



# CEDA's Top 10 Speeches

## Prime Ministers on the CEDA stage

A collection of speeches highlighting CEDA's engagement with Australia's Prime Ministers over more than 40 years.

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## **About this publication**

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## **About CEDA**

CEDA – the Committee for Economic Development of Australia – is an independent, not-for-profit membership organisation.

We identify policy issues that matter for Australia's future and pursue solutions that deliver better economic, social and environmental outcomes for Australia.

CEDA's cross-sector membership spans every state and territory and includes more than 780 of Australia's leading businesses, community organisations, government departments and academic institutions.

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# Contents

Introduction	4
Melinda Cilento, Chief Executive, CEDA	
.....	
1. A productive, competitive and innovative Australia	7
The Hon. Malcolm Turnbull, Prime Minister of Australia (2015–2018)	
.....	
2. Encouraging more Australians to join or stay in the workforce	19
The Hon. Tony Abbott, Prime Minister of Australia (2013–2015)	
.....	
3. Gearing up for the second Chinese economic revolution	27
The Hon. Kevin Rudd, Minister for Foreign Affairs (2010–2013) Prime Minister of Australia (2007–2010 and June–September 2013)	
.....	
4. A strong economy for the future	35
The Hon. Julia Gillard, Prime Minister of Australia (2010–2013)	
.....	
5. Balancing reform and the need to be elected	45
The Hon. John Howard, Prime Minister of Australia (1998–2007)	
.....	
6. The great possibilities for Australia's future	57
The Hon. Paul Keating, Prime Minister of Australia (1991–1996)	
.....	
7. Australia's policies for continuing economic growth	69
The Hon. Robert (Bob) Hawke, Prime Minister of Australia (1983–1991)	
.....	
8. Australia in the world economy	79
The Rt. Hon. J. Malcolm Fraser PC, Prime Minister of Australia (1975–1983)	
.....	
9. A commitment to a healthy mixed economy	93
The Hon. E. Gough Whitlam, Prime Minister of Australia (1972–1975)	
.....	
10. South-East Asian development assistance	101
The Hon. William (Billy) McMahon, Minister for External Affairs (1969–1971) Prime Minister of Australia (1971–1972)	



# Introduction

Melinda Cilento

Chief Executive, CEDA

Since CEDA was founded in 1960, Australia has had 15 Prime Ministers. Beginning with William (Billy) McMahon, through to Malcolm Turnbull, CEDA is proud to have welcomed 11 successive Australian Prime Ministers to our stage, including eight serving and three future or past Prime Ministers. Billy McMahon addressed CEDA while Minister for External Affairs and Kevin Rudd spoke to CEDA while Minister for Foreign Affairs between his two periods as Prime Minister. Current Prime Minister Scott Morrison has addressed CEDA twice as Federal Treasurer.

Former Prime Ministers Hawke, Howard and Gillard have continued to engage with CEDA as members of our Board of Governors, as did the late former Prime Minister Malcolm Fraser. Former Prime Ministers Hawke, Howard and Keating have also delivered addresses to CEDA since leaving office.

The willingness of the nation's Prime Ministers – some on multiple occasions – to give their time to CEDA is testament to CEDA's reputation for providing an apolitical forum for discussion of the important economic, social and political issues of the day.

CEDA has produced this special collection of speeches to show the evolution of economic issues of concern to Prime Ministers as well as how those issues have been communicated.

The speeches provide an overview of CEDA's engagement with Australia's Prime Ministers over more than 40 years. They also provide an historical account of the economic and political issues that have shaped our times.

Addresses provide first-hand accounts of our successive governments' strategies to tackle the challenges of social reform and rising inflation of the 1970s; reach out to Asia; transform our economy through the microeconomic reforms of the 1980s and 1990s; and, more recently, respond to the Global Financial Crisis. Some consistent themes do exist, namely in the focus of successive governments to ensure Australians have jobs and the nation is internationally competitive.

I hope you enjoy this collection.

A handwritten signature in black ink, appearing to read 'Melinda Cilento', written in a cursive style.

Melinda Cilento  
Chief Executive, CEDA

# Acknowledgements

CEDA would like to thank the contribution of the CEDA members who have sponsored Prime Ministerial addresses to CEDA over more than 40 years.

Each year CEDA delivers more than 300 events across Australia with leading thinkers from business, politics, government and academia. Without the additional support of sponsors CEDA could not deliver this ambitious events program.

> MAJOR ECONOMIC ADDRESS

> 17 AUGUST 2016

> MELBOURNE



# A productive, competitive and innovative Australia

The Hon. Malcolm Turnbull

Prime Minister of Australia (2015–2018)



In his first major economic address since the July 2016 federal election, the re-elected Prime Minister Malcolm Turnbull outlined his Government's economic plans for the coming term in office.

After the double dissolution election was triggered by a Senate deadlock on key pieces of legislation, Mr Turnbull urged Labor and the minor parties and independents to support a sensible economic approach.

He provided an overview of the Government's Budget measures and signalled a new era of microeconomic reform aimed at tackling stagnating productivity.

Ladies and gentlemen, when the Parliament returns on 30 August, it will be nearly four months, and a long federal election, since we last met. And now that the dust and the votes have settled, the Australian people will expect all of us – Government, opposition and crossbenches – to make the Parliament they have elected work for them.

The big economic challenges and opportunities we faced in May are still there. And central to them all is this – how do we ensure Australia remains a high-wage, first-world economy with a generous social welfare safety net? How do we ensure that we advance a fair Australia, a just society, where all share in our prosperity, at the same time as we drive strong economic growth?

Now to be fair, we must tell the truth. We know that the times in which we live are ones of economic change unprecedented in both its scale and pace. And while we recognise that these times offer extraordinary opportunities for Australians, the changes they bring with them will not always be welcome.

Yes, new jobs are being created, but old ones are being lost. New firms are being established, but some old ones are shrinking or closing. Our economy continues to grow well, by any measure, but there is hardship too. So, with success and prosperity comes the responsibility to ensure the most vulnerable among us, the least advantaged in our society, are not left behind.

As Sir Robert Menzies said more than 60 years ago: “We believe in free enterprise; not enterprise free of social obligation.” We cannot assume that the rising tide of economic growth will lift all boats, we have to make sure that it does. We don’t do this with populist politics that deny reality – hiding under the doona, hoping the real world will go away.

We have seen in our country a massive mining construction boom rise and subside. We have seen commodity prices rise over a few years to the highest in our history and then decline almost as rapidly. The world in which we live is more competitive, more connected than ever before. With half of the world’s middle-class soon to be living to our north in East Asia, the opportunities for the full range of our exports are immense – from Tasmanian wine and lobsters to higher education, from advanced manufacturing to financial services, from design to tourism.

And while mining construction has declined, we are today exporting record volumes of coal and iron ore and will soon be the world's largest exporter of LNG. But those opportunities – including for resource and energy exports – exist for many other nations too. In these times of challenge and opportunity, we need a clear economic plan to secure our future. We took our positive economic plan for investment, jobs and growth to the election and now, returned to Government, we will work to deliver it.

Our plan includes our National Innovation and Science Agenda, our historic investment in the defence industry, our export trade deals, a tax system that encourages investment, growth and jobs, a strategy to get the budget back into balance and guaranteed funding for Medicare, health and schools.

The composition of the new Senate is now clear and I and my ministers are engaging with all the crossbenchers with the aim of securing support for a sound and responsible policy approach that will better secure Australia's economy. This is not, and should not be, about ideology. The objectives of our plan should be supported by all parties. But the critical test is not whether you say you believe in a balanced budget, or more investment and more and better paid jobs, or whether you believe in guaranteed funding for health and education, but whether you are prepared to support the measures that will deliver those goals.

Nobody should underestimate the importance of this moment as a test of the capacity of our political system to make the right calls on the nation's behalf. An increasingly competitive global economy puts pressure on every country to be the best it can.

As the Intergenerational Report in 2015 showed only too clearly, if we had stayed on the course set by the former Labor Government we would be facing net debt of 122 per cent of GDP by 2055, or some \$5.6 trillion. By comparison, net debt in Greece today is 176 per cent of GDP, and Italy it is at 111 per cent. It was a dreadful prospect. Now, we have significantly improved that situation already.

But the ratings agencies have, since the election, sent unambiguous signals that there is still much to be done in getting the nation's finances in order. Moody's only today has stated that any deterioration in fiscal consolidation – budget repair in other words – would put downward pressure on our AAA rating.

Now we sing Advance Australia Fair – but there is nothing more unfair than saddling our children and our grandchildren with mountains of debt that we have created because our generation could not live within its means. If we aren't prepared to make the tough choices today – younger Australians, future generations, will be forced to pay back the debt through a combination of higher taxes and a lower quantity or diminished quality of government services. In short, through lower living standards than they would otherwise have enjoyed.

So, as we work to secure the future of the next generations, we look out on a global economy perhaps more fragile than at any time since the financial crisis almost a decade ago. Growth is slowing across the international economy and uncertainty is rising. Protectionism and inward-looking policies are starting to gain a foothold.

Political divisions in advanced economies – particularly where there is high unemployment or a high risk of unemployment – are feeding on a sense of disenfranchisement among many people who feel the rapid economic changes of our time have left them behind. Political responses to this mood of disaffection can have the potential to destabilise global growth, perhaps even reversing some of the spectacular gains that we have made over recent decades, through open markets and free trade.

The best way to foster economic inclusiveness is through participation in the labour market, via strong jobs growth. We need policy settings in place so that the private sector can flourish and generate the jobs that people value and which will provide economic security for them and their families. To deliver this kind of inclusion, we need to make sure students receive a great education that sets them up with the skills they need. But we also need to make sure that we have the right tax and regulatory settings to ensure businesses back themselves by investing and creating jobs. It isn't a binary choice. We need both and that is precisely what my Government's plan will deliver.

The International Monetary Fund has revised down its growth projections for both 2016 and 2017 – a pattern of downward revisions we have seen repeatedly since the Global Financial Crisis. The IMF has made it clear that if governments want to put growth back on a stronger and more sustainable path, they need to do more to support growth in the short term and, crucially, they must deliver on structural reforms that support a rise in living standards over the medium term.

Now, we approach this uncertain global outlook in Australia from what is fundamentally a position of strength. We are going through a period of economic transition from a huge mining construction boom. This transition was inevitable. Once those gigantic mining construction projects were complete, after capital outlays running into hundreds of billions of dollars, there was inevitably going to be a downturn in business investment. This was predictable and it was predicted. The question was whether Australia would have a hard or soft landing? Would the economy be able to adjust and adapt? Australia has answered with resilience.

Despite the greatest terms of trade shock in our history, brought about by the fall in global commodity prices, we are continuing to see strong business conditions and robust consumer confidence, with real GDP growth running at 3.1 per cent and 225,000 new jobs created in the past year. This is a standout growth performance in a fragile global economy – stronger than any of the largest advanced economies.

So, we are a resourceful and resilient people; we have built a stable democracy and the world's most successful multicultural nation. We have demonstrated the skills, the enterprise and ingenuity to adapt to the global volatility of our times. But we have to keep working hard to sustain that impressive performance. In a rapidly changing world, the keys to a successful 21st century economy are investment, technology, innovation, good infrastructure and open markets. The Coalition's economic plan will ensure that Australia is more productive, more competitive, more innovative.

Now, we know that one of the reasons growth has been more subdued has been weak investment. It stands to reason then, that the way you ensure that strong growth continues is to make sure that every lever of government economic policy is pulling in the direction of encouraging investment.

Everything our Government does is focused on powering economic growth – more investment, a strong and vibrant business sector and hence more jobs. That's why we took to the election, and set out in our Budget, business tax cuts. If you reduce the tax rate on businesses, the return on their investment increases, business will invest more, and you will get more jobs and higher wages. That is the right policy response for the conditions we face.

Chris Murphy – who led the modelling exercise for Labor's Henry Tax Review – has said that lowering the company tax rate is the top priority for tax reform. And the International Monetary Fund (IMF) has recommended we cut the company tax rate to international levels, to make sure Australia is a competitive place to invest.

However, I want to emphasise that while we believe in lower taxes, paying them is not optional. That's why we introduced the diverted profits tax so that firms who shift their profits overseas will have a 33 per cent increase in their tax bill. We want to reduce the tax burden for businesses that do the right thing and pay their share, and ensure there are strong penalties for those that do not.

A stronger economy – a tax system with integrity – means we can afford to support world-class education and health services, including guaranteed funding for Medicare, without weighing down our children and grandchildren with a mountain of debt. Everything we seek to achieve, all of our hopes, hinge on strong economic growth. Economic success, remember, is all about people – their lives, their future, their security, their capacity to realise their dreams.

That is what we are working for in our Government today. Now, good budget management is a vital component of our economic plan. We set out in the May Budget a carefully-considered roadmap for the responsible fiscal management that will deliver future economic security and we will proceed with our budget commitments.

In the upcoming sittings, we will introduce an Omnibus Bill that puts together all the Government's savings measures that we understand from the election campaign the Labor Party is prepared to support. The budget bottom line that Labor outlined during the campaign relied on over \$6 billion in Coalition savings that they have not reversed, including \$3 billion in measures that they previously opposed.

And this is after Labor's earlier multi-billion-dollar backflips – \$3.6 billion on the pension assets test and \$4.5 billion on the Schoolkids Bonus. We will work constructively with Labor and the crossbenches to pass those measures. Now I note that since the election Bill Shorten has said: "Labor is going to be constructive; we are going to be positive."

A genuine commitment by Mr Shorten to bipartisan support for a responsible approach to the Budget can help deliver positive results for the broader Australian community. We will take him up on that. We are ready to reach across the aisle. But Labor must be prepared to bring an open mind and some fiscal rationality to any discussions, as well as a commitment to support spending reductions that they have already said they will back.

Australians will not stand for a repeat of the aftermath of the 2013 election when Labor decided, incredibly, to oppose savings measures it had itself proposed. Nor will voters tolerate a repeat of Labor's most recent exercise in fiscal cynicism, where they opposed responsible savings right up until the eve of the election, only to capitulate at the last minute in what was ultimately a futile attempt to make their numbers add up.

The time for posturing is over. The reform challenges for Australia are significant and urgent. Continued economic success requires Australians to be smart, strategic and agile so we can take full advantage of the opportunities on offer in new and expanding markets around the world, especially of course in the fastest-growing economies of Asia. This is not a time for rigid ideology. The onus is on Labor, like everybody else, to revisit and review outdated policies that present a roadblock to reform. Importantly, as we all know, economic reform is not simply about budget repair.

Measures of Australia's multifactor productivity – which measures output across a mix of capital and labour inputs – have remained stagnant over the past decade, well below the long-term average annual growth rate of 0.8 per cent. The productivity slowdown signals the need for a new era of microeconomic reform.

The double dissolution election was called to resolve the deadlock with the Senate over two vital pieces of legislation which restore the rule of law to the construction industry – re-establishing the Australian Building and Construction Commission and ensuring that registered organisations, unions and employer organisations, have to comply with the same standards of governance and accountability as the company directors. These Bills will be presented to the Parliament again as soon as we return and we are seeking the support of the Senate crossbench to secure their passage.

True to our election campaign commitments, we will also be asking the Parliament to expedite the carriage of amendments to the *Fair Work Act* to prevent a union takeover of the Country Fire Authority in Victoria. We are committed to protecting the independence of the 60,000 CFA volunteers who put their lives on the line defending Victorians and their property from bushfires. They are community heroes and we stand shoulder-to-shoulder with them.

The Coalition believes it is vital for our future economic security to make the most of the exciting opportunities for Australians to grow their businesses in the markets of the world, in particular the large economies of Asia. As one of the great trading nations, we have much more to gain from free trade. Protectionism offers nothing but declining living standards to Australia.

Regional Australia in particular has a vital vested interest in our opening more markets – indeed the agricultural export “dining boom” has offset, at least in part, the consequences of the downturn in mining construction activity in many parts of regional Australia.

The rapid growth of the Asian middle-class is the biggest economic transformation of modern times. And recognising that, we concluded five free trade agreements in the last three years – Japan, Korea, China, Singapore and of course the multilateral Trans Pacific Partnership.

These agreements give our farmers a competitive edge by removing tariffs on their produce. They provide new openings for our service industries – our architects, engineers, lawyers and planners; our tourism sector, financial services industry and aged care providers. They give our small businesses opportunities to scale up and export – be it a Tasmanian cherry grower or a Geraldton fisherman. Securing even a tiny slice of a market in a single Chinese, Japanese or Korean city can provide a very healthy income stream well beyond what can be achieved in Australia.

The Coalition continues to work hard on free trade agreements with India and Indonesia. We continue to seek to open new doors to trade and investment, because expanding exports to the large markets in our region or globally will deliver massive new opportunities for stronger economic growth and jobs here in Australia.

It is in that regard vitally important that we keep an unrelenting focus on the policies to re-energise global economic growth. We have to work even harder to maintain the momentum behind open markets and free trade, which is why we will press hard for ratification and implementation of the Trans Pacific Partnership of 12 of the world’s leading trading nations.

Britain’s vote to leave the European Union creates the need for Australia to renegotiate important trade deals with the United Kingdom. Following my discussion with the new British Prime Minister, Theresa May, our respective Trade Ministers have begun exploring avenues and arrangements to increase trade and investment in preparation for Britain’s exit from the EU some years hence.

To extend our success as an advanced 21st century economy, we also need to leverage technology to encourage the growth of new business, and to ensure our traditional industries stay at the cutting-edge of technology. PricewaterhouseCoopers has estimated this has the potential to add around \$1300 per person to Australia’s GDP in 2024, and as much as \$4300 per person by 2034 – as well as creating more than 540,000 new jobs.



In every element of our national life, every part of our business life, every part of my Government's work, innovation will be a vital driver of growth. The economies, the businesses, the nations, that succeed in the 21st century are those that move fast, that are innovative, that are adaptive, that are agile.

In December last year, we launched our \$1.1 billion National Innovation and Science Agenda to bring more Australian ideas to market, incentivise entrepreneurs and invest more in education and research. Our plan makes it easier for start-ups and innovative small business to access early stage capital and to take great ideas to market.

Key to this agenda will be ensuring our children get the education they need in science, technology, engineering and maths, the skill sets that drive advanced industries and the applications and the skills on which they depend – including machine languages, coding. Innovation must be an economy-wide story; it's not just about start-ups; it's about all firms and industries using technology to improve productivity and competitiveness.

Australia's farmers are among our most innovative using precision technology that provides for better water use, extends growing seasons, and increases crop yield. Our resources sector is anything but "old economy" – remote controlled trains and trucks are just one of the reasons mining recorded a 22 per cent increase in labour productivity last year and a five per cent increase in multifactor productivity.

The Coalition's *Defence White Paper* invests \$195 billion into defence capability over 10 years, which includes a \$1.6 billion investment to specifically support local advanced manufacturing and high technology jobs in innovative industries. The *Defence White Paper* is a plan for ensuring our defence forces have the capabilities they need to keep us safe in the 21st century. But it will also serve to ensure that as far as possible, every dollar that can be spent in Australia, in our own advanced manufacturing, innovation and technology, will be spent here.

Through this plan, we will make Australia more secure, not just in terms of military capability but by building up the technology and industry base that will help deliver a stronger 21st century economy. If we see this plan through over the next three years, I believe Australians will have every reason to approach the decades ahead as they do today – confident, outward-looking, secure and self-assured. If, on the other hand, we falter in our plan to transition the economy, there is a real risk of Australia falling off the back of the pack of leading economies.

We must meet the challenge of getting our budget under control, bringing down debt and deficits – and ensuring we have the productivity-boosting policies in skills, trade and the workplace that will drive investment and jobs. This policy prescription is a considered, pragmatic response by my Government to the challenges we face if Australians are to enjoy continued economic success. It should not be as controversial as it is sometimes represented to be.

Is anybody really asserting that a focus on innovation is bad for the economy? That opening up trade opportunities in the wider world is not in Australia's interests? Or, alternatively, that making our industry less open to competition will somehow provide Australians with a magic recipe for economic security? Of course not.

This is no time to pretend, as Labor does, that the good times will just keep on rolling no matter how much you tax, how much you borrow, how much you spend. That is simply not how it works in the economy of the 21st century. Yes, it will be tempting for some to exploit people's fears and insecurities about the rapid pace of change in our world. But none of the regressive anti-business, anti-growth agenda we have heard from Labor does anything to address the real challenges facing the Australian economy.

