset to both of us as we move into the 21st century. And I want to say more about that in a moment..

But first, having asserted confidently that old myths about the relationship are dying, let me deal with a new one which emerged the other day when I was interviewed by none other than the august British Broadcasting Corporation. I was astonished when the interviewer told me that the Australian economy was sluggish and let me immediately draw on that latest OECD *Economic Outlook* for 1997 and 1998 in order to deal with this myth straight away.

The OECD says firstly that Australia's real economic growth and employment growth will be higher than in any of the G-7 nations and higher than the OECD average.

Secondly, that our business investment growth will be higher than in any of the G-7 nations and higher than the OECD average.

Thirdly, that our inflation level will be lower than the G-7 and OECD averages.

Fourthly, that our government outlays as a percentage of GDP will be the third lowest in the OECD after the United States and Korea.

And finally, our public debt to GDP ratio will be the third lowest in the OECD area.

Whereas Australia would meet the criteria for membership of Europe's economic and monetary union, only one European country currently meets those criteria - Luxembourg. But if anybody thinks we want to join may I borrow a famous phrase from British history - no, no and no again.

In other words the Australian economy is very strong and it is set for a period of strong, low-inflationary, sustainable growth. I suggest that the OECD assessment of Australia's economy ought to give Australia's economic partners and foreign investors a great deal of confidence in my country.

The good prospects are built on major economic reforms already introduced by my government in the brief time that it has been in office.

In the space of one term in government, we will have transformed an underlying budget deficit of over \$10 billion into a surplus of \$1.6 billion. On current fiscal settings, we will achieve a surplus of \$10.7 billion in 2000-01, which if achieved will be the highest nominal surplus in Australia's history.

This will be achieved primarily by restraint of outlays rather than tax increases. The Commonwealth's General Government net debt will be cut by almost half - from

19 per cent of GDP in 1995-96 to just under 10.5 per cent in 2000-01. The Commonwealth will be transformed from a net borrower to a net lender and saver.

The credibility of our monetary policy has been enhanced by the government's formal adoption of an inflation target and respect for the independence of the central bank - the Reserve Bank of Australia.

Interest rates have fallen quite dramatically. We now have the lowest housing interest rates in Australia since 1973.

The government has made major changes to the labour market. I have spent, as many of you know, much of my recent political life advocating reform of Australia's arthritic, Dickensian industrial relations system. We have legislated to protect the freedom of employees to join or not to join unions. We have provided sanctions against secondary boycotts. We are facilitating workplace bargaining which better tailors wages and conditions to enterprise circumstances and encourages improved productivity.

We are ensuring that the golden thread of choice - that is effective competition - is provided across all areas of economic activity.

I believe that small businesses offer the strongest hope for growth and the creation of employment in the decades ahead. We are creating the macroeconomic conditions in which small business can grow and are removing the obstacles standing in their way.

We have cut capital gains tax on small business. From the first of July this year in Australia it will be possible for any small business to be sold and the proceeds of that sale, up to \$A5 million, to be invested in the acquisition of any other business of any kind without incurring any capital gains tax liability. We are reviewing all government regulations and sweeping away unnecessary and outdated ones. We have amended heavy-handed unfair dismissal laws so that they no longer intimidate small businesses from hiring staff.

And the outlook should further improve as the government moves ahead with other elements of our reform agenda.

We have recently, and very importantly, moved to reopen the debate on fundamental taxation reform in Australia. And this is unarguably the most important challenge left in Australia's economic reform agenda. Fundamental taxation reform is a topic which has been taboo in Australia since the goods and services tax election of 1993.

My government's approach to economic reform is not based on any blind ideological commitment to economic theory. Our approach is pragmatic, practical and common-sense.

We are focused on strategic goals such as growth and productivity, responsible fiscal policies and greater competitiveness - but not as ends in themselves. They are the means to achieve rising living standards throughout the community, expanding job opportunities and extending an effective social security safety net.

I want to speak briefly about the aims of my government's reform programme, and the values and ideals that underpin them. In doing so, I will take the opportunity to say something about the modern tradition of Australian liberalism that Sir Robert Menzies helped create.

