



## PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH JOHN LAWS, RADIO 2UE -  
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LAWS: But in the meantime, my guest in the studio, the Prime Minister of Australia, Bob Hawke. Good morning and welcome.

PM: Thank you very much, John. Pleasure to be with you.

LAWS: Good or bad at the moment do you reckon?

PM: Oh, I think we're going along reasonably well. As you know, I never get cocky or complacent about elections. I've done the best job I can in the campaign, John, and I'll continue to do that until late tomorrow night.

LAWS: Any regrets about the campaign? Any areas where you think you might have been a bit light on? Any things you think you should have brought up earlier and didn't?

PM: I think if I could have it all over again, there wouldn't be much different, John. I mean, obviously you don't do a campaign perfectly. There's some things here and there that you may have done a little bit differently. But substantially, I think, I've tried to get the balance between being positive, telling Australians about the vision I have for Australia and how we can get there, the good things about this country. And I've also had to discharge that part of the responsibility of pointing out what I think are the weaknesses of my opponent and their positions. I hope I've got the balance right.

LAWS: Yeah. The National Account figures, Paul Keating calls them, and I was fascinated with his phraseology, a 'beautiful set of numbers'; others are saying we're in the first stage of a recession and certainly by technical definition we're half way there, aren't we?

PM: Well, the technical definition is two quarters in a row of negative growth. Well, of course, the quarter before this last one we had 0.9 percent positive growth. We've had about 4 percent for the year. And you've got that large statistical discrepancy of 0.9. That, when it's redistributed as they are in later quarters, could quite possibly have us into positive

growth.

LAWS: Yeah, but I mean .....

PM: Really, really, what we've got, John, is a situation where tight interest rates have done their job. I mean, we had to have tight interest rates, you and I have talked about this, we had to have them tight (yeah) to slow things down because we couldn't sustain that level of imports. They've done their job and without any doubt I can assure your listeners, John, if we're returned there will be very, very quickly a further reduction in interest rates (yeah) because the high rates have done their job.

LAWS: Okay. Well we'll get back to that in just a moment.

PM: Sure, sure.

LAWS: But, in the meantime, by technical definition, we are half way into a recession, aren't we?

PM: Yeah, if this, if in the next, when the figures come out next and they revise this quarter, if this quarter still stays at that just in negative at 0.2. But what I'm saying is, with that large statistical discrepancy, that may be revised to positive. But if, you're right, I mean, if this were to be confirmed and then you've got another quarter of it, that would technically be the case.

LAWS: Yeah. But, I mean, as it stands on this very day we've had one out of two quarters that have shown we're not in great shape, except in one way we are in great shape ...

PM: We are in great shape.

LAWS: ... because you've achieved what you wanted to achieve. But technically two quarters indicates that we're in a recession. Now one quarter has indicated that. So technically there isn't any arguing the fact that we are half way into a recession?

PM: If you've got another quarter that would be technically right. But what we've had to do and what I think Australians understand is that we couldn't keep the level of growth going before that was bringing in all those imports. And so what we've got in these figures, John, is precisely what we wanted to see. We had that big gap, there was an, before there was an 8 percent growth in consumption and a 4 percent growth in production.

LAWS: Oh, yeah, no, I understand you brought those ...

PM: And we've got those ...

LAWS: Together.

PM: So interest rates have done its job. Now we can bring interest rates down and I'm sure that, in the jargon of the

economists, there's a soft landing. We're going to continue to have growth and employment growth. But, in a sustainable way, the big thing is what Australia's doing now, it's putting so much more of its productive effort into exports.

LAWS: Okay. Now you've stopped spending and that was the intention, wasn't it, to cut down spending?

PM: To slow it down, yes.

LAWS: Yeah, to slow it down. You've not slowed down, however, Government spending?

PM: On the contrary, John, on the contrary, that just isn't right. We've done, for the first time ever in the history of this country, we've got the fourth successive year of real reductions in Government spending.

LAWS: So you maintain you have cut Government spending?

PM: Well, not, no, I mean, you ask any economist, we have. I mean, the fact that Dr Hewson, who has abandoned the integrity of being an economist and is just floundering around as a prejudiced politician, every economist acknowledges. I mean, you ask any economist, has this Government cut Government spending in real terms? Answer - yes. Four years in a row, an 8 percent turnaround, equivalent to \$30 billion turnaround of our demands upon the public savings.

LAWS: Okay. But consumer spending hasn't gone down though, has it?

PM: Consumer spending. Consumer spending - no. It's up a little bit, but the rate of increases has been brought about to acceptable levels.

LAWS: Okay. Well if consumer spending has gone up a little bit which you can see, then surely it means that where we have reduced the spending must be in the area of investment?

PM: Yeah, investment, but it had to come back. I mean, every economist will tell you that the rate of investment growth was at simply unacceptably high, I mean, you couldn't keep, you couldn't sustain it at those levels.

LAWS: Well, how did that come about in the first instance?

PM: Well, well, it came about because of the massive shift from wages to profits which was engineered with the agreement of the trade union movement so that we could get an investment boom. What we had to have was a restructuring of our industry. So we shifted from wages to profits, profits went into record investment. Last year 13.5 percent business investment at the highest ever recorded. And that has meant that our restructured economy is doing things now that it's never been able to do

before. I mean, we've had, John, this massive increase in the exports of manufactured goods.

LAWS: That's right. And it all happened very quickly. And, I mean, you created that environment and you, I note, are I suppose in many ways justifiably proud of it - where people were investing, where people were expanding, where people were employing, 93 percent was in the private sector.

PM: In the private sector.

LAWS: But now it seems to me that the private sector, who in fact employed 93 percent, so 93 percent of your good figures of 1.6 million improvement in employment, was employed by the private sector. But it would appear to me from what we're reading and what we're seeing and what those figures showed yesterday that a lot of the private sector has got a lot of worries?

