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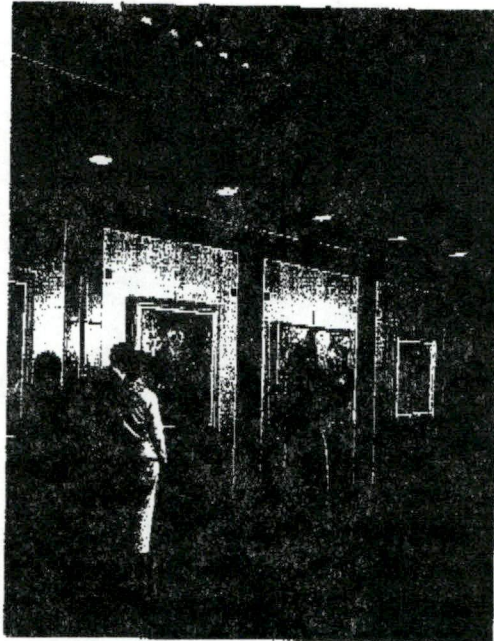
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ON DISPLAY

The Members Hall houses some of the most important of our political documents, including the Magna Carta and the Constitution Act of 1900.

The Magna Carta on display is one of only four known surviving originals. The hand-crafted English oak case is filled with inert argon gas to ensure the document's preservation. Constitutional Documents on display include the Commonwealth of Australia Constitution Act of 1900, which is Australia's birth certificate as a nation. The documents are displayed in hand-crafted wooden cabinets.

Also in the Members Hall are the portraits of former Prime Ministers, Governors-General, and Presiding Officers.

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U.S. Department of State



EAP
FAX

Date: 10-9-91

TO: Carol Aarhus - White House Speech Writers

FAX Phone Number: 456-6218

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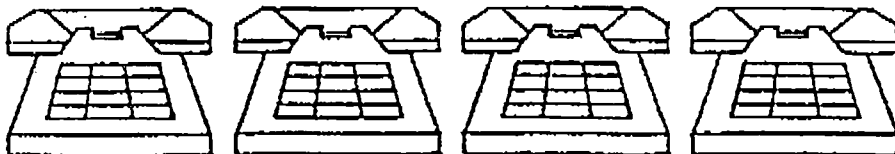
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Remarks: per your request: advance copies of Australia
speech/event themes.

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**THEMES AND TOPICS FOR PRESIDENT'S AUSTRALIA SPEECHES
(To Be Provided to WH Speech Staff)**

There will be two opportunities for the President to make major speeches while in Australia. The first will be in Canberra on Thursday, January 2, when he addresses a joint session of parliament. The general focus of this address should be on the bilateral relationship, although global regional themes should also be included. A second speaking engagement will be on Friday, January 3, in Melbourne, where he is invited to speak on regional/global themes at a luncheon for business executives and others hosted by Victoria State Premier Joan Kierner.

Parliament Address on U.S.-Australia Bilateral Relations

Themes to Include: Though largely focused on bilateral issues, global themes should be included. The address should recognize the important relationship that has existed bilaterally, the success of this relationship, and the continued relevance of our partnership in the face of post-Cold War era challenges. Bilateral, regional and global economic issues should be addressed and explicit recognition made of our major bilateral friction point -- U.S. agriculture export subsidies. Finally, there should be an invitation for increased bilateral dialogue and cooperation in areas of particular interest to younger (post-WWII) Australians, such as economic policies and trade development, conservation and environmental protection, education, resource development, narcotics control, and the arts.

Continuing Importance of the Alliance:

- o Our long-standing key alliance has served us well. Next year we celebrate the 50th anniversary of the Battle of the Coral Sea. It will be a special commemoration of the close and special defense partnership that had origins in the Second World War. (The President's personal involvement in the Pacific theater during that war can lend special significance to this testimonial.)
- o However, looking ahead over the next fifty years, the post-Cold War Era presents new challenges for our alliance. While East-West tensions have diminished, other problems such as ethnic rivalries, nationalist aspirations and territorial or political disputes -- suppressed during the Cold War period -- are now arising.

- 2 -

- o In these endeavors, Australia has and continues to play an important role:
 - Note contributions to the Multinational Gulf Coalition, refugee assistance and the ongoing naval interdiction effort in the region. Express appreciation for Australian public support during the Gulf Coalition and its policies.
 - Note Australia's active role in developing a framework for the current peace process which is taking place in Cambodia, as well as Australia's contribution to the peace keeping force.
 - Note strong efforts on proliferation issues, particularly regarding nuclear and chemical weapons proliferation.
- o At this point, provide the American definition of the New World Order, an explanation of the vision which guides us, and a statement of the welcome and constructive role Australia is playing and will play in such a new order.

Stress Cooperation on Multilateral Trade Issues:

- o The New Order that is being shaped encompasses not just the political realm but the economic. Both our countries have been at the forefront, pushing hard for free and open markets in the world. We must avoid the creation of trading blocs. And we must continue our joint efforts to shape an international trading system which will foster rather than obstruct free trade, particularly through a successful conclusion of the GATT Uruguay Round.
 - Acknowledge Australia's leadership in establishing APEC and in shaping its development as an important international economic entity.
 - Note Australia's bipartisan efforts to press the EC to end agricultural subsidies and for a successful conclusion to the Uruguay Round.
 - Note Australia's leadership of the Cairns Group of countries which is working for agricultural trade liberalization in the Uruguay Round.
 - Note that what we are pursuing in the NAFTA is not a bloc. We intend to lower internal barriers, not create external barriers. NAFTA will be GATT consistent.

- 3 -

Reassure on U.S. Engagement in the Region:

- o Our reasons for remaining engaged and active in Asia and the Pacific are obvious. The U.S. is a Pacific nation. The Asia-Pacific region is now America's largest trading partner, with trans-Pacific commerce totalling more than \$300 billion in annual two-way trade. This is nearly one-third larger than that across the Atlantic.
- o We will remain committed to our allies and to fulfilling our security obligations. The U.S. will remain engaged in Asia and the Pacific.
- o The regional partnerships which the U.S. enjoys with Australia and other countries have and will provide the foundation for economic and political stability in the region.
- o Building on those, we need to define a renewed defense structure for the Asia-Pacific theater that reflects the regions's diverse security concerns and mitigates intra-regional fears and suspicions - a prerequisite for maintaining the stability required for continuing economic and political progress.

Future Relations Between Australia and the U.S.:

- o We have points of differences, but overall our relations are excellent. We share common histories and similar values. And we see this relationship strengthening further in the years ahead. There are many contemporary issues in which Americans and Australians have much to learn from each other:

In culture and education:

- Australian culture increasingly influences American music, cinema and sports.
- There is also a solid basis of bilateral academic interchange, including the 40-year-old Fulbright program in Australia and numerous private exchanges involving younger Australians at the secondary level.
- The U.S. 4-H organization, Future Farmers of America, and Rotary are among the groups with active exchange programs with Australian counterparts.

- 4 -

In bilateral economic relations:

- The importance of bilateral trade: after Japan, the U.S. is Australia's largest trade partner. Annual bilateral trade exceeds US\$ 13 billion. The U.S. is a major purchaser of Australian beef, veal, lamb and cheese.
- U.S. firms have over US\$ 15 billion invested in Australia, the second highest in Asia after Japan, much of it in leading edge technology in telecommunications, aviation, and informatics, as well as manufacturing, mining, agriculture, and energy.
- Tourism remains very big business for both countries. Nearly one-half million people travel each way each year. U.S. airlines have inaugurated new routes to Australia in 1991.
- We are broadening economic dialogue, this year initiating bilateral consultations on agricultural issues and continuing our consultations and joint efforts in important international economic fora such as APEC and the GATT.