It is vital that all of our political leaders see the world as it is, not how they might like it to be, or how they fondly imagine it might once have been. Unless we embrace the volatility of a more competitive and interconnected world, we face the risk of economic stagnation that means less investment and less jobs.

And unless we deal sensibly with the challenge of living within our means, Australians, and our children and grandchildren, will be facing a future of higher taxes, higher public debt and, ultimately, a reduction in the quality of services our society wants and expects. These questions are fundamental to the future living standards of all Australians. And those who will be hit hardest if we do not sustain a strong economy and the strong revenues that flow from it will be those who are the most disadvantaged, the most reliant on government services, the most vulnerable.

So, we will work constructively, cooperatively and creatively with the new Parliament – both the Opposition and the crossbench in both the House and Senate – as well as with state and territory governments. This is my commitment. But I will be asking for a commitment in return.

I will be asking the Parliament to face up to the fact that Australia's future is and can only be one of confident engagement in the global economy. As a nation, that will mean we need to be at our innovative and competitive best if we are to secure the successful and prosperous future all of us want for ourselves and our families.

Thank you very much.

> STATE OF THE NATION

> 24 JUNE 2014

> CANBERRA



## Encouraging more Australians to join or stay in the workforce

The Hon. Tony Abbott

Prime Minister of Australia (2013–2015)

In his first address to CEDA as Prime Minister and a month after the 2014–15 Budget was handed down, Prime Minister Tony Abbott outlined his Government's agenda at CEDA's annual State of the Nation Conference.

Mr Abbott indicated the long-term economic prosperity of the country was more important than being popular in the short term. He noted a range of decisions made by previous Prime Ministers, now hailed as economic success stories, that had been unpopular at the time they were made. Almost everything his Government did, he said, would be aimed at ensuring people had jobs.

Ladies and gentlemen, it is a real thrill to be here because this committee of yours, this Committee for Economic Development of Australia, has, for a very long time now, been one of the best forums for the development of serious thinking about where our country is going.

For over 50 years, CEDA has helped to drive debate about our country's social and economic development. Now most people have an opinion about what's best for our country, unsurprisingly it's often whatever's best for the person expressing the opinion. But because CEDA has no institutional self-interests to push it's been better than most at taking a long-term view focused on what's genuinely in the national interests. So, congratulations.

The decisions that we now acknowledge have shaped our country and have set up our prosperity have often been unpopular in the short term, and initially difficult for the governments that made them. Prime Minister Menzies, for instance, opened up trade with Japan at a time when Japanese cars were still banned from RSL club car parks.

Prime Minister Whitlam opened the door to China when many Australians thought that Communism and trade could not mix. Prime Minister Hawke's opening to foreign banks, privatisation and tariff cuts were deeply unpopular inside the Labor Party. Prime Minister Howard's tax reforms, waterfront reforms and welfare reforms were ferociously opposed by the then Opposition.

It's always easy to pander to fear and short-term self-interest, but Australia has succeeded because at least some governments have been better than that. Especially between 1983 and 2007, a golden quarter-century of political courage and economic reform, good governments from both sides of the political fence made Australia more competitive, more innovative and more productive.

As this State of the Nation conference meets, we again see tough choices that will lay the foundation for a stronger Australia. What must surely be clear is that doing nothing is not an option.

In 2007, the Commonwealth Government had a \$20 billion surplus and \$50 billion in the bank. But by 2013, consistent surpluses had turned into the sixth-biggest deficit ever – with no end in sight – under the policies of the former Government, despite the best terms of trade in our history. The former Government was addicted to borrowing and spending.

In real terms, spending grew almost twice as fast as the economy, and debt was forecast to grow to \$667 billion, so the task for this Government has been to get spending down while maintaining and even increasing economic growth.

We do need to boost the three Ps – population, productivity and participation – without taking the soft option of pretending to do so just by spending more.

So, today, I want to focus on the Government's measures to encourage more people to join the workforce or to stay in the workforce. But first we need to be clear about the scale of the challenge. Longer lives are a cause for celebration – I'm celebrating more the older I get – but all of these extra retirees have to be paid for.

The ratio of working-age people to people over 65 will decline from 5:1 to under 3:1 by 2050. So to preserve generous social security benefits and good health and education services, we need relatively more taxpayers. We have to find ways to increase the proportion of workers in our economy.

We need more people who are having a go to preserve the fair go that has always been such a crucial part of the Australian way of life. And we need to start addressing these issues now, and changing policy now rather than later when change will be even harder.

Policy drift is the refuge of the political opportunist who has forgotten the purpose of public life. Now, almost everything that this Government does is designed to ensure that more people have jobs. But there's a right way and a wrong way to boost the number of jobs. More government spending might boost employment in the short term, but in the long term, more government spending usually makes it harder to sustain the profitable private businesses that are the real engine of jobs growth.

Lower tax, less red tape and green tape, and freer trade are the best and the most successful means to higher economic growth and more jobs. But in particular, we need to make it easier for young people, for older people, and for women to enter or to re-enter the workforce, because these are the groups with the most potential to boost employment participation. Lifting participation among these three groups is an important economic outcome that would help offset the pressures of an ageing population.

Over 60 years ago, Sir Robert Menzies put the case for greater workforce participation. He said:

“A job is much more than a source of income; it is also a source of personal satisfaction and individual dignity. The pursuit of happiness lies along a self-made road, seldom along a road made by others, no matter how good their intentions. The sense of individual dignity which comes from doing a job, gives to the doer the personal satisfaction of helping oneself rather than having to rely on a social security benefit.”

So, the policies of this Government are very much in the tradition established by our distinguished forebear. You'll note that Menzies wasn't just referring to more self-reliant people; he was celebrating more self-fulfilled people. This Government is not promoting more jobs because that's what economic theory tells us to do. We are promoting more jobs because that is most likely to lead to happier, more self-fulfilled people.

We are building a stronger economy because that will lead to a happier society. Empowered citizens can do more for themselves than government will ever do for them, and the best form of empowerment is a job.

My friends, work is so much more than just a way to gain a living. Work gives people's lives meaning and purpose. Work gives individuals the satisfaction of providing for themselves and their families. Work helps to give people the practical, intellectual and social skills needed for a full and rewarding life. Indeed, the camaraderie of workmates is something that we don't often appreciate fully until we don't have it anymore.

To be without work is a disaster, especially for young people. It locks them out of the economic and social mainstream of our community. It stops them achieving their potential. That's why there's no compassion in having people start their adult lives on unemployment benefits.

Even in difficult times there's little that's more satisfying than finding a job, making a success of it, and providing for yourself. That's why all fit young people should be earning or learning, and expected to persevere for six months to find a job or to choose a further training program before accessing welfare payments.

That's why all young people who do find themselves on unemployment benefits should be working for the dole. Fit young people should be working, preferably for a wage, but if not, for the dole. So, from 1 January next year, new jobseekers up to the age of 30 will have to look for a job for six months before receiving unemployment benefits.



Young people who have been working will wait a shorter time because they have been having a go and making a contribution, and of course there's no change to access to income support for young people in education or training, or for young people with a significant disability or parenting responsibilities.

But these changes do mean that the days of doing nothing on the taxpayer are over. Gone. The era of something for nothing is no more. Being an adult means taking responsibility for the choices you make and making the best possible choices in the circumstances you face. And only after six months will young jobseekers receive income support, and then there will be a requirement to participate in at least 25 hours a week of Work for the Dole.

Work for the Dole is giving, as well as receiving, that's why there's a dignity to work for the dole that's not there for people who simply receive unemployment benefits, especially long-term recipients. And given a choice between being useful in the community and taxpayer-funded idleness, governments, parents and society at large should prefer purposeful activity every time.

Now, as Employment Minister I spent a lot of time with people on Work for the Dole projects. I never saw anyone demeaned by it. I never saw anyone who hadn't benefited from participation. Most unemployed people are yearning to show the world what they can do, not what they can't do, and Work for the Dole does give them that chance.

Because there is no time to waste, next week work for the dole will commence in 18 areas across Australia for all jobseekers between 18 and 30 years old. Work for the Dole will move to a full national scheme from 1 July next year. Under these reforms, young jobseekers any time may commence eligible study or training and receive youth allowance for students until this is completed, because Australia's training completion rates are too low, only about 50 per cent of the people who commence an apprenticeship actually finish it.

One of the reasons young apprentices don't complete their training is because they can't afford the costs of being an apprentice, especially when their work-mates are earning more in less skilled jobs.

So, from 1 July this year, we will support those learning a trade by providing concessional trade support loans of up to \$20,000 over a four-year apprenticeship with the loan structured to encourage completion. And from 1 July 2016, the Government will remove the 25 per cent loan fee that applies to VET FEE-HELP for eligible full-fee-paying students in higher level vocational education and training courses.

Now, along with support for younger Australians seeking training, this Government is determined to make employment more attractive. First, we will make the existing childcare system more flexible and accessible than it already is, and the Productivity Commission will report shortly to the Government with its recommendations.

Second, we're implementing a paid parental leave scheme that's based on people's actual wage rather than the minimum wage. It's important to remember that of the 34 countries of the Organisation for Economic Co-operation and Development (OECD), 33 offer paid parental leave schemes. And of these 33 countries, Australia is one of only two that fails to pay leave based on a replacement wage. Paid parental leave isn't a gift, it isn't welfare, it's a workplace entitlement, and to ensure it doesn't make it more expensive to employ a woman, it's administered by government and paid for by a levy on big business.

So, as well as boost youth participation and female participation in the workforce, this Government is determined to boost senior participation too.

Ability, and not age, should be the test for employment, but all too often older workers face prejudice when they apply for jobs. Older workers have the experience, the wisdom and the stability to be the very best of employees.

So, from 1 July this year, the Government will introduce a new wage subsidy, Restart, for businesses to take people over 50 off welfare and into sustained work. Employers who employ an eligible older jobseeker for full-time work will receive \$10,000 over two years. This should be sufficient incentive for employers to step outside their comfort zone and give mature jobseekers a fair go.

As well, we want to ensure that disabled people with some work capacity are supported to seek employment, especially those under 35. So, the Government will strengthen the measure introduced by our predecessor to create participation plans for disability support pensioners under the age of 35 with some capacity for work.

I want to stress that Australia has always been the land of the fair go, but part of giving people a fair go is encouraging them to be their best selves, making it easier for them to have a go too. The new Government wants more Australians to be economic contributors, as well as social and cultural contributors, and the best way for that to happen is through work.

I want more Australians to be workers. I want our people to be more productive because that way our country will be stronger, and our citizens will be more fulfilled. I want this Government to be the best friend that the workers of Australia have ever had, and making it more likely that more Australians will join the workforce is part of that.

So, ladies and gentlemen, I thank you so much for the opportunity to be here this morning. Again, I very much appreciate the work that CEDA does to promote informed and intelligent debate about the problems that face our country, and I want to thank all of you for your participation in that debate.

Every single one in this room is a busy person, and the fact that you are prepared to give up a couple of days to come to Canberra and participate in these discussions is a sign of your commitment to our country, and we need more people more committed to our country if we are to succeed as we should in the years and decades ahead.

Thank you very much.

> IN CONVERSATION WITH KEVIN RUDD

> 14 OCTOBER 2011

> BRISBANE



# Gearing up for the second Chinese economic revolution

The Hon. Kevin Rudd

Minister for Foreign Affairs (2010–2013)

Prime Minister of Australia (2007–2010 and June–September 2013)



Speaking as Minister for Foreign Affairs, between his two terms as Prime Minister, the Hon. Kevin Rudd discussed the transformation of Chinese economic growth and the opportunities it brought for businesses in Queensland and across Australia.

Mr Rudd, who maintained a keen interest in Foreign Affairs as Prime Minister, said while the resource and energy sector would remain important for a long time, the next boom would likely come in the services sector bringing opportunities for Australian businesses in luxury goods, food and beverage and tourism.

It is fantastic to be back home because so much of Australia's economic future is generated here. This is a dynamic state, it has been for decades past, it will be for decades to come. And the Australian economic growth story cannot be written without a very substantial Queensland economic growth chapter within it. That just doesn't happen on the basis of the natural resources that we have, great and rich though they are. It rests also on the entrepreneurial spirit of the state.

Many of you come from the corporate sector. Many of you know what it is like to put your house on the line, often literally, in building a small enterprise into a medium enterprise and into a larger enterprise. Many of you are out there at the cutting edge of global enterprises knowing that to stand still in business these days is to die, and you know therefore what it takes to find what the next leading edge is, either in technology or in marketing, or in quality control of the products and services that you deliver. Without a vibrant corporate sector in this country and this state we are nothing. You generate the jobs and if your jobs are not being generated then there is a whole bunch of people out there who have no hope whatsoever.

Because we have a corporate sector, which is out there competing on the global stage and generating wealth for the nation, you also make it possible for governments, through the taxation system, to do what governments need to do more broadly and that is to make sure that we are bringing along the talents, the skills, as well as the essential infrastructure that the country needs for the future.

Some years ago, a former (Queensland) Premier, Peter Beattie, spoke of Queensland being the Smart State. Peter Beattie was right. This is an important objective for this state's long-term development so that we, a long time ago, gave up the notion that here in Queensland we are resting purely on our natural resource laurels. We no longer do that, and it is a good thing that we are investing in all the other drivers of economic growth and prosperity that count. Right across the manufacturing sector, right across what we now do in agri-business, right across what we now do in a dynamic services sector. And it is in that services sector where I see so much potential for the future as well.

I spent a lot of my professional time in China. Those of you who study the Chinese market carefully will know this. China is re-engineering its growth strategy for the future. China, in its last five-year plan, the 12th five-year plan, is outlining a new economic growth model which will actually transform the China of the future to the one that we have seen over the last 30 years.

The Chinese economic miracle up until now has so much depended upon labour intensive, manufacturing export and the focus of intensive investment by Chinese institutions and the Government. The transformation which has been outlined in their new growth plan is actually of fundamental importance. It prescribes a new path to further growth for the future. It does not discard the old model, it will continue to the extent that it is able to prosper into the future. But the new model recognises that the future growth of the Chinese economy as they approach middle income status will be one that will be driven classically by domestic consumption, classically driven by high levels of urbanisation, classically driven, therefore, by a buoyant services sector, and classically driven, therefore, by rising income levels and the people of China aspiring to the same sorts of lifestyles as people do all across the world.

So, what does that mean for us here in Brisvegas, capital of the world? I will tell you what it means. It is that when we look out at the China of 2020 and the China beyond that as well, this will be not just a growing economy and aggregate and, by 2020, on PPP terms, probably the largest economy in the world. It will also be a China whose growth model and pattern of demand will be radically different to what we have experienced so far. Don't worry if you're in the resources and energy sector, which I will come to in a minute. That business looks secure. It's going to be there for a long time. But the next huge increment of growth will come off the back of the burgeoning dynamism of the services sector within China itself, coming out of China's second tier cities.

Just think of this for one moment, right now in China there are 101 cities with populations larger than our largest city, Sydney – 101. Ten of those have populations in excess of 10 million. These are big cities. The thing about the 101 is that if we did a vox pop around the room we would probably be able to name, each of us, four or five. I have a head start. I have lived there and worked there. I could get to 10, maybe a few more. There is a whole list of those cities which now represent significant economies in themselves which, frankly represent huge and emerging markets in themselves.

A useful test for us all is to think in these terms. If you were to lay out on one side of the table a map of the economic geography of Europe and magnify the map in a way which showed the largest economies to the smallest economies. Big bubble for Germany, big bubble for France, big bubble for Britain, smaller bubbles for Italy, smaller bubbles for Spain and then much smaller bubbles again for the Nordic economies and the others around the European periphery. Then on the other side of the page you have an economic map of contemporary China, with its provinces representing one of those bubbles each. If you looked at greater Shanghai, if you looked at Hubei around Beijing, if you were to look at Tianjin, if you were to look at Chongqing in the west and

Sichuan, quite apart from the dynamic growth corridors in the south around Guangzhou and across Guangdong down to the Hong Kong border. You will find over the next decade or so, six of those regional or provincial economies representing trillion-dollar-plus economies, in other words about the same size as this economy of ours, Australia, today. And you will see a number of them becoming much larger again.

My overall point is this, think of those maps. China's future economic opportunity should be seen in terms of a collection of significant large, diverse, regional economies in itself, comparable to the way in which we have viewed Europe for the last 20 or 30 years. Each of them worth penetrating in themselves. Each of them worth getting to know in themselves. Each of them worth getting to understand in themselves. The level of devolution in China these days means that while the central government is still important, what happens frankly, at the provincial and local level, is probably doubly important.

So, the message for Australian business for the future, and what I call China 2.0, is to have in your mind the fact that the growth model for the future will be significantly different. The generators of growth and therefore market opportunity for the rest of the world will be significantly different. Where the rubber really hits the road is China will increasingly offer markets for a whole range of luxury goods which can be manufactured anywhere in the world. China will increasingly offer through its rising middle-classes and its cities a taste for every range of food and beverage known to man, wherever it is manufactured in the world.

In the services sector the demand for engineering services, for architectural services, for design services, for environmental services, as each provincial government comes under pressure from the centre to redesign their cities. That is where the demand will lie as well. Education services, health services, a rising middle-class, many millionaires, quite a number of zillionaires in the making and, like most folk, wanting to live as healthy a life as possible.

So, what that means in addition to tourism and these disposable incomes of Chinese families being spent in parts of the world now, as they go on holiday as the Japanese began to do 30 or 40 years ago. That is the trajectory we are now on. The challenge therefore for our services industries right across the spectrum of professional services, tourism services and every point in between, is to understand that this is not just a huge market, it is a highly diversified market. It is one therefore where we are going to have to undertake work, as companies and the governments together, in each of those major regional markets in order to make the most out of them for Australia's future economic wellbeing as well.





That has virtually nothing to do with my prepared text today, which is supposed to be about energy security. But, for fear that I am accused of not addressing the topic whatsoever can I say this. The facts are these; Australia is an energy super power. Right now, we are the world's largest coal exporter. Right now, we are the world's fourth largest LNG exporter, and we are likely to become, before this decade is out, the world's second largest LNG exporter, and conceivably become the largest.

We have the largest uranium reserves in the world, and as nuclear energy takes off in developing economies, while there has been policy decisions taken in some countries not to further develop and in some countries to retire their civil nuclear capacity, such as in Germany, the truth is uranium represents a significant future energy export potential for Australia as well. The global share of nuclear energy as against other carbon-based energy product begins to rise.

Then there is our emerging renewable energy sector. The Government in a previous term legislated for the first time in Australia's history for a renewable energy target of 20 per cent. That is of our total generated output of electricity the 20 per cent would come from the renewable energy sector. All these things combined, both in let's call it the traditional carbon-based energy sector, the emerging nuclear energy sector around the world, as well as what we are now doing in the renewable energy sector, dovetails not just with our own economic needs in Australia, but dovetails with a huge and emerging global demand for energy and, increasingly, clean energy into the future. Therefore, as one of the world's energy super powers we are positioned in a way, and in a manner right now, whereby we will not only serve our own economic interests but serve the developing needs of so many economies around us.

A word on carbon pricing. Carbon pricing is here to stay. I am not talking about Australia, but most economies around the world, developed and developing are either through emission trading schemes, carbon taxes or other direct regulatory means that we see from the Chinese and the Indians, engaging in one form or another of carbon pricing. People often say well, China is not acting. Well that's untrue. Right now, the Chinese are experimenting with either emission trading schemes or carbon taxes in various municipalities and/or provinces right around the country.

The Indians have embarked upon a parallel course of action. In addition to that both of those economies have set for themselves one form or other of energy intensity targets, and you might say, why is that so? It is pretty basic. If China is emerging as the world's dominant economy and therefore one of the world's super powers in the 21st century, China wants to have a future based

on its own national interests. Therefore, if global warming is going to curtail that future for China, China out of its own national interests is going to act. That is why China is acting.

