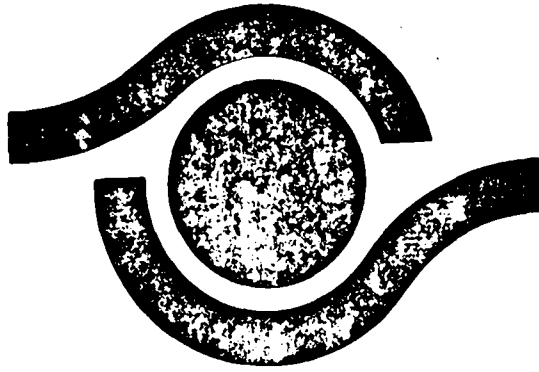


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# MONDAY CONFERENCE

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# TRANSCRIPT

[No 2.30 of 4 July 1977]

THE RT. HON. MALCOLM FRASER: Prime Minister of Australia

IS INTERVIEWED BY

MAXIMILIAN WALSH: Editor of the "Financial Review"

WARREN BEEBY: Canberra Bureau Chief of News Limited

AND ROBERT MOORE, ABC: Executive Producer and Program Anchorman

MOORE

Good evening, welcome to Monday Conference, this evening live, from a very chilly Canberra.

Mr Fraser has just returned from his longest and most important visit abroad as Prime Minister. Most notably the Commonwealth Heads of Government Conference, the European Economic Community, and Washington.

Tonight an assessment of that tour. It is also what could be a half term report on the Fraser Government. With me to interview the Prime Minister are Maximillian Walsh, Editor of the Financial Review, and the former head of the Canberra bureau of that paper; and Warren Beeby, the present Canberra bureau chief of News Ltd. and one of the journalists who accompanied the Prime Minister abroad.

Prime Minister, what is it that you are saying to the E.E.C. countries - are you saying that if they don't take our primary produce, and perhaps steel, then they don't get our uranium.

PRIME MINISTER

No, what we are saying is that they can't make rules just to suit themselves, in the products that suit the European Community. We used to sell, about 60% of our trade used to go to Britain, and now the Common Market countries - that is down to about 14 or 15%. It is down not because we produce less well, but because of the utterly restrictive policies that the Common Market has.

MOORE

Can I ask you if you think our uranium is going to change the ball-game, if I can put it that way. Is this a new stick to beat them with?

PRIME MINISTER

I think that is the wrong term. I think what we can do is point out that they want stability of access to raw materials, for energy, because Europe is short of its own energy supplies. It is fair enough to go on to point out that if they want stability of access to energy supplies, it is fair enough for stability to apply to a total trade relationship.

MOORE

Is it your impression that they will listen to us, that they really will take us seriously?

PRIME MINISTER

I think they have started to listen. There were four or five

hours of discussions with nine of the Common Market commissioners, that then went onto another several hours of discussions between officials - their officials and ours, and at the end of all that time, I think they were starting to listen.

In France, also, they were beginning to listen when I pointed out that we don't challenge your right to protect French farmers - we know quite well what the problems are in the farming communities, it is a national responsibility, a European responsibility to protect those farming communities. But, having said that, there is no need to do it in such a way that makes trade utterly impossible, and at the margin we can see ways in which the Common Agricultural policy could be modified - not challenging your rights, not challenging the principles - but then modified at the margin, which will enable some trade to take place. They seemed to respond to that, in I thought, a fairly forthright manner.

MOORE,

The inducement is what, uranium? The inducement ..

PRIME MINISTER

These things were not spoken of in the same voice. It was not an either/or situation. Certainly the fact that they want energy supplies, enables us to make a point in relation to the principles that ought to apply to trade.

MOORE

Could I ask you this. Has there been now, enough public debate about uranium in Australia, for you to make a decision on it.

PRIME MINISTER

The Labor Party seems to think so.

MOORE

That there has been, or has not been enough?

PRIME MINISTER

That there has been enough. Aren't they going to make a decision on their policy?

MOORE

What do you think. We heard about the need for a public debate, when do we say, enough, it has been going long enough?

PRIME MINISTER

I would have thought that there has basically been adequate public debate. While I was away, departments were assessing the environmental reports, cabinet papers, have been prepared, and

we will start to examine these pretty shortly.

When Cabinet starts to examine an important issue it is always possible for the Cabinet to come to a view that the papers don't cover all the questions as well as we want, and that therefore we would call for further reports. I think that is unlikely, and I can't see any reasons why decisions should not be made fairly shortly.

MOORE

How shortly, could you put a number of days on that?

PRIME MINISTER

I have said before that the decisions could certainly be made before August.