In environmental and resource management:

- Cooperation in conservation and environmental protection is expanding; we have many shared interests and similarities in resource endowments (i.e., coal, oil, gas, hard rock minerals) and topography. There are many recent examples of cooperation:
- Our two governments have established a High Level Group on Energy to exchange information on energy policy, programs, demand; to review ongoing research and development; and to engage in joint research efforts.
- US Interior Department (DOI) Minerals Management Service has recently signed a bilateral MOU with Australia's Department of Primary Industries and Energy (DPIE) for sharing data on offshore minerals development, including environmental protection aspects.

- 5 -

- DOI Bureau of Land Management has initiated a dialogue with DPIE that is focused on the need to balance the extraction of minerals, oil, gas, and timber with the growing demands for recreation, and management of cultural resources, and wildlife and fisheries habitats. Plans include an exchange of technical personnel between our countries.
- USDOC/NOAA officials have recently met with their Australian counterparts to discuss ways in which our two nations can strengthen efforts regarding the important environmental problems of driftnet fishing, endangered species, and the monitoring/assessment of the global warming threat.
- In APEC, where Australia leads the Energy Working Group, our two governments are considering, with other governments, establishing a regional clean coal technology utilization center.
- The U.S. and Australia recently co-sponsored the creation of an International Forestry Research Institute to focus on issues related to the conservation of tropical forests and the arrest of deforestation and environmental degradation.

In fighting illicit narcotics:

- Australia has done much to assist regional countries in their counternarcotics efforts and is an active member of the "Dublin Group" of donor nations that coordinates counternarcotics aid to producer nations.
- Our countries are united in the worldwide fight against drug abuse and trafficking, which is becoming a security threat of the 1990s.

Other Issues:

- o There are some issues on which we do not meet eye-to-eye but which should also be mentioned.
- o One particularly difficult issue is Australian continuing concern over the impact on Australian farmers of the U.S. Export Enhancement Program for agriculture. This issue should be confronted sympathetically but directly:

- 6 -

- Note the plight of American as well as Australian farmers, our legitimate stake in world grain markets, our intention to continue EEP as leverage on the EC, and our hope that export subsidies will be sharply reduced in the Uruguay Round.
- Recognize and regret that EEP is a factor affecting Australian farmers, but note other factors -- especially EC dumping, higher global production, Australia's transport/port inefficiencies affecting competitiveness, the drought, the high cost of agricultural inputs, and the simultaneous collapse of the wool market.
- Mention that he (the President) has just met with representatives of rural organizations and that they have been forthright in describing their concerns.
- Stress that we take Australian interests into account in implementing EEP, including setting up a bilateral consultative mechanism that met in August for the first time, and will continue.

- 7 -

Melbourne Luncheon Speech on Global/Regional Issues

Overall themes: Begin with the changes in Europe and move on to the latest initiatives in the Middle East and Southeast Asia. While addressing the changing political winds in the world, the President should also assure continued U.S. commitment to regional stability in Asia and the Pacific. Finally, focus should be placed upon international economic issues of mutual concern, as well as benefits to both nations of an open trading system.

Recognize Australia's Growing International Role:

- o Express appreciation for the leadership role Australia has assumed in the world.
 - Australia's contribution to the Multinational Gulf Coalition
 - Active role in working toward a settlement in Cambodia
 - Leadership in forming APEC
 - Strong efforts on proliferation issues, particularly regarding nuclear and chemical weapons
- o Our partnership has become increasingly important, especially in the wake of the tremendous changes that have occurred in the world over the last two years.

U.S. Regional Role to Remain Strong:

- o The regional partnership which the U.S. has enjoyed with Australia and other countries has been the foundation for economic and political stability in the region.

- 8 -

- o Despite the changes elsewhere in the world, the U.S. will remain engaged, concerned and active in Asia and the Pacific, both in strategic and economic terms.

Stress Cooperation on Multilateral Trade Issues:

- o The New Order that is being shaped encompasses not just the political realm but the economic. Both our countries have been at the forefront, pushing hard for free and open markets in the world. We must avoid the creation of trading blocs. And we must continue our joint efforts to shape an international trading system which will foster rather than obstruct free trade, particularly through a successful conclusion of the GATT Uruguay Round.
 - Acknowledge Australia's leadership in establishing APEC and in shaping its development as an important international economic entity.
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 - Note Australia's leadership of the Cairns Group of countries which is working for agricultural trade liberalization in the Uruguay Round.
 - Note that what we are pursuing in the NAFTA is not a bloc. We intend to lower internal barriers, not create external barriers. NAFTA will be GATT consistent.

Facing Challenges Ahead:

- o This is not to say that there are no challenges ahead:
 - The proliferation of chemical, nuclear and biological weapons of mass destruction remains a problem; Australia's role in achieving international safeguards to reverse the proliferation trend has been critical to this effort.
 - We share a common view that the formation of protective trading blocs must be avoided, and support for cooperative frameworks such as APEC must be vigorously continued.
 - We should do all we can to open markets and foster free trade in order to strengthen international economic cooperation, confidence and recovery.

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POSSIBLE LANGUAGE FOR THE PRESIDENT'S AUSTRALIA SPEECHES

INTRODUCTORY REMARKS

-- This is only my second visit to Australia, but my impressions of your vast and beautiful country will always be very special ones.

-- (Insert complimentary remarks on Canberra, Sydney and Melbourne -- depending on itinerary. Could also make reference to Australia's size by noting that several states the size of Texas would fit in Western Australia.)

THE ALLIANCE

-- It isn't just Australia's natural beauty that draws Americans "down under." We share a long-standing friendship based on common language, heritage and origins and embodied in a special alliance that has served our two countries so well.

-- We also share a democratic openness and willingness to accept substantial immigration as a means of further enriching our societies.

-- I was deeply moved by my visit to the Australian War Memorial. It evoked memories of the sacrifices that both our countries have made, often side by side. (n.b. - Can only be used in Melbourne speech after visit to Memorial.)

-- Yanks and Aussies fought together in World War I, helping to liberate France. The first U.S.-Australian military cooperation took place when elements of the U.S. 33rd Division joined Australian troops in the capture of Le Hamel, France.

-- And in World War II, our troops again fought side by side, and half a million U.S. military men and women served in Australia through that war.

-- Together, U.S. and Australian forces fought throughout the Pacific, in tough land, sea, and air combat. Our alliance and partnership has been solid ever since -- in Korea, Vietnam, and most recently in the Persian Gulf.

RECOGNIZING AUSTRALIA'S INDEPENDENT INTERNATIONAL ROLE

-- While our close and important strategic relationship will continue to be of great mutual benefit, Australia has become a positive force of its own in world affairs. Your views are valued and while we may not see eye-to-eye on every issue, the direction of your policies are complementary to our own and are consistent with my vision of a new world order, an order where democratic ideals of peace, freedom, and respect for human dignity bond nations in a common purpose. Let me cite some examples:

-- In the post-Cold War era, we are witnessing a reinvigorated role for the United Nations. Much credit goes to Australia for facilitating this.

-- Your initiative and persistence were key to shaping the framework for the Cambodia peace settlement finally agreed to by all warring factions last October. And Australia continues to ensure that the process toward democracy and lasting peace in Cambodia does not falter.

-- You were among the first to dispatch aid and technical support under the United Nations Transitional Authority in Cambodia (UNTAC), which an Australian was appointed by the UN Secretary General to command.

-- Australians also serve under the UN banner in the Western Sahara and are a vital part of the Multinational Interdiction Force, ensuring that UN sanctions against Iraq are enforced under international law. In the Middle East, as in Cambodia, you have been quick to provide humanitarian relief. Last May your defense force provided medical teams and water purification equipment and services to Kurds and Iraqis fleeing Saddam's oppression.

-- But even long before the Gulf War, Australia had the foresight to focus world attention on the problems which are now emerging as key concerns for the world community. Thanks to your efforts, the "Australia Group" was established in 1984, and is currently comprised of 22 nations dedicated to preventing the use and spread of chemical and biological weapons throughout the world.