For those of you who have not studied the Chinese Government White Paper on climate change several years ago, and studied the far-reaching decisions taken by the Chinese Government in recent national planning documents, then we are behind the times. It may suit some in the domestic Australian debate at present to say the rest of the world isn't acting, I would actually submit to you that if you subject that to any level of rational analysis, and put together what each jurisdiction is doing around the world, including the major emerging economies in China and India, we see action on the part of most major economies. In the case of China and India it is a stark, clinical conclusion that if they do not act then their century, the Asian Century, is at risk, and therefore it is just not the global interest of which they may be mindful it's their own national interest as they become respectively the first and second largest economies in the world by the time we reach mid-century.

So therefore, it is imperative for us as we consider our credentials as a traditional energy super power based on our carbon energy products, a contemporary energy super power in terms of increasing global demand for Australian uranium, which we sell to the rest of the world based upon the most comprehensive and rigorous set of bilateral nuclear safeguard regimes of any country on Earth, but respectively in the renewable energy sector because of carbon pricing. We must be at the forefront of the latter as well. If we are not through our research effort, and the actions of our small, medium and large-scale energy companies, getting right across every clean energy possibility for the future, every renewable energy option for the future, including carbon sequestration and storage, then there is a great danger that as a national economy we will become outflanked by a quantum shift in energy technologies around the world.

We cannot simply assume that things will remain as they are with an overwhelming dependence on carbon-based fuels. That might turn out to be the case for some time to come but we do not know. The phenomenal global research effort underway at the moment to achieve breakthroughs, for example, in the storage capabilities of solar generation schemes is such that we cannot put to one side the possibility that these quantum breakthroughs occur. And for us as an energy super power, it makes sense to add to the trifecta – traditional energy sources, carbon-based, clean energy sources, including uranium for nuclear power around the world, so long as it is in an appropriate safeguards regime, and then finally the new renewable energy sector, which is taking off around the world, as carbon pricing through one

mechanism or another begins to bite in so many economies around the world. So, for us to sustain our future it is being active on all these three fronts.

To conclude these formal remarks, can I also add one further point? The geo-strategic significance of future global energy supplies is something which commands the attention of governments at the highest level. If we were right now sitting round the table of the Chinese Politburo in Beijing and asking what were the top five items on their agenda; long-term energy security is well within the top five. So too is it with India. So too is it with a whole range of other economies including Japan and the Republic of Korea – our principal trading partners, as they begin to plan their future energy needs and how they are best supplied, because without energy we are nothing. There is no economy without energy.

The geo-strategic significance of this is profound, and therefore in our general Australian diplomacy, and our foreign policy, and our national security policy, you will find that energy security looms now in central place as we consider how we position ourselves in the complex regional and global demands for long-term security of energy supply. That is where we have a role to play; maintaining open energy markets, as soon as any economies start to close their energy markets in terms of external supply, let me tell you history is replete with examples about what happens with international relations when countries suddenly become scarce but for their own energy, raw material and food needs. We have a role to play in that regard as well.

So, to conclude I would say this. Be mindful of China right across the board whether around these tables today if you are from the energy sector or beyond. If you are from the services sector gear up and get ready for the second Chinese economic revolution, China 2.0. Secondly, none of these economies can grow without energy and we are an energy super power across the spectrum, but we really need to inject effort into the third, and that is what carbon pricing in large part is about.

Finally, never underestimate how the security of our region in the world beyond can be undone if we fail to attend to the foreign policy and the strategic policy consequences of a world which concludes that there is too much scarcity of supply in basic energy, basic raw materials and food and that is where diplomacy must equally be energised.

Thank you for your attention.

> PRIME MINISTER'S ADDRESS

> 29 NOVEMBER 2010

> SYDNEY



# A strong economy for the future

The Hon. Julia Gillard

Prime Minister of Australia (2010–2013)

Three months after establishing a minority Government following the 2010 election, Prime Minister Julia Gillard set out her Government's economic credentials to a CEDA audience.

Ms Gillard outlined the fiscal stimulus measures taken to successfully guide Australia through the Global Financial Crisis, which Australia emerged from with the world's strongest advanced economy but with a Budget in deficit.

Looking ahead, Ms Gillard said 2011 would be a year of delivery and decision.

Thank you very much for those introductions. Today, of course, is a very historic day at the end of what has been a truly extraordinary year in politics. It is nearly 20 years ago that Professor Fred Hilmer handed down his landmark report on competition policy and, of course, Fred is still talking about that landmark report, but the interesting thing is, so is the nation.

Two decades later we are finally structurally separating Telstra, delivering nation-building investment and structural economic reform, so Fred will be able to reflect back on that landmark report and say, "Finally, finally, we are doing what was asked with Telstra".

So today is a good day to reflect on the year that's been in politics and look forward to 2011.

But my thinking about all of this sits in the context of the longer term. So first I want to discuss the economy since 2007 and then look forward to the years ahead.

The bare facts of our economy in 2010 are as simple as this: Australia has emerged from the Global Financial Crisis as the world's strongest advanced economy and I'm sure you all experience that every day in your businesses; you know that. But to really understand our economy's future, we need to look at the last three years a bit more closely because Australia's good position today is no accident.

In May 2008, my colleague Wayne Swan delivered the first Labor Budget in 13 years. We believed then, and in hindsight I am certain we were right, that this first Budget found the correct balance for the economy at the time, combining a tight fiscal policy with setting aside the money we needed for infrastructure and education, dealing with the challenges of growth while we prepared for risk.

Then in September that year, barely more than two years ago from today, Lehman Brothers sank. Confidence in the global financial system went with it and for a time our country was genuinely threatened with the disappearance of the very means of global finance and exchange. It was our economy's maximum hour of danger. The Government acted and we got it right.

We guaranteed Australian bank borrowing so banks could keep lending. We used targeted, timely and temporary fiscal stimulus to support demand through the downturn.

We worked with the independent monetary policy decisions of the Reserve Bank in the downturn and as the domestic economy recovered. We fought for the G20 to be the broadly representative and widely recognised coordinating council for the global economy so we could play our part in the world.

Our financial stimulus and economic decisions made a difference – in October 2008 as we delivered them, in February 2009 and in the 2009 Budget.

Now making these decisions, big and bold decisions, were all hard calls opposed by our political opponents and conservative critics, controversial then and now. And we got it right, so that today we can honestly say Australia beat the global recession.

Growth is over three per cent, business investment is surging with 375,000 jobs created last year alone and all with our Budget coming back to surplus by 2013, one of the strongest budget positions in the world.

From this position of strength, I want to ensure Australia learns the right lessons from the economic events of the last four years and this is not straightforward. Our country faced a once-in-70-year event in September 2008 so we will not govern in the next few years the way we governed in those few weeks. I am deeply conscious of the importance of governing for the long term.

The other lessons I've carried with me for the economy are as follows: We made good decisions in the crisis but we were in a strong position to make them because we had a legacy of more than 25 years of economic reform. So, we must walk the reform road.

We were able to spend in the downturn, which in turn means we must save in the recovery. So, the withdrawal of fiscal stimulus from the Commonwealth Government is forecast to reduce real GDP growth by one percentage point in 2010–11 and half a percentage point in 2011–12.

In the crisis we had to move quickly to guarantee financial institutions, as well as fill in the hole in private sector demand. The Government intervened where needed to make up for private sector fragility and paralysis. So, in the recovery we move from intervention to investment, not doing the heavy lifting for the private sector but rather building the enablers of broad-based economic growth.

We must learn from mining boom mark one as we move through mining boom mark two. So, to ease the pressures on inflation and interest rates and to ease what I call the patchwork economy, we must deliver investment in economic capacity as well as continued reform. The decision-making in the growth phase is just as tricky, just as important and just as demanding. In a different environment, our goal of a strong economy and opportunity for all remains.

In the Global Financial Crisis we steered our economy away from the ditch. Now, in the recovery, we want to lift the speed limit of our economy. Through the global downturn Labor managed crisis well. Since 2007 in the toughest economic circumstances, we have created over 650,000 jobs and doubled funding for school education. Now we have new opportunities with a new government.

We have been dealing with the immediate requirement to form government and working with a new parliament. Australians now have the stable, effective administration they deserve and the new parliament is working well, even if a little bit differently to what we've been used to for many years.

And my Government has an ambitious reform agenda, fiscal consolidation, building capacity in the supply side with tax, superannuation, infrastructure and skills, extending market-based reforms to health and education, carbon and water. We will pursue all of this with discipline and with rigour.

First, we must deliver fiscal consolidation. We come to that consolidation task well placed. Australia's debt is lower than any other major advanced economy. Our net debt will peak at 6.4 per cent of GDP in 2011–12, while that of the G7 economies will peak around 90 per cent of GDP in 2015. And as a Government we are up to the task of fiscal consolidation.

We have already taken savings decisions worth \$84 billion since coming to office. But there's no room for complacency and that's why the Government is undergoing the most significant fiscal consolidation for at least 50 years, a shift in the budget bottom line of almost \$60 billion.

Between 2009–10 and 2012–13 the budget balance will tighten by 4.5 per cent of GDP going further, faster than Peter Costello's first four Budgets. They delivered a total fiscal tightening of 3.1 per cent of GDP, around two-thirds per annum of what we are delivering now. This is an extraordinary fiscal turnaround in a three-year period. And it will deliver a budget surplus by 2013.



In many ways, budget scarcity is a good discipline on government. I want the Government to look at each decision from every angle, to hold them up to the light, to examine every possibility and every question, to make every dollar go as far as it can.

Budget scarcity is also a good discipline on policy advocates as well. It forces everyone – business, unions, advocates and commentators – to recognise the real trade-offs which sustain economic growth and promote opportunity.

Second, as the Budget returns to surplus, the Government has a job to do on the supply side of the economy. We are lifting Australia's economic capacity so that we can grow productivity through the boom, cutting company tax. From 2013–14 we will cut the company tax rate to 29 per cent with a head start for small business from 2012–13, the first cut to company tax in a decade.

Superannuation reform: Over the next 18 months, low-income workers will become eligible for a government superannuation contribution of up to \$500 and we will increase compulsory superannuation to lift retirement incomes and national savings.

Investing in infrastructure: A new dual carriageway between the F3 and the New England Highway, a \$1.65 billion project delivering a new and more direct route between Central Queensland and Western New South Wales, as well as the ports of Newcastle and Sydney. Work is underway, expected to be completed in 2013, part of our record investment in road, rail and ports.

And, skilling Australians: Applications will be called early next year for the Critical Skills Investment Fund Partnership Program with industry, which will create up to 39,000 additional trade skill places in the mining infrastructure, construction and renewable energy sectors where they're needed the most, part of our new resources and new reforms in skills.

And the Government is extending market reforms to health and education, carbon and water. I want these large sectors of the economy to be more productive and I want them to deliver more productive use of our human and environmental capital in the future.

Driving efficiency across the hospital system: Legislation is before the parliament to retain a share of the GST from states to dedicate to health, part of a compact with the states where the Commonwealth permanently meets 60 per cent of hospital costs.

Lifting quality across education: My School 2.0 will launch with new data to show growth in student achievement, new information about school finances and a more accurate method of identifying schools which service similar student populations.

Pricing carbon: The Multi-Party Climate Change Committee with representatives from the Government, Greens and the independents has now met twice. The two roundtables for business and environmental community groups held their first meeting in Canberra.

Reforming water: Last week the Government opened tenders for \$300 million of new water buy-backs in the southern connected river system, which includes the Murrumbidgee as well as the Lower Balonne region of Queensland. This adds to the more than \$12 billion committed to water purchasing and infrastructure under the Water for the Future Program.

It's an ambitious agenda for the Government I lead. I know you will judge our reform legacy over a decade, not over a day – as you should. I also know that in all these areas we are making steady progress, day-by-day, week-by-week – as we must. That steady progress is what gives me the confidence to look forward to 2011 knowing it will be a year of delivery and a year of decision.

The Government will deliver major investments and reforms in the coming year. In particular, rolling out high speed Broadband and engineering hospital reform.

And the nation will face major debates and major decisions. In particular, putting a price on carbon and lifting participation in the economy.

2011 is the year of delivering high-speed Broadband. Five first-release sites in mainland Australia connecting 12,000 addresses in four states, construction commencing already this year with services in 2011. In Townsville where civil work has begun, in Armidale where area work design is with Country Energy for approval. In New South Wales where area work is about to commence.

In my home state of South Australia where a full underground build with boring and civil work is well advanced. In also my home town of Melbourne in the inner north where the majority of construction build will use existing Telstra duct network with new pipe laid in areas of high congestion. Testing the rollout in areas of different terrain, housing type and density, demographics, climate, existing infrastructure and other local factors. Joining Tasmania where the NBN is already operating on 200 kilometres of laid fibre.

2011 is also the year we deliver historic health reform. From July 1 the Commonwealth share of hospital funding will increase to 60 per cent. The Independent Hospital Pricing Authority will be established and operational.

GST retention and dedication to healthcare will commence. Access to elective surgery will improve as reward payments begin to flow to states and the Commonwealth begins funding 60 per cent of public hospital research, training and capital and the first group of local hospital networks will begin operating.

So, 2011 will be a year of delivery and 2011 will be a year of decision as well. 2011 is the year Australia decides on pricing carbon. The parliament is now the master of its own destiny but for the Government, I say we must decide in 2011 on a way of pricing carbon that is supported by a broad enough consensus that it can be legislated.

Climate change was first discussed in our parliament in the 1980s. It's been central to public debate in two successive federal election campaigns, but a working consensus for action has eluded us.

In a system like ours, it is incredibly rare to have a second opportunity at a hard reform which fails in the parliament. We have one with the carbon price. In May Professor Garnaut releases his updated report.<sup>1</sup> The Productivity Commission will publish advice on the measures being taken by our trading partners and the impacts of a carbon price on our international competitiveness around the same time.

The Multi-Party Climate Change Committee will meet increasingly regularly through the year. Expert papers are already being released publicly and discussed in the committee. The Climate Change Committee will carry out its task of bringing together expert opinion and public attitudes.

I promise you, no responsible decision-maker will be able to say next year that they need more time or more information on climate change. In 2011 there will be nowhere to hide.

And 2011 is also a year where workforce participation will come to the fore. We will need to decide that we seriously want to be a high participation economy, an economy where everyone who has the capacity to work, has the opportunity to work. And we will need to decide that we are seriously prepared to change the policies which stop that happening now.

It's now eight years since the first intergenerational report, three of the reports have been released. Yes, that shifted the public debate and it's made a difference in clarifying the reasons to act but too little has actually been done.

Now, not only is the ageing population making the working age population more important than ever, but the mining boom is reshaping our workforce as never before at the same time.

So, in 2011 the debate needs to move from the problems, like ageing population and jobless families, to the solutions, like new incentives and new skills and the Government will be moving from discussion to decision.

By any measure, this has already been a tumultuous year in politics, a change of Prime Minister in office, the closest election campaign in many decades, the first minority government since the war. I intend for 2011 to be defined less by politics and more by government.

Australians do not face a federal election next year or the year after. Australians do not want their government to campaign, Australians want their government to govern. We are and we will.

So, 2011 will be a year of delivery and decision – methodical, making steady progress on our plans day-by-day, week-by-week, working hard for all Australians wherever they live, modernising, preparing Australia for the long term with modern market-based solutions, carefully weighing the hard decisions at the right time, for the right reasons, driven by our values and our vision, hard work, a fair go in education for all, respect, opportunity for all and keeping our economy strong.

I thank you very much.

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**Endnote**

- 1 The Garnaut Climate Change Review, led by Professor Ross Garnaut, was commissioned in 2007 to conduct an independent study of the impacts of climate change on the Australian economy. The Review's Final Report was released in 2008. An update to the report was released in 2011.

- > CEDA AGM
- > 4 NOVEMBER 1999
- > SYDNEY



## Balancing reform and the need to be elected

The Hon. John Howard

Prime Minister of Australia (1996–2007)

Addressing CEDA's 1999 Annual General Meeting, Prime Minister John Howard described an economy in good shape.

However, he warned a growing divide between the bush and the rest of Australia could scar the future of the nation if not rectified.

Mr Howard described negotiations to secure the passage of legislation that would see the Goods and Services Tax come to fruition.

In a political era where fewer voters were "rustled on" to one political party, negotiating with independent and minor parties appeared to be a new norm.

Thank you very much, Mr Chairman. There's been a few changes since 1981.<sup>1</sup> For example, when I addressed the 20th annual meeting we still had a mechanism called rather obscenely a "crawling peg" fixed exchange rate. We didn't have a floating exchange rate. We still had a very high tariff wall around Australia. We hadn't dreamt of privatising any of our major government business enterprises and I just failed in my second attempt to persuade the Fraser Government to introduce a broad-based indirect tax. Now it's called a Goods and Services Tax.

But, I guess, that little reminder is an illustration that some things do stay the same but with the opportunity of government you can bring about some other very significant changes. And one of the themes that I wanted to develop tonight is the current strength of the Australian economy, and most particularly the fact that the Australian economy was able to stare down such a bad economic downturn in the Asia Pacific region, is really due to the cumulative benefit of major economic reforms undertaken over the last 15 or 20 years.

And those major economic reforms include a number undertaken by the former Labor Government. And I've never been unwilling to give that Government credit where it is due, particularly in relation to some of the financial sector reforms and the changes relating to reducing the level of tariff protection which, for a Labor Government, was a particularly difficult political undertaking – of course, I might quickly add, by way of the partisan commercial, aided and assisted at that time by a very high-minded Opposition that didn't try and block things in the Senate. Think what we might have done with tariffs, for example, given the emotive places they occupy.

But, seriously, the last 20 years – and I hadn't intended to start on this but the Chairman introducing me provoked me to do so – over the last 20 years we really have seen the undertaking of major economic reforms deliver a cumulative benefit. And it's really when you add all of those things together you find the explanation – financial sector reform, which gave us a very well regulated and prudentially supervised banking system, very transparent banking system, very strong financial sector reforms, the changes to the industrial relations system carried out after the Coalition was elected in 1996, the very, very major turnaround in the fiscal position that was engineered by the Coalition over the last three-and-a-half years. You add those things to all the other reforms and you do begin to understand how it was that the Australian economy was able to so successfully work its way through the impact of the Asian economic downturn.



I wanted tonight to briefly sketch the political, social and economic equation as I see it in Australia at the present time. And you can never talk about the Australian economy in isolation from the social or political climate. And the climate in which we operate at the moment really has three very important characteristics.

We've gone through a period in which we have undertaken as a government and as a community a lot of very significant economic reforms and embraced a lot of economic change. And the question naturally arises, particularly in the wake of the very surprising result of the election in Victoria<sup>2</sup>, as to whether we have now reached a point of reform fatigue as to whether the community is really saying we've had enough reform, we want a period of economic and social consolidation.

And the textbook theories are all very well but there is a human dimension to all of this and you have to pause and call a halt for a while. I don't believe, myself, that the community is quite saying that but I think the community is saying a number of things to us, in government, about how reform is handled. So, the first part of the climate that you've got to factor in is the fact that we have gone through a very lengthy period of economic reform over the last 10 or 15 years.

The second very, very important element that we have to inject into any consideration of the Australian economic and political landscape – and this has a very big social dimension – is the clear evidence of a growing divide between rural and regional Australia and the relative affluence of the rest of the country. This is something that I've become very conscious of over the last 12 months. And it is real and unless it is addressed it is going to significantly scar the future of this country because it represents a challenge to something that we have always held very dear in Australia and that is the contribution that the bush makes to not only our wealth but also to our national psyche.

And what we're witnessing at the moment is generically a very affluent country. And large sections of our society are displaying an unparalleled degree of affluence and economic contentment. And there are sections of the Australian community that have, to borrow Harold McMillan's famous phrase, "never had it so good". And the rest of the community is very aware of it. And I think we all know that disadvantage, or the sense of disadvantage, is often a relative thing. And if you have areas of the country which are feeling left behind or left out at a time of economic plenty they feel the disadvantage and the deprivation all the more keenly and, indeed, more keenly than if the country were in a state of economic recession.

But I think we do have a major challenge on our hands with the community to come to grips with this, to recognise that there is in the bush or rural and regional Australia, however you collectively describe it, a sense of falling behind, of having been left out. And there's no easy answer to that because as you all know so many of the problems of rural Australia are the product of almost irreversible forces such as, or uncontrollable rather than irreversible forces, such as a decline in commodity prices and the long-term disappearance of demand for particular products.