PM: It is the case that when you slow the economy down, and the 93 percent was of the 1.6 million increase in jobs, 93 percent in the private sector, it still, if you take the economy as a whole, it's, the private sector accounts for, you know, between 75 and 80 percent of total employment.

LAWS: Yeah.

PM: And obviously when you've got to slow things down in the economy, the private sector will take its share. And I've said in my policy speech, I know there's been some hardship, but I had the alternative as a responsible Prime Minister, John, of doing one of two things.

LAWS: Yeah. And I understand that.

PM: I could have said, okay, let the thing blow. Now if I'd have let it blow, then you would have had what the Libs left us with in '83 - the worst recession in fifty years. I couldn't do that.

LAWS: Yeah, but I understand that. But, as I say, you created this environment that you're proud of, that your Government is proud of, it's not fair to just say you, the Government created the environment of which you're proud. 93 percent of the employment came from the private sector, but now the private sector is in dreadful trouble. I mean, investment, that's where the spending has dropped in the area of investment?

PM: No, but look, John, at the most recent statistics in terms of the next year. The business sector has said it's expecting a nominal increase in investment of 33 percent in 1991.

LAWS: Yeah, but people are hurting now?

PM: There is some hurt now, John. But, John, you can't, you

can't have .....

LAWS: But you created the hurt?

PM: But, John, you can't have it both ways. We can't have a situation where we're told by your listeners, rightly so, (yeah) that they're worried about the growth of debt and our current account deficit and the growth of imports. We can't have that worry and not do something about it. And the only way to slow down that massive growth of imports was to slow economic activity down and if you slow economic activity down, some people get hurt.

LAWS: Some people have got to get hurt. Yeah. But you created the environment where they went out and invested, they went out and employed, then they got hit with high interest rates. So really you have created the hurt that exists now, well intentioned though it may have been, but your Government has created the hurt that these people are feeling now?

PM: Well, what has happened, we created the conditions for growth.

LAWS: Yes.

PM: That's right.

LAWS: Then they grew too quickly.

PM: And the economy grew too fast. And I've said quite honestly, John, I mean, I say it again to your listeners because I have the greatest respect for their concern about these things. Like every other economist in Australia, I and the Government, early last year, we under-estimated the strength, or at the end of '88 and into '89, we under-estimated the actual strength of the economy.

LAWS: Mistake?

PM: I mean, every private economist, every public economist, and we were part of it and I concede that.

LAWS: Mistake?

PM: Yeah, we didn't see early enough the strength of growth. If we had had the benefit of hindsight, we would have applied the brakes a little bit earlier. But I've been honest about that, I've said it time and time again. I mean, every economist in the country was wrong in our estimates of the strength of demand. It was growing stronger than we appreciated.

LAWS: Okay. Well now some people might argue and are, in fact, arguing that you have now deliberately, not you, the Government, has deliberately pushed the economy towards recession?

PM: No, certainly not. We've deliberately slowed the economy down. We believe, with the majority of economists, that we'll get, in the jargon of the trade, a soft landing which means that we believe that economic growth will continue and employment growth will continue, but at a level where what will be happening is that more of our production will be going into net exports. When we talk about net exports we simply mean going into exports and imports replacement. And that's what we need to happen.

LAWS: Yeah. Can I say this to you. Back there you said about our exports having escalated. If our exports have been that good, why is the balance of payments so bad?

PM: Well, because, as we were moving to greater performance in exports, we still had the backlog of this high level of imports. But what's happening now, if you look at the figures for, the most recent figures, then we have moved into a plus position that our net exports has improved. That is, our rate of improvement in export growth is better than what's happening in imports. I mean, you see, imports are a lagged thing and they represent orders that were made, you know, a long time ago. They've been growing. But now we can see that imports are tailing off and if you look at the .....

LAWS: How can imports be really tailing off if consumer spending is up? I mean, what I'm trying to say is the balance is in the wrong area, isn't it, the balance ..... in the investment area?

PM: Well, I mean, I can give you, I mean, if you like I can give you the figures. I mean, I don't know whether you want me to go into the details of the figures, but I can do that in regard to what's happened on .....

LAWS: No, well the detail isn't necessary. It's only the overall .....

PM: Okay. But what I'm saying is that the figures now show, John, that we are moving to a position where we, our growth of exports is accelerating and the balance of activity in the economy is moving more to a position where more of our production is going into net exports. More exports and more import substitution which is what happens when you get this slowing down and where we're getting the benefit now, John, of all that investment in our industry. I mean, let me give you the statistics. In the last four years where we've seen, starting to see the benefit of this investment in our industry, we've had a 54 percent increase in manufactured exports. I mean, the classic example of it, John, is steel. I mean, that's where we as Australians are entitled to be very proud, all of us, because, all of them, it's not just Government. You know, when we came to office, as you know, BHP was going to shut down the steel industry. Now we said that's, I'm not going to accept that. So we negotiated with BHP and the unions and in the result now we have a world competitive steel industry. In this last year, John, exported three-quarters of a billion dollars of steel into

all the competitive markets and that's going to treble by 1992.

LAWS: Okay. But it doesn't get back, it doesn't alter the fact that if our exports are up, why aren't our balance of payment figures better?

PM: Well, because I was saying, we still had a position where we had high levels of imports, we had high levels of imports. What's happening though is that they are now coming back .....

LAWS: And when will we see the result of this though. How long's it going to take?

PM: Well, I believe that we can see, getting into a stabilisation of our external position in something like three years. Now let me explain just briefly what that means. We've got to get to a point where the current account deficit is running at a level which doesn't increase your aggregate of debt. We did that right though the 1970's, running at about, with a current account deficit of about 2 1/2 percent of gross domestic product. I don't want to sound too complex, but that was the sort of figure. In the most recent few years that current account deficit has moved up to about 6 percent. So we had a 3 1/2 percent, you know, figure that we had to pull back.