MOORE

Have you made up your own mind, personally, by this stage?

PRIME MINISTER

I am going to examine all the papers, but the input of what has happened in Europe has certainly been valuable in this process.

We have also got, as you know, a safeguards team in Europe explaining our safeguards policy to the Europeans, getting their reaction to that, and it has been very useful for me to know how the Europeans look at this particular matter.

WALSH

Mr Fraser, one input that you can't get from your experts is the political input. What do you think the political climate is in Australia towards uranium mining and export?

PRIME MINISTER

The majority of people would be in favour of it.

WALSH

A large majority? Do you see it as a serious political issue or do you see it as an issue which has attracted a great deal of attention, but which does not really engage the attention of most of the community?

PRIME MINISTER

I think people are concerned about uranium - I am quite certain that people would want to know that if the Government makes a decision to export, that the safeguards policies are going to be very strictly applied. There is a problem about proliferation, that is why there is an international treaty, that is why in our own safeguards policy, which I think

is probably the strictest of any exporting country at this point, we would insist on bi-lateral treaties, with any country that might become a customer of ours. These are matters that ought to be taken very seriously, and President Carter is completely and utterly right in focussing world attention to very difficult problems. I believe that, certainly at this stage, and before the fuel cycle evaluation study is complete, he is right in trying to keep the countries that have got nuclear power for peaceful purposes away from the plutonium economy.

WALSH

Just, on that safeguards. They are a subject which, while you were away, was reported, there is some confusion as to whether the safeguards will allow the export of yellow-cake or would require uranium yellow-cake to be beneficiated further. Could you clear me up on that? Do you feel that yellow-cake is what we are talking about exporting, or are you seeing uranium being enriched to a greater extent than yellow-cake?

PRIME MINISTER

I think there has been some comment in your own journal about that.

WALSH

That is correct.

PRIME MINISTER

It is our view that it would be possible to export the yellow-cake form, but for ownership, not to change hands, until it has been enriched to the appropriate point, to a point that attracts full safeguards. That is one way of doing it, it is not necessarily the only way of doing it. If there is export, one of the decisions we have to make is whether enrichment facilities are established in Australia and if so, do we do it by ourselves, do we do it in cooperation with one or two countries, do we do it in cooperation with a larger group of countries. If that decision is made, one of the governing principles would be which is the safest way from the point of view of proliferation.

MOORE

If you decided not to export uranium, what would be the repercussions in the United States, and in the European countries with whom you have been dealing?

PRIME MINISTER

I think it would be serious, because Europeans are short of energy, they were desperately upset and their economies hurt as a result of the oil crisis - much more than ours was, and for reasons that we know: we have got a degree of our own self-sufficiency in oil. So they need energy supplies.

Unless they can get new sources of uranium there is no doubt that a number of European countries are going to go very smartly into reprocessing, into the plutonium economy. That is taking nuclear power for peaceful purposes much closer to the edge of military technology, and therefore making it harder for appropriate safeguards to prevail. It is also making the problem of nuclear waste more difficult, because the waste from the second stage development of nuclear power as I understand it, is the much more difficult waste to store.

MOORE

What I really meant is what do you think would be the consequences for their political attitudes towards Australia? Do you think they would feel let-down, mislead, disappointed?

PRIME MINISTER

I mentioned that it is important from the point of view of keeping Europe away from the plutonium economy, therefore away from military technology. I think that if we said there is no export, many European countries, would feel that this is a very resource-rich country, not only in uranium, but also in coal, and compared to many of them also in oil, and in gas. They would regard that as rather a selfish use of resources, which are necessary to keep the lights in their homes burning, to keep their factories operating, to keep their people employed.

BEEBY

Access to markets is a two-way thing. If we withhold our uranium, are we then going to invite retaliation against Australia ...

PRIME MINISTER

I think the European Economic Community have just about done all the retaliation in advance they can, so far as Australia's exports are concerned. I used the figures earlier - 50% to 60% of our exports used to go to Britain and Europe - now it is 14% or 15%, and that is very largely as a result of the Common Agricultural Policies, and they used to be able to get away with that degree of protectionism, I believe, when it was related to agriculture alone. They could say it was agriculture, and they would plead a special case. But in recent times they have started to apply that policy to motorbikes from Japan, to ballbearings, to steel from Japan, to steel from Australia - they wanted to apply it, although I believe they won't. Even though they supplied 95% or so of their total steel requirements they had no hesitation in putting 50% cuts on Japan and South Africa.