In many ways handling this issue and ensuring that we don't lose that part of our national psyche represented by rural Australia and that we make the people of that part of rural Australia feel included and part of the Australian community is about as big a challenge a government has got at a state or federal level anywhere in Australia.

The third element that we have to contend with, and we as politicians can never ignore it, and that is that every once in a while, of course, you try and get elected and, therefore, you have to pay some regard to what I call the political state as well as the social and the economic state. And you have to constantly balance the two sorts of competing imperatives. On the one hand, you are elected to government to do good things and to bring about beneficial economic reforms but, of course, if you don't hold government you have no capacity to do anything at all and you always have to try and balance those two.

I frequently say to my colleagues in the Parliamentary Liberal Party that it's very important that we maintain not only the reform faith but also the political faith. And that means being zealous but not too zealous. I encapsulate it by saying that there's not much point in being 120 per cent pure in opposition. It's probably better to be about 90 per cent pure in government. So, there is a balance to be struck.

But, of course, there's another change that's occurred in Australian politics over the last 10 years quite markedly and it's occurred around the world but it's quite profound in Australia and that is the process of what I call de-tribalisation of Australian politics. People are no longer rusted on to one or other side of politics to the extent they were a generation ago.

When I was learning my political craft in the Liberal Party in the 1960s I operated on, it sounds vaguely redolent of the bygone economic management age, I operated on a 40-40-20 rule – and 40 per cent voted Liberal, 40 per cent Labor and 20 per cent were in the middle. I think the modern manifestation of that is a 30-30-40 rule where you have 30 per cent Labor, 30 per cent

Liberal and perhaps 40 per cent moving around in the middle. People react counterintuitively now to a lot of issues and I think it's one of the things that political parties have got to come to terms with.

There are plenty of examples we can find in recent years of people voting against the traditional patterns. Now, this is not absolute. It is still possible to divine and discern certain straight lines as far as political allegiances are concerned but they are a lot more mixed now and they're a lot less predictable. And people don't feel as ideologically committed.

The Cold War ended 10 years ago and I often heard people, when I grew up, say, "well look, I think the Government – at that particular time it was a Liberal Government – is doing a terrible job but I can't possibly vote Labor." And, equally, I would hear Labor people saying the reverse of the Liberal Party in respect of an incumbent Labor Government. Now, that sort of permanent zealous commitment is not quite as frequent anymore.

So, all of these things mean that we are operating in a different political climate than what we were a few years ago. We're operating in a climate where there's been major economic reform and the public feels that it's done its bit to contribute towards that. We have this particular problem in Australia, although I suspect it's not confined to Australia, of coping with rural and regional or non-metropolitan decline and the social and economic and political challenge of that. And, finally of course, as practicing politicians and this is of less concern to you as it is to me, we have to cope with a more volatile and a less predictable political climate.

Now, we remain very committed to a reform agenda. I like to think that the last three-and-a-half years have been characterised by some quite fundamental economic reforms. And if we flick through them I think labour market reform has been more far-reaching than it's been given credit for and it's one of the reasons why we have a far better productivity performance than we've had for a long time. And I think the changes in the power balance in the industrial relations arena, I think to a more level playing field, have been very beneficial. They have not been attended by the degree of industrial disputation that people predicted would occur. And, overall, I think we've got a lot to be pleased about in that area.

We have, of course, achieved a major fiscal turnaround and that's made a contribution, although it's certainly not the only reason why we have, despite the increases of recent days, the lowest interest rate structure in about three decades, a very low rate of inflation, a still pretty strong business outlook, an employment growth factor over the last couple of years, particularly the last

six months, which has been the best for a long time and, pleasingly, a significant reduction in the level of youth unemployment, although it still remains unacceptably high and we still have quite a distance to go on the unemployment front.

And, of course, we have embraced, after a lot of argy bargy, politically and legislatively, we've embraced a major change to our taxation system, one that we sort of dreamt of for a long time and attempted by a number of people on both sides of politics and finally realised when we won the election last year. It didn't survive in its pristine form. We got about 85 per cent of it. It would have been better if we'd got the 100 per cent but we're realists. Once Senator (Brian) Harradine<sup>3</sup> said, "I can't" or "I cannot" or "I won't" – I forget exactly what the precise expression was but it meant "no" – so we realised we had to negotiate with the Australian Democrats and that's another new element.

The public, incidentally, is not really interested in long, philosophical dissertations from one or the other side of politics as to why the other side should unilaterally capitulate and give in and let your legislation go through the Senate. I mean, we might think they're very interesting things and we might dine out at Liberal or Labor Party gatherings depending on who the politician is about how terrible and outrageous and what an absolute assault on democracy it is for the Senate to obstruct this fine piece of legislation.

But, in the end, I have an uncomfortable feeling that what the public is saying is very simply, "you're the Government, you're the Prime Minister, you get it fixed, you get it through, don't bore me with all the rhetorical debates." And I certainly found as I went around Australia during the debate in relation to native title and a number of other issues, that that was certainly the case. So, all government is something of a learning curve no matter how long you've been in and that's something that I've certainly learnt over the last three-and-a-half years, that the public is interested in outcomes.

And may I say the younger generation in Australia is particularly interested in outcomes as far as their politicians are concerned and far less in ideology or prejudice or protesting or fighting long resolved rhetorical battles. So, you have to work with political minorities, you have to work with independents, they're a feature of the political landscape. You might wish that you had absolute majorities in every parliament but that is not the case.

We do remain very committed to a reform agenda. But I think that reform agenda has to be carried forward having regard to the sort of constraints and the sort of climate in which governments, and particularly the national Government, operate at the present time. Right at the moment we are

negotiating with the Labor Party and the Democrats regarding the business tax reform package. And I am very hopeful that we will get that package through largely, perhaps not totally, but largely unamended. And I am cautiously optimistic that will turn out to be the case.

The indications from both the Democrats and the Opposition are that they are not interested in a very long drawn out Senate inquiry process of the type that applied in relation to the Goods and Services Tax. And if we can bed those business taxation changes down, and if we can successfully handle and negotiate and work our way through the implementation process so far as the Goods and Services Tax is concerned, and that represents a very, very important challenge for us, then we will certainly have a great deal on our plate over the next 12 months. But in saying that, we are conscious of the sort of climate in which reform must take place.

I wouldn't want anybody to imagine that I subscribe to the reform fatigue theory of politics nor indeed that we have lost our commitment to economic reform. It is just important that we and our constituencies and the broader Australian community understand the considerations that we must take into account in advocating and implementing reform.

I've had the view for a very long time that the Australian public will accept fundamental change and reform in the economic area if you can satisfy the public on two counts. The first is that you have to persuade them that the reform is good for Australia. I have to say with the benefit of hindsight and disclosing the thoughts of a political advocate as well as an economic reformer that the argument that in the end I think mattered more in the last federal election campaign about the Goods and Services Tax was the argument that overall it would probably be beneficial for the whole country.

Individuals may have thought well, it won't be particularly good for me and there may well be people in this room who feel that individually those changes were not particularly beneficial but collectively they felt that those reforms would be good for Australia. Because there is a sense of altruism within the broad community and there is a belief that the national benefit in the end is something worth supporting and something worth promoting. And the second condition that you have got to fulfil is that you have got to satisfy people that the reform you are proposing is fundamentally fair to the average Australian.

If you fail either of those tests, if a reform fails the national interest test or if it fails the fairness test then it's not going to get, in my view, out of the barrier let alone past the winning post. So, I do think that they are the two things and if you look at all of the major reforms that in the end have succeeded in this country you can probably judge them against those two criteria. Now, there are a number of areas of not only the Australian economy but a number of areas of the Australian community where further reform is necessary.

One of the things that we are going to focus on at our national convention of the Liberal Party in Melbourne next year is social policy. Having focused an enormous amount over the last several years on economic change and economic reform we believe that some of the fundamental directions of social policy in this country deserve a more serious examination at a national political level.

Now, this examination will take place against the background of our commitment to the maintenance of a social security safety net, our commitment to the principles of mutual obligation that have underpinned our embracing of Work for the Dole and a number of other policies in the welfare area. But consistent with those commitments, I think the time has come for a more serious examination of social policy. The implications of an ageing population, although the population I hasten to add is not ageing at quite the rate it is in a number of other countries. And given that some of the reforms of earlier years have given us a capacity to deal with that ageing process rather better than many other countries.

So, ladies and gentlemen, that represents, as best I can put it to you as Prime Minister, to come to the end of 1999 and the end of this century and this millennium, an overview of the circumstances in which government is operating at the present time. As I said at the beginning of my remarks, you cannot ignore, when you are looking at economic policy, you cannot ignore either the social dimension or the political dimension. You cannot ignore the national culture.

I often hear people who might loosely be described as having strongly, economically liberal or economically rationalist views argue to me that this or that is how it is done in the United States. Now, I always say that I note that with a great deal of interest and there are many things about the United States, or indeed other countries, that are flung in my face as adopting the right model or the right approach. And I try to remind them that there is a national culture in this country which requires that certain things be done differently.

We, in my view, have often found the right balance between what you might loosely call the excessive involvement of government or the fussing involvement of governments in many European countries. And the belief in some parts of the United States is virtually no role at all for government. And I think Australia has always managed to put itself fairly sensibly in the middle. When I am asked the question, what do I think the role of government is in Australia, I think the role of government in Australia is a limited role but nonetheless a strategic role. And there will always be certain things that government has to involve itself in.

And I had a very powerful reminder of that several weeks ago when I spent the whole weekend celebrating, along with the men and women who had worked on it, the 50th anniversary of the commencement of the Snowy River Scheme in this country. And as a 10-year-old school boy at Earlwood Public School here in Sydney, I can still remember in October of 1949 one of my Labor predecessors, Ben Chifley, announcing the commencement of the Snowy River Scheme. And that particular scheme for that generation of Australians, and particularly the generation of Australians who made this country their home from war torn Europe, had an impact on the national psyche and the way we thought of ourselves and the role of government in the Australian community that has never left us.

Now, I think the role of government has to be limited but it nonetheless has to be strategic. And in a way, if you look back over the last 30 years and you examine political debate and you listen to political and economic discourse you can see as always, a pattern of the pendulum swinging from one side to the other. We did go through a period both here and around the world where people imagined that every single problem could be solved by government intervention and if it was a federation by federal government intervention.

It manifested itself in the United States with Lyndon Johnson's great society, as he called it, where you tried to solve all the social problems by federal government intervention. It manifested itself here with the, I think, the excesses of the Whitlam years where there was not only a massive ramping up of federal government expenditure but an unnecessary excursion of federal governments into areas that belonged to state and local government.

And then in a way in the 1980s I think perhaps in some parts of the world the pendulum swung back perhaps in a number of areas and perhaps a little too far, although I think the changes implemented in Britain and the United States by the Thatcher and Reagan Governments not only provided a great model for the rest of the world but also it left lasting benefits in those two societies.

I think as we've got into the 1990s and we've shed ourselves of the influence of some of the ideological offshoots of the Cold War, I think we now have a more balanced and sensible approach to the role of the individual, the role of business and the role of the states. We don't want the state doing things that businesses can do better. We don't want, in my view, the government running business enterprises that are better run by private enterprises. We don't want the government dictating the entirety of the education system. We don't want the government excessively intruding into our lives.

But we do see a role for government beyond just setting a macroeconomic climate. We also see a role for government in areas such as infrastructure provision and some of the other strategic responsibilities. And I think we have therefore reached a more balanced attitude towards the respective roles of government and individuals and businesses within the Australian community.

Can I finish by saying, ladies and gentlemen, that I am, of course, filled with an enormous amount of optimism and hope and enthusiasm about the state of the Australian economy. It is better now than I have experienced at any time in the 25 years that I have been in politics. I think the strength of the Australian economy now is more soundly based than what it was in the late 1960s because many of the artificial protectors and stabilisers that existed in the 1960s were, as the adjectives suggest, they were artificial and they had to be at some stage removed.

We are living more realistically now than what we were 35 years ago. We are more capable of responding to a global economic climate than we were then. We, I think, are enjoying the benefits of the various contributions that have been made to our society from the combination of our western inheritance, our Asian geography and our North American affiliations. And the contribution being made by those three influences have, I think, never been more evident and never been more positively available to the Australian community.

So, I do conclude my remarks on an incredibly optimistic and hopeful note. We still have reform challenges ahead of us. We have, as I have tried to outline in my remarks, a number of internal, social and economic challenges particularly the divide between what might loosely be called those in rural Australia who are falling behind and the rest of the Australian community. And we do have a social, national, even patriotic, obligation, if I can be allowed to use that word, of gathering up those people because they are not only part of our society and part of us but they are part of how we think of ourselves.



And the sort of Australia that I grew up in is one that always saw rural and Australia in the bush as being an integral part of the Australian identity. And to lose it would be to lose part of ourselves and we have a very strong obligation to do something about it. And it will be one of the priorities of government, difficult though it is, over the months and the years ahead.

Thank you for having me here tonight.

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#### Endnotes

- 1 As Treasurer in the Fraser Government, Mr Howard had addressed CEDA's AGM in 1981.
- 2 A minority Labor Government under Premier Steve Bracks was elected with the support of rural independents.
- 3 Independent Senator for Tasmania Brian Harradine declined to support the introduction of the GST.

- > CEDA SYMPOSIUM:  
AN AUSTRALIA THAT WORKS
- > 3 AUGUST 1992
- > MELBOURNE



# The great possibilities for Australia's future

The Hon. Paul Keating

Prime Minister of Australia (1991–1996)

As Australia emerged from the economic recession of the early 1990s, CEDA held a national symposium on the subject Going for growth: priorities choices and trade-offs. The symposium, attended by 500 CEDA Trustees and associates, was opened by Prime Minister Paul Keating.

While the forum's speakers suggested Australia's recovery would be long and painful, Mr Keating was optimistic about the country's economic and social future, dismissing criticism that the reforms of the Hawke and Keating Governments hadn't worked.

Ladies and gentlemen, many of you here tonight will have heard me go through my paces as Treasurer many times. I can still do a passingly good imitation of a Treasurer when I'm asked. But these days I prefer to leave that thankless task to John Dawkins.<sup>1</sup> Tonight I thought I might stand back a bit and outline what we see as great possibilities for Australia in the future. I want to talk about the philosophy of the Government, our ideas and priorities.

I'm told there's a rumour going round that the Government is run by fanatics, pointy-heads and zealots. Those who have observed us over the years – as you have – will know this is a long way from the truth. These people do exist, it is true – but they are not our people.

And, contrary to another related rumour, we have never been of the New Right view that the way to economic success is through a mixture of rationalisation and hope – and only a hope that new competitive industries will miraculously rise to replace the old inefficient ones.

We are wiser than that. We take the view that there is a role for government to clear the decks for business to create a market and sometimes, where appropriate, do business with business. We believe in competitiveness. It has been the linchpin, the guiding philosophy and the one great goal since we came to office nearly a decade ago. And it remains so.

You and I both know that an economically competitive Australia is the only Australia which can survive as a healthy social democracy into the 21st century. As a Labor Party whose primary commitment is always to a healthy social democracy, we have taken the business of competitiveness more seriously perhaps than the conservative parties were ever able to. Indeed, it is an irony that it took a Labor Government to give Australia an open market economy.

For us economic policy is the servant of a greater goal – which is a prosperous society, but, more than that, a fair and just society. I think that is why we took up the task of restructuring, renovating and radically reforming the Australian economy when the Opposition, over seven years, had failed to. For us, nothing we wanted to do could be done without it. We could not think of social reform without facing the fact of economic reform.

You should remember that, I think – as all Australians should: strange as it may have seemed at the time to both Labor and conservative observers, we grabbed the initiative on these changes for the same reason that Labor has

always grabbed the initiative – they were necessary to realising our traditional ambitions for Australia. I say you should remember it because there is an immutable lesson there – that is, if you want to see the necessary change in this country, Labor is your best, if not your only, bet. We have a much bigger incentive. Change is our reason for being. Change is our business.

Our opponents might do a bit of this and a bit of that – they will do some slashing and some burning and you can be fairly sure that they'll do a lot of hoping. But you can't be sure they'll follow through. And they won't take the country with them. What they will do is alienate a lot of people and a lot of important organisations. They'll raise the temperature of industrial relations, for instance.

Some of you might not like trade unions. Some of you might not like environmentalists either. That I do not share that view is not the point. The point is that, if you weigh the record, you'll see that it's better to come to terms with them, better to show a bit of subtlety, a bit of give and take, a bit of understanding, than to trigger guerrilla warfare across the country. Not just a bit better – fundamentally better, more profitable and productive.

The consensus approach has accelerated reform, and not as our opponents assert, retarded it. Many of the things that have been achieved would never have been achieved by their confrontationist methods.

The fundamental improvements in our industrial relations system, which have seen strikes reduced to their lowest level for 30 years, wages at competitive levels, a decade of growth and now inflation reduced to an historic low, simply would not have been achieved by the policies of our opponents.

Rancour is not a creative condition. We've got a lot of it out of the system – out of the most important relationship in the economy, the workplace relationship. And, as you know, we're still pushing towards a more rational, effective and competitive workplace. To take just a couple of examples:

- In shipping, in the last three years crew sizes have fallen by a quarter, to equal the average crewing for OECD ships visiting Australia. As a result ship owners have spent nearly \$2 billion on 28 new ships – about a third of the fleet.
- On the waterfront, by October this year the stevedoring workforce will be half of what it was three years ago. Our reforms have doubled the number of containers handled per man.

I said on the night we delivered the *One Nation* statement<sup>2</sup> that our reforms to industrial relations have been the most constructive step we have taken in this country since the war: that a nation cannot be strong if at the very point where wealth is created the people are locked in conflict; that modern industry has to be a cooperative process.

I say it again, in part to remind you of the Government's philosophy and achievement, but more importantly to remind you of Australia's achievement. I mean the degree of the change – and it's a continuing change – should not be underestimated. It should give all of us confidence.

For there has been remarkable change in Australia in the past 10 years. Australians have recognised necessity and adapted. They've proved both their willingness and their capacity. I believe we should recognise this as an important factor in the nation's favour.

At the same time I think we should recognise that there are costs for people in this process – social and psychological costs – and they must never be left out of the economic equation.

That's why I say it's important to take the country with us. It's why I say that it is always a government's responsibility to play a role, and those who still argue that the market, unfettered and alone, should determine national outcomes do not understand good government, good economics or what is good for people.

Ladies and gentlemen, we take an eclectic view, not an ideological one. We have not gone willy-nilly into industry plans, but where we have thought it sensible to intervene we have intervened. Where we think our responsibility stops at getting the business and industrial environment right, we will stop there.

Which leads me to another rumour presently doing the rounds. Don't believe this one either. If people ask what good the great reforms of the last decade have done, tell them – heaps. When we opened up the Australian economy with a floating dollar, open financial markets and phased down industry protection, we were aiming at making Australian industry more internationally competitive. And today it is.

When we set out to replace conflict with cooperation in industrial relations, to restore profit share, encourage workplace bargaining, and dramatically reform the waterfront, aviation and telecommunications industries, we were determined to give our industries a chance. Today they have a chance.

When we put foreign policy to the service of Australia's trade, with the amalgamation of the Foreign Affairs and Trade departments, when we created Austrade and this year expanded it, took the initiative in the formation of the Cairns Group<sup>3</sup> and APEC, we sought to integrate Australia with the fastest growing economic region of the world.

Today we are integrated as never before. Don't believe the claims that it hasn't worked. Both our service exports and our manufactured exports have tripled over the last decade.

Last year, for the first time, we exported more manufactured products than rural products. A decade ago we imported more goods and services than we exported. Today we export more than we import.

A decade ago we did not have a tourist industry deserving of the name. In the 80s it was our fastest growing industry. In the first four months of this year, foreign arrivals were nearly 20 per cent higher than in the first four months of last year.

A decade ago, as we came out of recession, we had double-digit inflation. Today we have entrenched our competitive advantage with one of the lowest inflation rates in the industrial world. I'm inclined to think this is not well enough known. I'd also venture that the fact that Australian manufacturing has grown by 10 per cent since we came to office is not well known.

People who talk and write about Australian manufacturing as if it were without hope should look at the evidence. So should those who want to tear the place apart in search of what they think will be economic progress. Look more closely at the evidence. Look at the growth in Elaborately Transformed Manufactures (ETM), for instance.