LAWS: Okay. Now look I understand all these figures are important, but you also understand they're very difficult to understand.

PM: Yeah and that's why I don't want to get into it in detail.

LAWS: Okay, so let's .....

PM: But I had to, it's very difficult to answer your question without saying what's happened and how we are now .....

LAWS: Yeah. Well, you're saying it's likely all to come about in three years?

PM: Oh, what I'm saying, it's our assessment that within three years, because of what's happening in the Australian economy where we are showing ourselves more capable of exporting and more capable of substituting with our own production for imports, that we will have a deficit on our current account of a much smaller proportion which will not add to debt and which will gradually allow us to run debt down.

LAWS: Okay. Does that mean that people are going to have to suffer for another three years?

PM: No, no, no. On the contrary, on the contrary, it doesn't because our estimate for this year, John, is that there'll be increases in real income for people. That will come from a combination of wage increases (yeah) and tax cuts.

LAWS: Okay. What do you say to Nobby Clark, I assume you've been alerted of what he's had to say, head of the National Australia Bank. He claims your monetary policy is irrelevant, stupid and unconscionable, managed in a way that would make Atilla the Hun look like a nanny at a Sundayschool picnic. Quite a turn of phrase, isn't it?

PM: Yeah, well, let me say this. That Nobby Clark's lack of impartiality in politics is one of the well-known features of the Australian scene. I content myself with referring to, I mean, if you've quoted Nobby Clark, could I just quote just one or two other sort of figures. From the Commonwealth Bank, just a couple of days ago. They say the most recent figures, retail figures, confirm the softer trend which should prompt a further stepped easing in monetary policy. That's what will happen.

LAWS: Well, obviously you'd rather cop that than Nobby Clark's comments?

PM: Well, yeah, I'd certainly. Let's also take the, let's take the Reuters screen just two days ago. I mean, this is not Nobby Clark, a player in the political scene and known to be a player, a Tory. Okay and Nobby's entitled to be a Tory and he's entitled to have his views. If he wants to espouse the Liberal cause, good on him. But let me quote the Reuters screen to you of two nights ago. Traders said credit markets ended the day firmer in anticipation of a further easing in monetary policy in the next few weeks assuming the Hawke Labor Government is re-elected at Saturday's federal election. I mean, what the market as a whole is saying is that interest rates can come down provided that the Hawke Government is re-elected (yeah) and I'll take the market instead of Nobby Clark's blatant politicking.

LAWS: Okay. Well, Paul Keating says Nobby Clark's comments are an endorsement of your intention to pressure, use the word cautiously, the Reserve Bank into lowering interest rates. Now does that mean if Paul Keating has said that that's what it means, does that mean that Paul Keating agrees with Nobby Clark?

PM: No, no, no. Nobby is saying that rates can come down. What I'm saying is that his critique of monetary policy stands uneasily. His critique of policy stands uneasily with the assessment of the market that the Government's policies have worked, that they've been necessary, they're working now and that, as a result of these policies and assuming a return of the Hawke Government, we can get a lowering of rates.



LAWS: Yes, but surely if Paul Keating says Nobby Clark's comments are an endorsement of the intention you have to go to the Reserve Bank and lower interest rates. Doesn't that mean that Paul Keating agrees with what Nobby Clark's saying?

PM: Paul and I agree with Nobby in terms of him saying that rates can come down, to the extent he says that, but to the extent that Nobby has been a critic of policy and this talk about Atilla the Hun, neither Paul Keating nor I endorse that.

LAWS: The report that's been leaked from the Government's Bureau of Industry Economics says a quicker pace of adjustment including deregulation of the labour market could deliver average additional wages and so it goes. Now, what do you say to that -

PM: (inaudible)

LAWS: ... of that report being leaked? You know ...

PM: I'll tell you what I say about the report. It wouldn't be a bad idea if the fellow, I think it's been Milne in The Australian, who's gone to - I think it's Milne, yes, it is, Glenn Milne in The Australian -

LAWS: Yes.

PM: Wouldn't be a bad idea if he went to the whole of the thing and pointed out that the paper, in fact, contrasts two hypothetical scenarios. Case one is where all policy stops and then case two is where a level playing field, as he put it, is created very quickly without taking account of any adjustment costs. Now what's the condition of this case two that they're talking about? The condition is, the assumption there is that you have in fact four times the growth in taxation, four times the growth in taxation. Now it wouldn't be a bad idea if they spelt out the assumption in that and if you want to, you know, go to some of the parts of the paper which is purely a draft, hasn't been endorsed by the BIE, one of the areas I see from the report I have is they say - in the later years of the 1980s a host of industry policy reform issues were addressed ...

LAWS: Why would -

PM: (inaudible)

LAWS: Why would the newspaper be so selective in what it published from that report?

PM: Well you'd have to ask them wouldn't you?

LAWS: Well, what do you think?

PM: Well, I think that Mr Milne thinks he had a good story by putting it the way he did and fair enough. But I'm simply saying that if people want to argue for that, take the assumption that's involved with the four times increase in the, in the taxation that's involved. I don't think people would want that.

LAWS: Yes. Every day, as you know, I talk to lots of people all over the place who are reaching desperation point. They can't meet mortgage payments, their food bills they maintain have gone through the roof and they have, they say that their standard of living has declined. They've had it with politicians and their promises generally. Now what can you say to those people that can give them some sort of hope and do you blame them for being cynical?

PM: I don't blame people who've been hurt from being angry and perhaps cynical. All I can say to them is this. I've devoted the whole of my adult life to public life, the whole of my public life has been devoted to trying to help people in the community. First as a research officer and advocate, advocate for the ACTU, I put in 21 years of my life working to improve the conditions of people. Now I moved on to the parliamentary sphere to do the same thing. You look at the whole of Hawke's public career. It's not been about personal aggrandisement, it's been about trying to help others. The last thing I would do as a person who's whole life has been devoted to helping others who love this country. I wouldn't be about hurting people.