-- Australia also plays a major constructive role in strengthening the international economic system. It was Prime Minister Hawke who pushed the idea of a regional effort to promote freer trade by eliminating trade barriers and

- 3 -

establishing common policies. Through his vision and efforts was born the Asia-Pacific Economic Cooperation, a key economic forum we know as APEC. And since its first ministerial meeting in Canberra two years ago, APEC has succeeded in mobilizing the support of all fifteen participants to push for substantive progress in this key GATT Uruguay Round, and to explore ways that countries in this dynamic region can better cooperate to achieve sustainable growth, to increase employment, and to preserve the environment.

-- Clearly, Australia has established itself as a strong promoter of multilateral solutions to important international problems, be they military, social, political or social in nature. And in large measure, your goals are shared by the United States.

ASSURING CONTINUED U.S. ENGAGEMENT IN THE REGION

-- Let me take this opportunity to assure you that we, too, are committed to remaining engaged throughout the world. There are some naysayers who wrongly predict that recent events in Europe and Asia will lead to a more isolationist America. This could not be farther from the truth.

-- America tried to isolate itself politically from the world in the past, and we ended up fighting two bloody world wars. We also tried economic isolation that only helped to set off a devastating world depression.

-- Current trends point to our strengthened engagement in Asia and the Pacific in the decades ahead. This region has become our largest and fastest growing trade partner. Two-way trade between the region and the U.S. now amounts to more than \$300 billion, nearly one-third larger than that across the Atlantic.

-- American firms have invested more than \$61 billion in the region, and that will certainly grow. On the other hand, investors from the Asia-Pacific have invested more than \$95 billion in the U.S. We welcome this investment, which results in new jobs, new technology and new, more effective management techniques.

-- Our bilateral trade relationship with Australia is strong and growing. Total bilateral trade exceeds US\$ 13 billion, having grown over 20 percent in the last five years. After Japan, the U.S. is Australia's most important trading partner, taking 12 percent of her exports, and providing 23 percent of her imports. At US\$ 15 billion, Australia is the largest recipient of total U.S. direct investment in the Asia-Pacific region, again next to Japan.

- 4 -

-- Cooperation and dialogue on economic issues can only benefit our respective economies. We must continue this openness in our relationship, and indeed work for greater openness in our trade relations, particularly as we both continue to face economic difficulties on the domestic front.

REMARKS ON THE EXPORT ENHANCEMENT PROGRAM

-- But while we generally agree on the goals, we sometimes differ on the means. Our use of the Export Enhancement Program to counter the agricultural subsidies of the European Community is one point of difference.

-- I appreciated the opportunity to meet with rural representatives earlier today (or yesterday if said in Melbourne). I can assure you, American and Australian farmers have much in common.

-- Let me be clear in stating that I don't favor subsidy programs. They are a burden to the taxpayer. They weaken the mechanism and reduce the benefits of a free trading system. And subsidies take the competitive edge out of industry.

-- But let me be equally clear in pointing out that we did not start the wheat war. Talks with the EC on this issue had previously led nowhere. And it is our farmers in the U.S. and Australia who have been badly hurt by continued EC subsidies of wheat.

-- We must both remember that the basic cause of depressed international agricultural prices, which have been hurting both our farm sectors, lies with the European Community.

-- We are now seeing glimmers of hope. And I believe it is because we have countered EC subsidies with the EEP. It is in the long-term interest of all non-subsidizing nations that this pressure on the EC be maintained.

-- At the same time, we in the U.S. will try to limit the harm that our EEP does to non-subsidizers like Australia. This does not mean, however, that Australian farmers, or American taxpayers, will be immune from the costs of the fight against subsidies. I firmly hope that the long term gain for American and Australian farmers from a successful Uruguay Round will outweigh the short term pain.

-- Any mature relationship, even between close allies, cannot be without differences. I have agreed to greater bilateral dialogue on this and other economic issues of bilateral concern. We must continue to seek understanding and work to iron out our differences.

THE NEXT FIFTY YEARS

The Environment

-- We can be proud as we look back over the accomplishments of the last five decades. But we can and must do more to expand our bilateral relationship in ways which will be beneficial to future generations of Australians and Americans.. A key area is the environment.

-- We share common energy interests which are derived from our large domestic energy resource bases. Together, we are the world's largest coal exporters. Ministerial meetings were held here last year to discuss upgrading our cooperative research and development efforts in the area of energy.

== At the ensuing high level group meeting held in Washington last April, Australia and the U.S. agreed on the importance of pursuing energy policies that will help promote our energy exports while addressing environmental issues.

-- Together, U.S. Energy Department officials are working with their Australian counterparts to develop clean coal technology, energy efficient technologies, and other programs of importance to the environment.

-- Our governments also have agreed to share information on offshore minerals development, which include environmental protection aspects. And there is an increase in our sharing of experiences in balancing the extraction of minerals, oil, gas, and timber with the growing demands for recreation, better management of cultural resources, and environmental preservation.

-- Our scientists also are working alongside your scientists to better understand the global climate system. The U.S. National Oceanic Atmospheric Administration, NOAA, collaborates with Flinders University of South Australia in tidal research. NOAA and the University of Tasmania also have a cooperative arrangement for climate and global change research.

- 6 -

-- We are collaborating on providing regional governments much needed information and training in preserving endangered forests. Toward this end, the Australian and U.S. Governments are co-sponsoring an International Forestry Research Institute to address conservation, deforestation, and environmental degradation.

-- And in managing the delicate balance of our ocean fisheries, Australia and the United States have shared concerns over driftnet fisheries for albacore and other tuna in the South Pacific. We have joined other nations in remedying this serious conservation threat to tuna stocks in the Pacific.

Educational and Artistic Interchange

-- I began my remarks today noting that Australia is a country graced with much natural beauty. But it is really the spirit of your people which has made it a country so admired by Americans and others throughout the world.

-- We see this in the arts, with the creative works of Australians in all media, including painting, sculpture, dance and, of course, film making. And we hear it in your music, where Australian artists remain extremely popular in the United States.

-- We must continue to facilitate this rich interchange between our people. Let me give you one recent example. Our Consul General in Perth last November invited American musical artist Paul Simon, who was in Australia then on tour, to meet with a number of West Australian Aboriginal musicians in his residence. After the guests had arrived, it was the Australians who made the first move, setting up their traditional instruments on the coffee table. Soon, Mr. Simon and his fellow American musicians were receiving didgeridoo lessons. And by the end of the evening, he was sharing a few of his own skills with the guitar, completing an evening of musical fellowship.

-- At a more institutional level, we (if in Canberra remarks, text should read will launch today; if Melbourne, text should read, launched yesterday in Canberra) the Australian Center for American Studies. This new national center will expand our bilateral links through the development of programs of practical benefit to business, higher education, and the universities. We hope this new national center will serve as a forum in which interdisciplinary study and discussion of contemporary issues will be conducted to the mutual benefit of both our nations.

- 7 -

-- While we may have our differences over the EEP program, our young people look beyond the present. In preparing for this trip I was very pleased to learn that our 4-H program and our Future Farmers of America have active exchange programs with young people in your farm communities.

Easing Travel Access

-- Nearly one-half million Australians visit the U.S. each year, and an equal number of Americans come here.

-- We are working together on facilitating freer travel between our countries for visitors and business persons. The U.S. has offered to waive the issuance of temporary visitor visas for Australian nationals, but this can only be done on a reciprocal basis. Our two governments are also discussing modifications in your business visa issuing regime which would permit us to legally offer treaty trader and investor visas to Australians under our own laws.

Conclusion

-- These examples are real indications of the cooperative spirit that exists between our two nations as we seek to strengthen our economic, cultural and educational ties. They are positive signs of the shape which our bilateral relationship will take over the next five decades.

-- Let us continue to work closely together to ensure that the future of our relationship will be as productive a partnership as it has been over the last fifty years.

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SUGGESTED POINTS FOR TOAST AT THE STATE DINNER

Hosted by the Governor General and Mrs. Hayden
January 1, 1992 - Canberra

Before proposing a toast to the Queen, I would like to make a few brief remarks.