We're all aware there is still a lot more distance to be travelled, but it does not hurt to remind ourselves that we are on the right path and that we've already come a long way. Elaborately Transformed Manufactures, of course, are generally characterised by high levels of value adding. They include motor vehicles and motor vehicle parts, computers, scientific equipment, industrial machinery, and telecommunications equipment.

Australian exports of ETMs have recorded the fastest growth of any export category since 1981. Exports of minerals in that period increased by 104 per cent. Rural products increased by 38 per cent. ETMs increased by 211 per cent. In 1981 ETM exports were worth \$2.1 billion. Last year they were worth \$10.1 billion.

Motor vehicle exports increased from \$20 million to \$414 million. Motor vehicle engines increased from \$28 million to \$351 million. Office machines and computers increased from \$19 million to \$415 million. Telecommunications equipment increased from \$27 million to \$226 million. Industrial machinery increased from \$235 million to \$799 million.

Asia was the fastest growing market: between 1981–88 average annual growth rates of 30 per cent or more to Korea, Taiwan and Japan: between 1988–91 growth of 40 per cent or more to Thailand and Indonesia, while maintaining strong rates of growth in the North Asian countries. That's to name a few.

Significantly, ETMs have sustained their export performance through the recession: indeed, in most of the cases quoted, the greater part of the increase has been recorded in the last two or three years.

The performance can be put down to a number of factors: our increased competitiveness is obviously one of them. The much more competitive environment which the opening of our economy has created has been complemented by the adoption of international best practices in many companies.

Those who say there is no light on the horizon should look at Toyota in Melbourne, or Email in Orange, Henderson's Automotive in Adelaide, ICI at Yarwun in Queensland and more than 120 other companies whose radically overhauled workplace arrangements have been ratified by the Industrial Relations Commission and who are now enjoying improved productivity and competitiveness.

Our increased concentration on Asian markets is plainly another reason for the improvement. That is where the greatest growth has been – in North Asia, and in the last three years, in South-East Asia. And, while a few people are making a lot of noise about foreign investment in Australia, there is no doubt that our export performance has benefited from the increased integration of Australian manufacturing into world productions processes which companies like Toyota, Ford, IBM, Mitsubishi and Ericsson have brought to this country.

As I said, we take the view that what is best left to the market place – should be left to the market place – but, equally, where government can play a role it should. It's not the simple position to take. It involves judgements – difficult judgements which can prove both socially and politically costly. It's a position which requires skill and subtlety. To my mind it is simply part of a government's responsibility. But it is also logical.



We could demonstrate the logic in any number of ways – but one of them is that a sizeable part of the growth in exports of Elaborately Transformed Manufactures is coming from areas of the economy and where the Government has shown an interest.

We will continue to phase down tariffs which have rendered Australian industry so uncompetitive, but we will not leave good viable industries to fail for want of a fair chance.

We believe Australia should have a sugar industry, so while we have reduced tariffs, there will be no further reductions without consultation with the industry. We believe in a motor vehicle industry, so we are reducing tariffs, but not to zero.

And we believe in textile clothing and footwear (TCF) industries, so we have established a Textile Clothing Development Agency to help the TCF industries make the adjustments which must be made if they are to have a future.

For workforce and industry adjustments we have provided \$250 million in assistance. Government action through the Partnership for Development Program has played a substantial role in the growth of the computer industry – whose exports alone have more than quadrupled in the last four years. It is estimated that the 21 participating companies in the Partnerships Programs will generate over 400 million dollars on Research and Development and produce exports worth \$1.7 billion by 1997.

It's projected that the Factor F Program<sup>4</sup> will have generated \$1.3 billion in pharmaceutical exports between 1988–89 and 1993–94. By 2000 it is expected that, through Factor F programs, exports will be in the vicinity of \$2 billion per year.

Just two weeks ago my colleagues the Minister for Industry, Technology and Commerce, Senator (John) Button, and the Minister for Industry and Commerce, Mr (Simon) Crean, announced a \$12.7 million four-year program to encourage greater efficiencies in food production, more cooperation between producers, processors and marketers, and a sharper focus on international markets.

This is a great country for food – for growing it and processing it. All kinds of food. We can grow the kind of food that the people of Asia traditionally eat. We can also grow food that, as the region changes, the people of Asia will increasingly eat. Food processing is an industry with enormous potential for Australia – \$7 billion' worth, we estimate, by the end of the decade.

Without doubt, there are more industrial opportunities – in the construction industry for instance. And in the tourism and finance industries. We are looking for others. We want the Industry Commission to find the impediments to industries which should be doing better than they are. We are getting moving on those programs for infrastructure development we announced in *One Nation*. The \$2 billion road works which are about to begin. The beginnings of construction of the national rail highway.

If you want to understand our philosophy *One Nation* is the place to look. You will see there, beside the great capital works which will serve industry well into the next century, programs and initiatives designed to further improve the environment for free enterprise:

- accelerated depreciation
- the development allowance
- special arrangements to encourage private sector participation in infrastructure developments.

All of which have given us a business tax system competitive with the best in the OECD.

You will also see in *One Nation* a commitment to training, and the reform of the training system, which just a fortnight ago was realised in the creation of the Australian National Training Authority and the Young Australians Plan for Employment and Training. We haven't stopped with *One Nation*.

Ninety-two years after Federation, in March next year we will create a national market for goods and occupations under an agreement in which all the states and the Federal Government recognise each other's standards and regulations. After March 1993, if it can be sold in one state it can be sold in any other. If your occupation is recognised in one state it will be recognised in all states.

All these programs are aimed at building a successful industrial nation for the 21st century. It is for that reason that we are prepared to support industries with a future. It is for the same reason, of course, that we have introduced the Superannuation Guarantee Charge – we will need savings.

They will give ordinary Australians a chance. They will give business a chance and Australia a chance. It is necessary change – as necessary as those changes we made to internationalise and open up the economy in the 1980s. And as necessary to our ambitions for a great Australian social democracy.

I said earlier that there were costs associated with the radical changes Australia has undergone in the last decade. I believe good government demands that we take account of them. While most of the current high level of unemployment is due to the downturn in the economy some is a consequence of restructuring. But we cannot cry success while we have such high levels of unemployment.

In the coming budget we will be doing what we can to create jobs, extend the reach of training and retraining, and soften the blow for those who have dropped out of the workforce. We will do everything we can to attack unemployment. But we do not believe that an assault on the living standards and security of those in work constitutes a sensible or proper approach.

We don't believe this any more than we believe that an inflationary consumption tax, cutting award wages, or a return to an adversarial industrial relations culture, constitutes a useful approach to unemployment. We don't think that a policy of putting up prices through a consumption tax and cutting wages is the answer to our problems.

I don't think untrained men or women whose jobs have disappeared should alone bear the burden of structural change – or the burden of recession. I think the nation should share it. If we all want our industries to be efficient, and we all know that this means jobs will be shed, then we all have a responsibility to the unemployed and their families.

Caring for them is as much a part of the process of restructuring as anything else we have done. We saw at the meeting on youth unemployment how willing Australians are to take on this sort of responsibility – Australian trade unions, governments, communities, and business. But of course everything we do to ease the pain of unemployment, every effort we make to reverse the trend, must occur within the context of economic growth.

And it seems to me that here again we need a national effort. We need it from those same groups who were so enthusiastically represented at the meeting on youth. We need leadership, ideas and commitment from the private sector.

We have the lowest interest rates and the lowest inflation in a generation. We have radically transformed the taxation system, added incentives and removed impediments to business. We have the fastest growing economic region in the world at our doorstep. With our vast natural resources, our climate and environment, our standards of education, our experience, – our incentive – surely we can find a profitable future in the region.

Last week I was in Queensland. In Innisfail I visited the Northern Iron and Brass Foundry. Not a big plant, but expertly managed, clear goals, very keen on training. I presented a dozen or more awards to their apprentices. They supply local industry and they export to Asia and the Pacific. I went to the South Johnstone Sugar Mill – expertly managed, the right technology, clear goals, keen on training. They’re exporting.

I went to Townsville and officially launched the harbour development there – funded by *One Nation*. It’s a harbour for exporting. I went to Gladstone where nearly 20 million tonnes of coal was exported last year – 60 per cent of it to Asia. And, among other things, nearly 180,000 tonnes of aluminium – all of it to Asia.

I went to Yarwun nearby, where ICI have built a chemical plant to supply local industry – state-of-the-art in both technology and management. Gladstone was a town of 6000 people a few years ago. It’s now 23,000. It’s built on exporting. Its future is substantially Asia.

Recently I read of how a decade ago Australian winemakers had made a thorough reassessment of their industry – a technological reassessment. They knew they had a good product. They knew that Australia had a future in wine.

They now have expertise second to none in the world. They’re growing the right grapes, making the right wines. And they’re exporting. In May they sold as much wine overseas as they sold in 12 months a few years ago.

Last year they sold 100 million bottles, for \$234 million in income. With the export drive they plan they expect to raise that figure to \$1 billion. And every time they sell a bottle of course they do more than earn income – they project the name Australia in the world, as a country which makes things. Very good things. As taste changes in Asia the winemakers can expect to increase sales there. Today’s announcement by Cadbury that they will be investing \$28 million in Tasmania makes the point. They’re investing the money because the market for chocolate is growing in Asia.

These seem to me to offer glimpses of Australia’s future – string them together for a moment and you see a clear horizon. In each of these recent cases the common threads appear – there has been earnest investment in the right products, technology, the right management, the right training, the right marketing. The truth is, if we invest in what we have here, if we invest in ourselves, there can be no doubt about the future of Australia.

There are very good reasons why business should now respond. Very good reasons in particular why the banks – even allowing for the burns they received in the boom – should now be lending.

You can be sure we will go on looking for ways to encourage the growth we need. Where we can remove obstacles we will remove them. In the last few months we have managed to make some breakthroughs – in things like aviation, pay television, and technical and vocational training.

Where we can, we are prepared to break through log jams in industrial development. And where we can inspire or engineer a national effort such as that which emerged from the meeting on youth we will also do this. Because it has become increasingly clear to me in the past few months there are vital intangibles in this recovery, which go under such names as spirit, and hope and purpose.

As modern business people you will understand their importance. As Australians I believe you will want to join the Government in attempting to deliver them to the nation.

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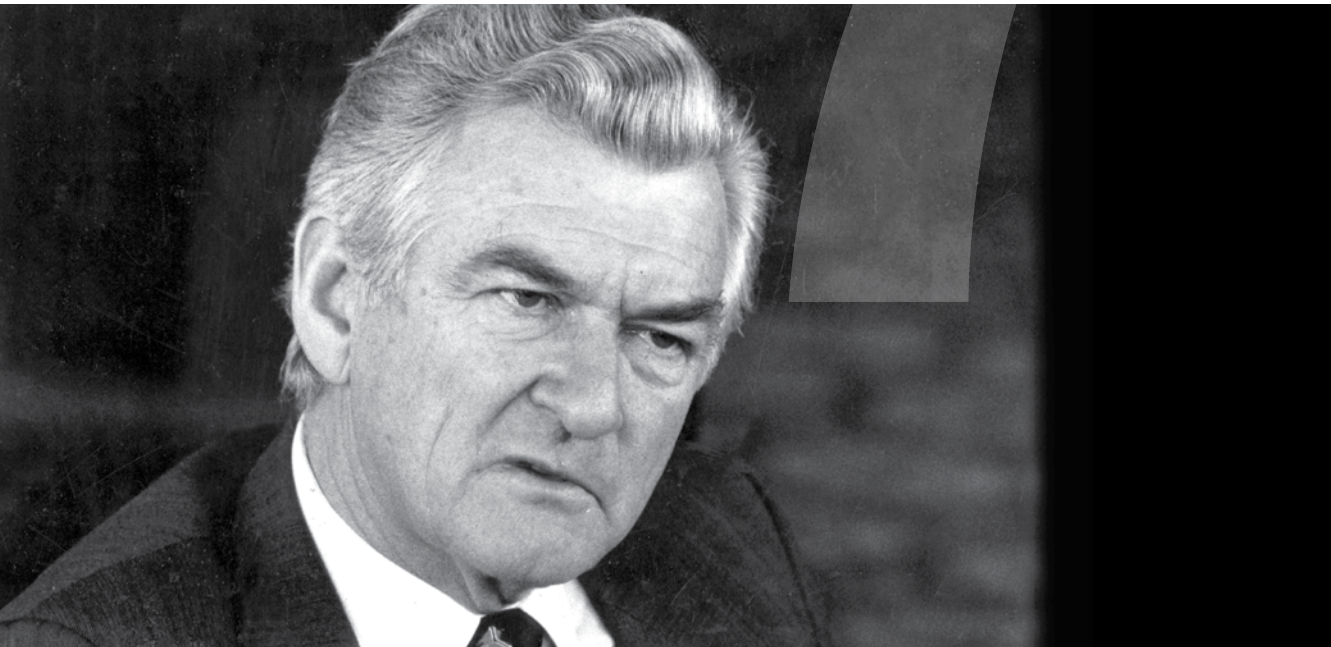
#### Endnotes

- 1 Federal Treasurer 1991–93
- 2 Released on 26 February 1992, *One Nation* was a policy statement outlining the Keating Government's plan for restoring jobs and prosperity to the nation. It included tax cuts and a large-scale infrastructure program.
- 3 The Cairns Group of Fair Trading Nations is a group of 19 agricultural exporting countries, including Australia, that was founded in Cairns in 1986.
- 4 Program of payments to pharmaceutical companies from 1988–99

> CEDA SILVER JUBILEE  
COMMEMORATIVE DINNER

> 4 DECEMBER 1985

> SYDNEY



## Australia's policies for continuing economic growth

The Hon. Robert (Bob) Hawke

Prime Minister of Australia (1983–1991)

During his term as Prime Minister, Bob Hawke was a generous supporter of CEDA, delivering speeches to no fewer than 10 CEDA events. In this 1985 speech, Mr Hawke delivered the keynote address to CEDA's Silver Jubilee Commemorative Dinner.

Mr Hawke reflected on changes in Australian society over the previous 25 years before outlining his Government's economic agenda that would focus on tackling unemployment, getting more young Australians to finish school and go on to tertiary education and evolving the country's economy.

Tonight we celebrate 25 years of sustained achievement by the Committee for Economic Development of Australia. During these 25 years CEDA has contributed significantly and constructively to the public debate of economic policy in this country.

If he were alive today, I have no doubt that Sir Douglas Copland, a distinguished Australian economist and founder of CEDA, would take great pride in the service which CEDA has done for this country. Sir Douglas, with whom I had the honour of working in my capacity as ACTU advocate in the early 1960s, argued forcefully in favour of the involvement of the community in the formation of public policy – a sentiment which, as you know, I strongly share.

In many respects CEDA's 25 years have seen quite marked changes in Australia's economic and social environment. In 1960, for example, the communications revolution had not begun fundamentally to change our society. The television industry in Australia was in its infancy and computers filled rooms, not briefcases. The post-war baby boomers (which most of us here either contributed to or are a product of) were just starting to enter high schools. Their impact on the workforce, fashion and social mores was still some years hence. Moreover, relatively few women counted themselves in the full-time paid workforce.

In the world of finance, the forces impinging upon the international financial system were sufficiently tranquil that exchange rates were fixed; and the domestic financial system was dominated by banks and fixed interest rates. And even after post-war reconstruction – and the attempted modernisation of Australian industry, behind a veritable wall of protection – agricultural products still accounted for the largest share of our exports. The mining industry was yet to experience the rapid expansion that occurred later in the decade.

Over the latter part of the 50s the geographical pattern of our trade had begun to swing away from Europe towards Japan and South and South-East Asia but most of that reorientation was still to come. Finally, through the course of the 1960s and 1970s agricultural and technological revolutions spread steadily beyond the shores of the industrialised countries. As a result, as time passed, more and more of our near-neighbours began to compete effectively with us in our traditional markets.

In many respects these developments very much provide the backdrop to the challenges which now face Australia. These include the challenge to create long-term and productive jobs, not only to employ the expanding workforce, but also to reduce progressively the level of unemployment which we





inherited; the challenge to keep our industrial structure relevant to the needs of world trade and steady growth; and the challenge to adjust to the volatility of movements in interest rates and the exchange rate under a floating dollar and financial deregulation.

These fundamental challenges provide the primary focus of the Government's economic strategy. It is important, in my view, for us as a community to accept that the pace of Australia's economic growth – at least until very recently – has been poor by world standards; and certainly poor compared with our potential. In particular the 70s became the era of stagflation and rising unemployment. We can look back and see missed opportunities. We can also see a period in which the foundations for sustained growth were weakened in some important respects.

The Labor Government came to office in 1983 with a commitment to inaugurate a new era of reconciliation in and reconstruction of the Australian economy. We moved quickly and purposefully to initiate economic recovery and to shore up the foundations of our economic performance so that our improved economic growth could be preserved.

I wish, tonight, to look briefly at some of these foundations and assess where we stand. Let me start with people. In a very fundamental sense, Australia's future rests with our people, especially our young people. Yet, in the past, despite devoting massive public resources to the funding of education, too little had been achieved to develop most effectively the potential of the young.

Compared to countries like the USA, West Germany and Japan, far too few of our young people finish even secondary education, and fewer still progress to the tertiary level. The present Government has begun to address this challenge. We have made a substantial financial commitment that will provide an assured financial basis for the growth of our government and non-government schools for the remainder of the decade. But we are equally concerned about improving the quality of our education.

Drawing on the recommendations of the Karmel Report<sup>1</sup> we are at present seeking the cooperation of the states to upgrade the quality of education offered by Australian schools. Our aim is that resources should be directed in such a way as to ensure that schools offer courses which provide the skills needed by a modern dynamic and flexible workforce. We have a series of phased improvements in student allowances in train which, over time, will help to remove any existing financial inducement to opt out of education and into an initiative-destroying existence on unemployment benefits.

In addition, we have initiated a program of structured on-and-off-the-job training, targeted especially on young people who leave education before completing secondary school. This is a radical new choice for young people. It represents a new approach to youth training which, in time, will provide significant opportunities to improve the longer-term job prospects of the young unemployed.

Furthermore, the Government will be providing 85,000 additional TAFE places over the current triennium to meet the growing needs of students. Of course it is one thing to have well trained people, it is another to use them most effectively. Essentially that task is one for management to provide proper capital to work with; to develop initiative and flair; and to recognise and foster talent. But government also has a role to ensure that the workforce is mobile enough to be able to shift between employers, industries or occupations as the need arises.

The need to develop a more mobile workforce is a major rationale for the emphasis which the Government has placed on improving vocational preparation in schools and on our traineeship initiative for young school leavers. But this is complemented by an additional emphasis on programs to retrain workers who have been out of work for extended periods. In the last Budget we announced the introduction from the beginning of 1986 of a new integrated wage subsidy program. This new program will consolidate and rationalise labour market programs that seek to maintain and improve our skills base. Enhanced labour market mobility is also one of the poorly understood benefits of our approach to occupational superannuation.

The Government's agreement with the ACTU to progress the spread of occupational superannuation to that half of the workforce not now covered – and in particular to improve the portability of superannuation benefits – will help to remove one of the potential barriers to movement between jobs of many experienced workers. Previously some workers could have been discouraged from changing jobs because of the loss of retirement benefits which would have resulted.

Let me comment briefly on some aspects of the Government's approach to superannuation and its link with the ACTU's productivity based wages claim. First, the Government's agreement with the ACTU cannot and does not usurp the prerogative of the conciliation and arbitration commission to determine, in the last analysis, the size, timing and nature of any direct sharing by labour in improved productivity.

Rather the Government supports the legitimacy of the ACTU's claim to share in the benefits flowing from the improved productivity in the economy, and for this to be available in the form of superannuation. But, having said that, our support is also for a payment package which recognises the overriding needs of general economic policy for moderation in wage increases and inflation.

Second, there is no sense in which the conditions attaching to occupational superannuation will be foisted upon the business sector without adequate consultation. Draft guidelines to ensure that superannuation is genuine – and not simply a deferred pay – are being prepared and will be released shortly by the Government. But they will not be finalised until the Government has had the opportunity to listen to the views of the business sector and others in the community. The Treasurer will be meeting with business representatives on this subject next week.

