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"AUSTRALIA AND THE INTERNATIONAL TRADE SYSTEM"

ADDRESS BY THE AUSTRALIAN

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AUSTRALIA AND THE INTERNATIONAL TRADING SYSTEM

INTRODUCTION

I APPRECIATE MOST DEEPLY THIS OPPORTUNITY TO ADDRESS THE DISTINGUISHED MEMBERS OF THE CENTRE FOR EUROPEAN POLICY STUDIES, AND TO PUT AN AUSTRALIAN VIEW ON A RANGE OF MATTERS OF COMMON CONCERN TO US ALL AS PARTNERS IN A WORLD-WIDE COMMUNITY.

IT IS MOST APPROPRIATE THAT I SHOULD DO SO HERE IN BRUSSELS, THIS GREAT AND HISTORIC EUROPEAN CAPITAL. IT IS A CAPITAL IN MORE THAN THE NATIONAL SENSE. ITS ROLE AS THE HEADQUARTERS OF THE EUROPEAN COMMUNITY MAKES BRUSSELS ONE OF THE GREAT CENTRES OF THE WESTERN TRADITION OF LIBERAL PARLIAMENTARY DEMOCRACY IN WHICH MY COUNTRY SHARES AND TO WHICH IT IS UNSHAKEABLY COMMITTED.

2.

IT IS A REMARKABLE TESTIMONY TO THE STRENGTH OF THAT TRADITION, THAT DESPITE THE CALAMITIES WHICH EUROPEAN CIVILISATION HAS ENCOUNTERED THIS CENTURY, THE EUROPEAN COMMUNITY HAS EMERGED, BASED FIRMLY ON THE AUTHENTIC EXPRESSION OF THE POLITICAL WILL OF THE PEOPLE - A FREE ASSOCIATION OF NATION STATES IN WHICH, FOR THE GREATER GOOD OF ALL, THE MEMBERS HAVE VOLUNTARILY SURRENDERED ASPECTS OF THEIR SOVEREIGNTY.

THIS COMMUNITY EMERGED FROM THE CENTURIES OF VIOLENCE AMONG EUROPE'S NATION STATES WHOSE LAST AND GREATEST CONFLAGRATION IS WELL WITHIN LIVING MEMORY. THEREFORE, IN ITS HIGHEST SENSE, THE COMMUNITY REPRESENTS A TRIUMPH OF REASON OVER PASSION, OF ENLIGHTENED SELF-INTEREST OVER SELF-DEFEATING PURSUIT OF THE NARROWEST NATIONAL INTEREST. THIS, AT LEAST, IS THE VISION TO WHICH THE COMMUNITY IS DEDICATED; AND WHEN IT IS TRUE TO THAT VISION, THE COMMUNITY CAN OPEN THE ACCUMULATED WEALTH OF EUROPEAN CULTURE, TRADITION AND EXPERIENCE, AND THE FRUITS OF EUROPE'S HARD-WON POLITICAL FREEDOMS, NOT ONLY TO ITS OWN PEOPLES, BUT TO PEOPLE EVERYWHERE. IT IS THIS OPENING, REINFORCED BY THE GROWING CO-ORDINATION OF FOREIGN POLICY WITHIN THE COMMUNITY, WHICH GIVES THE COMMUNITY ITS DEVELOPING POLITICAL IDENTITY IN THE WORLD.

IN RECENT YEARS, AUSTRALIA HAS INCREASINGLY RECOGNISED THE DYNAMISM AND POTENTIAL OF THE PACIFIC REGION OF WHICH AUSTRALIA IS A PART. WE NO LONGER SEE OURSELVES AS A DISTANT OUTPOST OF EUROPE. NEVERTHELESS, THIS PROFOUND CHANGE IN PERCEPTION OF OUR ROLE, OUR IDENTITY AND OUR DESTINY, DOES NOT LEAD US TO UNDERESTIMATE THE CONTINUING IMPORTANCE OF EUROPE AND THE EUROPEAN COMMUNITY.

THERE CAN BE NO DOUBTING THE PROFOUND POLITICAL AND ECONOMIC IMPORTANCE OF THE EUROPEAN COMMUNITY IN CONTEMPORARY INTERNATIONAL AFFAIRS. POLITICALLY EUROPE CONTINUES TO HAVE A MAJOR ROLE TO PLAY IN THE MAINTENANCE OF INTERNATIONAL PEACE AND STABILITY. ECONOMICALLY THE NATIONS OF EUROPE HAVE MUCH TO CONTRIBUTE TO THE FUNCTIONING OF THE GLOBAL ECONOMY.

RECOGNITION OF THESE REALITIES UNDERPINS AUSTRALIA'S INTEREST IN HAVING STRONG, CONSTRUCTIVE, MUTUALLY BENEFICIAL RELATIONS WITH THE COMMUNITY. THOSE SAME REALITIES IMPLY FOR THE COMMUNITY BOTH THE CHALLENGE AND RESPONSIBILITY OF LEADERSHIP.

4.