First and foremost, I can't express strongly enough how pleased Barbara and I are to be here with you, Mr. Governor General, your gracious wife, Dallas, and the other distinguished guests.

Barbara and I recall fondly the warmth we felt during our 1982 visit during Coral Sea Week. We are feeling that warmth again on this visit. Other than Kennebunkport, I can't think of another place we would rather have seen in this new year.

Our shared values, history, culture, and struggles through war and peace together have created a bond between our two peoples that is close and lasting.

We shared the burdens of the Cold War together. Now let's look together to the next fifty years. Let's seek ways to expand the bonds of friendship for the next generation of young Americans and Australians, to help them face the challenges of their time, building on the peace, conserving the environment, educating their children, and sharing the benefit of God's bounty with all.

Ladies and gentlemen, a toast to Her Majesty the Queen.

SUGGESTED POINTS FOR TOAST AT PRIME MINISTER'S DINNER

Hosted by Prime Minister and Mrs. Hawke

January 2, 1991 - Canberra

Before proposing my toast to the Queen, I should like to offer a brief observation on our host this evening.

You, Mr. Prime Minister, and your government, have been good and true friends as we together have faced the challenges of a rapidly changing world order.

I have valued your counsel especially over the past year as we brought a tyrant to task in Iraq, moved the peace process forward in the Middle East, responded to democratic openings in Eastern Europe, and established a framework for peace in Cambodia.

Finally, you and your Ministers, by continuing to press for real progress in the Uruguay Round, have helped bring us close to a worthwhile outcome. We thank you for that.

Ladies and gentlemen, a toast to Her Majesty the Queen.

UNCLASSIFIED**MEETING WITH MEMBERS OF THE AUSTRALIA-UNITED STATES
CORAL SEA COMMEMORATIVE COUNCIL****SCENESETTER****PURPOSE**

The purpose of your meeting with members of the Australia-U.S. Coral Sea Commemorative Council will be to express appreciation to the Council for assuring that the 50th anniversary of the origins of the bilateral alliance is given the prominence it deserves.

SETTING

Approximately 50 members of the Council, distinguished and influential citizens from many sectors of Australian society, will have gathered in Otway Room No. 1 of the World Congress Centre. The Ambassador will introduce you to the Chairman of the Council, Sir Eric Neal, and the Council Vice Chairman, Vice Admiral Michael Hudson. Sir Eric will then invite you to address the Council. Following your remarks, Sir Eric will make concluding remarks and introduce you to the Committee Chairmen and to the other Members of the Council.

KEY OBJECTIVES

- == To thank members of the Council, especially chairman Sir Eric Neal, for their contributions to Council programs and projects that will commemorate the World War II origins of our bilateral alliance in 1992.
- To focus press attention on the Council and stimulate general public interest in the cycle of commemorative events planned in Australia during 1992, especially the 50th anniversary of the Battle of the Coral Sea.
- To acknowledge the contributions of th thousands of Australians who are working to develop commemorative activities during 1992.
- To underline the importance the U.S. attaches to younger Australians and the future of the alliance.

Attached is a list of participants.

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POINTS TO BE MADE WITH THE AUSTRALIA-UNITED STATES
CORAL SEA COMMEMORATIVE COUNCIL

- I am pleased to have the opportunity this morning to thank all of you personally for your participation in the Australia - U.S. Coral Sea Commemorative Council.
- The programs and activities you coordinate or sponsor will ensure that events which shaped the beginnings of our bilateral alliance -- especially the 50th anniversary of the Battle of the Coral Sea -- receive the attention they deserve in 1992.
- I also want to convey to this Council and to all Australians who are developing commemorative programs this year the appreciation of the over one million American men and women who served in Australia during World War II.
- The participation of so many prominent Australians on this Council is evidence that the defense of freedom here and in the South Pacific during World War II by Australians and Americans has not been forgotten.
- I share your hope that many of our veterans will return to Australia with their families in 1992 to take part in the activities that are being planned. I know they will receive the same open, warmhearted Aussie welcome that I have received.
- I am sure that the actions of this Council will strengthen and sustain an alliance that has matured and is as relevant today as it ever was.
- My best wishes to you throughout this commemorative year.

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ECONOMIC THEMES FOR THE PRESIDENT'S TRIP TO ASIA

Both the U.S. and Asia benefit from free trade and open markets:

- o Our economic relationship is not a zero-sum game for either partner.
- o The American economy and American jobs increasingly depend on free trade and open markets.
 - In the United States, nearly half (49%) of our GNP growth between 1985 and 1990 was attributable to exports.
 - In 1991, U.S. will export close to \$700 billion worth of merchandise and services.
 - Record 7.2 million jobs were supported directly and indirectly by U.S. merchandise exports alone in 1990.
 - More than 19,000 jobs are supported per billion dollars of U.S. exports.
- o Asia's stake in the trading system is greater than ours. The export strength and economic growth of Asian economies will continue to be dependent upon open international markets for goods, services, and investment.
 - Asian economies are relatively more dependent than the U.S. economy on exports and imports.
 - In 1990, exports amounted to 32% of GNP in Korea and 15% of GNP in Japan; by comparison, U.S. figure is 10%.
- o If the open trading system cannot be preserved and expanded in the Uruguay Round, Asia's prosperity could be jeopardized by stagnant world trade.

Asia is increasingly important to the U.S. economy:

- o The United States is a Pacific power, with vital economic, as well as political, interests in the region.
- o Asia is an important and growing market for U.S. exports and a source of U.S. job creation.
 - Japan (#2), Korea (#6), and Taiwan (#9) were among top 10 markets for U.S. exports in 1990.
 - In 1990, U.S. manufacturers sold \$115 billion of goods in the Asia-Pacific region (29% of total U.S. exports); by comparison, \$113 billion in goods were sold in Western Europe.

- Exports to Japan and the four Asian NIE's alone support an estimated 1.7 million U.S. jobs.
- o Trade with Asia accounts for large and growing proportion of total U.S. trade.
 - In 1980, U.S.-Asia trade accounted for 24% of total U.S. trade (imports and exports). By 1990, Asia accounted for 34% of total trade.
- o Asia is also a large consumer of U.S. services, including financial services, an area in which the United States has special expertise.
 - In 1990, U.S. sold \$22.9 billion in services to Japan and Australia alone.
- o The westward shift of U.S. population, immigration patterns, and increased cultural diversity in the United States point to ever closer economic relations with Asia and the Pacific.
 - The U.S. population is increasingly concentrated in the Western states (21.2% of total U.S. population in 1990).
 - A large and increasing share of U.S. GNP is produced in the Western states.
 - Asians represent growing share of U.S. population (6.9 million in 1990 or 2.8% of total vs. 1.6% in 1980) and growing share of U.S. immigration.

Asia needs our exports:

- o Asia's demand for imports -- our exports -- will increase as Asian economies grow wealthier.
- o Asian consumers need access to foreign goods and services if they are to raise their standard of living and enjoy the fruits of their labors.
 - Japanese Prime Minister Miyazawa, for example, recently stated that Japan should become a "lifestyle superpower". This will benefit our economy by increasing opportunities for U.S. exporters.

Asian countries have cooperated with the U.S.:

- o The U.S.-Asia relationship helps reinforce global cooperation for the benefit of citizens of all nations.
- o Several Asian nations helped shoulder the economic burden of

- the international effort to counter Iraq's aggression.
- \$10.4 billion was committed by Japan (\$10.0 billion) and Korea (\$355 million) to offset U.S. military costs of Operation Desert Storm.
 - \$2.8 billion in economic assistance was committed by Australia (\$14 million), Japan (\$2.7 billion), and Korea (\$115 million) to ease impact of Gulf Crisis on the frontline states in the Middle East (Egypt, Turkey, and Jordan).
 - o In the G-7 and Economic Summit fora, Japan has helped foster sustainable world growth with low inflation.
 - o Japan has also supported U.S. initiatives to resolve the international debt problems of the developing nations. For example:
 - It pledged \$500 million for the Multilateral Investment Fund (MIF) for Latin America, one third of total MIF funding.
 - Japan contributed almost \$500 million to international efforts to clear the arrears owed by Panama, Nicaragua, and Panama to the international financial institutions.
 - o Asian countries have helped the U.S. in efforts to strengthen market forces in Eastern Europe and in developing countries. This will help open up these economies for U.S. trade and investment.