Finally, let me reiterate that the Government's position on industrial disputation in support of superannuation claims is that such industrial action is unnecessary in terms of our agreement with the ACTU, and – as I announced to the Confederation of Australian Industry (CAI) last week – we will not support it.

If I may return to my main theme, any business knows that it must offer relevant products if it is to survive and to expand. The Australian economy is no different. As I said earlier in my address the product mix of our exports has changed significantly over the past 25 years. The share of agricultural products in total exports is now about half the early 1960s, with virtually all of the difference taken up in higher exports of minerals and metals. The so-called resources boom of the early 1980s added substantially to our export capacity, and the mining sector has contributed importantly to the 10 per cent growth in the volume of exports over the year to the September quarter.

But in many ways the growth spurt associated with the resources boom simply postponed the fundamental adjustments required in Australia's trading strategy. For much of the post-war period Australia has received poor returns on its exports. So poor, indeed, that the volume of exports which we need to sell in order to buy a quantity of imports has risen slowly but steadily through time. This has been a major factor in putting periodic upward pressure on our current account deficit or, at times, downward pressure on our exchange rate. Most recently that general trend has been exacerbated by the conjunction of a number of influences on world markets.

Modern production processes are now far more economical in their use of some of our major exports, and closely related products such as oil. The nature of goods demanded in our traditional markets is also changing with the wealthier countries preferring a richer diet of services and high-tech products than was previously the case. We have also suffered from reduced access to some markets, especially for agricultural products. In addition, other countries, including some heavily in debt, have also expanded the volume which they supply to the market, which has further depressed prices.

As a result, the dividend from the so-called resources boom for Australia's current account was very much less, at the exchange rate ruling in 1984–85, than had been expected. While our prices in world trade seem likely to remain depressed for a time, we cannot count on a new resources boom to add new life to our exports. Because we are among the most efficient suppliers in the world of our traditional exports – agricultural commodities, minerals and metals – these will remain the mainstay of our export effort. But, for the late 1980s and into the 1990s we will need to do more than in the past in other areas – particularly in the areas of a substantially transformed manufacturing sector and the services sector.

The spread of advanced technology to our near neighbours has added a new dimension to this adjustment process. It will be necessary to choose our areas of specialisation carefully and, as a nation, to target our effort where Australian producers can carve out a niche in the world's market for new or better products and services. That is a large task. But not one, I believe, which is beyond us. For a start the depreciation of the Australian dollar over the past year has improved the competitiveness of Australian industry by about 20 per cent.

Australian firms should now find it very much easier to compete on price against imports or against foreign suppliers on export markets. This is the major reason why the Government expects the current account deficit to improve over the course of 1985–86 and 1986–87. It is simply inconceivable that existing profitable Australian concerns would not be able to take advantage of so large a shift in prices in their favour to sell at the expense of foreign suppliers. But there is more to the Government's confidence than that factor alone. Our whole approach to economic policy is designed to create the right environment for businesses to diversify into new areas and expand existing profitable lines.

Monetary policy, fiscal policy and the Accord are about creating certainty for business: certainty that growth will be maintained without avoidable inflation or balance of payments crises; certainty that business profitability, having now been so convincingly restored to the levels of 15 to 20 years ago, will not be plundered by an unthinking resort to massive industrial dislocation or an unreasonable acceleration of wage claims; certainty that the size of the public sector will be restrained as private activity expands; certainty that we as a Labor Government have sought and achieved a mutual understanding amongst all the major economic interest groups about the task ahead, an enduring understanding built on consultation and consensus.

That cooperative approach extends also to industry policy. It has permitted an unprecedented set of agreements to be concluded in the steel industry. Although there were some who said that it could never be done, these agreements included measures to raise productivity and have been a major factor in the current ability of our major steel producer to respond to market opportunities and capture sales which in other periods would have gone begging.

The motor vehicle plan is another example of our positive approach to industry policy. Further, the Government has taken a number of initial steps to reduce the regulatory burden on industry, and will continue to look at further possible steps. In this regard I have recently announced a number of initiatives in the areas of foreign investment policy and export controls, and laid out an agenda for further reform. I expect that the Government will be releasing in the new year a draft set of guidelines to govern the operations of Commonwealth statutory authorities. These guidelines will be intended to promote the more efficient and more effective provision of services by the public sector.

The reason for our interest in this matter is that the sectors of the economy are interconnected and mutually dependent. Just like any food preparation, economic results can only be as good as the raw materials that go into producing them and the skill with which these are combined. An inefficient public sector can unquestionably drag on the growth performance of the economy more broadly. So, while we recognise that certain goods and services are most expeditiously provided in the public sector, we also recognise the need to ensure that goods and services are delivered efficiently.

In the same way, as a community we should continue to look at ways to improve the efficiency of our private sector. For generations, in the discussion of industry policy and appropriate industrial structures in this country, particularly in the context of needing to contain the growth of our current account deficit, the regulators instinctively turned to the great book of protection. Competition too stiff from abroad? Slap on a tariff. Still not good enough to meet their price? Go for a quota or tariff quota. Not any longer.

We must recognise that consumers pay a high price – equivalent in the case of manufacturing, in 1982–83, to a tax of \$11.2 billion according to the Industries Assistance Commission (IAC) – for the privilege of buying Australian when foreigners can produce significantly more cheaply. Downstream users of highly protected products bear the additional costs of raw materials, which reduces their ability to compete in world markets. As a general principle, the preference of this Government is to reduce protection, over time, at a pace designed to minimise economic and social disruption, starting with the most highly protected. Indeed, we are progressively implementing positive export-oriented industry policies.

One of the more interesting findings of some work prepared by the office of the Economic Planning Advisory Council (EPAC) has been the tendency over time for investment to be concentrated relatively more heavily in less protected sectors of the Australian economy. Such an investment orientation is to be encouraged. One notable characteristic of any depreciation of the Australian dollar is that it is non-discriminatory – all producers become more competitive with imports, irrespective of the level of protection already enjoyed.

The need to pursue policies which preserve this benefit to domestic suppliers generally is one of the major driving forces behind our general macroeconomic strategy. But the more investment is attracted to highly protected areas the harder becomes the task if, subsequently, it is decided to seek to divert resources to more outward-oriented industries by reducing domestic protection in some cases.

Ladies and gentlemen, there are three other factors bearing on our economic performance which I would like to discuss briefly – processes, marketing and finance. By processes, of course, I mean technology. And there is a whole range to choose from hi-tech, new-tech and more efficient old-tech – almost more “techs”, indeed, than the NSW education system used to have. But, whatever it is called, the meaning is clear; new products, new ways of transforming raw materials or providing services, or the more rapid spread of existing know-how so as to capture new markets, to produce things more cheaply or, to use a cliché, to build the better mouse trap.

Australia has some important advantages in research and development activity. The education system produces capable research workers. The cost of R&D in Australia is not high. It is perhaps surprising, therefore, that while government funding is commensurate with other developed countries, industry funding and performance of R&D is small. But the Government recognises the magnitude of the task of improving this equation. For five years from 1 July this year we will provide a tax deduction for 150 per cent of expenditure



on applied research within Australia. And we are determined to improve the coordination of effort between the private sector and public bodies such as CSIRO and the universities.

As regards marketing, Australia's official marketing effort overseas has been radically overhauled in recent times. We are in the process of establishing the Australian Trade Commission – a one-stop shop for advice and other government services to exporters. Further we have an active trade policy seeking both liberalisation of the global trading environment in areas of interest to Australia, and increased emphasis in respect of bilateral trading opportunities. These include, particularly, opportunities to develop special relationships with major countries in our own region.

Finally, in respect of my last point, finance, there should be no need for me to remind this audience of the transformation which the financial sector has already undergone, the full ramifications of which will be years in coming. Australia needs an efficient financial sector capable of ensuring that adequate resources are available as cheaply as possible to the efficient enterprises of tomorrow. Our policies to promote competition in banking and more generally have precisely that end in view.

Ladies and gentlemen, as I said earlier, the 23 years to 1983 – for all their acknowledged achievements – have been something of a disappointment. We now have the policies in place to ensure that Australia's performance in the next 25 years will be far better.

Happily, longevity runs in my family. Unlike my father, I do not expect to see a second Halley's Comet. But I do look forward to an invitation to address you, though possibly not as Prime Minister, at your Golden Jubilee to report on how well the foundations for growth were laid in the term of this Government.

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#### Endnote

- 1 Chaired by Professor Peter Karmel, a committee examined the position of government and non-government primary and secondary schools throughout Australia and made recommendations on the financial needs of schools. It's report, *Schools in Australia: Report of the Interim Committee for the Australian Schools Commission*, known as the Karmel Report, was handed down in May 1973.

> THE COPLAND MEMORIAL ADDRESS

> 6 SEPTEMBER 1976

> SYDNEY



## Australia in the world economy

The Rt. Hon. J. Malcolm Fraser PC MP

Prime Minister of Australia (1975–1983)



In September 1976 Prime Minister Malcolm Fraser delivered CEDA's second Copland Memorial Address. The address was established in honour of CEDA's founder, Sir Douglas Berry Copland.

In his speech, Mr Fraser discussed Australia's economic situation and the changing character of the Australian and world economies.

He warned Australia's road to economic recovery would be long and attributed the nation's high inflation and high levels of unemployment to "inappropriate domestic policies" of previous governments.

Under the title “Australia in the World Economy” I want to talk about two aspects of Australia’s economic situation, as it relates to the international economic scene. First of all, I will comment on our domestic economic situation in international perspective and then discuss the changing character of the Australian and world economies and what this means for Australian policy.

The debate over policy in both these areas is inevitably concerned with the way in which economic policy and social policy ought to be linked. Economic policy cannot be divorced from our aspirations for Australia and for our way of life. Very often this requires a balance to be struck between short-term and long-term considerations, between the policy which will produce the most rapid growth in our material standard of living and policies which foster the wider range of individual and national goals. Many of the economic problems which Australia is now seeking to resolve have sprung from the failure to find an adequate reconciliation of economic and social objectives, or to realistically assess the interaction of the two.

In particular there developed a view that we could progress more rapidly towards a number of social objectives through a dramatic expansion of government expenditure, and more rapidly towards some economic objectives by sharp changes of policy in some areas. Inevitably problems resulted. Nor was Australia entirely alone in this, though perhaps we were an extreme case. In recent years, indeed, most of the industrialised economies have been beset with problems.

As a result, questions were being raised about the future of the market-oriented economic system that operates in Australia and countries outside the Eastern bloc. A whole industry of doom saying sprang up, and for a while appeared to be nourishing. Today we hear less of such talk. Most of those countries – and Australia among them – have turned back from the precipice. Along with most other countries with free enterprise economies we have started once again to apply policies which pay regard both to economic realities and to social needs.

Sir Douglas Copland, who was the founder of this association, and in whose honour this lecture was established, was a proponent of the need for more resources to be shifted to the public sector. Born a New Zealander, Sir Douglas was not afraid to tell Australians – or others for that matter – how he thought they should mould their futures. His courage and imagination – as

exemplified in the title of one of his last books *The Adventure of Growth* – must be admired. However, his well-known criticism of Australia in the immediate post-war period as a “milk bar” economy reflected an approach which, boiled down to its basic tenets, sought to substitute the judgements of the few for the choices, freely expressed through the market system, of the many. So far as those judgments involve – as they do for example in the writings of economists such as Galbraith – expansion of public sector spending programs, they were challenged even then by other economists.

The experience of recent years shows very clearly that substantial public sector expansion can stimulate inflation and that this inflation can put at risk social and economic progress. Most major overseas countries have now realised that they were pursuing policies that exacerbated inflation. It has been further recognised that these policies were also resulting in growing unemployment. True, some are doing more about it than others. Nevertheless, given the widely different complexions of the various governments, the degree of consensus on the general economic strategy that should be pursued if there is to be sustained economic expansion is remarkable.

In the words of the communique following the OECD Ministerial meeting in June this year:

“The basic premise on which this strategy rests is that the steady growth needed to restore full employment and satisfy rising economic and social aspirations will not prove sustainable unless all member countries make further progress towards eradicating inflation.”

In the light of this agreed approach, all OECD Governments have accepted that considerable care will have to be exercised to ensure that economic recovery proceeds gradually and steadily so as to avoid any resurgence of inflationary pressures. They have recognised that the high level of unemployment, while a cause for considerable concern, is not capable of a quick solution: the OECD Ministerial Communique stated that “restoration of full employment and normal levels of capacity in the OECD area will be progressive and take a number of years.”

Boiled down to simpler language this means that when our economies have been allowed to get into the state that many of them are in – and Australia's more than most – there are no magic wands available. We no longer have any real choice about the kinds of policy to be followed. OECD countries generally have rejected broad stimulatory action as a means of reducing unemployment. When inflation remains a threat, restoring steady growth and reducing unemployment is achievable not by increasing government expenditure but

by reducing the rate of growth of such expenditure, and adopting policies – such as lightening the tax burden and more appropriate monetary policies – which such restraint makes possible. What people have come to regard as the Keynesian approach is now recognised to be inapplicable in current circumstances.

Virtually all major countries have now proposed reductions in the rate of growth of central government spending between their last fiscal year and their present one:

- in the United Kingdom from 28 to 17 per cent
- in Canada from 19 to 13 per cent
- in Germany from 19 to four per cent
- in New Zealand from 29 to five per cent
- in the United States from 13 to nine per cent
- and of course, Australia, from 23 to 11 per cent.

The Australian Government's policies are fully in line with this general OECD strategy. I know that there are many who are impatient to see the Australian economy back on its feet. Believe me, nobody wants that more than I and the Government which I lead. But what we all have to recognise is that we have a long haul ahead of us. Not only was the Australian economy in a much worse state than the economies of most other OECD countries but Australia has also made a much later start than most others in moving to bring inflation under control.

This bears particularly on the problem of unemployment. Even in those countries which were first to reduce inflation to more manageable levels, the reduction in unemployment has so far been comparatively moderate. In the United States, for example, unemployment in June was eight per cent compared with 9.1 per cent a year earlier. In Germany unemployment has fallen over the last year from about 4.4 per cent to four per cent. In other major countries unemployment in mid-1976 was higher than a year earlier.

In the early stages of recovery unemployment may be slow to come down but if unemployment is to be reduced, and a sound basis for expanding job opportunities established, the policy approach we have adopted is the only one. In Australia and overseas the lesson is clear. Governments cannot spend their way out of recession when inflation is running as it has been. To attempt to do so would lead, perhaps after a short burst in activity, to a deepening of the recession and a worsening of unemployment.

There can be no better demonstration of the inappropriateness of the traditional “pump-priming” approach in periods of rapid inflation than to look at the record in Australia. In 1974–75 budget expenditures increased by 46 per cent and the deficit rose by almost \$2300 million. In 1975–76 there was a further increase in expenditure of 23 per cent. It would have been much greater but for the direct and indirect measures the Government took over the latter part of the year. The deficit rose by a further \$1000 million to \$3585 million. Over this period there was an increase of more than 30 per cent in prices. Yet over this same period there was negligible growth in real output and unemployment increased by over 200,000. The facts are well known.

Let me repeat here the situation which the Government faced when it came to office at the end of 1975. At that time the private sector was employing no more people than it had been three years earlier, even though during that period the labour force had expanded by about 370,000. Unemployment had risen to a level not recorded in this country since the 1930s. Gross non-farm product in the December quarter of 1975 was still almost five per cent below its peak level recorded two years earlier. The farm sector was in a state of collapse.

The share of company profits in national income remained depressed at around three quarters of its long run norm. Real business fixed investment had fallen in the December quarter to its lowest level for almost three years. And, last but not least, the consumer price index in the December quarter was 14 per cent above a year earlier and showed no real prospect of a sustained move down.

Some have argued that Australia’s recent economic problems have had their origins overseas. External economic trends can and do affect the Australian economy through the operation of the overseas trade cycle. But, the structure of the Australian economy has altered over the post-war period, and we have a much-improved capacity to absorb overseas economic fluctuations without large domestic effects.

In the period 1973–75, for instance, the effect of overseas economic fluctuations was considerably diminished by the broadening of our export base and the associated contractual arrangements for a number of our major minerals exports. Unlike most of the OECD countries, we were also spared any significant direct impact from the large rise in oil prices overseas.

Inflation overseas would have had some impact upon the Australian economy, but the pursuit of inappropriate domestic policies was the prime cause of the economic setback which we suffered during this period. The large expansion

in Government spending which occurred in 1973 took place at a time when it was clear that private demand pressures were already excessive.

The Government had come to office in December 1972 on the false proposition that the economy was headed into a slump. It became a victim of its own propaganda. We can see today a similar attempt from the same quarters, to talk down the economy in the hope of electoral advantage. Then, when the economy none the less fell into recession in 1974 there was the attempt to continue to drive it along by an even greater boost in government spending. Then, when the moment of truth came in last year's Budget there was a frantic effort to slash back the rate of growth of spending. Of course that moment of truth was just that – momentary.

Compounding the problem was the Government's attitude to wages and salaries in 1973 and 1974. For quite some time large wage rises were actually encouraged and supported by the then Commonwealth Government before the Conciliation and Arbitration Commission. High unemployment, combined with high inflation, were inevitable consequences.

In the present situation, the speed with which the recovery will progress is largely a function of the speed with which real wages and productivity can be brought into balance. The amount of wage restraint accepted by the trade union movement will play a vital role in this. Wage restraint in the months ahead could help significantly to speed up the process of reducing unemployment. It should not be overlooked that the drop in unemployment in the United States over the past year or so followed a period of wage and salary restraint.

It is now clear that the rapid real wage gains in Australia in 1974 were partly at the expense of those who lost their jobs. Those who are in a position to influence wage demands – and those in a position to influence their outcome – would do well to ponder these realities. Restraint now will also make possible a more normal growth in real wages to resume in the shortest possible time.

The experience of the recent past has particularly affected those groups in the community most vulnerable to unemployment – the young, the disadvantaged and the unskilled workers. The large increase in the real level of the minimum wage, for instance, has been cold comfort to the many unskilled workers who have lost their jobs during the recession because employers could no longer afford to keep them on. Their labour had become too expensive relative to their more skilled workmates. Similarly, many young people have found employment difficult to obtain as the relative rates of pay of juniors to adults have increased.

In recent years wage-fixing decisions affecting the minimum wage, and certain other wage relativities have aimed to improve the position of those at the lower end of the income scale. It is easy to understand this approach. But when that improvement is sought through the wage system regard also needs to be had to its implications for the employment prospects of those affected.

The present high rates of unemployment among such groups are a harsh reminder that the wage system may not be the best mechanism for giving effect to social considerations in these matters. Here as elsewhere, decisions taken for the best of motives may have quite undesirable consequences. The art of government is to be able to strike the right balance between considerations of different kinds. Throughout Australia's history that problem has had to be faced.

One of the clearest lessons to emerge from the experience of recent years is that social policies undertaken in disregard of economic realities can not only be economically disastrous – they can be socially damaging as well. Those who are economically disadvantaged through no fault of their own, should be able to look to governments for assistance. This is a much better way of handling the problems than by distorting the wage structure. The Government has in fact adopted a number of measures to help low-income groups. In particular the new family allowances scheme is a most important step towards the alleviation of poverty in Australia and is much more efficient and equitable than the previous arrangement.

The effect of all the measures taken by the Government in the Budget and in the major statement on 20 May is in fact estimated to increase average disposable income somewhat in real terms in 1976–77. I have no doubt that the more we can achieve restraint in wage and salary demands – the greater will be the reduction in unemployment and the larger the increase in total real earnings.

A one per cent reduction in unemployment would result in increased wages of about \$600 million in 1976–77. It is pleasing to see that the approach the Government has adopted is winning wide acceptance – increasingly I believe by wage and salary earners, by the Arbitration Commission, and by business. Businesses, for example, have indicated their confidence in the Government's policies by the announcement of major investment proposals totalling almost \$3 billion in the last six months.

So far, I have been discussing economic problems Australia has shared with other countries but has suffered in an acute form. Let me now turn to consider another aspect of our economic situation – the changing structure of the Australian and world economy and the implications of those changes for policy. Here again the interaction of social and economic objectives has had, and must continue to have, an important place in our consideration of appropriate policy.