WALSH

Doesn't this invite the very proposition, the obvious proposition, that we are behaving in exactly the same fashion, with other countries, developing countries of Asia - they have pointed this out in Singapore, Malaysia and the Philippines, have all made specific complaints about our protectionist behaviour. You used the expression I think that you said that the Europeans seem to think that anything that hurts their industry is unfair. It seems to me that we are liable to be attached to the same charge as that.

PRIME MINISTER

I don't think so at all. I think it would be a very good thing to examine some of the facts and figures of our trading relationship with the ASEAN countries. I don't know how many people realise that Singapore is running a balance of payments surplus with us, and in recent times has been running a balance of trade surplus in addition. I don't think we want too many figures, but just one or two to demonstrate this point, because a great deal has been written about the unreasonable way that Australia treats her trading partners in the ASEAN countries. I think this is unfortunate because it then gets rewritten in Malaysia, and Singapore, taken verbatim out of Australian journals and I know it is done in good faith and for proper motives, I don't challenge that - I just think that it is misdirected, on the facts I think it is misdirected. In recent years ASEAN's penetration of our markets has been increasing at the rate of about 29% a year, our exports to them have been increasing at a much lesser rate than that - if the present rates of increase continue, there is every likelihood that they will - there will be a balanced trade in 1983 or 1984 between ASEAN and Australia, and the unfavourable ratio from their point of view has already been greatly diminished. In areas that are sensitive - footwear, textiles, and these things, we have lost in recent years maybe 40,000 jobs, directly as a result of imports - since import quotas were put on. In clothing and textiles we have had further increases of 37% and 69% - increases from these particular countries. Just one other set of figures: In total manufactures from these countries, Australia takes in dollars a head \$6.55; Japan \$2.77; America, somewhere in between; Canada \$1.97, - so in terms of dollars a head we take far more imports from them than other developed countries. But take it into the most sensitive areas - textile apparel and footwear: Australia, \$2.18 per head from these countries; the United States \$0.63; Japan, \$0.25; and Canada \$0.41; the European Community \$0.37.

WALSH

Interjection - inaudible

PRIME MINISTER

Yes, but they are also sensitive to the United States and to Japan, but in the sensitive areas, their penetration of the Australian market, they have got more access here than they do

in any other developed country.

WALSH

But the point is, to use your own analogy, is there are sensitive areas in Europe - when they talk about Japanese motorcars; their sensitive areas in the United States, they talk about Japanese television sets. For Australia to have sensitive areas all to its own is quite unreasonable if you are going to talk in the international context of trade which you do repeatedly. We preside at the OECD Ministerial Meeting, and we signed a communique which extolled the virtues of lowering protection, of not pursuing the very policies which this government is pursuing.

PRIME MINISTER

I think you misunderstood me. Because, the figures that I quoted showed that our imports from the ASEAN countries of the goods that tend to disrupt local employment are far higher than would be allowed in other developed countries. Australia in this area has a much more open market than the other countries I mentioned, much more open than Japan, the United States, Canada or the European Community. I don't think we would do our own cause much good when we just ignore that fact, and imply that we are high protectionists and don't allow trade - their trade has been increasing at 29% a year. That is a pretty hefty penetration into our markets, and especially at a time, as you know, of significant unemployment in sectors of manufacturing industry.

WALSH

But, let's not argue about the whys and wherefores of it, but just to look into another area. Do you feel that the ASEAN countries are perhaps ganging up on us, that they feel we should be more open, simply because we are closer, and we are rich, and that they see us as having a particular relationship with that area, which those other countries you referred to do not?

PRIME MINISTER

They have, I think, got a particular relationship with us, which is a much closer one than it would be with a number of other countries - geography, history, have certainly led to that. But, at the Commonwealth Heads of Government Meeting there was time for quite considerable discussions with Prime Minister Hussein Onn, Prime Minister Lee, and I started to recount to them some of the facts and figures of our trade. I think a lot of people have in fact accepted what has been written - that Australia is a closed market and does not allow access for these goods into our markets. If you look at the particular goods, we have been allowing access at a rate that has in fact been causing considerable disruption to Australia's own industries. I think it is quite plain that no country can go on with industries in a static state, they have got to grow, they have got to change



as time passes. But I think also, people would realise that there is a limit to the rate of change that can take place without unreasonable social and economic disruption. I believe that the rate of penetration into our markets, at a growth rate of 29% a year, is about as high a rate as you can encompass, especially when most of that growth rate is coming into areas that are sensitive from an employment point of view in Australia. We have not said, no, there will be no trade. If we had been behaving like the European Economic Community in these areas, we would have just said no trade at all. Let me just give you the figures again, or put them in a different manner: the annual growth rate since 1970-71, the annual growth rate, on the figures I have been given by my Department is: clothing 134%, footwear 110%, furniture 94%, electrical machinery 88%, other machinery 159%. These have been annual growth rates, and I know they started from a low base ...