Treasury Department
December 10, 1991

KOREA

FINANCIAL SERVICES

- o The Korean financial system is antiquated, over-regulated, and ill-suited to the needs of Korea's dynamic economy.
- o U.S. banks and securities firms face numerous barriers to entering and operating in the Korean market.
- o In addition, elimination of Korea's pervasive controls over interest rates, credit allocation, and capital flows is essential if U.S. financial institutions are to enjoy long-term competitiveness in Korea, and U.S. businesses are to find adequate funding sources.
- o The Treasury Department and Korean Ministry of Finance have made some progress in bilateral talks in addressing both specific national treatment issues and broader financial liberalization. However, much work remains to be done.
- o The USG has also sought Korean cooperation in bringing about a strong financial services agreement in the Uruguay Round; Korea's support thus far has been very disappointing.
- o Our specific objectives for the President's trip include:
 - A public statement by the ROKG of its commitment to financial liberalization, including support for a strong Uruguay Round financial services agreement.
 - Issuance of a comprehensive blueprint for financial market liberalization, with a clear timetable for implementation.
 - Implementation of a commitment last spring to ease restrictions on deferred payment terms for imports by the end of 1991.

Treasury Department
December 10, 1991

JAPAN

ECONOMIC THEMES

- o The U.S. and Japan have the single most important bilateral economic relationship in the world.
 - With the world's two largest economies, their actions impact many other nations, as well.
- o Despite disputes over trade issues, Japan has cooperated closely with the U.S. (e.g. in the Economic Summit and G-7 framework) to foster sustainable world growth with low inflation, and has been very supportive of a number of U.S. initiatives, including resolving the debt crisis in developing countries.
- o However, a number of contentious economic issues in the area of trade, financial services, and investment plague the bilateral relationship, despite continuous bilateral consultations.

Uruguay Round:

- o Agriculture is the key to compromise; Japanese need to show leadership and contribute to a successful conclusion.
- o Also need liberalization in financial services area.

Japan's External Surpluses:

- o We are concerned about Japan's rising current account surplus
 - Surplus is expected to rise from \$36 billion in 1990 to \$68 billion in 1991, according to the IMF). This imbalance can disturb financial markets and feed protectionism.
- o Although the U.S. trade deficit with Japan fell from a peak of \$57 billion in 1987 to about \$42 billion last year, it is beginning to increase again and still accounted for two-thirds of the overall U.S. trade deficit through September, 1991.
- o This highlights need for Japanese to maintain economic growth and open markets.

Export Dependency and Bilateral Trade:

- o Although both the U.S. and Japan have major stakes in preserving the open trading system, Japan is somewhat more dependent on exports than the U.S.

- Japan's exports of goods and services accounted for 15 percent of GNP in 1990. For the U.S., the figure was 10 percent.
- The U.S. is Japan's most important market, accounting for almost 32% of Japan's exports and almost 22% of Japan's imports in 1990.
- Japan is the U.S.' second most important market, accounting for 12% of U.S. exports and 18% of U.S. imports in 1990.
- In finance-related service transactions (royalties and license fees, financial services and insurance) the U.S. has a surplus with Japan. U.S. receipts amounted to \$4.0 billion in 1990, compared to payments of \$1.4 billion.

Foreign Investment:

- o The U.S. market is far more open to foreign direct investment than Japan's. This has fed Congressional and popular concern in the U.S.
- o Cumulative direct investment inflows into the U.S. during the period 1981-90 amounted to \$355 billion (\$80 billion from Japan alone), compared with only \$6 billion in the same ten year period into Japan from all sources.
 - During the period 1981-90, cumulative foreign direct investment in the U.S. represented about 5.7% of total U.S. fixed investment. In Japan, the equivalent number was 0.1%, a difference of more than 50:1.

Exchange Rate:

- o Yen/dollar rate has been quite stable since October 1991 G-7 Ministers meeting.
- o U.S. believes rates in G-7 countries are consistent with balance of payments adjustment needs and underlying economic fundamentals.

Japanese Financial Markets:

- o Despite U.S. efforts to open up Japan's financial markets, Japanese banks are far more important in the U.S. than U.S. banks in Japan. Japanese banks in the U.S. hold 11% of U.S. banking assets; U.S. banks in Japan hold less than 1% of Japanese bank assets.

- o We have been negotiating with the Japanese since 1984 to liberalize financial markets. Significant progress has been achieved, but more needs to be done.
- o Recent financial scandals are symptomatic of the continued lack of transparency and competition in the Japanese market. Japan needs to take steps to reform its system and restore international confidence.

Structural Impediments Initiative (SII):

- o SII represents an important initiative to reduce impediments to competition and adjustment of external imbalances. SII success can help to head off protectionism.
 - For example, U.S. has urged Japan to: increase public infrastructure investment to improve economic well being; reduce monopolistic effects of keiretsu business practices; and open up distribution system to imports,
- o Some progress has been achieved, but it is essential that we re-energize the SII process by introducing new commitments on both sides.

Treasury Department
December 10, 1991

AUSTRALIA

ECONOMIC THEMES

- o Australia has been an invaluable negotiating partner in the Uruguay Round, especially on agricultural issues like the CAP.
- o Facing its fourth year of declining agricultural income, Australia has pressed the U.S. on farm issues:
 - It has complained about U.S. subsidized wheat sales, is unhappy with having to negotiate with the U.S. a voluntary restraint agreement on beef, and is concerned about a 34% cut in its sugar import quota due to increased U.S. production.
- o Australia's financial markets have been relatively closed to foreign entry. However, under reforms recommended to Parliament in November, foreign banks would be allowed easier entry and operation.

Treasury Department
December 10, 1991

SINGAPORE

FINANCIAL SERVICES

- o Singapore is an important offshore financial center, and maintains a relatively open market for foreign firms.
- o However, U.S. firms face discrimination in the significantly smaller domestic market.
- o The U.S. seeks Singapore's support for a strong financial services agreement in the Uruguay Round. At a minimum, the U.S. would like to see Singapore stop blocking progress and play a more constructive leadership role.
 - The lack of support from Singapore and the other ASEAN countries for a strong financial services agreement in the Uruguay Round has been very disappointing.
- o In the bilateral financial services negotiations, the U.S. seeks a commitment from Singapore for a level local playing field in both the banking and securities sectors.

Treasury Department
December 10, 1991

SII - U.S. Commitments

Issue:

GOJ officials have criticized the USG for not following through on as many of its commitments as the GOJ has done. By their count, Japan has completed 80 percent of its commitments, while the USG has completed 20 percent, at best.

Suggested Talking Points:

- What matters most in SII is the significance of the undertakings, not the quantity.
- The U.S. deserves credit for making substantial progress on its commitments, which, in many respects, have been more difficult politically than those that Japan has undertaken.
- There is an asymmetry to U.S. and Japanese undertakings. In many cases, Japan is being asked to open up its economy and improve the lifestyle of its people, while the U.S. is trying to cut public expenditures to reduce its budget deficit and stave off protectionist pressure to close the U.S. market.
- The GOJ may have passed a larger number of pieces of SII legislation than in the U.S., but the U.S. has resisted a larger number of protectionist and budget-busting bills than Japan.
- In both countries, we are trying to deal with ingrained structural problems in a way which will have a lasting effect, even if it takes some time for their effects to be felt.
- The two most important efforts by the United States include:
 - o **undertaking major budget reforms, which are holding the line on deficit spending, even in a difficult recession year;**
 - This package included tax increases that were undertaken at great political cost, and an even tighter rein on discretionary spending.
 - We haven't seen a sustained reduction in the deficit numbers yet; nor has Japan in its trade numbers. The U.S. budget deficit will come down, though, and the reduction will be lasting.
 - In comparison, the parallel Japanese commitment to increase public infrastructure spending benefits numerous Japanese constituencies and is politically popular.