PRINCIPAL AMONG THE CONTEMPORARY CHALLENGES TO THE COMMUNITY MUST BE THE TASK OF PROVIDING LEADERSHIP IN THE TRADE FIELD. THE DEVELOPMENT AND PURSUIT BY THE COMMUNITY OF COHERENT AND OUTWARD LOOKING TRADE POLICIES IS CRUCIAL TO THE HEALTHY EVOLUTION OF THE CONTEMPORARY INTERNATIONAL ECONOMIC ORDER.

WE RECOGNISE THAT THE EXTENT TO WHICH THE COMMUNITY IS WILLING AND ABLE TO IMPLEMENT SUCH POLICIES WILL BE INTIMATELY BOUND UP WITH DEVELOPMENTS IN THE INTERNATIONAL ECONOMY AND IN TRADE POLICY OVER COMING YEARS.

BUT IT IS ONLY WITH CONSIDERABLE APPREHENSION THAT WE CAN VIEW A NUMBER OF RECENT DEVELOPMENTS IN THE INTERNATIONAL TRADE ENVIRONMENT. THREE INTERRELATED ASPECTS OF THIS ENVIRONMENT ARE OF PARTICULAR CONCERN TO ME, MY GOVERNMENT AND OUR COUNTRY.

FIRSTLY, WE FACE THE SEEMINGLY INEXORABLE GROWTH OF PROTECTIONISM. IN MANUFACTURING ALONE, IT IS ESTIMATED THAT RESTRICTED PRODUCTS ACCOUNTED FOR SOME 30 PER CENT OF TOTAL MANUFACTURED CONSUMPTION IN MAJOR OECD COUNTRIES IN 1983, COMPARED WITH 20 PER CENT IN 1980. ON TOP OF THIS WE HAVE AGRICULTURAL PROTECTIONISM - THE SEVEREST OF ALL - AND THE UNMEASURED PROBLEM OF THAT TRADE WHICH IS TOTALLY PREVENTED FROM TAKING PLACE.

5.

- . SECONDLY, WE ARE WITNESSING A DISTURBING CHANGE IN THE NATURE OF PROTECTION. THIS IS NOW CHARACTERISED BY A LACK OF TRANSPARENCY AND A SHIFT FROM AGREED RULES TO ARBITRARY ADMINISTRATIVE REGULATION. RELIANCE ON TARIFFS HAS BEEN MARKEDLY REDUCED AS EMPHASIS HAS MOVED TOWARDS SUBSIDIES AND VARIOUS NON TARIFF BARRIERS.

- . THIRDLY, WE SEE THE CONTINUED EROSION OF THE AUTHORITY OF THE GATT AND A FURTHER WEAKENING - TO THE POINT OF ENFEEBLEMENT - OF THE MOST FAVOURED NATION PRINCIPLE - A PRINCIPLE ON WHICH MEDIUM-SIZED TRADING NATIONS SUCH AS AUSTRALIA ARE PARTICULARLY DEPENDENT.

THERE ARE OF COURSE SIGNS OF APPRECIATION OF THE PROBLEM - FOR EXAMPLE AT THE LONDON ECONOMIC SUMMIT AND IN THE PREPARATION FOR THE COMING BONN SUMMIT. THERE ARE CONTINUING EFFORTS AT THE INSTITUTIONAL LEVEL - WITHIN OECD, AND IN THE GATT ITSELF, WHERE THERE HAS BEEN SOME PROGRESS, ALBEIT LARGELY PROCEDURAL, IN ADDRESSING THE PROBLEM OF AGRICULTURE. NEVERTHELESS, IN PART BECAUSE THE PROBLEM IS SO DIFFICULT, THE UNDERLYING MALAISE PERSISTS.

TRADE, INTERDEPENDENCE AND GROWTH

THIS EROSION OF THE DISCIPLINES OF TRADE STRIKES AT THE HEART OF INTERNATIONAL ECONOMIC CO-OPERATION. FOR TRADING BONDS BETWEEN NATIONS REMAIN THE MOST TANGIBLE FORM OF GLOBAL ECONOMIC LINKAGE.

TRADE IS THE OUTSTANDING MANIFESTATION OF THE CENTRAL CONDITION OF OUR EXISTENCE AND INDEED OUR VERY SURVIVAL IN THE MODERN WORLD - THE INDIVISIBILITY - THE ESSENTIAL ONE-NESS - OF THE HUMAN RACE. FURTHER, TRADE, BY ALLOWING INTERNATIONAL COMPETITIVE FORCES TO OPERATE, FORMS AN INTERNATIONAL PRICE MECHANISM AND WITH IT THE BASIS FOR A RATIONAL AND EFFICIENT ALLOCATION OF RESOURCES AND FOR SUSTAINED GROWTH.

WITH RESTRICTIONS ON TRADE:

- . THE PRICE SYSTEM GIVES THE WRONG MARKET SIGNALS AND WILL NOT WORK WITHOUT DISTORTION TO RESOURCE ALLOCATION;
- . UNCERTAINTY WILL INHIBIT INNOVATION AND INVESTMENT, AND AS A RESULT
- . GROWTH AND EMPLOYMENT WILL BE IMPAIRED.