Menzies and the liberal tradition

Menzies' influence on Australia was great and enduring. Part of the reason was the extraordinary length of his tenure in office as prime minister. Over two separate periods, Menzies was prime minister of Australia for almost nineteen years: the longest period by far for any Australian prime minister.

Put in a British perspective, the achievement is even more extraordinary: of all British prime ministers since the early eighteenth century, only Sir Robert Walpole and William Pitt the Younger have held the office of prime minister longer than Menzies did and in those days the electoral system was somewhat different.

But Menzies' impact on Australian public life extends far beyond the length of his period in office.

His most important and enduring achievement was the role he played in developing a distinctive Australian form of the liberal political tradition.

Menzies had a deep respect for the political freedoms and personal liberties, the parliamentary democracy, the rule of law, and a free press that were Britain's great gift to Australia.

It is no exaggeration to say that these principles constitute the foundations on which Australia's strengths as a nation are built. The gift was a great legacy and it is appropriate that I acknowledge that gift tonight.

The Australian liberal tradition embraces the philosophies of both Edmund Burke and John Stuart Mill. It draws on both the classical liberal and the conservative political traditions. It emphasises the importance of individual freedoms and responsibilities, and the relevance of values and obligations in securing outcomes that are in the national interest.

My government has a presumption against intervention by the state in favour of the rights and role of the individual.

At the same time we fully recognise the role and responsibility of the state to protect the interests of its citizens. The state must intervene when the community interest is at risk.

Not so long ago, Australia and the United Kingdom shortly after each other faced the heartrending tragedies of Dunblane and Port Arthur.

Both governments acted decisively. In Australia, we have attacked the gun culture through an historic nation-wide ban on automatic and semi-automatic weapons. The UK government has moved against handguns. The result should be safer societies and safer streets in both our nations.

In the economy, we aim to liberate the full potential of private enterprise within the context of a strategic but appropriately limited role for government.

We are committed to providing 'a fair go' for all Australians, and that includes the opportunity for gainful employment, and access to first-class education and training that will help all Australians fulfil their ambitions.

We aim to strengthen the family as the most important structure in our society.

Menzies, in his time as prime minister and also previously as opposition leader, spoke eloquently of the forgotten people, the great mainstream of Australians whose priorities were to earn a living and create secure futures for themselves and their families.

I vowed when I came to office, as Australian prime minister, to continue to listen to the Australian people and to address key issues of concern to them.

We heeded the interests of families in implementing our family tax package as promised at the beginning of this year. And from the first of July significant taxation rebates will commence to operate for private health insurance.

We are giving priority to ensuring that our education and training systems prepare people for the changing demands of work into the next century. We have created a modern apprenticeship and training system which is more responsive to industry needs and gives students greater choice in education and training. The recently announced common youth allowance provides incentives to young people to continue in further education and training so that they are better equipped to enter the modern work force and have the opportunity to gain better paying and more interesting jobs.

We are committed very strongly to the equal right of all Australians to dignity and self-fulfilment irrespective of their colour, their beliefs, their country of origin or their religious convictions.

Australia is a country which puts great store on her record of achievement as one of the most democratic, tolerant and fair-minded communities in the world.

We are committed to building and protecting on our inheritance as a society of generous, compassionate and decent people drawn from all over the world but with a unifying and overriding commitment to the values of Australia, a tolerance for differences and a respect for the worth and dignity of every member of Australian society. And it remains one of the proudest achievements in that context of my country that in the late 1970s on a per capita basis it took more refugees from war torn Indo China than any nation on earth.

These principles and values are an integral part of the modern Australian liberalism that Menzies helped create. They remain as relevant to the task of responding to present economic and social challenges as they were in Menzies' time.

I and my government are unequivocally committed to them.

Australia and the region

A second enduring influence of Menzies on Australia was the contribution he made during the 1950s and 1960s to the foundations of Australia's national development.

He provided a stable institutional and economic framework which encouraged foreign investment in Australia and the development of Australia's great resource and agricultural industries.