This last quarter of a century has seen marked changes in the structure of the Australian economy, encouraged in part by deliberate social policy. Those changes have affected the nature of our economic relationships with the outside world. Most significantly, the manufacturing and service industries have recorded a rapid expansion while the contribution of agriculture to Australia's gross domestic product declined (from) around 25 per cent in 1950 to less than 10 per cent in 1973–74. The mineral industry has also grown rapidly, although still accounting for less than four per cent of total output in 1973–74.

While we remain relatively large importers of capital equipment, we now manufacture a wide range of consumer goods. Our export base has been considerably broadened and diversified. Products broadly defined as manufactured now constitute between one-fifth and one-quarter of total exports, as do minerals. The latter have been the fastest growth items in more recent years. Rural industry has also broadened its base, notably by expansion of the sugar and beef cattle industries. We continue of course, as the world's largest exporter of wool and one of the most important exporters of wheat. Overall, however, our rural exports have declined from around 80 per cent of the total to less than 50 per cent.

These and other similar developments reflect a diversification and broadening of the Australian economy and of our trading and financial relationships with the rest of the world. Interdependence there has always been. Both its nature, and its extent, have been changing. We now live in a world which is much more complex, more diverse in its economic relationships and inter-relationships. Twenty-five years ago, the world seemed to many comparatively settled in its economic relationships and patterns of trade. The non-Communist world generally was dominated by the United States economy. The world of Commonwealth countries was dominated by Britain. It is difficult now to appreciate that the dominance of Commonwealth preferences in our external trade, and Sterling in our payments and reserves, should have disappeared in such a comparatively short period.



Today, the United States economy remains the most powerful. But there are other economic forces – notably Japan and Germany – of much greater relative power than formerly, with which Australia does not have automatic historical links. In this changed and changing world we have to make our own way to a much greater extent. We have to fight for markets and for access to technology which formerly came more or less automatically. We have also to think about the type of economic system within which we want to trade and develop.

Australia has long supported the idea of commodity agreements where such agreements could contribute to greater stability in international commodity trade. At the same time we have taken the view that any such agreements would need to have regard to underlying market trends and to be practical both in terms of implementation and financing. Proposals made by the developing countries over recent years under the heading “New International Economic Order” envisage significant, indeed fundamental changes in the present economic system. Some proposals for commodity agreements, for instance, envisage that such agreements would be used to transfer resources to developing countries, by effecting significant price increases just as the OPEC countries have done in respect of oil prices.

It would not be appropriate here to comment in detail on this or various other proposals for radical changes in the international economic system. Undoubtedly the developing countries need to be able to improve their standards of living. Great differences in economic situations between nations, which are seen to be unreasonable can unsettle political relationships. It does not, however, follow that such differences can be rectified by fundamental changes in the international economic system. Indeed, many of the changes proposed in the “New International Economic Order” seem likely to lead to less in the way of development benefits rather than more.

This is because the imbalance between nations lies much less in the economic system as such than in the policies pursued by some nations and the historical facts of world economic development. Because of our geographic position, and our importance as a supplier of resources, this is a matter of particular importance for Australia. We must remain sensitive to the legitimate aspirations of the developing countries while at the same time supporting proposals that not only accord with our own fundamental economic interests but also in our judgment with those of the developing countries themselves.

Associated with the emergence of new and powerful economic forces in the world there has been a considerable loosening up in external economic relationships. For example, there has been a greater preparedness to allow market forces to operate in the field of trade and payments. This is by no means universal; important restrictions remain on international trade, especially on trade in agricultural products and on capital flows. We retain, for good reasons, a number of such restrictions ourselves.

By and large, however, it seems fair to say that the last quarter-century has seen a considerable liberalisation of world trade and payments. These and other developments in world economic and political relationships have, I believe, made Australia more reliant on its own resources and skills. The apron strings to Britain – even to the Anglo-Saxon world more generally – have loosened and frayed and we are today exposed to a much more diverse, complex set of economic patterns and flows.

Even as our general interdependence has increased so has our particular independence. In this situation there is a balance to be struck between allowing the operation of purely economic forces and intervening in the international flow of trade and capital on what might be described as “non-economic” grounds. In the case of Australia, as in other countries, there is a tradition of intervention in trade flows. Over the years we have intervened to enable secondary industry to develop to the point where it is now as large relatively as in most so-called advanced industrialised economies. Indeed, it is now about the same relative size as the secondary sector in the United States economy.

While we should not overlook the natural advantage that has assisted part of that growth, there is no doubt also that a considerable part of it has been due to the protection that has been given against foreign competition. Policies of successive Australian Governments have embraced tariff protection and other measures designed to ensure the development of a well-balanced economy.

This has included:

- an adequate manufacturing base to assist in employing a growing population
- the resilience to meet the pressures and crises of a changing and at times threatening world.

Considerable political importance has been attached to peopling a continent with substantial natural resources but a relatively small population. Nor should we overlook the desire of the Australian people to create a nation that was not just a hewer of wood and drawer of water for the industrialised world.

In the last few decades, the Australian economy could be said to have come of age in a structural sense. It has an extensively developed industrial sector, efficient large-scale rural industries, a major mining industry which is a source of basic materials to the giant industrial economies of the northern hemisphere and a highly developed structure of commercial and governmental services to its people. There can be no turning back from this situation. There can be no question, for instance, that the Australian economy must continue to have a substantial manufacturing sector. This is not to say, however, that questions should not be raised about the balance between particular industries or within such industries.

It is in our own interest to make the most efficient possible use of our resources and to envisage change which helps us to do so. In essence, the choice is between higher and lower rates of economic growth to the extent that if we restrict international trade and capital movements we tend to forgo the opportunity to have a higher rate of economic growth per head of population.

It should not be necessary to say that economic growth is important. Expectations of rising standards of living cannot be fulfilled beyond the limits of the resources available to fulfil them. It is the rate of economic growth which determines the pace at which our economy – and our society – can meet the aspirations of our citizens.

But that having been said, we must think beyond economic growth. Just as individuals have a choice between work and leisure, governments must often choose policies that are in the broader national interest, even at some sacrifice of economic growth. There is a delicate balance to be struck. To some extent a country's sense of wellbeing is a relative one.

If Australia falls behind other countries economically, this sense of wellbeing will be to that extent reduced. To the extent that we forgo our full potential for economic growth, we will be less able to help the poor and the disadvantaged, both within our own community and overseas. We must take this into account in the field of protection policy, while at the same time ensuring that any significant changes in levels of protection will not be too sudden or severe. We will not embark on such foolish ventures as the previous Government's 25 per cent across-the-board tariff cut in 1973. A reduction which was forecast at the time to involve a loss of 33,000 jobs, it was, in effect, a decision to export those jobs overseas.

We know the sad effects on many industries of changes that are too drastic, too sudden. Indeed, the previous Government was forced to reverse engines in that area and, to provide additional protection to certain industries affected by an unprecedented upsurge in imports. These additional restrictions, which now cover about 10 per cent of total imports, are in full accordance with our international obligations. They have been designed specifically to alleviate potential serious disruption and will be removed, or replaced by appropriate long-term arrangements, as soon as circumstances permit.

It is important however that we should not delude ourselves that external policies can be used to assure employment in circumstances where pressure for domestic wage and price increases remains excessive. If increased protection is provided in such circumstances, whether through tariff increases or by other means, it will tend to be dissipated fairly quickly, leaving the competitive situation much as it was before.

Many countries using floating exchange rates over recent years have found that the unemployment effects of rapidly escalating money wage rates cannot be remedied simply by allowing their exchange rates to depreciate. There is no alternative to the pursuit of appropriate domestic policies to bring inflation under control. This is precisely what the Government is endeavouring to do. Our economic future will always depend in part on the caprice of changing international economic circumstances.

However, with appropriate management of our economic affairs, we have the capacity to re-establish satisfactory growth in the Australian economy and to reduce unemployment progressively. Australia's economic problems arise because of the past pursuit of inappropriate policies – in some cases for many years past. In these circumstances, solutions are not to be found through drastic or sudden action. That would be both economically and socially divisive and disruptive. Lasting solutions can only be found if the majority of the people understand and support the basic thrust of the Government's policies. We believe that the Australian people today do increasingly understand and support those policies.

Internationally also, Australian Governments will need to continue to strike a balance between pursuing an independent course of action and further exposure to the flow of world trade and payments. As in other areas of our national life, there are policy choices to be made. Australia cannot afford to pursue courses of action that would isolate us from external competition. As in our domestic affairs, we must face up to the reality of a competitive outside world.

If we fail to do so, we will run the risk, ultimately, of becoming a country of second-raters. We have vast natural resources to develop. If we are to do so, we need to employ our capital and our labour force as efficiently as possible. In this field, as in others, the task – and the challenge – are ahead of us. In meeting this challenge, we will continue to face the task of reconciling our economic and social objectives. Recent experience has made it plain that unless we recognise economic reality we will fail both in our economic and in our social objectives as a nation.

There is no way around the fundamental fact that resources are scarce. Our policies must aim to expand the resources available to us, because only in that way can Australians hope to realise so many of their aspirations. We have seen only too clearly what happens when aspirations run ahead of resources. At the same time our policies for growth must also minimise the social costs of growth. Achieving that delicate balance is one of our great challenges as a nation. As a Government – and as a country – we cannot afford to fail.

> PRIME MINISTER'S LUNCHEON

> 7 MARCH 1975

> SYDNEY



## A commitment to a healthy mixed economy

The Hon. E. Gough Whitlam QC

Prime Minister of Australia (1972–1975)



Prime Minister Gough Whitlam addressed a CEDA luncheon in Sydney in 1975.

In a climate of hostility between the private sector and the Labor Government, Mr Whitlam held out an olive branch to the business community, expressing his Government's long-term commitment to the prosperity of the private sector.

He pledged to work with the private sector to stimulate an economic revival. However, Mr Whitlam told CEDA Trustees that market forces alone could not determine how and where resources were allocated.

This is the second successive Friday luncheon I've spoken to representatives of the Sydney business community. If there are any here who were also at the Sydney Chamber of Commerce Luncheon I hope they will bear with any repetitiousness on my part because I do think that my theme itself bears some repetition.

I emphasised there my Government's long-term commitment to the prosperity of the private sector. I was at some pains to refute the assertion that there is anything phoney about this commitment – that it represents some sort of panic response to present difficulties. I concede that there have been failures of communication in the past and I concede that some prejudices and preconceptions on both sides have raised needless difficulties.

I do detect, however, in the business community generally a new willingness to cooperate, born of a mutual recognition that we share so many of the difficulties for so many of the same reasons. I think on both sides there is a willingness to end futile recriminations which, of course, is not to say that we should not have plenty of constructive criticism. If I am right in this assessment that there is a healthier spirit emerging then I assure business that the Government is ready to go more than half way to foster it.

Last Friday I drew attention to the way in which economic circumstances here and throughout the world were now subject to rapid change never experienced in our lifetimes. The business cycle which used to take five to seven years for its completion now appears to take about two years. This imposes unprecedented pressures on both Government and business and requires very great flexibility in policy planning for business and Government alike. In this situation one has to be extremely careful in making predictions based on the latest set of economic indicators.

We have seen too many false dawns. Nonetheless, there are grounds for some cautious optimism. When I announced the new economic measures of 12 November 1974<sup>1</sup> and in subsequent statements to the nation, I emphasised the figures, particularly on unemployment and inflation, would not be good for many months to come. This remains true.

The situation at present, however, is that some of the more serious aspects of decline in activity are now behind us. Liquidity is freely available and the demand for funds, particularly for housing, is high. Imports are declining and the balance of payments situation particularly on current account is strengthening. We are seeking the first real signs that unemployment and inflation may have peaked. With the large personal tax cuts, including the housing interest deductibility scheme now being reflected in pay packets, disposable incomes are rising strongly.



By past standards the Government has given a massive expansionary boost to the economy in the measures taken since the budget. These are, of course, not normal times and we cannot be absolutely assured of normal reactions. The response of the private sector is the key ingredient in economic revival in 1975. You can be assured that the Government will do all in its power to stimulate that revival, consistent with our overall goals of social advance and economic management.

At the recent conference of the Australian Labor Party we inserted in the platform a specific recognition of the role of the private sector and a specific commitment to the development of a healthy mixed economy. I think it should be recognised, however, that the present Australian Government itself has from its inception tried to establish machinery and set in train measures to give practical expression to the formal commitment now contained in the Party's platform.

In December 1972 we established the Department of Manufacturing Industry. The first Minister was the present Treasurer and he set about establishing a network of industrial panels to provide channels for closer cooperation and consultation. Against much opposition we have sought to develop the role of the Australian Industry Development Corporation. In our first budget we provided funds to establish the National Management School within the University of New South Wales. We have set up the Small Business Bureau to provide advice and assistance for this very important but long neglected sector.

We have sought to enhance profitability by reduction in company tax, by requesting the Prices Justification Tribunal to give particular consideration to the adequacy of return on capital and by urgently investigating the implications of rapid inflation for the taxation paid by companies. The report of the Mathews Committee is expected soon and actions on its recommendations will be prompt. We recognise the extraordinary impact of rapid inflation on corporate tax rules, particularly with respect to stock valuation and appreciation.

Perhaps most important of all in its long-term implications will be the report of the Committee of Inquiry under the Chairmanship of Mr Gordon Jackson, General Manager of CSR. The Jackson Committee's terms of reference are to advise on the future role of the manufacturing industry, the role of foreign companies in the Australian economy, the long-term balance between exports and imports, better communication between government, industry, the states and employees' organisations. I am quite determined that the report of the Jackson Committee will not suffer the fate of the Vernon Committee.<sup>2</sup>

We will not stall it or pigeon-hole it and we will not set out deliberately to rubbish it or bucket it. One of the sorriest aspects of the Vernon Report was that the treatment meted out to it acted as a discouragement to highly qualified, busy and public-spirited persons in serving the nation in similar roles.

One of the most gratifying experiences I have had as Prime Minister has been the readiness of distinguished Australians, in business, the professions and the universities to serve on the many commissions and committees of inquiry which we have established. I believe that a big factor contributing to this readiness to serve has been the positive acceptance by the Government of their work. Men and women called upon to serve Australia in this way know that they are not wasting their time.

Our major piece of current legislation concerning the private sector is, of course, the Corporations and Securities Industry Bill. I am sure that members of CEDA are too sophisticated to give the Pavlovian response we've had from some quarters that this is an attack on freedom of private enterprise. The fact is that without the establishment of the Corporations and Exchange Commission as the National Regulatory Authority to supervise the securities industry in Australia, the future prosperity of Australia cannot be assured because the economic development of any nation is directly determined by its efficiency in raising new capital. During the mining boom, vast sums of money were raised which was wasted and never found its way into mining.

The efficient mobilisation and allocation of capital through the medium of the stock exchanges can only be optimised if the exchanges provide and, just as significantly are seen to provide, a fair and orderly market. The market must be one in which both the financially sophisticated investor – and also the unsophisticated investor with the aid of his investment adviser – can invest his capital. However large or small an amount it may be, with the knowledge that the risk he assumes can be evaluated on accurate information disclosed to him and that his risk will be subject only to the usual commercial hazards.

The self-regulating activities of the stock exchanges during the mining boom period were abysmally lax. Even formal rules, which were and are still minimal, were as the RAE Report recounts seldom enforced and were viewed with contempt by some members who continued with their practices in blatant disregard of the stock exchange regulations and of their fiduciary duties, on the assumption that their abuses would go undetected or unpunished; an assumption by no means unreasonable in the absence of adequate surveillance by some independent authority.

The genuine difficulties which have been encountered by self-regulatory bodies and the state authorities in dealing with the securities industry have been partly due to the failure of some of the states to recognise the national character of the securities markets and of the securities industry.

If one recognises that each stock exchange functions only as part of an Australia-wide network and that to a very large degree, listed public companies carry on their businesses on an Australia-wide or national basis, then it should be obvious that the problem of attaining effective, coherent and efficient securities regulation can be solved only if there is one nationally uniform body of law and a national authority which will eliminate the variation of administrative practice and interpretation and which will standardise the quality of administrative action and investigation.

I mentioned the Terrigal Conference's statement on the mixed economy. Equally important for business is the decision to express a firmer commitment to economic planning. Planning is really about institutionalising foresight. It is a process which tempers expertise with judgement. We believe that the Australian Government should contain a department with the prime responsibility for planning the long-term future of the economy. It should be staffed with experts, but advised by representatives of various community groups especially workers, employers and consumers.

We considered, but rejected, the notion of a National Economic Council because although we believe that the views of community groups are an essential part of the planning process, we believe that ultimate power of decision must rest with the Parliament. The planning machinery we are creating is therefore advisory. Market forces alone are not good enough as indicators of the direction in which resources should flow. The market mechanism is there to be used, but it must not become the only influence determining how and where we allocate our resources.

We envisage a broadly-based planning mechanism at its centre, the planning department with its advisory machinery; around it the other departments, but especially the industry departments, each with its own network of advisory bodies and panels. From this mixture of expertise, judgment, subjective opinion, and self-interest will come, I believe, the sort of advice which, when combined with the more objective data from the planning department, will enable the Government to appraise its long-term goals with more certainty, more humanity and more efficiency than is possible at present.

Our commitment to planning is not simply based on ideology – not simply due to any mistrust of market forces. It stems from the interdependent nature of a good deal of economic decision-making. Much public investment has long lead time and it is difficult to undertake major development projects unless there is some certainty about the continued supply of funds and avoidance of stop-go economic policies.

The private sector, too, needs some clear view of the Government's long-term operations with confidence. I envisage a fruitful, interactive planning environment with both public and private sectors playing their part. When we speak of Australia's "mixed economy" let's be clear what we mean. Public and private sectors are mainly complementary, not competitive with each other. The aim of the major initiatives my Government has taken has been to build better structures, more modern structures upon which the whole community can prosper.

The private sector has a definite interest in the development of public infrastructure and the rational public regulation of private activity. Important initiatives in public investment will prove of great advantage to the private sector. I refer to our assumption of responsibility for national highways which are of such great importance in facilitating the movement of goods among our major markets. Another area of great long-term interest for the private sector, is the improvement of the quality of our education system as a whole and particular major initiatives in areas of direct concern to private industry, such as the development of technical education. The private sector will also see advantages from the re-organisation of some major areas of public investment. I refer particularly to the establishment of two commissions to conduct postal and telecommunication services.

The Government has taken new initiatives to facilitate trade relations with other countries. A large number of new trade agreements have been signed. We have extended the charter of the old Export Payments Insurance Corporation to create the Export Finance Insurance Corporation and we shall proceed to establish an Overseas Trade Corporation, to promote trade with centrally planned economies in particular. We have established new institutions to assist firms to adjust to the continuing pressures of change. Our Structural Adjustment Assistance Scheme is the first systematic effort to help industry adjust to changes of economic policy.

The National Employment and Training (NEAT) scheme is the first step in our continuing development of longer-run manpower policy. In a more specific area of housing, we have established a Housing Standards Advisory Council to eliminate the extraordinary cost disabilities of the multiplicity of housing codes.

In all these ways I believe that public initiative is laying the foundations for the future balanced development for the private sector.

Far from these programs being antagonistic to the success of private endeavour or incompatible with private prosperity they are essential to it. A skilled, healthy, efficient community that is both our national goal and an economic necessity. In a speech last December Mr Gordon Jackson<sup>3</sup> had this to say:

“We should perhaps speculate that in a turbulent and uncertain world, a principal role of government should be to articulate a set of values that will find acceptance in the community. Acceptance will help to constrain the parts from antisocial and maladaptive behaviour and will encourage progress towards common ideals. The role of government also should be to simplify the business environment enough for people to understand the situation and the prospects, so they can plan with confidence.”

I endorse those remarks.

Effective planning needs new structures and new machinery. We are building them. To articulate a set of values which will find acceptance in the community requires consultation. We are eager to have it. In the present situation of rapid change and uncertainty it is urgent that we should be able to apply ourselves – all of us, government and business alike to these tasks. I won't labour the point – I'll just leave you with this thought:

In this critical time, it would be tragic for Australia if over the next six months, our national preoccupations were to be purely political, if the national debate were to be conducted, not in terms of our greater goals and long-term needs, but were to be forced into the narrow focus of yet another election.