WALSH

I was going to say ... You can quote these figures, you have got an advantage on us ...

PRIME MINISTER

..but wait a minute, it is obvious that I would analyse this situation because I read what The Financial Review says, on these particular matters, and I have been reading it for months..

MOORE

But I suppose the question has to be asked, Prime Minister, that allowing for that high level of penetration in footwear and clothing in particular, surely soon it is going to become politically impossible for an Australian Government to allow that rate to continue. So from a Malaysian point of view, it is all very well, but what they are worried about I imagine is, that where does the ceiling come, and it must in political terms, be soon in Australia?

PRIME MINISTER

Even since quotas have come on, imports from these countries in a number of areas have continued to rise, even where there are import quotas.

WALSH

But not the totality of imports, couldn't have, I mean the very nature of ...

PRIME MINISTER

No, but from ASEAN countries. That is what you were originally talking about.

WALSH

That is right, because they can mark those goods up further, I me

it is one of the problems of their quotas - quite obviously as you are going to bring in the cheapest and sell at the highest prices. If you have got a quota you can do whatever you want with it.

PRIME MINISTER

I don't think anyone likes quotas, but at the same time it gets back to the rate of economic and social change, and there is a rate beyond which it can't be allowed to occur in any country. I believe that the ASEAN countries will well understand this. I am looking forward to discussions with them when that next occurs, so that we can go through these things in detail. The discussions with Hussein Onn and with Prime Minister Lee were the most cordial and friendly discussions between neighbours and between friends. There is nothing but a wish between both of them, and I am sure the rest of the ASEAN countries and Australia, to advance the totality of the relationship, not just trade, but the totality of the relationship, and I believe we are doing that.

WALSH

Don't you get the impression, I am only asking this as to whether you do get the impression, that within the ASEAN group there is a younger echelon of people coming through who have started to coordinate their economic aims, and they are taking aim at Australia to begin with, and that the kindly references made by the Prime Minister of Malaysia and by the Prime Minister of Singapore aren't really representative of that changing mood within the ASEAN structure, because we do, in the Financial Review, quote these people - we don't invent them - it does exist, and there have been retaliatory moves, in statements made by the Philippines and by Malaysia.

PRIME MINISTER

I think there is some equivocation about recent events in Malaysia but I am not sure that it is a good thing to pursue individual ...

WALSH

You don't feel there is any change of mood there about Australia, you feel ...

PRIME MINISTER

No I don't. But one of the things I do think we need to do is make sure that the facts and figures of the trade are properly understood. Let me say it with all the kindness in the world: when a journal like the Financial Review writes that we are

being unfair in our trading relationships with Malaysia or Singapore, that gets reprinted in the newspapers and naturally they believe it, they believe it you see. And then if it's Australians saying that Australians are not behaving in a fair and proper way, they must think there is something wrong that needs altering.

WALSH

I think it is disgraceful what you have to pay for shoes here and what you have to pay elsewhere. I think the consumers of Australia are being had a lend of...

PRIME MINISTER

..what you have to spend for a car here, what you would have to spend for a car in the United States.

WALSH

Well it is and you run the motor plan .

PRIME MINISTER

But the base market for reasonably sophisticated industry is 14 million people, compared to 260 million in Europe. There is no way you can run your manufacturing industry on the same general levels of protection and survive. No way, but we still allow significant market penetration.

WALSH

Isn't it surely, when you admit that, that you have to look towards ways of changing your industrial structure, you are putting the very argument forward that you should allow change , you should allow specilisation, you should allow the market place to work. All you are doing is halting the process, and meaning that we are going to hold those prices forever.

PRIME MINISTER

Things are being overstated. You say 'halting the process'. I said a few moments ago that there has to be change. Things are not static; but that the rate of change has to be reasonable otherwise the economic and social disruption become much too great. But the argument that you are putting could be related in these terms. Let goods come in without any duties at all and then see what happens in Australia. Well, you would have unemployment at quite intolerable levels. It is much too high now. What would happen to unemployment under those circumstances would be grievous indeed. There is another element in this which also needs to be understood. I made the point about a market of 14 million people and with that as a base you do need in my view higher levels of protection than if you have a base market of 260 million as the wealthy countries of Europe have. But what we can do in relation to ASEAN or developing countries generally is also limited by other factors, and one of those is the access we get to other markets around the world. If we are cut out of markets in Europe for significant goods, if therefore large sectors of Australia, as they now are, are very much depressed - all the beef areas are utterly depressed - that does limit what we can do in other areas of trade. It weakens our total economy. Therefore relationships in trade between ASEAN and Australia are not just - you cannot look at that in isolation.