LET ME PUT A CRUCIAL QUESTION:

WHY IS IT THAT THE HUGE EXPANSION IN OTHER COUNTRIES' EXPORTS TO THE UNITED STATES WHICH HAS ACCOMPANIED THE STRONGEST ECONOMIC RECOVERY AND GROWTH IN THAT COUNTRY SINCE 1951, HAS NOT HAD A MORE PROFOUND IMPACT, PARTICULARLY IN EUROPE. WHY HAS THE INTERNATIONAL TRANSMISSION OF RECOVERY IN THE WORLD'S MOST POWERFUL ECONOMY BEEN SO WEAK?

I PUT IT TO YOU THAT THE ANSWER MUST IN LARGE MEASURE REFLECT ON THE TRADING ENVIRONMENT. THE DYNAMIC ROLE WHICH TRADE PLAYED IN THE POST-WAR PERIOD IN STIMULATING GROWTH HAS BEEN SEVERELY RESTRICTED. THE INCREASED PURCHASING POWER THAT HAS ACCOMPANIED THE INCREASES IN OTHER COUNTRIES' EXPORTS TO THE UNITED STATES HAS NOT LED TO COMMENSURATE EXPANSION OF TRADE AMONGST OTHER COUNTRIES. OF COURSE, OTHER INFLUENCES HAVE ALSO BEEN IMPORTANT. FOR MANY COUNTRIES THERE HAS BEEN A CRITICAL CONJUNCTION OF SEVERELY DEPRESSED COMMODITY PRICES AND HIGH REAL INTEREST RATES, TOGETHER PUTTING ACUTE STRAINS ON THEIR FINANCIAL SYSTEMS. BUT THE REALITY IS THAT, GIVEN THE UNCERTAINTIES AND RIGIDITIES ASSOCIATED WITH GROWING PROTECTIONISM, TRADE HAS BEEN UNABLE TO TRIGGER THE INVESTMENT NECESSARY FOR BROADLY-BASED RECOVERY.

8.

THESE LINKAGES BETWEEN TRADE AND GROWTH UNDERPIN MY OWN GOVERNMENT'S APPROACH TO TRADE POLICY.

- . WE HAVE SOUGHT TO FOSTER OUTWARD-ORIENTED STRATEGIES IN A CLIMATE WHICH ENABLES COMPETITIVE FORCES TO OPERATE AND WHICH ENCOURAGES FLEXIBILITY IN MEETING CHANGING MARKET CONDITIONS. ABOVE ALL WE HAVE SOUGHT TO ENABLE PRICES TO REFLECT BOTH DOMESTIC AND INTERNATIONAL RESOURCE SCARCITIES.
- . IN SUPPORT OF THIS APPROACH WE HAVE PROVIDED AUSTRALIAN INDUSTRY WITH THE TWO ESSENTIAL PRE-REQUISITES OF INCREASED COMPETITIVENESS, WHETHER FOR THE INTERNATIONAL OR THE DOMESTIC MARKET ; A REALISTIC EXCHANGE RATE AND LOWER REAL UNIT LABOUR COSTS.

FROM AUSTRALIAN INDUSTRY WE SEEK ACCEPTANCE OF THE NEED TO REDUCE PROTECTIVE WALLS AROUND THE SMALL DOMESTIC MARKET. AND IN THIS WE HAVE HAD SOME SUCCESS.

IT IS ENLIGHTENED SELF-INTEREST TO RECOGNISE THAT PROTECTIVE MEASURES IMPOSE A COST FOR THE ECONOMY AS A WHOLE

- . THEY PUT UPWARD PRESSURE ON PRICES IN THE PROTECTED MARKET AND THROUGH THE RIGIDITIES AND DISTORTIONS WHICH THEY INTRODUCE THEY WILL ULTIMATELY RESTRICT EMPLOYMENT AND EXPORT OPPORTUNITIES.

9.

ABOVE ALL, INDUSTRY REQUIRES FROM GOVERNMENT A STABLE MACRO-ECONOMIC ENVIRONMENT AND MUST ITSELF CONTRIBUTE TO EXPORT GROWTH THROUGH ITS COMPETITIVENESS AND INNOVATION.

THIS IS THE UNDERLYING RATIONALE OF MY GOVERNMENT'S INDUSTRY POLICY. IT IS REFLECTED IN OUR MOTOR VEHICLE POLICY. IT IS REFLECTED IN OUR STEEL PLAN, WHERE MY GOVERNMENT MOVED EARLY ON TO REMOVE QUOTAS ON IMPORTS. IN BOTH OF THESE SECTORS OUR AIM IS THAT INDUSTRY WILL, OVER A PERIOD OF TIME, MOVE TO A MORE COMPETITIVE AND RATIONAL STRUCTURE. OUR AIM IS A STRUCTURE WHICH WILL CONTRIBUTE MORE EFFECTIVELY TO THE ECONOMIC DEVELOPMENT OF AUSTRALIA AND TO THE REALISATION OF EXPORT AND EMPLOYMENT OPPORTUNITIES INHERENT IN MANUFACTURING.

AUSTRALIA AND THE MULTILATERAL SYSTEM

AUSTRALIA'S TRADE AND INDUSTRY POLICIES WILL BE FULLY EFFECTIVE ONLY TO THE EXTENT THAT THEY ARE SUPPORTED BY THE RULES AND DISCIPLINES OF THE INTERNATIONAL TRADING SYSTEM.