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#### Endnotes

- 1 In a speech to the House of Representatives on 12 November 1974, Mr Whitlam outlined a package of measures designed to maintain consumer demand through personal income tax cuts; reduce pressure for wage increases; reduce company tax; and support industries in stress including the car, textile and beef industries.
- 2 Vernon Committee of Economic Enquiry, May 1965
- 3 Businessman Gordon Jackson, General Manager and Chief Executive of CSR Limited (1972–82) Chaired the Jackson Committee (1974–75) which advised the Whitlam Government on policies for the manufacturing industry.

- > FORUM ON DEVELOPMENT ASSISTANCE
- > 29 JULY 1970
- > MELBOURNE



## South-East Asian development assistance

The Hon. William (Billy) McMahon

Minister for External Affairs (1969–1971)

Prime Minister of Australia (1971–1972)

In July 1970, CEDA launched a joint policy statement on development assistance to South-East Asia with US organisation CED and Keizai Doyukai of Japan.

In an address to a forum on the policy statement, the then Minister for External Affairs, the Rt. Hon. William McMahon, described the purpose behind Australia's aid program.

Mr McMahon stressed Australian aid was primarily humanitarian and aimed at raising living standards.

As Prime Minister, Mr McMahon continued his focus on South Vietnam, announcing the withdrawal of Australian troops.

First of all, I want to say something to you not about the prospects of total aid or the picture of total aid but of our official aid program. It is about this program that I know more or much more about than I know of the total picture, including the aid given by the private sector of the economy.

I think I should identify the problem. Because I have in the past identified a problem and as a result of experience have had to turn back on theories and theses I have believed in. So, I have had to ask myself, Why do we provide foreign aid and what are our objectives? I think I can say that our objectives are multiple.

I can look at them in a humanitarian way. I can see them in terms of development. I can think about trade relations. I can think about our social relations. I can think of what we are doing in terms of creating confidence in us in other parts of the world, in the way in which they gradually turn to us as a source of inspiration because they know that we are not predatory. They know that at heart we are a pretty good people and they know that our basic instincts are directed towards helping them achieve the very goals we want for our own.

As a starting point, and this I have confirmed in the days that have recently gone by, that is that the basic purpose behind all our aid, whether it happens to be official, or whether it happens to be civil, or humanitarian, must be judged against this background. I am sure Sir you will join with me in this statement, the more you realise that the standards of living of so many people is too degraded to be permitted to continue in a civilization that we can frequently pass as Christian, but is better called humanitarian. I believe the average businessman of this community sees it this way. You want to be able to give them the kind of opportunities that we want for our own and to give them the opportunities for happiness and health and for education that a great country like this has and will have in a few years' time in abundance.

Let us look at our official aid. I have only had one Budget looking after this Department of Foreign Affairs. It naturally divides itself into what we call multilateral as well as bilateral aid. Naturally enough, when I get the opportunity, I want aid to be bilateral because I believe, and this is a sentimental approach rather than being a practical and objective one, that it does identify to the countries to which the bilateral aid is given who the giver is and the recipients themselves know it, and I believe they welcome it. I believe they respond to it. It isn't enough to treat it on that basis of the goodwill that it develops for this country unless at the same time we know that that bilateral aid is also giving the opportunity for development.



Let me go back into our multilateral aid and particularly the aid that is given to the World Bank and the IDA (International Development Association) and also to the Asian Development Bank. In these cases, while it is seldom recognised who are the people who are giving the aid, and the countries who are the recipients don't know, I believe that this aid does do a tremendous amount for ourselves. I have two strong recollections.

First is the time when I became the Minister of the Treasury and the other one recently as the Foreign Minister. I think that for every dollar that we put into the IDA, that is for soft loans, that for every dollar that we put into the Asian Development Bank, Papua and New Guinea, two countries for which we have immediate and long-term responsibility will get more than a good dividend. You could talk about a contribution of \$US10 million. The dividends that will be received by Papua and New Guinea will exceed many times more than the contribution. There will be a remarkably good return for this underdeveloped part of the Australian community. One for which for many years to come, we must be responsible. We must be responsible for their defence and foreign affairs and for the time being for law and order.

As to our bilateral aid, I'll say a little more later on, but I have seen enough in the weeks that have gone by to make me realise that our bilateral aid brings us a tremendous amount of goodwill and creates a feeling of confidence in us. What has struck me as remarkable is that in all the trips I have made overseas, I have never once heard the White Australia Policy mentioned, never once, and I do not for one moment believe, unless it is in the minds of a few people who might for the moment believe, unless it is in the minds of a few people who might for the moment be unhappy, that it is a great issue. I do not think that it is a great issue in any of the countries that I visited. That I believe is a true reflection of their attitude to us and I hope that it is a reflection of our attitude to them.

Well may I then having spoken of those two issues, deal with the next problem, that is the extent of our aid itself. I think that every country could very well live up to the one per cent of GNP being allocated to aid of both kinds. What you have to remember in our case is this. That we are not a capital exporting country. In fact, last year we exported only \$7 million of capital to the South-East Asian countries. So that you can't look at us in the same way as you can look at the Reserve Currency areas. You can't look at us in the same way as you can Japan. These countries have got to such a high stage of development with such enormous capital flows that they can get into the business of multilateral finance and you cannot therefore compare their flows in terms of aid with ours.

If you like to look at it in terms of official aid, I believe you will find that we are amongst the three best in the world. Last year I believe the figures were something of the order of \$162 million. That is roughly 0.6 of one per cent of GNP. And as most of the people in the world who do study these problems, particularly the Pearson Commission<sup>1</sup>, think that a country whose official aid is 0.6 of one per cent of GNP is certainly living up to world standards and doing well.

I don't argue for one moment that we are doing enough. That wouldn't be true. But what I do want you to understand is that in the few years since we started we have moved into the top bracket. I only hope that the momentum that we have can be kept going and that we don't, like other countries, become disenchanted with aid and reduce the percentage of the Gross National Product. So, we are doing pretty well. I hope that in the tenure I might have of the Department of Foreign Affairs, that I am able to do somewhat better than my predecessors.

May I come back to his question of looking at our objectives. I will explain this in a couple of illustrations I'll give you later. I want now to speak of this problem of what we can do in terms of a humanitarian approach. I have been in Thailand. I have been in South Vietnam on two occasions and I have had the great good fortune to travel the length and breadth of that country. I have been in the Philippines and again I have been in Jakarta and I know Surabaya and various parts of Java well.

I want to stress this to you. That you might have been in Brazil and seen the favela there or in Caracas and seen the favela that exist. You have never seen poverty of the same kind as you will see in South Vietnam. I gave an illustration only a few nights ago and I would like to repeat it now. We are trying to help in one part of South Vietnam and our Army civic aid program is designed to help the Vietnamese put up their own homes. They are building in concrete slabs probably the length of this room and only as wide as from here to the end of the table there. They are divided into seven compartments and in each of those compartments is a family of a man, his wife and a minimum of five children. And they think this is a palace. This is the kind of world they have never been reared to expect before.

Anyone who has been there, even my socialist friend Gordon Bryant<sup>2</sup>, who has now come back from Cambodia and has completely changed his mind about the type of assistance that should be given, will be persuaded to believe that the time has come when we can make a greater contribution to the assistance of these people and to give them the opportunities for decency and even for a full and happy life.

Let me move on a little further if I can. I think I can say that in our aid program we are giving them the opportunity to help themselves. And I will illustrate that a little while later because I first want to say something about Indonesia and the way in which our help there not only helps them – but I believe also it is of assistance to ourselves. Equally too in cases of development, while we might not be doing a great deal, nonetheless we are adding to what others are doing, and are, I believe, choosing development projects that have given a great deal of happiness there.

Only a few weeks ago I was able to deal with a project to build a new port at a place called Tjilatjap in southern Java, Indonesia. There the Indonesian Government had asked us if we were prepared to have a look at a feasibility study. Immediately that was commenced, four businessmen from Western Australia approached the Department and said if this can be done they would give us an assurance that they would establish factories there immediately, give employment to so many people – I can't remember the figures for the moment – but in any event in my language it was quite a lot. Then the Indonesians will have the factories and access to second generation development which might take place if gradually we can build up a total infrastructure and the development which can be built upon it.

So, it is reciprocal. It is helping them with their development projects. It is helping us and it is getting us involved in providing the kind of stability in the whole of South-East Asia. That is, in this changing world which you mentioned a few moments ago, we are not isolating ourselves but are creating a *cordon sanitaire* between ourselves and the Communist regimes immediately to the north. Equally, too, with trade, and again I will illustrate this when I think about Indonesia in a few moments. While we have not deliberately set out to try to use our aid program to foster trade, it is an extraordinary thing that instead of trade following the flag, it so happens that trade is following very strongly on and helps to support our aid program.

So much, Sir, that while in one year we gave aid of the order of \$7 million to Indonesia in the trade area in the same year our exports to Indonesia amounted to about \$30 million. So you can see that they, trade and aid, are complementary. You can see that, as they grow, so too does it mean growth for ourselves. With the talent that I believe Australian businessmen have – I believe that they are energetic and enterprising – as energetic as you would expect as the offspring of a country like ours – they are showing the kind of approach that is so critically important if Australian enterprise is to be successful.

Sir let me give you some of the experience that I have had. In particular I want to refer to Indonesia and to South Vietnam, particularly to South Vietnam because I think that what is being done there provides the answer to so many of the problems of the whole of South-East Asia. In Indonesia five or six years ago, under Sukarno, prices were rising at the rate of 100 per cent per month. At that time the balance of trade had fallen to deplorably low levels. The standards of living were falling as well. At a time when we felt that confrontation had reached its height. I had one source of comfort. It was the fact that they had allowed their industry to run down, that their maintenance was bad and consequently it was doubtful whether their Navy or their Air Force could work effectively. Now no one could ever be happy in that set of circumstances except that it meant that their capacity for offensive overseas operations was minimal and could not be sustained for a very great length of time.

When Suharto became the President and gathered around him an able body of men trying to assure that there was a direction of investment and development program, so too indeed, did you find a transformation occurring in the Indonesian economy. So much so that their GNP is increasing, inflation is being reduced to a rate of only about 10 or 11 per cent per annum, if that high; their exports increased last year by 13 per cent, and if something could be done about their population – their growth of population – I believe that in the course of a few years their savings would be sufficiently high to permit them to generate the savings necessary for investment and to solve so many of the problems that they face at the present moment.

Let me speak to you now about what has been done by us in recent years and then to mention some of the problems themselves. I want to mention what we have done in the course of the last three months. My first delight was to take a submission to the Cabinet asking if we could extend our official aid to Indonesia during the next three years. And I asked that two things be done. I wanted it over a three-year period because I believed it gave them the chance to plan and the chance to be able to say – we know what we will get and providing if there is any unexpended money that we will get a carry over. That was agreed to. Not only would we be able to give them the chance to do something better but we would give some leadership to the rest of the world in providing for a three year great rather than a yearly assistance. I am glad to say that most countries have followed that precedent. I think this is of tremendous assistance to the Indonesian Government itself.

I mentioned Tjilatjap. That is one case where private enterprise will do remarkably well. But I have seen dozens of other examples. Only during the last three days a doctor from the Hospital of St John in Ballarat, came to me and he told me of what he had been able to do in Jakarta. This is an extraordinary story and one which seems difficult to believe because it has such a simple solution. This doctor has been going up to Jakarta as an orthopaedic surgeon. In the course of his work he has found that the number of Javanese who have suffered from all sorts of orthopaedic complaints is particularly large. When I was there I particularly asked the Indonesian authorities, was there serious tuberculosis in Java and I got the emphatic and clear answer, that there was not.

This doctor has been able to find out that most of the orthopaedia, eight or nine out of every 20 cases going into the hospitals, with spinal diseases, with diseases of the hip or with diseases of the shoulder or the neck, has, as the cause of the orthopaedic problem, tuberculosis. He believes that if we can help here it will help to eradicate one of the most chronic and devastating diseases there is in Java. This is but an illustration of what the private individual can do. This is an illustration of what individual goodwill and kindness of heart can do. Frankly when he asked me if I would be prepared to provide accommodation and also the funds for post-operational work by nurses; nurses trained by us, I willingly agreed. Knowing that out of our vote we would be able to provide funds for nurses this year to go up and train these post-operational people and consequently to be able to give the kind of assistance that ought to be given.

I could give illustrations for a long time. But I now want to pass on to the various other kinds of assistance that we give. I well remember the last time I met one of the business groups that come to us, they were advising us to see if I would do something about tying aid. We never in fact deliberately tie the aid we give. We never have. Frankly I thought their approach was a mean one, because if we are giving so much we'll give it and don't tie it. If it comes from the heart, well, let it be apparent in what you are doing. But when we give what is called *Devisa Kredit*<sup>3</sup>, we make the foreign exchange available to them and they can sell the foreign exchange over there. Over 82 per cent of the total purchases made under the scheme is in fact made in Australia. So, it is the Australian manufacturer who gets as much benefit out of it, in orders, as they get.

Equally, too, when we give food aid. The whole of the food aid comes from us. What also is of significance to me is that when we go ahead with a major project like the Prek Thnot Dam, Tjilatjap, water and conservations schemes, the electricity schemes in the various countries with which we are involved, the technological expertise, the architecture and engineering work, is by and large done by our own people. Consequently, it is this country that is not only providing the finance but providing the men and materials with which the job can be done. It is therefore a combined cooperative effort. We are playing our part along with others.

I must confess to you that I have, over the years, changed my approach. I can well remember on the second trip that I made to India when I led a Parliamentary delegation, I couldn't help thinking when I went down to places like Madras or Jaipur, why do we want to interfere with their lives? They seemed to be pretty happy. Why don't we leave them alone? I know they suffer from hunger, but whenever you introduce these novel methods and want to industrialise the community, you probably create more difficulties for the living generation than you solve by letting them live the life that history has determined they should live. Why should we therefore be disturbing what could be well regarded as happiness by them?

I confess that this, like many other thoughts, that are formed without a great deal of experience, have changed. These recent trips have changed me completely. I can no longer believe that people are under the compulsion of history, the compulsion of circumstances, to lead the kind of life that they are leading.

This leads me to say something about the second country. That is South Vietnam. I know Vietnam fairly well. I have been there on many occasions. In 1951, I was there after I had been up to spend Christmas with the troops in South Korea and on the way back somebody had been good enough to lend me a VIP aircraft. I thought it would be wise if we could fly in and have a look at Haiphong and at Hanoi. Strangely enough, and this is one of the ironies and strangenesses of history, I stayed there with General Salan, who was afterwards the man who opposed de Gaulle when de Gaulle decided to take the French armies out of Algeria. Later on, in 1958, I went back again and went to the plateau, Pleiku, and moved around a fair bit. On two subsequent occasions I have also been there.

Believe you me, if I have learned one lesson, it was the way in which war can ravage these countries to deprive the people involved of the opportunities, and again I mention this phrase, of the opportunities we would like them to have. I did mention, Sir, that these countries are potentially wealthy. Believe

me South Vietnam is potentially wealthy. Not perhaps as wealthy, or potentially wealthy as Java or Indonesia. Nonetheless when you fly over the length and breadth of this country you see its fertility. You see what it is capable of doing, the opportunity it has to develop. Providing the birth rate can be controlled, the increasing amounts of their savings then can be ploughed back into investments.

What did delight me was the way in which we Australians are working there. Naturally, in time of war, so much as to be given to the war effort that you can't devote what you want to development. In Phuoc Tuy province, that is the one where the Australian troops are operating, and in the associated 18th Division area, we have a large percentage of our troops, well over 300 men, providing civil assistance of a kind that two years ago would not have been practical. Two years ago there was one officer and a few men.

Now you will find in the hamlets you go to a school and invariably it has been erected by the Australians. Now you will see a hospital that has invariably been erected by them, and mile after mile of bituminised road has been constructed as a civil aid project by the Australians. Not only have we helped, as it were, to pacify but also to develop. And the second lesson I learned is that now they are being pacified, then we can make our contribution to their development and consequently, in the long term, to their happiness.

I'll give you two examples again and then I move on to other aspects of the problem. Six kilometres from the DMZ, I went to a little village by the name of Gia Dang and another one called Cam Vu. In Cam Vu at the time of the Tet offensive the Communists had ruthlessly murdered most of the citizens there – six miles from the DMZ. Our own people, by civil aid have established an irrigation system and now 9000 people are back there, close to the firing line within the sound of the shells, and within the actual bombing range. But 9000 people have been put back into employment with better standards of living than they have ever known before.

Technological changes, new crops, new methods of raising poultry and pigs have been introduced. These people are getting their opportunity for a new life and the opportunity for happiness. Gia Dang is a seaside village. Formerly they fished with old fashioned methods that had been there since the years BC. They now have two power trawlers. These provide a catch not only for their own subsistence but also to help a very large portion of the south of South Vietnam as well.

We are doing what we can and I can only hope that if the United States is able to proceed with Vietnamisation, that is the gradual withdrawal of American troops, so too will we adopt the definition of Vietnamisation that the Vietnamese themselves want. They don't look on Vietnamisation as meaning only that the Americans will withdraw and militarily the Vietnamese will take over. Of course, they are fearful of it. So too am I because I think it is happening at such a rapid rate that it must give you misgivings as to what the final effects will be. Nonetheless the Vietnamese say they can handle military withdrawal providing that they are given the official and civil aid that will permit them to carry on development.

And I have a feeling that if aid can be given on a sufficiently big scale, not only by us but by the United States, and particularly by Japan, then these people will be given a chance to survive militarily and a chance to establish an enclave of freedom in South Vietnam. They will also be given the prospect, which is after all the most glorious objective of all, to achieve the kind of objective that I mentioned to you as a humanitarian ideal but a few moments ago. These are two practical illustrations that I want to give you.

I realise too, and I mentioned this a few moments ago, that because of this interchange of ideas of personnel, 2700 Asian students are in Australia now. Three hundred of our own technical experts are in South-East Asian countries. All these people are building up the kind of goodwill for us that otherwise could not have been developed. And they know we are friendly people. They see the results of what our limited efforts are doing. Believe you me it is building up a climate where people like yourselves, obviously of goodwill or you wouldn't be here tonight, can not only help them to develop but equally you will simultaneously help your own corporations or the corporations with which you might be associated.

I know we face vast social problems. I know the problem of a too abundant birth rate. Though you mention a high growth rate of GNP, it means hideously little to the individual himself if the birth rate is increasing at a much faster rate. It doesn't matter how great you think your Gross National Product might be if you have a birth rate that is substantially in excess of it. The growth is eaten up by the increased population rather than quality of living. It is this increased population rather than quality of living. It is this quality of living which I believe is the substance of the answer to most of the problems that are posed and have to be answered by us today.



I leave you with this one message. As I said I didn't know what I was to talk about when I stood on my feet tonight, but I do want to leave you with this message. It is a message that comes from me as a person who has the good fortune at this very difficult period in international affairs, when America is rapidly changing internally, with so many changes that none of us can forecast what is likely to happen in the years to come.

With Russia and China becoming increasingly powerful to our north and both being aggressive, Communist and predatory. With Japan, a very great country increasing its real growth at a rate – which in 10 years' time will make it the second greatest production nation in the world. Indonesia, given the opportunity, can complement and balance the power of Japan in the south and South Pacific area or the area immediately to the north.

With so much happening in this world, particularly in the social fabric and in social changes this does give us the opportunity, as trusted people, to play our part and above all to ensure that we keep these undernourished people. That we help these people to do better. Incidentally, as we help them to do better, we make a major contribution to our own trade.

I thank you, George<sup>4</sup>, as a very old friend of mine, for the chance you gave me tonight to come and speak. Believe you me, as one who believes in a free economy, as one who believes in market forces, who believes in giving the individual the chance to do good, I respect your organisation. It is doing the kind of job that, if I sat in your seat, I would be very proud of. And you yourself, Sir, ought to be a very proud and happy man tonight.

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#### Endnotes

- 1 The Pearson Commission, headed by former Canadian Prime Minister Lester Pearson, reviewed the effectiveness of World Bank development assistance. Its report, *Partners in Development*, was issued in 1969.
- 2 Labor Member for Wills 1955–1980.
- 3 Foreign exchange credit
- 4 G.S LeCouteur, CEDA President

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