- o **vigorously defending open investment policy;**
 - Administration has maintained its open investment policy in the face of numerous protectionist proposals and growing mood of isolationism.
 - In contrast, Japan's commitments are aimed at opening its markets, with benefits for the consumer.

[May wish to note Presidential Statement strongly reaffirming open investment policy, if released.]

-- In addition, U.S. has taken a number of other measures:

- o **intensified export promotion efforts, with a particular focus on Japan;**
- o **embarked on an ambitious program to improve workforce education and training;**
 - In April 1991, President Bush outlined strategy to achieve national education goals, called "America 2000," which involves major reforms to primary and secondary education system.
- o **increased Federal support for research and development efforts;**

-- The FY 1992 budget proposed to allocate about \$76 billion for R&D in 1992, an increase of over \$8 billion, or 13 percent over 1991 levels. This is the highest level ever.

and

- o **continued to work toward strengthening incentives for private saving and long-term investment (e.g., reduction of capital gains tax; enhanced IRAs; Family Savings Accounts), despite strong political resistance.**
- U.S. intends to intensify these efforts.

12/9/91
Treasury

DOUG GAMBLE

424 - 36th Place
Manhattan Beach, CA 90266
(310) 546-6409

Dec. 11/91

TO: CHRISTINA MARTIN

SYDNEY, AUSTRALIA (Carol Aarhus)

I APOLOGIZE IF OUR MOTORCADE CAUSED ANY DISRUPTION IN SYDNEY'S NORMAL SMOOTH FLOW OF TRAFFIC.

IT TAKES (#) HOURS TO FLY HERE FROM THE UNITED STATES. JUST THINK -- IN THE SAME AMOUNT OF TIME A MOTORIST COULD DRIVE FROM ONE END OF SYDNEY TO THE OTHER.

SOMEONE TOLD ME WHEN HE SAW THE MOTORCADE GO BY, HE ASSUMED IT WAS PAUL HOGAN.

BOTH BARBARA AND I ENJOYED THE "CROCODILE DUNDEE" MOVIES. I'VE NEVER WRESTLED AN ALLIGATOR, BUT IT SOMETIMES FEELS LIKE IT WHEN I DEAL WITH CONGRESS.

I FEEL VERY MUCH AT HOME HERE, AND IT MAY HAVE SOMETHING TO DO WITH THE FACT THAT AUSTRALIA IS KNOWN AS "BUSH COUNTRY."

THE WORLD IS FASCINATED BY SOMETHING IN BOTH OUR COUNTRIES THAT SLEEPS BY DAY AND IS UP ALL NIGHT. YOU CALL THEM KOALAS -- WE CALL THEM KENNEDYS.

J U S T K I D D I N G ! !



PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

SPEECH BY THE PRIME MINISTER OF AUSTRALIA
THE HON. R.J.L. HAWKE, AC, MP
JOINT MEETING OF THE UNITED STATES CONGRESS
WASHINGTON - 23 JUNE 1988

Mr Speaker
Mr President
Members of Congress
Friends

By inviting me to speak today to the Congress of the United States you honour not only the Prime Minister of Australia but all Australians.

Yours is an institution which, down through the years, has reflected the views and aspirations of the American people and taken its character from their character. From you I hear the voice of the American people and through you I am able to address the American people. I am most grateful.

Mr Speaker,

The concept of government of the people, by the people and for the people is as potent today as it was two centuries ago when that remarkable collection of farmers, lawyers, traders and intellectuals met in Philadelphia to craft a constitution. Although democracy is not the guiding precept of government in most nations, it is, assuredly, the guiding precept in those nations which have successfully delivered to their citizens a decent quality of life and a high standard of living. As we approach the 21st century no nation can fail to note that example. The western democracies can lead with self confidence and have no need of self doubt.

2.

To be exposed to the vigour of the Australian political process is to realise that the underlying values of our political system are identical to your own. To say that there is debate in our Parliament, our media and among the Australian people would be roughly the equivalent of saying that when the Redskins and the Cowboys get together all that's involved is a friendly game of football - a fairly considerable understatement.

It is common values, going to the heart of our view of mankind and of society, which form the enduring basis of our relationship. Social and political circumstances may change; governments of various persuasions come and go; economies adjust and transform; international conditions evolve. American and Australian views and interests may at times diverge. But it is the values of individual liberty, equality before the law and the supremacy of people over the State to which we can always with confidence return as a powerful uniting force.

If it is this that gives our relationship its ultimate strength and stability, it is individual contact between Australians and Americans which provides the special warmth. There is an ease of contact, a readiness to trust and an enjoyment of each others company which readily transcends differences.

With the benefit of 200 years of hindsight I can acknowledge a debt which Australians owe Americans, although it must hardly have seemed something to thank you for at the time. In denying Britain a convenient repository here for the convicts overflowing British jails, your revolutionary forebears of six or seven generations ago provoked the decision to send convicts to Australia instead. If you were founded by the Pilgrim fathers, the founders of Australia were decidedly the prodigal sons.

But when the First Fleet arrived in New South Wales in 1788, its human cargo of convicts and prison guards in fact began the creation not of a prison but of a nation.

Our harsh beginnings required all the same grit and determination which marked the exploration, settlement and development of the United States. Two centuries later - in this, our Bicentennial year - we have, like you, a nation proud of the multicultural diversity of its people and of our national achievements. Our country is the size of the continental United States with, however, only the population of Texas. I know Mr Speaker, that as a Texan you would agree of course, that that is all any country needs.

We have also built a nation more acutely aware than ever before of the precious heritage of the original Australians, the Aboriginal people who populated the land for 40,000 years before the European arrival.

3.

The American contribution to our Bicentennial celebrations has added a special dimension to our relationship. If I were to describe it in all its detail I fear I would be accused, at least under Senate rules, of a filibuster.

Let me just say that we greatly welcome the opportunity to celebrate with a very special friend.

Mr Speaker,

It is because of the deep similarities between our two nations that my predecessor, Australia's wartime Prime Minister John Curtin, was able to declare in 1944 that Australians looked forward to "an uninterrupted friendship" with the people of the United States.

Curtin said those words in San Francisco, on his way to talks with President Franklin Roosevelt concerning the conduct of the war in which Australians and Americans were fighting side by side in defence of liberty in the Pacific.

I wish to state clearly that Australia and the United States are not just friends; we are allies. When my Government assumed office 5 years ago we determined that the ANZUS alliance clearly served Australian interests. That alliance is stronger, and the commitment of Australians to it greater, for its having been thought about rather than merely assumed. We never wanted the alliance to be merely an inheritance from a past era, a piece of history gathering dust, but a dynamic arrangement serving the modern needs of both sides. And it does.

The United States has every right to see alliances as two way streets, to expect that allies will carry their weight. I assure you that Australia is and will remain such an ally.

We welcome your ships and aircraft to our ports and airfields. There is intimate co-operation between us in joint exercises, intelligence exchange, defence science and technology, communications and logistics, and training. We are one of the top cash purchasers of defence equipment from the United States.

We host joint facilities important to the central strategic balance between the United States and the Soviet Union, facilities which have additional significance in the new phase of East-West relations through their contribution to arms control.

We support a strong American involvement in Asia and the Pacific, and believe that your bases in the Philippines make a crucial contribution to security and confidence in our region.

*Australia
has*

4.

My Government has conducted the most thorough review of Australian defence policy in many years. Our policy emphasises the shouldering of our own responsibilities - defence self reliance, modernisation, regional commitment and the development of strong, independent military capabilities within the framework of the alliance.