SUCH SUPPORT HAS BEEN SADLY LACKING FOR AUSTRALIA AND FOR COUNTRIES OF OUR REGION. THE TRADING SYSTEM, WHICH IS DOMINATED BY THE MAJOR TRADING NATIONS HAS PERPETUATED AND ENCOURAGED

. THE MAINTENANCE OF A BROAD RANGE OF NON-TARIFF BARRIERS TO TRADE;

- . THE "SPECIAL" TREATMENT OF AGRICULTURE, OUTSIDE THE ESTABLISHED RULES OF TRADE;
- . TARIFF ESCALATION AGAINST PROCESSED RAW MATERIALS, AS DUTIES BECOME HIGHER AT SUCCESSIVE STAGES OF PRODUCTION;
- . BARRIERS AGAINST THE EXPORTS OF THE NEWLY INDUSTRIALISING COUNTRIES OF THE PACIFIC REGION; AND
- . THE SPREAD OF SAFEGUARD MEASURES AGAINST IMPORTS, OUTSIDE THE DISCIPLINES OF THE GATT.

EXPERIENCE OVER RECENT YEARS GIVES US NO GROUNDS FOR BELIEVING THAT THESE DEFICIENCIES WILL BE SELF-CORRECTING. A MINIMALIST APPROACH TO TRADE REFORM IS NOT THEREFORE A SERIOUS OPTION. IT IS FOR THIS REASON THAT AUSTRALIA FULLY SUPPORTS CALLS FOR A NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS. BUT WITH TWO IMPORTANT CONDITIONS:

- . FIRST, DUE PRIORITY MUST BE GIVEN TO THE UNRESOLVED ISSUES - THOSE ISSUES TO WHICH I HAVE JUST REFERRED AND WHICH THE TRADING SYSTEM HAS BEEN CONSPICUOUSLY PREVENTED FROM RECTIFYING.
- . SECOND, A NEW ROUND MUST BE FOUNDED ON A GENUINE COMMITMENT BY THE MAJORS TO TRADE LIBERALISATION AND TO A RETURN TO THE PRINCIPLES OF THE GATT.

11.

THESE TWO CONDITIONS HAVE BEEN AN IMPORTANT FOCUS OF CONSULTATIONS BETWEEN SENIOR TRADE OFFICIALS FROM THE WESTERN PACIFIC REGION RESULTING FROM THE TRADE INITIATIVE I SUGGESTED IN BANGKOK AT THE END OF 1983.

THE IMMEDIATE GOAL OF THESE CONSULTATIONS WAS TO PROVIDE A FORUM IN WHICH TO EXAMINE THE APPREHENSIONS AND ASPIRATIONS OF REGIONAL COUNTRIES CONCERNING MULTILATERAL TRADE ISSUES.

SUCCESSFUL MEETINGS WERE HELD IN DENPASAR AND IN SYDNEY LAST YEAR, AND THIS GOAL IS ALREADY BEING REALISED.

BEYOND THIS, THE REGIONAL INITIATIVE IS CONCERNED TO EXPLORE WAYS OF ADVANCING THE INTERESTS OF COUNTRIES OF THE REGION AND TO CONSIDER THE SCOPE FOR DEVELOPING MUTUALLY SUPPORTIVE POSITIONS.

THIS GOAL IS ALSO WELL ADVANCED, IN KEEPING WITH AN EMPHASIS ON A STEADY, MEASURED APPROACH TOWARDS A BETTER UNDERSTANDING OF THE SHARED INTERESTS OF THE COUNTRIES OF THE REGION.

A BASIC PRINCIPLE OF THIS AND OTHER MEASURES OF REGIONAL CO-OPERATION IN THE ASIA/PACIFIC REGION, ACCEPTED BY ALL PARTICIPANTS, IS THAT THEY SHOULD BE OUTWARD LOOKING AND IN COMPLETE CONFORMITY WITH THE PRINCIPLE OF NON-DISCRIMINATION. WE ARE NOT SEEKING TO PROMOTE EXCLUSIVE, REGIONALLY BASED PREFERENTIAL ARRANGEMENTS.

12.

THERE IS, AMONG THE NATIONS OF THE WESTERN PACIFIC REGION - THE WORLD'S FASTEST GROWING, MOST DYNAMIC REGION. - A RECOGNITION OF THEIR INTERDEPENDENCE. INDEED THE COMPLEMENTARITY OF OUR ECONOMIES IS SUCH THAT WE, ALONG WITH OTHER TRADING COUNTRIES, WOULD GAIN HIGH BENEFITS FROM BROADLY-BASED MULTILATERAL TRADE LIBERALISATION - LIBERALISATION WHICH WILL DEPEND CRITICALLY ON THE COMMITMENT OF THE TRADING MAJORS.

THE FACTOR WHICH RAISES THE GREATEST SINGLE DOUBT ABOUT THE NATURE OF THIS COMMITMENT IS THE INCREASING TENDENCY OF THE MAJORS TO STRIKE BILATERAL RESTRAINT AND MARKET SHARING ARRANGEMENTS AMONGST THEMSELVES. THE COSTS TO SMALLER NATIONS AND, ULTIMATELY TO THE TRADING SYSTEM AS A WHOLE, OF SUCH DISCRIMINATORY ARRANGEMENTS IS MUCH GREATER THAN ANY SHORT TERM BENEFITS WHICH SUCH "SECOND-BEST" APPROACHES MAY YIELD.