He placed immense importance on expanding and improving Australia's education system both at the secondary and higher education levels. And in that context he also made a massive contribution in the education area of ending the sectarian division which had driven the education sector in Australian society for almost one hundred years through the inauguration of direct government assistance to independent schools.

Menzies championed the post-war immigration programme which has played such a vital role in the development of Australia's economy and society.

It was also under his leadership that the foundations of Australia's engagement with the Asia-Pacific region were established. The Colombo Plan under which many thousands of people from countries in Asia received education and training in Australia - and which created people-to-people links which are still valued - was an initiative of his government.

It was the Menzies government in 1957 which took the then bold and controversial step of signing the first trade agreement after the Second World War with Japan. Japan remains our most important trading partner.

It was Menzies' government, recognising Australia's strategic needs, that signed an alliance agreement with the United States. The ANZUS treaty remains vital to Australia's security and is still a pillar of the Asia-Pacific region's stability.

Under my government Australia will remain open to the region and to the world because that is vital for Australia to realise her full potential.

Australia's tradition of engagement with the countries of Asia is an essential element of my government's vision of nation's future.

Australia's prospects will depend greatly on developments in our own region and our relationships with the countries of the region. Partly, this is because of geography. Partly, it is because of the degree of Australia's economic integration with the countries of the region - which are, of course, the fastest growing in the world. Over 60 per cent of Australia's exports go to East Asia. And importantly, it is because of

the close human associations which have developed between Australia and the peoples of the countries of her region.

In both Europe and the Asia-Pacific, we are living through a watershed period in economic and strategic terms.

The collapse of communism and the demise of the Soviet Union have ushered in a new era. Europe is adjusting its structures and seeking new forms of economic and security co-operation. The deepening of European integration, the enlargement of the European Union, the expansion of NATO and the positive engagement of Russia in the building of a new Europe offer the people of this region an unprecedented degree of security as well as immense economic opportunity.

The United Kingdom of course is centrally engaged in these processes. Similar momentous - and positive - changes are taking place in the Asia-Pacific. And Australia is making an important contribution to her region's evolving security and economic structures.

The phenomenal growth of the East Asian economies has transformed the region. The growth is undoubtedly beneficial for the stability of the region. The living standards of the people in the region have been vastly improved and their lives greatly enriched.

The issues are how to ensure that such growth continues and how to ensure that the stability that underpinned such growth continues and is consolidated by it.

These are no easy tasks. For just as the economic relativities between Asia and the rest of the world are changing, so are the relativities within the region. And this is bringing in its wake great strategic change.

I am optimistic - but not complacent - about the region's prospects.

China's growth is the result of decisions taken by the late Deng Xiaoping to open up and liberalise the economy. President Jiang Zemin, of China, has reiterated his commitment to the policy directions chosen by Deng. This is important not only because it increases the chances that the economy will continue to grow at close to the 10 per cent it has grown in recent years but also because it indicates that China will remain open to processes of modernisation and outside influences.

Likewise China's present leaders have reiterated their commitment to maintain their commitment to the 'one China - two systems' policy enunciated by Deng in regard to Hong Kong. Australia regards China's commitment to maintaining the freedoms agreed in the 1984 joint declaration as vital to the future prosperity of Hong Kong and to the interests that Australia and the region have in Hong Kong.

Of course, there are aspects of China's political and legal system that we would like to see significantly improved. But in Australia's view the best way of achieving this is not through public confrontation and hectoring but through constructive dialogue and through accepting China as a legitimate player in regional and global institutions with a right to a voice in shaping them.

Indonesia is another Asian power which will have a great influence on the future course of the region. Its directions and policies overall have delivered great benefits to its people and to the region. President Soeharto for example championed the cause of free trade within APEC. The importance of his government's achievements in holding together a nation composed of hundreds of ethnic groups, and thousands of islands, and in building a modern and fast-growing economy cannot be exaggerated.

The situation in East Timor, of course, remains a matter of very legitimate concern and debate, but we need to think carefully about how our concerns can most productively be pursued. In our view, our concerns are best pursued in the context of a broad-based relationship. Understanding and a sense of perspective are especially important during a period of great social change and leadership transition.