Our economic relationship with you is also vitally important. You are our second largest trading partner, supplying over 20% of Australia's total imports and taking over 10% of our total exports. The trade relationship is about 2 to 1 in your favour. You are our largest single source of foreign investment. As our economy diversifies away from primary production and we strengthen our position as an exporter of manufactures and services, the business opportunities for America in Australia will expand still further. So again the benefits are very much two-way.

Mr Speaker,

You can therefore see why we believe our relationship entitles us to a fair go in our trade with the United States and in competition with the United States in third markets; not, I emphasise, special favours, but a fair go.

This is not the occasion to make detailed representations about particular export commodities. But it would be wrong of me, here in Congress, to pretend that within our otherwise excellent relationship trade is not an area of very real concern to us.

I should say to you, with the frankness which I trust is permitted to a friend, that some of the decisions made in Washington intended to defend the interests of Americans have turned out to hurt Australians.

In particular Australia's primary producers are unsubsidised and are among the most efficient in the world, and yet we are finding ourselves squeezed out of markets by practices which distort prices and levels of production. In agriculture we find ourselves caught in the crossfire of a destructive and counter-productive trans-Atlantic subsidies war.

The statistics are graphic - since your Export Enhancement Program has been operating, America's share of the world wheat market has jumped from 29 per cent to 43 per cent, the European Community's share has fallen only a little from 17 per cent to 14 per cent, but Australia's share has slumped from 20 per cent to 12 per cent.

The subsidies war is costing us - and I mean both of us - not just economically. There is also an impact, a damaging impact, upon the perceptions which Australians have of the major trading powers, the United States included.

Use
"fair go"
in
POTUS
speech

5.

Australians must not be given reason to believe that while we are first class allies, we are, in trade, second class friends. Trade issues must not be allowed to fester, or to erode our wider friendship or alliance.

I want to emphasise Australia's appreciation of the way in which we have been able to express our concerns to you. It is important that when we knock on doors in this city, including in Congress, those doors continue to open.

For the test of good United States/Australia relations is not that as individuals or governments we agree on everything.

It is, rather, that we are in accord on matters of basic principle and that where we disagree we do so with civility and respect for the others point of view. I am proud to say that the relationship between our countries is now regarded on both sides as being as warm, close and productive as it has ever been. And our relationship has a greater maturity than it has ever had before.

Mr Speaker,

All of us sense, I think, that the world we grew up with, whose shape emerged after the Second World War, is changing in some fundamental ways. New centres of economic power are emerging; there is less rigidity in the Eastern bloc; the familiar pattern of East-West strategic competition is often overlaid by a new pattern of economic competition within the West. Though we cannot yet see the fine detail, the blurred outlines of the 21st century - now only twelve years away - are becoming sharper.

What sort of world will it be? When I look at the international environment, when I talk to the leadership of major powers like the United States, the Soviet Union and China or countries in Australia's Asia-Pacific neighbourhood, I am generally encouraged by what I see. There have been few enough times in recent decades when it has been possible to permit ourselves a degree of optimism about the world's future. But this, I think, is such a time.

The Soviet Union is undergoing far reaching changes. The domestic reforms introduced by General Secretary Gorbachev are the most hopeful sign in that part of the world in the period since 1917. Where they will eventually lead - whether they will even succeed - we cannot tell. Like all economic reformers Mr Gorbachev faces the classic dilemma that the pain always comes before the benefits. But the direction in which he is heading is encouraging.

6.

Certainly we must withhold final judgement about the extent of change in Soviet foreign policy. We want to see deeds not just words. But there is unquestionably ground for hope. We are surely better off with a Soviet Union which has accepted that it must get out of Afghanistan than we were with the

Soviet Union which originally invaded that country.

We have seen the first ever arms control agreement which makes real cuts in the nuclear arsenals of the two super powers. We see - and strongly support - prospects for further reductions. The West is now engaging the East in dialogue across a wide range and at the highest leadership levels, but not on the basis of naivety or weakness. I pay tribute to the role which President Reagan has played - with the invaluable support of the Congress - at the centre stage of this process.

China's continuing economic growth and its leaders' commitment to modernisation mark the emergence of that country from a barren period of upheaval and introspection. This is a development of historic importance, tremendously beneficial to regional and global stability.

Significant parts of the third world, particularly in Asia and the Pacific, are experiencing dynamic economic growth.

In parts of the third world there have, too, been significant advances for democracy. We acknowledge in particular the victory over autocracy in the Philippines, and democratic reform in the Republic of Korea.

And so, Mr Speaker, although competition between nations and alliance systems will not disappear - we believe in our own values too strongly for that - we can be allowed to hope that we are entering a period when such competition will be channelled into less dangerous paths.

But no man or woman who has lived in the 20th century can fail to understand how quickly, and how disastrously, change can come. We still face many dangers and challenges. Intractable and tragic conflicts persist in the Middle East and Southern Africa; famine, war and disease still haunt many parts of the third world; hundreds of millions of people lack the freedom and human rights we take for granted in our countries; recent events have even disrupted the relative tranquility of the South Pacific.

So we must always remember that nothing is preordained. The future does not just happen to us. We make the future. And if we are to make it well, we need to remain engaged with the world, willing to struggle with its problems and to take our part in solving them. We live in an interdependent world and we don't have the practical option - or indeed the moral option - of sitting it out.

7.

That is why Australia concerns itself with issues like arms control and the obscenity of apartheid in South Africa. It is also why we are members of the alliance.

Mr Speaker,

Some Americans seem to be apprehensive about the changes they see around them in the world.

This is not surprising. Changes which alter familiar, and comfortable, relativities in economic and political power and familiar patterns of behaviour will always cause uncertainty and sometimes resentment. And the international system as we know it is very largely an American creation. The institutions, alliances and programs which characterise the system emerged from the generosity of this country and the farsightedness of your statesmen, including many members of the Congress. The World Bank, the Marshal Plan, NATO, ANZUS, modern multilateral diplomacy: all of them are, in part, and in many cases in large part, your creation. We were all the beneficiaries of that impulse towards internationalism.

So where change has come, it has often been because of the success of American policies, because you have achieved what you set out to do. It is because your policies worked that Japan, Western Europe, the Republic of Korea and others are now strong and prosperous.

In any case particular global changes have often been overstated. Portraits of a 'declining' United States have drawn upon beguilingly simple but very misleading indices of comparison, whether of GNP or net indebtedness. Moreover the trends have been portrayed as continuing inexorably. That is nonsense, and un-American in its determinism. With the right policies, this country will remain the world's largest and most important economy as far ahead as I or anyone else can see.

I put it to you therefore that we need not and must not permit our view of the world to be conditioned by some kind of creeping pessimism and dulling fatalism. As analysis that would be deeply flawed; as a policy prescription, potentially disastrous. Put bluntly, the United States and other Western nations, especially the major actors on the world stage, must not behave in ways that could turn some of the presently fashionable theories of decline into self fulfilling prophecies.

Mr Speaker,

Nowhere is this more clear than at the vital intersection of international economics and international strategy.

8.

The cost of failure to resolve present economic tensions in the world would be measurable not only in dollars and cents. It would be measurable in the accentuation of destructive differences within the western alliance, and third world instability. We must understand that stronger world economic and trade growth is a fundamental foreign policy objective. It is ultimately a national security objective.

The greatest obstacle to that objective is the persistence of large current account imbalances in the three major economies; the United States, Japan and West Germany. This remains true despite certain trade statistics beginning to move in the right direction. The origin of the trade imbalances lies in turn, to a significant extent, in the divergent fiscal and monetary policies pursued by the United States on the one hand and Japan and West Germany on the other through the 1980s.

Now I know that these issues of economic and trade policy are contentious ones within the United States, including within this Congress. I have no intention of taking sides. You have enough political candidates already in 1988.

But they are issues with demonstrable impact upon, and therefore clear relevance to, other countries, Australia included. It is in that spirit that I ask you to take my comments.

The inescapable reality is that adjustment of economic imbalances will occur. It is only a question of how they occur. The adjustment can be forced by market pressures upon reluctant governments or it can come through deliberate strategies to enhance world growth and maximise the individual and collective trading opportunities of all countries.