MORE FUNDAMENTALLY, SUCH ARRANGEMENTS ARE CONTRARY TO THE LONGER TERM INTERESTS OF THE MAJOR TRADING NATIONS THEMSELVES. THIS IS PARTICULARLY SO WHERE PROTECTIONIST POLICIES ARE A RESPONSE TO UNDERLYING EXCHANGE RATE MISALIGNMENTS AND MACRO-ECONOMIC IMBALANCES AND WHERE PROTECTIONISM WEAKENS THE RESOLVE TO CORRECT THOSE IMBALANCES.

13.

HOW CAN THIS VICIOUS CIRCLE BE BROKEN AND THE EFFECTIVENESS OF THE INTERNATIONAL TRADING SYSTEM RESTORED? AN ESSENTIAL REQUIREMENT I BELIEVE IS FOR TRADE POLICY TO BE SEEN MORE AS AN INTEGRAL PART OF BROAD DOMESTIC ECONOMIC MANAGEMENT AND LESS EXCLUSIVELY AS THE SUBJECT OF INTERNATIONAL NEGOTIATIONS. THE DISCIPLINES IMPOSED BY THE INTERNATIONAL NEGOTIATING PROCESS ARE CLEARLY A NECESSARY PART OF THE ATTACK ON PROTECTIONISM. BUT WE HAVE TO BREAK LOOSE FROM THE NOTION, INHERENT IN THE NEGOTIATION FRAMEWORK, THAT ONE'S OWN TRADE LIBERALISATION IS A CONCESSION GRANTED TO OTHERS.

INTERNATIONAL CO-OPERATION NEED NOT BE CONFINED TO THE NEGOTIATING TABLE. A THOROUGH AND COMMITTED PROCESS, CONDUCTED THROUGH THE ESTABLISHED INTERNATIONAL INSTITUTIONS, OF REVIEW AND MONITORING OF NATIONAL POLICIES BEARING ON TRADE COULD HELP TO PLACE SHORT-TERM SECTIONAL INTERESTS IN THEIR PROPER PERSPECTIVE.

SUCH A PROCESS COULD SUPPORT GOVERNMENTS IN THEIR PURSUIT OF MORE RATIONAL POLICIES DIRECTED TO OVERALL ECONOMIC EFFICIENCY. SUCH AN APPROACH NEED NOT, AND SHOULD NOT, ENTAIL LOSS OF NATIONAL AUTONOMY. BUT AUTONOMY IS NOT AN END ITSELF. THE FREEDOM TO ACT AGAINST ONE'S UNDERLYING INTERESTS IS A FREEDOM OF LITTLE VALUE.

14.

INTERNATIONAL CO-OPERATION IS, HOWEVER, A NECESSARY BUT BY NO MEANS SUFFICIENT CONDITION FOR AN IMPROVED TRADING SYSTEM. IF THE GOAL OF PUTTING TRADE POLICY MORE FIRMLY IN THE REALM OF SOUND DOMESTIC ECONOMIC MANAGEMENT IS TO BE MORE THAN A PIOUS HOPE THEN PRESSURE FOR CHANGE MUST ALSO COME FROM WITHIN.

THE EDUCATIVE PROCESS ON THE COSTS OF PROTECTION MUST ALSO COME, PREDOMINANTLY, FROM WITHIN. THIS IS A PROCESS WHICH HAS BEEN CARRIED OUT IN AUSTRALIA WITH SOME SUCCESS OVER THE PAST DECADE OR SO. SUCCESSIVE GOVERNMENTS HAVE BEEN PROVIDED WITH DETAILED ASSESSMENTS OF THE COSTS AND BENEFITS OF DIFFERENT INDUSTRY POLICIES.

THIS HAS RAISED PUBLIC AWARENESS OF THE COSTS OF PROTECTIONISM, AND HAS HELPED FOSTER A MORE REASONED DEBATE ON INDUSTRY POLICY.

THIS DEBATE IS ESSENTIAL IF TRADE AND INDUSTRY POLICIES ARE TO BE SUCCESSFULLY AND RATIONALLY HARMONISED.

THE EDUCATIVE PROCESS IS OF COURSE NOT AN EASY ONE. WHILE THE COMMITMENT EMBODIED IN PROTECTION IS CLEARLY VISIBLE TO THE PARTICULAR VESTED INTEREST CONCERNED, THE COSTS TO THE COMMUNITY AT LARGE ARE MUCH LESS TRANSPARENT AND MORE WIDELY DIFFUSED.

15.