WALSH

I accept that.

MOORE

I would like to move back in time to the beginning of the Commonwealth Conference. For those of us at home the big issue was the question of apartheid in sport and your alleged spat with Prime Minister Muldoon. There seems to be, as far as I can make out, some confusion as to the precise meaning of the statement on apartheid in sport - some question as to whether it applies to only teams from South Africa, or individual sportsmen as well. How do you see it?

PRIME MINISTER

There is a complete understanding that our policy as it is fits the Commonwealth statement. The Commonwealth statement was a long statement. It was accommodating a number of points of view, and I think a number of people changed their attitudes in relation to it. I think it is very important to note that from the African point of view the significant word is "discourage" and not 'prohibit'. Many African countries or Caribbean countries were earlier tending to demand the word 'prohibit'. The communique or the document ended up with the word 'discourage'. So it was really around that that agreement was built. If somebody, or a team is representing South Africa, under our policy as it was, under our policy as it is, if they are coming representing South Africa they would not get a visa. That is to some extent a firmer

/policy

policy than one that some other countries pursue. But if there is an individual coming, just being an individual ..

MOORE

I am sorry Prime Minister .. the statement does refer to 'nationals' that is the word it uses 'sporting contacts between their nationals and the nationals of countries practising apartheid'.

PRIME MINISTER

Yes, I know that, but it also says 'sporting contacts of significance' and I had long discussions with Prime Minister Manley about these particular matters. Our policy is understood. Our policy was not in question. Our policy was not under challenge, and it is not under challenge now. I again described our policy and I said that it fits that particular document.

MOORE

So you read no significance into the word 'nationals'?

PRIME MINISTER

You have to look at 'sporting contacts of significance'. But you also have to look at the word 'discourage' because when you use a visa power you are going way beyond discouraging. You are prohibiting, and the policy in fact does not require prohibition.

BEEBY

Prime Minister, the whole wrangle over the sports/apartheid issue centred on New Zealand, and within minutes of the release of the Gleneagles statement Mr. Muldoon was saying that his policy fitted the statement. How can this be and what prospect does that have of saving the Commonwealth Games next year?

PRIME MINISTER

I believe the Commonwealth Games will take place. Pierre Trudeau believes they will take place, and I believe most of the countries of Africa believe they will take place. This was the general feeling of the meeting. There was a general wish that those Edmonton Games would continue. I am here to answer for Australia's policy but I think it is fair enough if you restrict me to that.

WALSH

Beyond sport Mr. Fraser - it seems to me that you underwent something of an appalling conversion en route to London, as before you got there I had never heard you use the expression Zimbabwe, and I do not think I have ever heard you speak of Namibia. During the course of your tour you raised the subjects used these words - not only in London actually at the Commonwealth Conference where it was of some interest, but even at the White House, whereas your previous preoccupation with foreign policy had been far removed from Africa, Zimbabwe and Namibia. When did this conversion take place, or don't you think it has?

/PRIME MINISTER

PRIME MINISTER

I think that you should - maybe you have - read a speech I made when Mrs. Suzman was out here from South Africa - Dr. Helen Suzman - and one I made in New Guinea at a dinner that Prime Minister Somare gave, where many similar views were expressed, and also there was an IPU meeting where somewhat similar views were also expressed. So, altogether those events go back over a considerable period, certainly to the period ..

WALSH

That is not that long.

PRIME MINISTER

Over eighteen months, two years. Two years - because the first instance I mentioned was when we were still in opposition.

WALSH

I do not want to press it but it seems to me that you have shifted your ground - or you may have matured if you want to use that expression - in the period of the last decade. You had no interest in..

PRIME MINISTER

Good heavens I would hope so, in the period of the last decade. That is a long time, ten years, and if somebody is going to be a politician and at the end of one ten year period end up with precisely the same views as he had at the beginning of the period, not modified, changed or adapted at all as a result of changing circumstances - you are going to be a fairly sterile politician.

WALSH

How about the last eighteen months, when you first came in? When you first went abroad you were preoccupied and concerned with Russian influences in the Indian Ocean, and you went to great lengths to quote from NATO reports to demonstrate the reason we should be concerned about this. Do you still regard that as a major preoccupation of your foreign policy, as it evidently was then; and when you went to NATO, when you went to Europe, did you have any fears about the continuation of NATO itself and the possibilities of a socialist/communist government in France and the impact that that would have upon NATO?

