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CHANNEL 10 **MEET THE PRESS** **11.00** **20-11-94**

Subject: **INTV PAUL KEATING, Prime Minister**

INTERVIEWER - Barrie Cassidy:

Hello and thanks for joining us on this special edition of *Meet the Press* coming to you from the cabinet suite inside Parliament House in Canberra where our guest is, of course, the Prime Minister, Paul Keating.

Good morning and thanks for joining us.

Paul Keating: Good Barrie.

Barrie Cassidy: We'll talk about the APEC agreement very shortly but first, on wages: should Australians be bracing themselves for a period of industrial disputation in the leading up to Christmas?

Paul Keating: I don't think so except, you must know and I think most Australians know, we've changed from the centralised wage fixing system. We've now got the sort of system that I think most people in public life have believed we should have had for a long time. That is a broadly decentralised system which is industry for industry, plant

for plant. And because people are making agreements which go for a year or a couple of years or three years, it's likely that there will be some disputes but that's the nature of the system.

Barrie Cassidy:

And does that mean that disputes will be enterprise to enterprise, that we shouldn't expect to see a blanket strike - a national strike - by the Transport Workers Union, for example?

Paul Keating:

I don't think so. But, again, if they are bargaining for what they see as a sort of industry-wide adjustment of some kind, some segments of that industry could be subject to disputation.

Barrie Cassidy:

They are certainly talking tough aren't they? Steve Hutchins, the President of the TWU, said, for example, that he'll roll right over the top of you if you get in his way when he's going for these wage claims.

Paul Keating:

But he's running for election, Barrie, you see. They've also got an election on so you get this sort of talk in union journals when the campaigns are on. You get it in national election campaigns, indeed.

Barrie Cassidy:

Well what about the merits of the claim? They are going for 15 per cent - 7½ per cent a year. How much of that do you think could be made up of both productivity and profiteering?

Paul Keating: There is an assumption, I think, in a lot of the commentary about these claims that what is claimed will be given. But, remember, this is not the centralised system where largely what was claimed came from it. A claim is one thing but an agreement is another. So, in my view, 7½ per cent a year is too high and -

Barrie Cassidy: It's an ambit claim.

Paul Keating: And I think employers will think that too.

Barrie Cassidy: So what percentage? Is there a percentage that you can point to that accounts for productivity? Because some of this is retrospective of productivity, of course, in its -

Paul Keating: No, I can't disaggregate the claim and I'm not going to do the employers' work or their bidding for them. In this system the employers have got to, for the first time in decades, actually stand up and be counted. They've actually got to defend their own profits and seek to draw a productivity from the arrangements. In other words, this is a grown-up system. It's not a system where the government and the ACTU under the Accord through the centralised system fixes wages. The employers wanted us out of that system. We are now out of that system and the employers now have to manage the system and deal with claims and try and deal with them in a way that protects their profits and keeps the inflation rate low.

Barrie Cassidy:

But then you, as a government, you have to take the rap if the claim is too generous - if what they get in the end is too generous, and that feeds into inflation, and then in turn puts pressure on interest rates.

Paul Keating:

The government doesn't take the rap because this is a system where it's all up to the participants. But, by the same token, we will keep our eye on the total outcomes and the portents for inflation and competitiveness and it is in that respect, and for that reason, that Ralph Willis made the remarks I think yesterday saying the government will look at fiscal and monetary policy in the context of wage settlements which we think are unreasonable.

Barrie Cassidy:

All right. While they're trying to sort this out and you are looking on from the sidelines, how much sympathy have you for the Transport Workers Union, for example, because they are among some of the lowest paid workers in Australia?

Paul Keating:

Exactly. And there's going to be some pressure inside that union for adjustments. And I think the other thing that's worth bearing in mind: it's also true it's been some time since they've had an adjustment. So there is an element of catch-up here. But, again, it's a very competitive industry and a productive one and it's for the employers to draw the productivity from it.

Barrie Cassidy: And for political reasons you don't want to see those wages kept down anyway because it just feeds this perception that the opposition is putting out that in Australia the poor are getting poorer.

Paul Keating: That's just patently untrue and this comes from the humbugs in the opposition who oppose every wage increase since 1983. All the years that I've been here as Prime Minister and as Treasurer, Barrie, in every national wage case, in every wage round, they opposed the lot.

Barrie Cassidy: We have to take a break. We will be right back with *Meet the Press*. Stay with us.

(Commercial break)

Barrie Cassidy: We are back with Prime Minister, Paul Keating, here at Parliament House in Canberra. It does appear quite obviously interest rates will go over 10 per cent very shortly. Are these rates going to go up through next year and then the following year? When can we see an end to it?