New structures are being created by the countries of the region. They are not structures that have been imposed on them. Having shaped the structures, the countries in the region have a stake in them and have confidence in them. New habits of co-operation are forming.

Fundamental to the outlook for continuing growth in the Asia-Pacific region is maintaining the momentum towards freer and more open trading and investment arrangements both regionally and globally. APEC has an important role in keeping trade liberalisation on track.

Because it accounts for about half of the world's trade and economic output, APEC has a vital role in providing leadership for continuing liberalisation at a global level through the World Trade Organisation.

The ability of the countries in the region to focus on their economic development and enriching the lives of their people depends also on the maintenance of stability. In that context, the framework of relationships between the key major powers, in particular, the United States, Japan and China - and in Southeast Asia, the role of Indonesia - will be critical. So also will be the continuing evolution of an emerging regional security architecture, including arrangements such as Australia's security agreement with Indonesia and the ASEAN Regional Forum.

The active involvement and engagement of the United States is the single most important factor in our regions stability. Just as the United State's commitment in Europe has facilitated a favourable transition to a new era, US engagement in Asia is crucial to navigating the current period of strategic change in Australia's region. As the United Kingdom's relationship with the United States has done in Europe, Australia's alliance with the United States - along with Japan's and Korea's - plays a vital role in regional stability.

Australia's contribution to the Asia-Pacific region is profound in other respects. The role it played as a supplier of resources to fuel the growth of both Japan and Korea is now being replicated in relation to China. Our strengths as a stable democracy, a technologically advanced economy, a source of education, training and skills, and a

model of social tolerance and diversity are an important component of the region's life and prospects and indeed of the region's future.

Australia and the United Kingdom

Australia's destiny is tightly bound up with that of her region. Likewise, the destiny of the United Kingdom is tightly bound up with the future of Europe.

Nevertheless Australia and the United Kingdom have important interests in each other's regions - whether we are geographically part of them or not. History shows events in Europe can affect Australian interests in profound ways, as events in Asia can affect the United Kingdom. We need the markets of both to prosper.

These interests, and the roles we play in our respective regions, constitute compelling reasons to keep the friendship between Australia and the United Kingdom up to date and active and to use it to help shape our futures in a positive way.

We have the tremendous asset that no two countries in our respective regions know each other better, trust each other more, and have closer relationships than Australia and Britain.

This underlines a point the Australians here will know I often make: and that is Australia faces no choice between her history and geography.

I believe that the interplay between our bilateral links and the role that each of us performs in our respective regions will be an increasingly important element in our future relationship.

Each nation will be building on a profound economic, political and human investment we have already made and have in the other.

Britain is the second largest investor in Australia. It is the largest investor in Australia's manufacturing industry, providing nearly 40 per cent of the total direct foreign investment in manufacturing. After the United States and the Netherlands, Australia rivals France and Germany as the next largest foreign investor in the United Kingdom.

The continuing relevance of our bilateral relationship is also apparent in important defence and security ties, and in our co-operation on many global issues through the United Nations, the Commonwealth and other forums.

It is also evident, of course, in the enduring ties that will continue to bind peoples: the shared values and aspirations, the historical and institutional associations, the ties of family and community, and the links established by cultural, educational and sporting exchanges.

It would be easy with a history as rich as the one shared by the United Kingdom and Australia to allow that history to dominate our perspectives of the relationship. It is

therefore important that we keep our understanding of each other contemporary and forward looking.

For that reason, it is most fitting that the Australian and British government are co-operating in mounting the New Images promotion. We are sharing the challenge of communicating up-to-date perceptions of our economies, our societies, our directions and our peoples.

For the same reason, I am delighted to have had the opportunity provided by the Sir Robert Menzies Centre to make my own contribution to that endeavour and to underline my confidence in the contribution that both Australia and the United Kingdom can bring, not only to a more secure and productive future for our respective region, but also with our interplay on each other a more secure and productive future for our two societies and our two nations.

Thank you.