PRIME MINISTER

I would like to back-track for a moment or two. I do not think there was a preoccupation with the Indian Ocean. I think there has been a preoccupation in some aspects of Australian thought in relation to it, and maybe I did not explain myself as well as I should have. - But the words used in the 1 June speech of a year ago when the subject was I think probably first introduced, I believe were moderate, and low-key, as they were meant to be. Our policy for a long while has been balance at the lowest possible level. The Indian Ocean to me has always been a symptom of the Soviet Union's build up in arms and capacity to reach out anywhere in the world. It is not an event in itself. It is a symptom of a global Soviet power. Now in NATO headquarters I found the very same concerns expressed to me in verbal terms by both civilian personnel and military personnel, and indeed the Soviet Union is

spending between 13% and 15% of gross domestic product on arms every year. Now that is an enormous amount. It must be of concern. It is of concern to the countries of Europe. It is of concern to us. But in the global context, and the Indian Ocean is part of that, it is not a specific and isolated instance, I would have no real concern about the future of NATO. Or, put it another way around, I found no evidence to suggest that NATO will not continue as a vigorous force, and as a quite vital entity. I know the problems with Euro-communism in Italy or France or in other places.

WALSH

Did you discuss that with President Carter, the state of Europe, and NATO?

PRIME MINISTER

Not so much, but the broad global issues were discussed. I had already discussed NATO and the state of Europe while I was in Europe, and there were close exchanges. I do not think there was much difference in view in relation to it. President Carter had discussed more the Western Pacific and the Indian Ocean because I think he wanted to assure us about consultations. We know precise details of the present approaches with the Soviet Union, and I have every confidence that Australian interests and concerns will be fully considered in the process of further discussions with the Soviets.

MOORE

Prime Minister could I take us back to Zimbabwe - sorry just to back-track ..

PRIME MINISTER

I wanted to get back to that because there is one point that I want to make and I have not, and maybe your question will ..

MOORE

To me the crunch issue is what your attitude is towards the guerilla movement, the liberation front, or whatever. Where do we stand on, if you like, violence? Do we acknowledge it, condone it, support it?

PRIME MINISTER

It is acknowledged that it is there. It is acknowledged that it is one of the pressures on Ian Smith's regime, but we do not condone it, and we do not support the use of violence, and I think that view is basically the same as Britain's and Canada's and also New Zealand's. But it is a fact of life. It is also a fact of life that if majority rule does not come in Zimbabwe there will be more violence. For twelve or thirteen years people have been negotiating. Britain has been saying 'we will get to majority rule through negotiations'. At the Conference, Prime Minister Callaghan said that Zimbabwe will be seated at the next Commonwealth Conference. What is that - in a bit less than two year's time. If it is not, I believe that the confidence people have in negotiations will be shattered. There are a number of Africans now who say 'all right, we accept what you say about

/negotiations

negotiations, but it is up to you to make them work; we do not really believe that you can'. The African countries as you know support, as they call it, the Freedom Fighters.

MOORE

Supposing Rhodesia does not become Zimbabwe in fact by the next Commonwealth Conference, and it looks as if Ian Smith is absolutely recalcitrant - will do nothing to ease the way - and the African members of the Commonwealth do call on Australia and other countries for moral, absolutely open moral support - perhaps military support. What would you think of that?

PRIME MINISTER

That is a long way down the track, and before then I think people have to do everything they can to see that there is majority rule. One of the things that will help, even if only marginally, but marginal pressures ultimately end up in being successful - is that if that minority government comes to realise that there is no sympathy amongst governments anywhere in the world, then that itself is another pressure. That is one of the reasons why I believe it is important for Australia to have spoken with a clear voice. One of the things which I think has led to the continuing acceptance of the object of getting to a result by negotiation is President Carter's support for human rights, much greater support for what Britain is doing in Africa, than the United States has ever given before; and therefore there is a renewed belief on the part of African leaders who want a moderate solution, who would like to get to the result by negotiation, that - maybe this road will be successful after all. But I do believe that there is a limited time left for this particular track to be successful. Because if negotiations are continually put off there is no doubt that more and more people will embrace violence, and violence alone, as a solution to the problem. If that happens it would leave Africa open to all kinds of influences that basically are not there. Or if they are there at the moment, only on the margin.

BEEBY

Prime Minister, at the end of the Commonwealth Conference, the communique came out, and you dissociated Australia from two points. One you just mentioned was support for guerilla action in Zimbabwe. The other was for a zone of peace in the Indian Ocean. Could you explain why you dissociated us from that concept in the Indian Ocean?