LAWS: Deliberately.

PM: Deliberately, no. I had a situation -

LAWS: But do you, do you concede that they have been hurt?

PM: Had a, had a position where my responsibility was to tighten things. I would have been irresponsible to the future of this country if I hadn't slowed things down. Now in answer specifically to your question, I simply ask them to ask themselves this question - on 24th March you can have the re-election of a Hawke led Government which the markets is now saying will produce a reduction in interest rates because our policy works. Against that you can have Peacock as Prime Minister with the certainty that interest rates must explode because he's got no wages policy, wages will go through the roof and he'll blow the budget surplus - both of which must ruin the economy and put interest rates through the roof. Now that's the alternative.

LAWS: OK, now can I ask you this. You're saying and very clearly that within two weeks of the election that you would bring interest rates down, that you'd be in

touch with the Reserve Bank and have a yarn to them. Isn't the Reserve Bank supposed to be independent?

PM: No, under the legislation monetary policy is conducted, the combination of the Government and the Reserve Bank and if there is a conflict, in the end, the view of the Government prevails, but that, that conflict doesn't arise.

LAWS: OK.

PM: Well, we've been able in seven years to conduct policy amicably with the bank.

LAWS: Well -

PM: But the important thing, John, the important thing, John, is what the market is saying. The market is saying - I could give you more quotes, I've just given you some - but markets are themselves saying that the conditions have been created now for a reduction in rates.

LAWS: Yes, now I have no argument with that. It's also said in the paper this morning that it is likely that there will be a reduction in interest rates, but it's also being said that they couldn't be sustained - so they may come down, but they're more than likely go back up again as they're going up in other parts of the world.

PM: No, no, but that's - there's no argument there because the, the argument that's run is that because there've been some slight increase in rates in Japan, for instance, that we wouldn't be able to sustain a fall here. The fact is that there's an eight percent differential, John. We can sustain a fall.

LAWS: Yes, alright, well if it's possible for you to negotiate with the Reserve Bank, which you say you'd do within two weeks of winning the election, the question that all those people out there that have been hurt, and you concede that there are a lot that have been hurt, is why didn't you ring the Reserve Bank before and get interest rates down?

PM: Well, the two, two points to say to that. Before the election started, in fact, there were conversations between the Treasurer and the Reserve Bank and the prime rates have been lowered. They were lowered there and they've come down over two percentage points. Now, obviously during the election campaign, it was not proper and it hasn't been proper during the actual election campaign to be pushing this issue. We started the process before the election campaign and as soon as the election's over and we're returned, then the conditions will be there properly to have a further reduction which will then be reflected in mortgage rates.

LAWS: OK, well -

PM: And the market is saying that will only happen under us.

LAWS: Alright, well, if, if you ... as leader of the country can simply call the Reserve Bank and say we've got to have a talk about interest rates, if Andrew Peacock becomes Prime Minister, why can't he simply do the same thing?

PM: Because of what I said before. You would have the situation where we can do it because the policies that we've had in place have produced the conditions for a reduction in rates. Under Mr Peacock - he's the man, John, who stood before the National Press Gallery in Canberra when asked the critical question ... about interest rates, what would happen to wages, he was asked the question. The classic reply, shrugged his shoulder and said 'who's to know'. Everyone else knows there would be a wages explosion because it's a free for all. You have a wages explosion and the second point is that he will blow the budget surplus.

LAWS: So what you're saying -

PM: And what I'm saying, the conditions simply wouldn't be there.

LAWS: OK, so what you're saying is that you, if you're re-elected, can bring interest rates down, will bring interest rates down. Is that correct, to say will bring interest rates down?

PM: Yes, yes.

LAWS: But Andrew Peacock can't.

PM: He can't in any sustainable way because the only way that you can sustain any fall in interest rates would be if you've got a wages policy and a fiscal policy which will sustain lower rates. If your wages blow out and you dissipate your budget surplus, with his \$6-7 billion hole that he's got, and giving back billions of dollars to less than one percent of the population by abolishing the capital gains tax, you blow your budget surplus and you have a wages explosion. In those circumstances you can't sustain a fall in interest rates.

LAWS: OK, well can I ask you this. If you, if you can and he can't, you will if you're re-elected, be in touch with the Reserve Bank and interest rates not might, but will come down?

PM: Yes.

LAWS: Will they stay down?

PM: I believe so for the reasons I've put. I couldn't say that if I didn't have a wages policy and a fiscal policy of appropriate firmness to allow me to say that. But I can say to you that we've negotiated the wages outcome, we know what it will be and John, every year we've got the wages outcome right, so we know what will happen to wages -

LAWS: Yes, but -

PM: And the surplus will be sustained.

LAWS: In fairness you, you might have had the wages right, but you got a few other things wrong, didn't you?

PM: Well, look I - as I've said earlier in your program, John - we underestimated the strength of demand. I mean, I don't know how many times you want me to, sort of, confess. But I, but I've done it openly. We got the, the level of demand wrong because one of the things that happened, we had this enormous turn around in the terms of trade and because we got a very big increase in our export prices, we just had billions of dollars streaming into the country which did inflate demand.

LAWS: Doesn't it say a lot about this campaign that with only days, literally, left to go we get bogged down with the Multi Function Polis? Surely one would have thought that isn't one of the big issues of the election, but it now seems to become one of the big issues?

PM: Well, you know who introduced it. Wasn't me. The position of the Opposition, John, the week before was this on the Multi Function Polis and let me quote you -

LAWS: Yes, they were, they were in favour of it.