Paul Keating: It depends what you call 10. We're -

Barrie Cassidy: The housing industry.

Paul Keating: The yardstick of the Government's what we call 'cash rate' - you know, the Reserve Bank's cash rate? I think

the commentary to make here, Barrie, is that it would be most unlikely that in any recovery of strength you could keep the interest rates that you had while you were in recession and we've now adjusted the cash rate by 1¾ percentage points, to about 6½ per cent. But, again, it's amongst the lowest cash rates in the last 20 years.

Barrie Cassidy:

Yes, sure, but can you say to the people of Australia that there will be end of this; that it won't go on all through next year; that we're looking at an -

Paul Keating:

There'll be no repeat of the eighties here. For a start -

Barrie Cassidy:

That's in terms of the top limit of interest rates. But in terms of this constant rise that we expect every three months?

Paul Keating:

Well, again, we'll see what happens in activity. We'll see what happens with the economy and activity. I mean we're already starting to see a slowing in housing lending, for instance, since the last rate rise. That's been reported fairly comprehensively by financial institutions. So, again, I think we'll look at activity and we'll look at wages. We'll look at the inflation outcomes. Remember this: that it was just a week or so ago that the inflation outcome for the last quarter came through and for the year it was 1.9 per cent. So we're still sort of keeping -
- There's very strong productivity in here - about 3 per cent productivity at the moment. So that's keeping the

inflation rate low and that lower inflation rate is the driver of interest rates and competitiveness.

Barrie Cassidy: What is the optimum growth rate above which you cannot go without having to ratchet up interest rates again to bring it down?

Paul Keating: It depends how much capacity we can see installed and how efficiently we use it. I mean you can see some of the East Asian economies growing at six and seven per cent a year without inflation sort of jumping -

Barrie Cassidy: We go over 4 per cent and there's a problem, isn't there?

Paul Keating: That was because under 30 years of the Liberals our capital stock fell to pieces. I mean, I used to say to the Liberal Party in the last few years, 'You should hang your head in shame', in the late eighties; that as soon as the economy gets a burst on - If it gets over about four to 4½ per cent it spills into imports. The reason for that is because we had such a poor - over 20 or 30 years - development of the capital stock. Now, that's changing. It's changing under Labor. It changed in the eighties with a big addition of investment, and it will change in the nineties.

Barrie Cassidy: Now I'll come back at you and talk, of course, about the budget deficit. I think this coming budget in May next

year is going to be one of the most analysed in the country's history, certainly in advance of it. Are you warming to the view now that you need to do more on the budget deficit, you need to get it down at a sharper rate?

Paul Keating:

I think people should understand what's already been done to get it down in the future. That is, the decisions which -- It's as if we'd been through a little time warp here that people haven't noticed. You might remember John Dawkins' budget of last year and the difficulties we had getting that through the Senate - the tax changes through the Senate. Well those policy changes are worth about \$9 billion to the budget over the next two years. That's around two per cent of GDP. A lot of that hasn't happened yet. A lot of that is still coming through. Now, a lot of people who focus on the deficit put that straight in their pocket and say, 'All right, what's next?' What I say is 'Well, just remember what's coming.' It's not a matter of what's here. It's what's already been provided for because what was legislated were triggered -- That is tax changes which were triggered to come into effect on petrol, on wholesale sales tax, and other things over the next couple of years.

Barrie Cassidy:

Well, even allowing for that and the growth dividend, of course, there will still need to be tax increases and spending cuts, won't there? You won't be able to avoid either one of those?

Paul Keating:

As I often say in commentary about the budget, we'll do our usual housekeeping job on the outlays. Remember this, Barrie, that the outlays in Australia are as low as I think you could possibly have them in an OECD country and deliver the sort of services we have. Apart from the spending on the jobs compact, the 1992 One Nation spending has now all largely been unwound. So this is not as if there's been a spending spree here. The outlays are still largely as they were at their low point in the eighties - largely at their low point in the eighties. This has been essentially a revenue problem. About \$3 billion has gone to the business community in lower company tax and accelerated depreciation and in tariff cuts. And of course with the slower growth over the last few years we've had a smaller tax base. But that will improve.

Barrie Cassidy:

All right. We have to take another break. We'll be right back to talk about the historic APEC meeting in Indonesia.

(Commercial break)

Barrie Cassidy:

We are back with the Prime Minister, Paul Keating. You've said this APEC meeting last week was the most important thing that's happened to you as Prime Minister. Why should people at home share your enthusiasm?