WE HAVE NONETHELESS MADE SUBSTANTIAL PROGRESS IN THIS AREA IN THE LAST TWO YEARS IN AUSTRALIA. AUSTRALIAN COMMUNITY DISCUSSION IS NO LONGER COUCHED IN TERMS OF THE STERILE DEBATE ABOUT FREE TRADE VERSUS PROTECTIONISM; IT IS INSTEAD NOW CONCENTRATED MUCH MORE DIRECTLY ON THE ELEMENTS VITAL TO THE IMPLEMENTATION OF SUCCESSFUL INDUSTRY RESTRUCTURING POLICIES. THIS DEVELOPMENT REINFORCES ME IN THE VIEW THAT IN AUSTRALIA WE WILL BE ABLE SUCCESSFULLY TO CONTINUE PURSUING NECESSARY STRUCTURAL ADJUSTMENTS IN OUR INDUSTRIES.

AUSTRALIA AND THE EUROPEAN COMMUNITY

THIS LEADS ME INTO MORE SPECIFIC TERRITORY - THE RELATIONS, WITHIN THIS BROAD FRAMEWORK, BETWEEN AUSTRALIA AND THE COMMUNITY.

AUSTRALIA'S CONCERNS WITH THE TRADING REGIME OF THE EUROPEAN COMMUNITY, AND THE INEQUALITY OF TRADING OPPORTUNITIES, ARE WELL KNOWN. WE MAY IN RECENT YEARS HAVE SOUGHT LESS STRIDENTLY TO OBTAIN A MORE CO-OPERATIVE RELATIONSHIP WITH THE COMMUNITY BUT THIS SHOULD NOT BE TAKEN TO MEAN THAT OUR CONCERNS ARE NOT STILL THERE. INDEED, THEY ARE GROWING AS THEY CHANGE IN NATURE.

THE CONCERNS OF COURSE CENTRE ON AGRICULTURE AND THE CHANGE IN THE FOCUS OF THESE CONCERNS IS A MIRROR OF THE IMPORTANT EVOLUTION TAKING PLACE IN THE COMMUNITY ITSELF.

16.

OVER AN INCREASING RANGE OF AGRICULTURAL COMMODITIES THE COMMUNITY HAS BECOME A NET EXPORTER. MARKET SUPPORT HAS SHIFTED FROM ENCOMPASSING NOT ONLY THE REGULATION OF IMPORTS BUT ALSO THE SUBSIDISATION OF EXPORTS - EXPORTS WHICH HAVE BEEN GENERATED BY THE PRODUCTION SURPLUSES INHERENT IN THE SYSTEM OF SUPPORT.

CORRESPONDINGLY, AUSTRALIA'S CONCERNS HAVE INTENSIFIED. THE QUESTION OF ACCESS FOR AGRICULTURAL PRODUCTS INTO THE MARKETS OF THE COMMUNITY HAS BEEN COMPOUNDED BY A MAJOR NEW ISSUE - THE THREAT TO OUR THIRD MARKETS POSED BY THE SUBSIDISED EXPORT OF VERY LARGE AGRICULTURAL SURPLUSES GENERATED IN THE COMMUNITY.

AUSTRALIA, WHOSE AGRICULTURAL PRODUCTION IS HIGHLY EFFICIENT, MADE A MAJOR SUCCESSFUL EFFORT TO DIVERSIFY ITS AGRICULTURAL MARKETS FOLLOWING THE ACCESSION OF THE UNITED KINGDOM TO THE COMMON MARKET. SUBSIDISED EXPORTS FROM THE COMMUNITY, WHICH AT THE TIME OF EC ENLARGEMENT IN 1972 HAD URGED THE COURSE OF MARKET DIVERSIFICATION UPON AUSTRALIA, NOW PUT THE FRUITS OF THAT RESPONSIBLE EFFORT TO RISK.

17.

AUSTRALIA IS A COUNTRY PARTICULARLY AFFECTED BY THE COMMON AGRICULTURAL POLICY.

• WE HAVE BEEN TOTALLY SHUT OUT OF THE COMMUNITY MARKET FOR SUGAR AND WHEAT, HAD OUR ACCESS FOR MEAT AND DAIRY PRODUCE SEVERELY REDUCED AND OUR FRUIT TRADE SERIOUSLY COMPRESSED.

• MORE RECENTLY NOW, AS COMMUNITY POLICIES HAVE LED IT TO EMERGE AS THE WORLD'S LARGEST EXPORTER OF DAIRY PRODUCTS AND BEEF, AND A VERY LARGE WHEAT AND SUGAR EXPORTER, AS WELL AS A MAJOR SOURCE OF SUBSIDISED WINE WE FACE EROSION OF OUR HARD WON MARKET OPPORTUNITIES ELSEWHERE AND SEVERE HARDSHIP FOR OUR FARMING COMMUNITY.

THE SCALE OF OUR CONCERNS SHOULD NOT BE UNDERESTIMATED. AGRICULTURAL PRODUCTS STILL ACCOUNT FOR SOME 40% OF AUSTRALIAN EXPORTS.

AUSTRALIA'S FARMING SECTOR IS HIGHLY COMPETITIVE AND IS JUSTIFIABLY DISMAYED AT THE DAMAGING EFFECTS OF COMMUNITY POLICIES IN THESE AREAS. AND, LET ME EMPHASISE, THE CONCERN OF AUSTRALIAN FARMERS IS A NATIONAL CONCERN. THEIR CONTRIBUTION TO THE AUSTRALIAN ECONOMY REMAINS CRUCIAL.

18.