PM: Let me quote it so that your listeners know what they were saying a week before in a considered replay to a question, what's the position on the Multi Function Polis? Here's the answer. In one short sentence, the Liberal National Party position - the proposal is unique for Australia and deserves extensive consideration. And John Howard, the Shadow Minister - I don't think we should bury the concept in a sea of hostility. Now, that was there position and so then he comes out with this story about enclaves. Can I just read to your listeners what the principle, the binding principle was that's adopted by the Commonwealth and the State Governments and everyone involved in developing it. Principle four, develop the MFP as an entity which is not an enclave but is linked with the remainder of the Australian economy and provides a leading edge ... and technology transfer. And that was accepted.

LAWS: Sure, and I understand that. We see the wisdom in all of that, but would you concede that politics is a great deal about perception?

PM: I concede that leadership is about having guts and having a vision for your country and having the courage to stand up for that.

LAWS: Absolutely, but would you -

PM: And, and that was what was accepted to the credit, to the credit of the Opposition, that was accepted -

LAWS: That's right -

PM: ... until the last week of the campaign because they knew that what this was about was not an enclave and what it was about attracting, not just from Japan, but attracting from North America, from Japan and from Europe, the best technology that we could get into this country so that we were going to secure the future of our kids and our grandchildren by marrying the best technology from overseas to an increasingly well trained Australian workforce.

LAWS: Absolutely and there should be no argument about that.

PM: And there shouldn't have been the reduction of that issue, John, which they understood and which they endorsed. There shouldn't have been this miserable, behind-hands sort of decision which ignored John Howard, John Howard the Minister, the Shadow Minister, who was in favour of it, said it shouldn't be buried. But in the last week in the campaign to tap some vein in, in Australian politics, they gave away - not the Polis, we haven't decided on it - what's being done is that there is a high level inquiry, you've got the captains of Australian industry including John Elliott involved -

LAWS: Oh, yes.

PM: Will Bailey, what we're doing is investigating whether there is a way to bring for Australia and its future, the best technology to this country.

LAWS: Yes.

PM: - in an acceptable way and these people are saying now, we won't even allow the investigation to go ahead.

LAWS: But can I go back to what I said? Do you concede that politics has a lot to do with perception, with the way people see things?

PM: Of course it has.

LAWS: Well now many Australian people, because I talk to an awful lot of them, many of them perceive the Multi Function Polis, as it's extraordinarily called, as being

something and the, and the media ran with it, which would be eighty percent Japanese owned.

PM: And there was never -

LAWS: There mightn't have been -

PM: Never any justification for it.

LAWS: There may not have been but what I am saying to you is, if it was perceived as such by the, by the people of Australia, even incorrectly, I understand as well as you understand and everybody else understands, that we need the Japanese. By God we need them, we need their investment, we need their help, we need their cooperation, but there is a perception within, within certain areas of Australia that is fundamentally racist and it can't be argued, but nobody seems to want to admit it. Now if people perceive this as happening why didn't you, earlier in the campaign, and you must have been aware of it - if I was aware of it, you were - why didn't, why didn't you verbally put your arm around the shoulders of some of these dear old ladies who are concerned about Japanese involvement in Australia and explain it to them?

PM: Well, John, the answer to that is very simple.

LAWS: Yes.

PM: Because I and the Labor Party and Will Bailey and all leaders of Australian industry who are involved in this -

LAWS: Yes.

PM: - acted on the assumption that we were entitled to, that we had a responsible Leader of the Opposition and they meant what they said - that they supported a position, as did Nick Greiner, the Liberal Premier in this State -

LAWS: Yes, well I understand -

PM: Yes, but what I'm, I'm answering your question, I'm not avoiding it. You asked me why didn't we put arms around people. I'm saying that we had a bipartisan, a tripartisan position, the National Party, the Liberal Party and the Labor Party all supported this issue. It was a non issue as far as policy was concerned.

LAWS: Yes, but that in itself might have been a non issue, but that triggered what really is an issue and that is a feeling that does exist in this country of concern, rightly or wrongly and I believe wrongly, but it does exist that there is a, a great feeling of concern about the Japanese literally buying out this country.

PM: Well let's have a look, let's have a look at the facts, John.

LAWS: I know facts and I ...

PM: Well, no but let's have a look at the level of foreign investment in Australia.

LAWS: Yes, we do that constantly and the Japanese level is down by comparison to New Zealand, the United Kingdom

PM: The United Kingdom \$44 billion.

LAWS: Yes.

PM: The United States 39, Japan 26 and overwhelmingly Japanese investment is in tourism, in tourism and what does that investment mean for Australia? It means jobs, it means an enormous number of jobs.

LAWS: I understand that all of that.

PM: It means, we were talking about our foreign debt before -

LAWS: Yes.

PM: It means an attack ... Last year tourism earned us \$4.4 billion and the fact that the Japanese are investing in tourism here, it means that we're going to continue to get Japanese tourists here which is going to be a great source of dealing with the problems that you and I are concerned about.

LAWS: That's right, but ... do you understand the anti-Japanese sentiment?

PM: Yes, but John, can I ask you a question?

LAWS: I mean, I understand you don't like it any more than I do, but do you, you understand it exists?

PM: Yes, but I also understand, John, the political leadership is about putting the facts to people which I have done. The simple fact is that if I wanted to think of one single thing which would hurt my children and my grandchildren and all the future generations of Australians, all the kids and grandchildren of your listeners, the one thing that I could think of that was most calculated to harm my kids and my grandchildren and all the kids of your listeners is that we put a calculated insult to the Japanese. The Japanese are Australia's biggest customer.

LAWS: Absolutely.

PM: And as Asia is the biggest, fastest growing part of the world -



LAWS: OK, now -

PM: And if we want, if we want to hurt our kids, let's insult the Japanese, let's insult the Asians because what, what Japan and Asia will say - thank you very much Australia, we can get our coal, our iron ore, our aluminium, increasing amount manufactures from your country that were let in, we can get all those elsewhere. If you want to insult us and say that we are second class human beings, OK Australia, you do that and we'll look elsewhere.