Paul Keating:

Simply because in the past, Barrie, we've never been part of a free trade area. Australia has simply been a

sole trader. But as the world is getting a tougher place to live in, with the US signing preferential agreements with Canada and Mexico, under NAFTA; as Europe has its borders closed behind the European union, life's pretty tough out there. So getting Australia to become part of a free trade area is obviously a change that Australia has never enjoyed before.

Barrie Cassidy:

But are the benefits at home going to be fairly mixed? It's not going to be particularly good news for those who are working in highly protected industries, is it?

Paul Keating:

I think it's going to be tremendous news for the whole country because what happens with a trade round is you get not just your own decision to reduce protection - that is a unilateral decision - you get a multilateral decision. So everyone is coming down at the same time. So you are comparing then apples with apples. The problem we've always had is when we've reduced protection other people haven't. If you look through the tariff and non-tariff barriers of East Asia, they're very high. So if we get them to come down we are going to open up enormous opportunities for Australians.

Barrie Cassidy:

How does that work when you are all coming down from different bases? Do you keep an eye on what the others are doing and act accordingly, or do you like to try and lead the region?

Paul Keating: That will be the basis of the negotiation which we will begin establishing processes for in Osaka in 1995.

Barrie Cassidy: But you've signed onto a very big agreement here. You must have given some thought to how it works from now on.

Paul Keating: Absolutely. Because we're already -- Most of this is behind us. We will have an average level of trade weighted tariffs of 2.3 per cent by the year 2000. So for us the bulk of the work is behind us. It's the other countries. I mean we've opened Australia up. We've made it competitive. We've reduced tariffs. We've got a productivity culture and we've had a big throw to exports. What we had to do in public policy was get something in place to get the tariffs down around the Asia Pacific, and that's what APEC does.

Barrie Cassidy: But, as you say, the heaviest responsibility is now with the other countries, not with Australia. You obviously have faith in the resolve of the present leaders but leaders come and go. Is there not a possibility that this will get a bit of a head of steam up and it just might run out of steam in two or three years?

Paul Keating: I don't think so because I think certainly East Asian leaders know that the countries with the lower tariffs grow faster and they do because the countries with the lower tariffs get more investment. Now, with South

Africa coming back into the world economy; China for the first time really in the world economy; South America, Russia, the Russian Far East, India - there's going to be an enormous competition for capital and countries that keeps their tariffs up are not going to get capital. It's as simple as that. And that's why, for instance, in Malaysia last week we saw a reduction in tariff protection. In Indonesia three months ago, a unilateral reduction in tariff protection. So what we're doing here is saying, 'Listen, if we club in together and bring them down together, the political cost and the difficulties of economic restructuring will be much easier.'

Barrie Cassidy:

You spent a lot of time with Bill Clinton this week. What do you think of him?

Paul Keating:

I think he is what one would always hope an American president is, and that is a person into good works and deeds. I think Bill Clinton is a very conscientious person. He's not simply about sitting back watching the world go by. He's trying to address the policy issues that a lot of people either never had the courage to address or found great difficulty in addressing.

Barrie Cassidy:

And it's tougher for him in many ways, isn't it, because getting up the GATT round and APEC in the United States is a tougher shot for him than it is for you here in Australia.

Paul Keating:

He has the difficulty of the Congress to deal with, but he's got NAFTA through. He's now got the GATT ratifications going through but he comes to the GATT ratifications with this APEC agreement in his pocket. In other words, what Bill Clinton can say, and I think say with voracity, is that he's the one who has opened up the opportunity in Asia for the United States. That's got to be a bull point, I think, in getting the GATT round through the Congress.

Barrie Cassidy:

Why do you think he is so unpopular at home, then? It's not a personality problem. The country seems to think that he's failing them in terms of leadership.

Paul Keating:

I think that probably he was a bit like -- I mean there's a moot point here. The Democrats blame him for their difficulties but I think probably he's entitled to blame them. I think it was like marrying into an unpopular family. He picked up all the dross of the Democratic Party and he's had it sort of round his neck over these last 18 months. I think this is going to give him a chance for a very clean break.

Barrie Cassidy:

We'll see the real new Democrat, do you think, in the next two years?

Paul Keating:

I think he is a new Democrat but he tends to look like an old one because of the demands which the Democratic Party make of him. You see, when he came

to Washington I don't think the Democratic Party said, 'Oh, here's the new Democratic President. Let's see what we can do for him.' The view was: here's a new Democratic president, can we knock him into shape?

Barrie Cassidy: Okay. Still a lot to talk about. We'll be back in a moment.