IF AUSTRALIA'S FEARS ARE TO BE ALLAYED, SOME CLEAR SIGNALS ARE NEEDED FROM THE NEW COMMISSION. AUSTRALIA NEEDS TO BE SURE THAT THE EC WILL:

- . CONTINUE THE PROCESS OF CAP REFORM AND EXERCISE RESTRAINT WHEN CONSIDERING FARM PRICES FOR 1985-86;
- . WIND BACK EXISTING SUBSIDISED EXPORTS OF FARM PRODUCE INTO THE PACIFIC BASIN ASIAN MARKETS AND NOT ALLOW SUBSIDISED EXPORTS OF NEW LINES SUCH AS BEEF INTO THOSE MARKETS.
- . SEEK A CO-OPERATIVE APPROACH TO THE PROBLEMS OF AGRICULTURAL TRADE, NOTABLY IN THE SUGAR AND DAIRY SECTORS.

IN SEEKING A SATISFACTORY OUTCOME IN THESE AND OTHER AREAS WE WILL CONTINUE TO PRESS OUR INTERESTS DIRECTLY WITH THE COMMISSION AND FORCEFULLY WITHIN THE FRAMEWORK OF THE GATT - IN CONSULTATION AS NECESSARY WITH OTHER SIMILARLY AFFECTED TRADING PARTNERS. THE STRENGTH OF AUSTRALIA'S REACTION LAST OCTOBER TO THE COMMUNITY'S SALES OF AGED BUTTER TO THE USSR AT PRICES BELOW THE GATT MINIMUM WILL NOT HAVE GONE UNNOTICED.

OUR APPROACH IS NOT A PASSIVE ONE. WE SEEK RESULTS.

19.

AT THE SAME TIME, WE RECOGNISE THAT A RETURN TO THE ACRIMONIOUS DEBATE OF FORMER YEARS WILL NOT PRODUCE THE RIGHT RESULTS. THERE IS NO INTENTION TO DILUTE WHAT FORMER PRESIDENT THORN DESCRIBED IN 1983 AS THE "NEW SPIRIT" OF AUSTRALIA/EC RELATIONS. WE RECOGNISE THE 'IMPORTANCE' OF THE AGRICULTURAL SECTOR TO THE COMMUNITY AND ALSO APPRECIATE THAT IF THERE IS TO BE MEANINGFUL REFORM OF AGRICULTURAL SUPPORT AND TRADE POLICY IN THE COMMUNITY THIS WILL HAVE TO BE GENERATED, ABOVE ALL, BY PRESSURE FROM WITHIN.

THIS PRESSURE AND THE MOMENTUM TOWARDS REFORM OF THE COMMON AGRICULTURAL POLICY IS INCREASINGLY EVIDENT, NEVERTHELESS THE EFFECT OF THE CAP IS STILL TO ISOLATE THE AGRICULTURAL MARKETS OF THE COMMUNITY FROM WORLD PRICE CHANGES AND MARKET TRENDS. THE DISTORTION AND INEFFICIENCIES WHICH THIS ENTAILS - NOT ONLY FOR THE INTERNATIONAL MARKET BUT FOR THE ALLOCATION OF RESOURCES WITHIN YOUR OWN MARKETS - ARE MORE THAN EVER APPARENT. IT IS ALSO EVIDENT THAT THIS IS HAVING AN INCREASINGLY DAMAGING EFFECT ON THE COMMUNITY'S RELATIONS WITH THE REST OF THE WORLD, AS THE IMPACT OF THE CAP SPILLS OVER INTO WORLD TRADE.

IF THE VERY FABRIC OF EUROPEAN ECONOMIC INTEGRATION IS NOT TO BE DESTROYED, IT WILL BE ESSENTIAL THAT THE SYSTEM OF AGRICULTURAL SUPPORT RESPONDS TO THESE PRESSURES. IT WILL BE ESSENTIAL THAT THE COMMUNITY, WHOSE AGRICULTURAL EXPORTS HAVE CEASED TO BE AN OCCASIONAL SAFETY VALVE FOR DOMESTIC SURPLUSES, REORIENT ITS TRADE POLICY TO TAKE ACCOUNT OF THE RESPONSIBILITIES AS WELL AS THE BENEFITS FLOWING FROM ITS NEW FOUND STATUS AS A MAJOR AGRICULTURAL EXPORTER.

I AM CONCERNED THAT THESE NECESSARY RESPONSES SHOULD BE MADE, PARTICULARLY AS YOU FACE THE CHALLENGE OF FURTHER ENLARGEMENT. I AM THEREFORE ENCOURAGED BY THE ASSERTION OF PRESIDENT DELORS WHEN RECENTLY ADDRESSING THE EUROPEAN PARLIAMENT THAT EUROPE'S AIM WOULD BE NOT JUST TO PROTECT ITS OWN LEGITIMATE INTERESTS BUT ALSO TO CO-OPERATE IN A WORLD ECONOMIC ORDER.

I AM CONFIDENT THAT IN OTHER AREAS OF OUR TRADE AND ECONOMIC PARTNERSHIP THE PROCESS OF CONSULTATION WILL GROW AND THE BONDS BETWEEN US WILL STRENGTHEN, TO MUTUAL BENEFIT.

21.