LAWS: Yes but nobody is suggesting that anybody do that, least of all me and least of all a lot of people I talk to

PM: I know you are not your suggesting

LAWS: I am certainly not suggesting

PM: I know you're not, I know you never have, but what I am saying John is what is the duty of leadership in these circumstances?

LAWS: Well I think the duty of leadership generally, I think the duty of Governments is to try and understand the thinking of the majority and if the thinking of the majority is incorrect and is unobtainable then placate them by at least giving some explanation of the importance of it and I don't believe that you have done that.

PM: On the contrary. What we have done, what we have done is to quite openly set out the principles, we did that three years ago. The principles were known, they were published and as I have read out to your listeners, principle four - no enclave. It is perfectly well known that we have enlisted the best brains of Australian industry, we've given our bit, now it has been out in the open.

LAWS: OK but the people, and they are the only ones that matter, the people saw the Multi-Function Polis as being something that was going to be populated by 80% Japanese

PM: Which is wrong.

LAWS: Which is wrong true. Which was going to be a separate city, now that was run and allowed to run and nobody like I always thought that immigration and integration should go hand in hand and I am sure that you would agree with that.

PM: Absolutely.

LAWS: Now the impression given with the Multi-Function Polis was that it was going to be virtually a Japanese city and they were going to be within a ghetto virtually. Now nobody denies that.

PM: Of course it has been denied. It has been denied all along.

LAWS: Yesterday and the day before

PM: It is like Mr Peacock getting up and saying Bob Hawke is going to sell Darwin to the Indonesians, and I am against Darwin being sold to the Indonesians. I mean

that is the equivalent. Talk about creating a straw man, I have got to defend a position, according to the thesis you are putting, where this has been out in the open, respected people like Bailey and Elliott have been identified with this, Greiner and so on. No suggesting that is an enclave ..

LAWS: But aren't you ... the people who don't understand, I'm not talking about the people that do understand.

PM: But John I am saying that as far as the community was concerned, until just a few days ago, you had the position in this country of total bipartisan support for it. It wasn't a political issue.

LAWS: That's right which has raised some problems.

PM: Can I ask you the question

LAWS: But obviously the Opposition sees the anti-Japanese sentiment which do you concede exists in Australia?

PM: There is some. I do not accept that is a majority position, because

LAWS: Well I think you are wrong, and I think they are wrong.

PM: I know you think they are wrong John, but what I am saying is that I have a different perception of Australians than you do. I believe that Australians are essentially decent, I believe they are essentially intelligent. Australians know that this country of 17 million people, that's what we are, 17 million people in a world of 5 1/2 billion. In a region which is the fastest growing economic region in the world where Japan is far and away our biggest market.

LAWS: Absolutely

PM: Biggest trading partner. I just happen to believe that the majority of Australians and not the ones who make the noise, you think about Australian politics, the majority of Australians are not the noise-makers.

LAWS: Well you listen to a lot of the noise-makers.

PM: Of course you have got to listen to a lot of the noise-makers.

LAWS: OK, but can I just go back to this. You say that Australians are fundamentally decent

PM: And intelligent.

LAWS: And intelligent. Well you don't have to be either indecent or unintelligent if you are a widow and your husband died in the Second World War at the hands of the Japanese. When you hear that Japanese investment in Australia is large, when you hear that the block of land next door to Kirribilli House, where you live when you are in Sydney, is being sold to the Japanese, can't you understand that that woman at that time thinks well what my husband died at the hands of these people. She needs to be told that her husband died in vain if we didn't now do business with the Japanese that that's what the whole thing was about, but don't you understand that that exists?

PM: John, I also understand that I do a lot of meeting with and talking with people who fought against the Japanese. One of my closest friends, one of my closest friends in Australia today is Sir William Keys, the bloke who was the outstanding President of the RSL

LAWS: Certainly.

PM: A great Australian and Bill Keys in conversations I have had with him said, Prime Minister we have got to understand, we've got to understand and all my members have to understand that their future and the future of their kids, and he has talked about the grandchildren and of their grandchildren, depends upon us learning to live constructively with our former enemies. John, I

LAWS: Well that is exactly what I am saying.

PM: I know this John, I do not question your position.

LAWS: And you know Bill Keys has said it and he is a wonderful

PM: He's a wonderful man

LAWS: Remarkable man but you didn't say it until just then.

PM: I have been saying it for years.

LAWS: You have but during this campaign I know you did not want to make it an election issue

PM: And I did not make it an election issue.

LAWS: No you didn't, but it has become an election issue.

PM: And once it has become an election issue John I have responded. But I ask you the question, may I put this question to you? Do you think that Andrew Peacock has discharged the responsibilities of leadership, a man who would lead this country by six days before an election, after having said this is a great idea and deserves to be

studied in full, do you think he has discharged the responsibilities of leadership for the future by what he has done?

LAWS: I believe that he made an effort, rightly or wrongly, and I happen to think wrongly, to placate the people to which I have just referred.

PM: Exactly, I agree with you.

LAWS: But is that wrong?

PM: Yes you said wrongly and I agree with you because what leadership is about is not tapping in to lowest common denominators on antagonisms. Leadership, John, is about recognising that there can be misunderstanding, antagonism but understanding where the future of your country and where the future for your kids lies and I repeat the future for all the kids of your listeners and their grandchildren absolutely depends upon Australia being able to be enmeshed into the dynamic growth of the Asia Pacific Region of which Japan is an integrally important part. We don't lie down for the Japanese but what we sensible do is to say we want to tap, not only yours, but Americans, Europeans the best technology, we want it to come here under our sovereign control so that we can marry the best of your technology with our Australian skills so that we are going to become competitive in a very competitive world, that is what leadership is about.