PRIME MINISTER

I dissociated us from some words which might have been an implied criticism of the United States developing the base at Diego Garcia. Because we had supported that in the past and believed then, and believe now, that that facility is necessary in the pursuit of balance in the Indian Ocean. It is worth nothing I think that President Carter's approach to the Soviets is based on stabilising the situation as it is, as a first step. If there can be agreement about that, they would then see what could happen

/beyond



beyond that. I felt it would be quite wrong to go along with words that might be construed as being critical of that United States activity. I explained that to the Conference at the time. I think that our view was well known. It was understood in the Conference. There was a friendly exchange of views and attitudes between ourselves and one or two others who pursued a different view, but it was all done in very good humour.

BEEBY

In Washington you discussed this again with President Carter, and were given an assurance that you would be consulted about what develops in these talks between Russia and America on the future of the Indian Ocean. Will these discussions take place before America and Russia come to a decision ..?

PRIME MINISTER

They already had. I think the first talks with the Soviet Union were virtually taking place about the time I was in Washington. There had already been free exchanges of views between our own officials. We had put our own views down on paper, and we knew the sort of view that was being put by the United States to the Soviet Union. That consultation will be a continuing process.

WALSH

Could I just take you into another area of your visit altogether which might lead us into the domestic affairs side. Prior to your departure there was considerable publicity given to the statements by some of your Ministerial colleagues. One of the reasons investment was not flowing into Australia was some concern with our industrial climate. Did you find this reflected overseas?

PRIME MINISTER

There is a concern about industrial relations in Australia. I was able to point out to people that in the first few months of this year industrial disputes were much less than they had been for seven or eight years. Obviously that was a short time frame in which to make any permanent judgements. I pointed out that there had been significant changes to industrial law - some already operating - maybe more changes to come. But people are well aware of the fact that a good deal of industrial disputation has come in areas that affect export trade - the Pilbara, coal industry or shipping. What the maritime unions are I think demanding at the moment or may be going to demand in relation to the export of coal carried in Australian-manned ships, could have dramatic and far reaching effects on Australian trade overseas. This is being examined very closely by Commonwealth departments at the moment.

I may well have to be in touch with the Premiers about it, because at least three states are very significantly affected - not only Queensland, but New South Wales and Western Australia. I do not believe any of those Premiers would welcome a situation in which the cost advantage of contracts of Australia were outweighed by shipping costs, that no new contracts were written; and people ought to look very closely at the Utah decision to suspend operations in Norwich Park pending resolution of this issue. It is a very serious matter.

/WALSH

WALSH

But what could be done at the State Premier level? Just make political noises?

PRIME MINISTER

No, I do not think so. Because the states are very much involved and if there were a common view with Mr. Wran and ourselves and others in relation to it then I think it is possible to talk with people, and hopefully to get a sensible result. This matter was raised briefly at the Premiers Conference. I put people on notice that I might have to be in touch with them about it, because potentially it is a very serious issue indeed. I have no doubt that some investments into Australia have been delayed while people look at these particular matters. When I was in the United States a year ago people said - what is the question of industrial relations? They certainly said it again on this occasion.

WALSH

But has it been a serious impediment to what you put forward as your economic strategy at the last election of an investment-led recovery, or is it a bit of a marginal impact?

PRIME MINISTER

I think it has probably had quite a significant effect, but I am not for one moment seeking to - I would not want that to be regarded as trying to make an excuse. I think it has had a significant effect. But I also need to say that while those words 'investment-led recovery' were used in one document on one occasion, there are many facets to a recovery, and that is just taking one part of it.

WALSH

It was a very important element of it.

PRIME MINISTER

An important element of it. But I do not think you can look at it and say recovery is going to come from investment alone, or something else alone, or consumer spending alone ..

WALSH

Where do you think it is going to come from?

PRIME MINISTER

It will come from the totality ..

WALSH

Where will it come from now? Of course it is going to come from various impacts, but at this stage, half-way through the first Fraser Government, we have - as the Labor Government was at pains to point out today - higher unemployment than we had when Fraser came to power. We have inflation still in double digit figures.

PRIME MINISTER

I do not believe we have for one minute.

/WALSH

WALSH

What? Inflation into double digit figures?

PRIME MINISTER

No. I do not.

WALSH

Well, the last figures that we had from the CPI were 10.9% after we fiddle around with Medibank, and I do not think you have any better knowledge than I do on that. You are saying that the June figures are going to take you down there. That may be true, but they are just not available yet.

PRIME MINISTER

If you look at the March quarter figures, and I know that is only one quarter, but many experts had said it would be a very bad quarter and obviously I was delighted to be able to find that the experts were wrong on that occasion. Inflation is coming down. I think we can agree on that point. And coming down very significantly. There is no point in arguing about one percentage point one way or another.