AUSTRALIA'S EXPORTS OF RAW MATERIALS AND ENERGY OFFER ENORMOUS SCOPE FOR FURTHER GROWTH, AND FOR OPPORTUNITIES THROUGH INCREASED PROCESSING. NOT ONLY IS AUSTRALIA A HIGHLY COMPETITIVE SUPPLIER OF SUCH PRODUCTS, BUT HER RELIABILITY ALSO GIVES HER A SPECIAL CLAIM. IN AN INCREASINGLY VOLATILE WORLD AUSTRALIAN POLITICAL STABILITY OFFERS A BASIS FOR PARTICULAR CONFIDENCE. IT IS HERE WHERE THE INTERDEPENDENCE BETWEEN OUR ECONOMIES IS PERHAPS MOST MANIFEST - WITH AUSTRALIA REPRESENTING AN IMPORTANT AND RELIABLE SOURCE OF SUPPLY, AND THE COMMUNITY A VITAL MARKET AND SOURCE OF INVESTMENT AND TECHNOLOGICAL EXPERTISE.

OUR TWO-WAY TRADE IN MANUFACTURES OFFERS MANY UNTAPPED POSSIBILITIES. ENCOURAGEMENT CONCERNING AUSTRALIA'S POTENTIAL TO EXPAND EXPORTS OF MANUFACTURERS CAN BE DRAWN FROM THE FACT THAT WE CURRENTLY SUPPLY QUITE A BROAD RANGE OF MANUFACTURES TO WESTERN EUROPE.

INCREASINGLY, THE PARTNERSHIP BETWEEN AUSTRALIA AND THE COMMUNITY WILL COME TO BE SEEN, FROM EUROPE, AS A LINK NOT JUST TO AUSTRALIA BUT TO THE ENTIRE WESTERN PACIFIC REGION; TO ANOTHER GREAT COMMUNITY WHOSE CONTRIBUTION TO GLOBAL PEACE AND ECONOMIC WELFARE WILL BE BASED ON ITS DYNAMISM AND, ABOVE ALL, ON ITS RESILIENCE, CREATIVITY AND PLURALISM.

22.

INDEED THE CENTRE OF WORLD ECONOMIC DEVELOPMENT HAS NOW SHIFTED TO THE ASIA/PACIFIC REGION. THIS FACT IS REFLECTED NOT SIMPLY IN THE GROWTH PERFORMANCE OF MANY COUNTRIES IN THE REGION, BUT ALSO IN THE DECISIONS OF MANY CORPORATE ENTERPRISES TO SHIFT THE FOCUS OF THEIR ACTIVITIES TO THE REGION.

THE SIGNIFICANCE OF THIS SHIFT SHOULD BE UNDERSTOOD HERE IN EUROPE. THE DYNAMISM OF THE ASIA/PACIFIC REGION IS GROUNDED IN APPROACHES AND CIRCUMSTANCES WHICH CONTRAST SHARPLY WITH THE RIGIDITIES CIRCUMSCRIBING THE SCOPE FOR ADAPTATION, CHANGE AND DEVELOPMENT IN MANY OF THE LONG ESTABLISHED INDUSTRIAL ECONOMIES.

IT IS IN THE INTERESTS OF ALL OF US, IN EUROPE AND THE ASIA/PACIFIC ALIKE, THAT THOSE RIGIDITIES BE OVERCOME AND A RATIONAL, EFFICIENT ALLOCATION OF RESOURCES PREVAIL. I FEAR THAT THOSE WHO FAIL TO MAKE THE NECESSARY ADJUSTMENTS WILL ULTIMATELY - IN TERMS OF THEIR OWN LIVING STANDARDS - PAY A HIGH PRICE.

23.

I SAID AT THE OUTSET THAT THE CONCEPT OF THE EUROPEAN COMMUNITY WAS FIRMLY FOUNDED ON THE PRINCIPLE OF ENLIGHTENED SELF-INTEREST. WE ALL KNOW FROM BITTER EXPERIENCE THAT, IN HUMAN AFFAIRS, THERE IS NO PRINCIPLE MORE EASY TO ACKNOWLEDGE, IN THEORY, YET MORE DIFFICULT TO ACHIEVE IN PRACTICE. ALL TOO OFTEN IN THE PAST ECONOMIC DISTORTIONS HAVE CONTRIBUTED TO POLITICAL CONFLICTS OF A HIDEOUS NATURE. IN THE LONG CATALOGUE OF HUMAN FOLLY, NOTHING IS MORE REMARKABLE THAN THE REPEATED BLINDNESS OF NATIONS, AND GROUPS WITHIN NATIONS, TO THEIR REAL SELF-INTEREST.

YET CAN THERE BE ANY DOUBT THAT, IN THESE CRITICAL YEARS IN HUMAN HISTORY, AT A TIME OF SO MUCH PROMISE AND SO MUCH PERIL, THAT OUR CAPACITY TO ACT ON THE PRINCIPLE OF ENLIGHTENED SELF-INTEREST - AND TO APPLY IT NOT ONLY NATIONALLY BUT GLOBALLY - REMAINS THE VERY CONDITION OF OUR PROSPERITY AND INDEED OUR SURVIVAL?