LAWS: Back to the Japanese that we both agree are tremendously important to us and particularly in the area of tourism. We suffered a slump in tourism because of the pilots' dispute, what are your plans for tourism?

PM: Thanks John. Could I just very quickly give you the background to what has happened in the period since we have been in office. We have put \$250 million, a quarter of a billion dollars was invested in the Australian Tourist Commission and that has led, in this period that we have been in office John, to over \$50 billion of investment. It has led to over 300,000 new jobs and a turnover increase from 7 billion to 27 billion and an increase in international visitors from 900,000 to about 2 1/2 million.

LAWS: We have suffered a bit of a slump.

PM: Yes we have and let me say this that in the build-up of those figures a very important role was played by Paul Hogan and I pay tribute to him, he provided his services free to the Australian Tourist Commission and I thank Paul Hogan, but he is not going to do any more. I have got good news and that is that another great Australian of international stature, Greg Norman, as a result of discussions that I and your mate and my mate JJ Brown. Discussions with Johnny Brown and I have had with this

Great Australian, Greg Norman has agreed free of charge and you know what his fees would be if he wanted to, he has agreed to do free of charge for us through the Australian Tourist Commission, promotional films that will be shown around the world. I guess particularly in the United States and Japan, but elsewhere, to attract tourists to Australia and I just want to take this opportunity of saying a great thank you to Paul Hogan and a great thank you to another great Australian in Greg Norman who loves his country, wants to see it grow and prosper and is prepared to do this for Australia and I think we are going to see as a result of that, we'll make sure that the Australian Tourist Commission is in a position to be able to take advantage of Greg's marvellous offer and we'll see a resumption of the great growth in tourism which is going to be very important for this economy.

LAWS: The aforementioned mutual friend one JJ Brown also reckons you haven't put enough money into tourism, are you going to put more in?

PM: To be fair to John, he goes out of his way to say that the before we came to office there was nothing done and that we have done a marvellous job, Johnny would always like to see a bit more and we will be listening to what he has got to say.

LAWS: Are you going to give him a bit more?

PM: Well we have in this year, we've given a very big boost as you know to try and meet the problem created by the pilots' problem

LAWS: Yes but will that be ongoing?

PM: We are going to examine it. One, let me say this that I give the guarantee to the Australian Tourist Commission will be put in a position where it will be able to take advantage of this offer of Greg Norman, it won't suffer financially.

LAWS: Who's idea was Greg Norman?

PM: I think I have got to give, basically give credit to JJ, to John Brown. I mean I am a good friend of Greg's as you know and he is very close to me, he is very close to JJ, but I give credit to JJ for really getting the idea and when it was mentioned Greg said Yeh love to do it. Australians are going to be terribly indebted to this man who can command millions of dollars for doing things but he is going to provide his services free.

LAWS: Tell me this, I think you have done a strange thing, obviously you thought it was necessary or you would not have done it or your advisors thought it was necessary. You have virtually gone out and bought the green preferences.

PM: Oh come on John.

LAWS: Yes, you have.

PM: John, can I

LAWS: You have pitched advertising right at those voters and said make up your mind but make sure you give us the preferences.

PM: John, what we have done is to accept the reality of world politics. You're a student of politics beyond this country as well as, if there is one feature of politics around the world for the last five years or so it is the emergence of the environment as an issue of concern and that concern, as you made John, it crosses the income barriers, crosses social barriers, there are just many many more people concerned about the environment than they were before and to the point where in this country, as in others, people are prepared to vote their concern by giving their first vote to a candidate who they think has the environment on the top of their list. So what I have said, and the Party has said, we recognise that reality and said alright if people are going to cast their first vote for a Democrat or a green candidate because they want to emphasise their concern with the environment I am simply making the logical point to each one of them. If your major concern is the environment, remember this, the Democrats and the greens are not going to form the Government, its either going to be Labor or the Liberal-National Coalition, so make sure that your second preference goes to Labor because we have got the best record and the best policy on the environment. That is just sensible politics John.

LAWS: Well, it's sensible politicking.

PM: Sensible politics. I mean wouldn't I be silly, knowing that the truth is that there will be a higher vote of people who are going to cast their first vote on environmental grounds, if I didn't remind them that their real important decision is what they do with their second preference vote. I mean I've got to that. From their point of view and certainly from mine. I want their preference.

LAWS: Is this the first election that you've found this necessary, to go seeking preferences?

PM: Yes, because it's the first time in which the evidence is that the non-major parties are going to have a reasonably significant vote. And understanding that, I've got an obligation to them and to my own party and to the people of Australia to say well, what you do with your second preference is important.

LAWS: Just back to the airline dispute. Is it true that you gave a sizeable reduction to Ansett for the cost of .... government aeroplanes?

PM: No. If you read the whole of that report you'll see that the officials have indicated there was no justification for that. I had no approach from, and I certainly would not do deals for anyone. You know me well enough ... that. I mean I think the reality, and I mean the best way of exploding that reality is this. That the big thing that Ansett had going for them over the years until I became Prime Minister was the two airline agreement. It was a guarantee to print money. And who is it that smashed the two airline agreement? A fellow called Bob Hawke.

LAWS: True. But did they get a reduction?

PM: No. What happened was that the initial figure that was suggested was questioned, as I understand it, by the airline. There was further discussion within the Department of Defence. My Department was referred to. There was no approach to me. The decision was made at the level of the Departments concerned and with the Minister of Defence authorising it. There was no approach to me and no decision by me.

LAWS: No, but all that aside, did they get a reduction?

PM: The figure was a lower one than the one that was initially put up.

LAWS: Ok, that means that -

PM: But what I'm saying, but not through my intervention.



LAWS: Nobody's suggesting that.

PM: Some people were.

LAWS: Ok.