(Commercial break)

Barrie Cassidy: Back with the Prime Minister, Paul Keating. Clearly, you're not going to tell me when you are getting out of politics but have you made up your own mind? Have you got a ball park idea about when you plan to get out?

Paul Keating: No. No I haven't.

Barrie Cassidy: Because you have said that you've got at least a strategy, if not a time table.

Paul Keating: I've always said that I think there is a time when you've done your best and you should basically clear off. But I'm still I think kicking goals, so -

Barrie Cassidy: I suppose a week like you've just had would encourage you to stay around even longer?

Paul Keating: Well you do get that sort of feeling with a week like this I think. I've been here 25 years last month but I came

early, Barrie, so I can sort of stay on, if you see what I mean.

Barrie Cassidy: And you can't set up something like APEC and then walk away from it because, as you say, there's so much follow-up work to be done it could take years.

Paul Keating: And it's so interesting as well. I mean it's so interesting to get these countries together and put all the blocks together; to see all the blocks coming together in a sort of a change. I mean APEC didn't have to happen. There was no logical reason why it had to happen. It happened simply through cooperation and goodness - basically some people seeing something better, which I thought was tremendously encouraging. I think it's the most encouraging thing that's happened in the last probably 30 years.

Barrie Cassidy: So I presume from all of that you can go to the next election and promise Australians that you will serve the full term?

Paul Keating: Indeed.

Barrie Cassidy: So that's at least four years, and perhaps longer?

Paul Keating: I think it's silly to be saying, I'm here for the next decade, and all this sort of stuff. I've always taken the parliaments parliament at a time. I started thinking about

my life in here after I was here about three years. Well I've been here 25 now and so I'll obviously think about it and carry on.

Barrie Cassidy: What do you think you will do next, when you put all this behind you?

Paul Keating: Well I don't think anyone knows really, do they, when they're in public life? I mean it's such a high wire act, public life, you just wonder how you go off the wire.

Barrie Cassidy: You joined, as you said, at 25. You cut off your options at a very early age in many respects. From someone who has worked and lived overseas for three years - it's one of life's great experiences - have you ever felt that you denied yourself some of that? The opportunity to work overseas -

Paul Keating: That's the thing about Australian politics. You can't hop out and hop back in. I mean, in the US if there's a Democratic administration, the Republicans all clear off to their private lives and they come back a few years later. You can't do this in Australia. You sort of grind on till you're finished. I'm a stayer, I hope, so I'll stay on.

Barrie Cassidy: But would you look forward one day to experiencing life overseas and perhaps living over there for a while?

Paul Keating:

Not necessarily. I would look forward to a life without the attendant pressures and strain and stress of public life. It's not the hours, ever, it's the responsibility. It's the responsibility but, again, I've had it as a Minister now for 12 years, as Prime Minister, and one gets a bit case hardened to it I think.

Barrie Cassidy:

I know, again from my experience working with a former Prime Minister, that this invasion of privacy is a constant problem. Is that something that you struggle to cope with?

Paul Keating:

Oh everybody does I think, because the media today is so intrusive and there's so much of it and everybody wants a little piece, like you're trying to get a little piece now, Barrie. I mean everyone wants a bit.

Barrie Cassidy:

Can I ask you about your kids and whether you think there are any positives for them in having a father as a Prime Minister? Or, from their point of view, is it just a damn nuisance?

Paul Keating:

I think it's uplifting for the kids, but is it advantageous in the long run? Well, I wouldn't know. I mean it's very hard to make a judgment about that, I think. There's no doubt it certainly is an added pressure on them in their young years they could do without. But, again, they do see things and hear things and are part of things that other kids aren't. So there's an advantage there.

Providing it doesn't affect them adversely, that's probably not a bad experience for them.

Barrie Cassidy:

Okay. We're almost out of time. With the next election coming up next year - perhaps into 1996 - who do you think you'll be facing - John Howard, Alexander Downer, Peter Costello?

Paul Keating:

It doesn't matter. It doesn't matter. The problem, as I've always said, for the Liberal Party is it's not the jockey, it's the horse. The problem is the Liberal Party has had it. So I don't think it matters whether it's Alexander Downer or it's John Howard or whoever it is. I mean I think the Liberal Party constitutionally is in trouble. It's basically not a national party. It's just a party of six state runts and that's why you hear all this talk about state's rights - all the time state's rights in the Liberal Party because all the Liberal Party thinks about is the rights of the states because it is just a states' party.

Barrie Cassidy:

Okay. We are out of time. Thank you for giving up part of your weekend. We appreciate it very much. Next week's program will be the last for the year. I hope you can join us then. So it's goodbye from *Meet the Press*.

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