It is clearly in the interests of all of us that the world's major economies opt for strategies of the latter kind. And this means a deliberate decision by them, the United States included, to reverse the corruption - I can use no lesser word - of the world trading system, combined with an equally deliberate commitment to make appropriate adjustments in domestic economic policies.

I am not saying that the burden of adjustment rests solely on the United States and I am not saying that you have no reason for frustration and complaint about the trade practices of others. I can understand your objections to the barriers the United States faces to its exports in certain markets. Australians can understand these problems precisely because we share them.

In the Uruguay round of multilateral trade negotiations the vehicle is at hand to negotiate a new, fairer and liberalised environment for world trade.

9.

This crucial negotiation confronts us with a test of our collective common sense; whether we will recognise that any attempt to solve our national trading problems at the expense of others, rather than through pursuit of the common wellbeing, must ultimately be self destructive.

It is this same enlightened self interest which dictates that we accept rather than oppose the need for adjustment in our own economies. What a sad irony if, at the very moment in history when we are seeing the belated recognition by the planned economies of the need to accept the relevance of market signals in their decision making, the Western nations were to try to ignore and distort those signals, both at home and in the international marketplace.

In Australia we have practised the doctrine of economic adjustment, not merely preached it.

We have pursued the domestic economic policies necessary to cure our own external imbalance. We have converted a prospective fiscal deficit amounting to 5 percent of GDP just five years ago to a prospective surplus of 1 percent or more in the coming fiscal year. We have implemented reforms to deregulate industry, lift productivity and innovation, promote an export culture and encourage foreign investment on fair terms. We are prepared to show the lead on tariff reform. We will be cutting tariffs by about 30 percent on average over the next four years. Much larger reductions in protection will occur for the most highly protected industries.

Now you are practising politicians and so am I. I understand constituency interests. I know that the adjustment process is not easy. But it must be done.

The costs of failure will be very high; the rewards of success enormous.

Speaking to you as the closest of friends and allies, therefore, my message is that United States' action now can play a decisive role in the future shape of the world economy if you grasp the challenge of adjustment at home and drive with determination for the liberalisation of trade on a global basis. America can do the world, and itself, no greater service at this time.

Mr Speaker,

I have not the slightest doubt of the unique capability of the United States for leadership, whether in managing the pivotal relationship with the Soviet Union, maintaining the health of the western alliance, forging further agreements in the essential area of arms control, seeking solutions to regional issues such as the Middle East and Southern Africa, or resolving international economic problems.

10.

If this sounds like a tall order, and an unfair burden, we do not look to the United States to solve all these problems alone or to mount the effort without the help of friends. We ask only that the United States continue to contribute the strength, persistence, creativity and breadth of vision which - to the immense benefit of mankind - have been the hallmarks of the American character.

I am confident that it will be so. No nation in the world surpasses the United States in justifiable pride in past achievements, confidence that problems can be overcome and contagious optimism about the future. Neither of us would claim that our nation is without blemish. Neither of us would claim that governments of our countries have always chosen wisely or acted well. But I do say this: that when all is said and done the United States of America is a great and a good country; that the people of the United States of America are a great and a good people; and that in Australia you will have in the years ahead the best kind of friend - independent to be sure, forthright in defence of our own interests certainly, but also firmly supportive and deeply proud of our rich and enduring relationship.

UNCLASSIFIED

December 13, 1991

In addition to participating in the Gulf War (Australia had three frigates participating in the naval effort), Australia continues to be a part of the Multinational Interdiction Force operating in the region. Specifically, the Royal Australian Navy frigate HMAS Sydney continues to take part in naval interdiction activities in the area.

Australia also has contributed a total of A\$ 5 million (US\$ 4 million) for emergency relief and refugee assistance arising from the Gulf Crisis. This has been distributed through the following organizations (figures in US\$):

UNDRO - \$1 million
IOM - \$1 million
UNICEF - \$200,000
ICRC/Red Crescent - \$1.2 million
Australian NGOs - \$200,000
UNWRA (for aid to Palestinians) - \$400,000

This does not include in-kind assistance to Egypt and IBRD commitments.

In Operation Provide Comfort (last May), Australia sent a team of 70 Australian Defence Force personnel to provide medical and water purification services for the relief of Kurds and other Iraqi refugees in Turkey.

Let us know if you need anything further.

Brian.

GENERAL DEFENCE

such as the building of the strategic highway from Alice Springs to Darwin. Many women were employed in factories, and the Women's Land Army helped relieve the shortage of manpower on farms. The Volunteer Defence Corps, Australia's "Home Guard", was formed on July 15, 1942.

The Economics—The government introduced price controls, import licensing and controls on rents, foreign exchange and trade. The task of financing the war led to new sources of funds, including payroll tax. Uniform income tax was introduced in 1942. Production of war equipment included 3,690 aircraft, aircraft engines, ships, guns and other armaments.

Social Aspects—The people accepted the restrictions of war, which became more stringent after Dec 7, 1941, when the southward thrust of Japan began. Rationing of petrol was introduced, then tea, sugar, butter, meat and clothing. Civilians carried identity cards, trained as air raid wardens and foremen, supported war loans and salvage drives and otherwise worked long hours for the war effort.

Allies—After the loss of Singapore and the British capital ships *Prince of Wales* and *Repulse* in Feb, 1942, and with the imminent threat of invasion, Prime Minister Curtin looked to the USA for Australia's defence. Australia became the base for the South-West Pacific Area. After the Coral Sea Battle in May, 1942, and the victory of the US Marines at Guadalcanal, increasing numbers of Americans were stationed here, training for the offensive in General MacArthur's "island-hopping" strategy.

VE Day—Germany surrendered on May 7, 1945. VE Day, signifying Victory in Europe, was celebrated the following day.

The Bomb—An atomic bomb was dropped on Hiroshima, Japan, on Aug 6, 1945, and another on Nagasaki on Aug 9.

VP Day—Victory was won in the Pacific region on Aug 15, 1945, when Japan accepted the Allies' terms. The surrender document was signed on Sept 2, but the peace treaty was not signed until Sept 8, 1951.

1945-50s Australia played a major role in the British Commonwealth Occupation Force in Japan. In Australia, policies of Post-war Reconstruction, planned before the end of the war, were implemented. Soldier settlement schemes gener-

ally were more successful than after World War 1, and many men were retrained under the Commonwealth Reconstruction Training Scheme. The formation of the Australian Regular Army as a permanent fighting service in 1947 was an indication of Australia's willingness to recognise its responsibilities as an independent nation.

1946 It was decided to establish a rocket range at Woomera, SA, for the testing of weapons. Britain exploded its first atomic bomb at the Monte Bello Islands on Oct 3, 1952. Later, nuclear weapons were tested at Woomera and Maralinga, SA.

1950s-60s Australia was the first nation after the USA to offer assistance in the United Nations' action to prevent the subjugation of South Korea by North Korea. The war lasted from 1950 to 1953. Australian forces also served in anti-terrorist actions in Malaya (1950-60) and against Indonesian Confrontation in Malaya and Borneo (1964-66).

1958 Headquarters of the Army, the Royal Australian Navy, the Royal Australian Air Force and the Defence Department were all transferred to Canberra.

1960s-70s Australia gave active support to the USA in Vietnam (1962-72), for the first time taking part in a war in which Britain was not engaged. Australia's involvement was not universally popular. Conscription of young men for active service had many opponents. Protesters staged demonstrations and Moratorium marches.

1976 The 3 Australian armed services became The Defence Force.

1980s British Commonwealth relations remained strong but Australian defence policy did not lead to automatic involvement in Britain's conflicts. In the Falklands War (1982), loyal assurances were offered, but not troops. Many international commitments were undertaken by the Australian armed services in peace-keeping forces, assistance to developing countries, and in Antarctic exploration, disaster relief and other activities.

GENERAL READING: See Chapter 41, The Navy; Chapter 42, The Army; Chapter 43, The Air Force.