PM: Not you. I mean ... But some people were suggesting in the press that it was Hawke. And they had the snide - did you notice the snide line .... said Sir Peter Abeles is a friend of Bob Hawke's. I mean, lovely line. Nice snide line, but inaccurate. It wasn't Hawke. And as far as Ansett's concerned the bloke who's knocked Ansett off from a privileged position, not just in terms of one year but into the future, is Hawke. I've ended the two airline agreement.

LAWS: Ok, but the short answer to the question is yes they did get a reduction?

PM: But when you say reduction, what was being - I mean I'm not being semantic or ...

LAWS: I think you are.

PM: I'm not. Look -

LAWS: I mean ... and it became x minus y -

PM: It wasn't a ... This was at the beginning of the arrangements. We were going to use the Airforce and so details had to be worked out as to what they were going to be charged. In the first place, someone, somewhere within the bureaucracy, suggested that figure. It wasn't the one that was applied. That was the one that ... Then there was argument and discussion. They didn't get a reduction from something they'd been paying. Some bureaucrat had a figure there. That was questioned. And the figure that emerged was a lower one than the figure that was mentioned by the first bureaucrat. They didn't get a reduction from something they were paying.

LAWS: No. Did the same thing happen with Australian Airlines?

PM: Australian paid exactly the same as Ansett. Exactly the same.

LAWS: I think it's very important to clarify that.

PM: Sure, I appreciate it.

LAWS: In light of the cynicism that you say exists. I must tell you incidentally that I had a telephone call yesterday I imagine from a coalition plant suggesting that it was laughable, but it's the sort of thing that I imagine you have to put up with if you want to be in politics, suggesting that your daughter had bought a house in Canberra and had paid for it with a cheque

signed by Sir Peter Abeles. So that's the kind of nonsense that ....

PM: I wish they'd have the guts -

LAWS: They don't.

PM: No, of course they've got no guts. A total falsehood. A total falsehood and I just challenge that person to have the guts to come out and say it.

LAWS: But they don't.

PM: Of course they don't.

LAWS: .... around long enough to know that they never have the guts.

PM: No guts.

LAWS: And that's the way it is.

PM: That's the way it is.

LAWS: Now tell me this. Back in the early, seven years ago when I used to see you, you'd come bounding in here full of energy and full of enthusiasm. You still appear to be full of energy. A lot of people have put it to me and I've heard a couple put it to you that you might be tired.

PM: I've never felt better.

LAWS: I heard someone say to yesterday, they cited what they called an old adage, which is a double something because an adage is old, that if you have a job for two years you should make a move, if you are there for four it's really time you got out, and if you were there for six it was too long.

PM: The Liberals seem to have an adage like that. If you're Leader of the Liberal Party for two years, that's long enough. Then the hurdy gurdy goes round and then the next bloke hops on then the hurdy gurdy goes round over the next years and the bloke that was on before gets back on. They seem to have the adage. But as far as the Labor Party is concerned, the truth is that in 1983 they picked Bob Hawke and they were pretty enthusiastic then.

LAWS: Yes, they ...

PM: They are more enthusiastic in 1990 than they were in 1983. I have the total support, total support of my Party. And I've never felt more enthusiastic about the job.

LAWS: Do you really believe that it's right and proper that the people of Australia should be encouraged to vote for a Party rather than a person?

PM: Look, you're never going to be able to disentangle the two John.

LAWS: But isn't it proper that they should do that?

PM: I think they've got to, they do both. I think leadership, for better or for worse, is an important part of politics. I mean the truth is that when people wake up on the 25th of this month they're either going to have Bob Hawke as Prime Minister or Andrew Peacock. Who leads is very important. But so are the policies. I simply say in respect of the question you put, of how I feel, I can honestly say to you I've never felt fitter, I've never felt more mentally alert, and may I say this, I've never felt more exuberant about being Prime Minister of the best country in the world. I mean, the future of this country is enormous and I just want to be identified with bringing to fruition the sorts of basic changes that are happening now in education, in science, technology our capacity to go out in those export markets and take on the best in the world and beating them. I mean that's what we're doing and I just want to see those things come even more to fruition.

LAWS: Could you tell me just in the two minutes or so that we've got left, just in your own words, what you see for the future, for people like me, for people like the rest who are listening to us all over Australia, for their kids and their kids' kids.

PM: Sure. I see a better educated Australia where every kid, irrespective of the income level of their parents are going to be able to go on and develop to the full whatever talents they have. We've already gone a long way in doing that. That's the best thing for the future.

LAWS: Irrespective of colour or creed.

PM: Irrespective of colour, creed, income. Every Australian child is going to be able to go on in the education system and have his or her talents fully trained. That's the best thing for the future of Australia. It's the most fundamental building block. We're going to have an industrial award system which gets rid of the irrelevancies and the ossification of the past as has just happened in the Metal Trades award. Three hundred and sixty classifications out and now fourteen, so that we're going to have an increasingly competitive Australian industry. We're going to be an Australia which is increasingly enmeshed in this most dynamic Asian-Pacific region. We're going to help shape that, not just accept it as it happens. But we're going to help shape it by this initiative that I've taken in establishing the Asian-Pacific Economic Co-operation

body. And most importantly, John, these kids are going to grow up with a greater chance than any kids ever before of living in a world of peace. Fortunately, and we've been part of it, the superpowers now understand it's more sensible, as it is in Australia, not to have conflict but to have co-operation. I can look the kids of Australia in the eye in a way I never could before and say you are going to grow up in a world at peace and Australia's been part of bringing that about.

LAWS: Thanks very much for your time. It's been good to talk to you as always. Let me say, as I've said on many other occasions, and I know you agree with what I'm about to say. Whatever happens on Saturday, let's all hope and pray if we're that way inclined, that it's going to be for the betterment of the future of Australia.

PM: Yes.

LAWS: Because it's all that matters, isn't it?

. PM: It's all that's ever concerned me John.

LAWS: Ok, thanks very much for your time.

ends