WALSH

Unemployment is the sticky problem..

PRIME MINISTER

The unemployment problem is serious, and as you know there are a number of training programmes and special programmes designed to help young people. These programmes will be continuing. Tony Street had discussions in Britain to see if we can learn from their experience because they have to a significant extent the same problem. They have a number of programmes and I would not want to get into the details of them here.

WALSH

But you think ..

PRIME MINISTER

No - do not go drawing out conclusions. All we were saying was that he was looking at United Kingdom experience, and European experience to that matter, to see if there is anything we can learn from them. I think his view tended to be that Australia has done better when many countries may be better than Britain in this particular area. But while he was over there, it was obviously something that he ought to look at. I just want to make one important point about unemployment. We have got into a situation in which there has been very considerable increase in wages in Australia in recent years. Lower paid people are more highly paid relatively I think than they have been in previous times in Australia's history. There are strong indications that people are moving into the period where, instead of employing unskilled people, they are buying new machines, better machines, and therefore employing less people. Even though companies are in a better profit position

/they are

they are still probably pursuing this particular process at the present time. With the rate of escalation in wages, especially at the lower wage levels, you have a situation I think that is going to make it very difficult to get unemployment down in the way all Australians would want. This is a new factor. It has not been adequately recognised in Australia as one of the major causes of continuing high unemployment. But I think it is something that is going to be with us, and it might be the reason, or one of the reasons, why unemployment in the United States has for many years been higher than Australia was used to. Because they had moved into the higher wage situation with their lower skilled people.

BEEBY

In West Germany Prime Minister at a meeting with German investors and businessmen - I think I have the quotes right - 'you said that they need not fear the unreasonable demands of Australian nationalism and that Australians are not chauvanists when it comes to foreign investment. What were you promising them? Was it a relaxation in some way of the guidelines?

PRIME MINISTER

No, I was not promising them anything. But I was explaining our foreign investment policy to them. I think that was understood. I was explaining that their investment would be welcomed, because you are probably not aware of the history of our relations with Germany in this particular area, but they were starting to show an interest in Australian development, investment, minerals two or three years ago; and certain meetings took place in Europe that turned them off completely. One of the reasons for that meeting with German industrialists, businessmen, bankers, was to try and undo the damage that had then been done.

BEEBY

Did you get any assurances..

WALSH

Who was that with? Was that with Whitlam ..?

PRIME MINISTER

It was on an earlier occasion. I do not want to go into the details.

WALSH

It is a very serious charge to say .. Was it by the former Prime Minister Whitlam or was it by his Ministers, or by public servants or....?

PRIME MINISTER

It was on a tour when Mr. Whitlam was there and a number of other people were also there. But the minutes of certain meetings were made available at the time. I had seen them, and I was not surprised that German interest diminished as a result of that. It was not only a political exercise in that sense, it was not only involving politicians.

/BEEBY

BEEBY

How did they respond to this statement that you made? Did they show any signs of ..?

PRIME MINISTER

Chancellor Schmidt, when I told him of our attitude, welcomed it very greatly, and I think the German industrialists were showing an interest. Some of them have got concerns out here. They said they would like to have further discussions with me when they were visiting Australia later this year or next year, and I think it was the view of our Ambassador that the meeting went well from his judgement of their attitudes.

WALSH

Prime Minister, in the section of the Commonwealth Conference communique dealing with the Middle East, the Heads of Government say, and I quote - they refer to, and I quote "the right of the Palestinian people to their own homeland". Was there any suggestion where that homeland should be?

PRIME MINISTER

No.

WALSH

It did not get down to that degree of detail?

PRIME MINISTER

No. That is not an all-embracing phrase is it? It says I think, most..

WALSH

No - the next one says "Heads of Government recognise that the PLO is the only legitimate representative of the Palestinian people". Were you one of the most of Heads of Government?

PRIME MINISTER

Australia has taken the view that the PLO should first recognise Israel's right to survive. That remains our view, and that also was made plain in the meeting. In these areas where Australia might have been in a minority view in the conference there was no attempt to hide that or diminish that. They knew our views in these matters.

MOORE

Prime Minister, if you will forgive the phrase - it is time, or almost time. Incidentally, how did you get on with Mr. Muldoon? I forgot to ask.

PRIME MINISTER

I thought very well.

/MOORE

MOORE

It was not such a fierce battle as we were led to believe?

PRIME MINISTER

I do not think so.

MOORE

Prime Minister, thank you very much for joining us tonight.  
Maximillian Walsh; Warren Beeby, thank you too.