

INTERVIEW WITH MR. ASOU, YOMIURI SHIMBUN
(JAPANESE CORRESPONDENT)

Mr. Asou

It is only 16 days to the opening of the Tokyo Summit on the 28th of June. This Summit occurring as it does in the midst of continual oil price increases by the oil producing countries will have energy problems as its main topic - the extent that it is being called the energy summit. When you consider the vast energy situation - Australia's every move seems to have a great capacity to affect the international (inaudible) - the economic order. Since it is one of the world's largest producers of uranium, iron ore, coal and so on. It also seems to have the capacity to give a lead to world energy policies. So, at first I would like to ask two points: what direction do you think a country participating in the Tokyo Summit should take in relation to the energy problems and what do you expect it to achieve?

Prime Minister

I don't think energy is - it is certainly not the only vitally important question at the Tokyo Summit. It is important. The problem of inflation I think is now more important than it has been for many many years. I will speak about energy first and then if I may come to the question of inflation. Australia is an energy producer, energy exporter. We are short of oil as you know and we need what we have for our own resources but for coal, uranium, natural gas, we are exporters and we believe we have an obligation and a responsibility to do what we can to provide energy in an energy-short world. This is one of the important reasons why we are determined to mine and export more uranium and to open new mines - because we know that nations such as Japan and many others are now becoming increasingly dependent on nuclear fuel for peaceful purposes. I think we can set a lead. We can set a lead in terms of safe trading in uranium to reinforce the non-proliferation regime. Our safeguards policy is certainly a strict one, as it ought to be. Australia has recently become a member of the International Energy Agency and certain countries - the members of that Agency - have made rules which is designed to reduce the consumption of oil and oil-based fuels. I don't think all countries are pursuing those agreements with the vigour that they should. And we certainly all need very vigorous programs of conservation and of diversification into other forms of energy. I suspect that this might be more urgent than many governments have led their peoples to believe. The United States is one of the world's largest, most populous - and as the world's wealthiest country - is a vast consumer of energy. In a sense energy doesn't belong to any one country, it is a resource available to the world and if one country is pursuing more than its reasonable share of that finite world resource then it is using at too great a rate a resource which many countries will need. So, programs of conservation, programs of diversification, are vastly important for all of us. Now, Australia has moved a long way with our world parity pricing policy for oil, promotion of

Prime Minister (continued)

natural gas. I think we have a good way further to go and I have commissioned a report for the Government - the Minister for National Development - on various matters that might be put to the Government and the Government will be able to make decisions about them in relation to conservation, in relation to diversification. I think these are vastly important issues.

I hope the world's energy shortage won't be allowed to hide from those leaders of the great and powerful countries that attend the Tokyo Summit forces which I think are even more important and even more dangerous than the potential energy shortage: and that is continuing inflation. Because North America and Europe were making some progress against inflation and now for a variety of reasons inflation is gathering pace again. There are some reasons that we can understand: oil and meat prices have given a boost to inflation in Australia and a number of other countries. We have already responded to that with our own mini-budget. Unpopular as it was, but it was necessary and responsible to maintain our anti-inflationary policies and the thrust of them. I fervently believe that unless the great and the powerful industrial countries are going to give a more fervent and more vigorous lead against inflation then we are going to be in for a long and prolonged decade of difficulties.

Since 1973-4 world trade has grown at only 4 percent a year. In the twenty years before that it grew at 8 percent a year. That 4 percent has occurred during a period of high inflation when growth is low, unemployment is high, and activity, investment development was minimal. It is going to stay like that and unemployment is going to stay high unless the major industrial countries really have the political determination and courage to overcome inflation.

What the great and powerful do, does a great deal to determine what happens around the world, but in many cases Australia is a fortunate country because we have political and economic stability. We have a lower rate of inflation than North America and much of Europe. Japan is still doing better, but we are hopeful we can start to match to Japan in these particular matters. Therefore, our industry should be becoming more competitive than those and we will get a larger share of this market and a better share of export markets.

We are also fortunate because of great minerals and resources in the country. Because of political and economic stability we will attract great investment from overseas even if the general growth in these industries is relatively low. I think we will get more investment or some that would otherwise have gone to other great continents. Because of that, I think that in Australia there will be more activity and a greater buoyancy and if there are difficulties around the world I think we have a capacity to work our own through with less damage than would occur in many countries.

Prime Minister (continued)

Now that's concerning to Australia, but it's not much consolation for those many countries and those tens of thousands - indeed many millions of people in the advanced industrialised countries who will be out of work because inflation is too high. Every Summit Conference has spoken about inflation and it is going to be much harder after this conference because when communiques are issued, but not enough happens as a result of those communiques being issued, it makes it much harder to maintain the vitality and vigour of the conference providing a hope and an understanding in many countries - Australia and many many others - that the economies of the very large countries are going to be managed in such a way that we will get onto a more secure path. You say these things once, twice, thrice, and it is harder each time to have a community that is going to be believed. The Tokyo Conference therefore, is of great importance because in relation to the energy problems - which are certainly great - but in relation to the problems of inflation, which I think are more substantial and more far-reaching, to be believed what's said will have to be followed by government action which can be seen to get on top of inflation.

Question

(Inaudible),... Australia has succeeded in keeping the price increases very low, less than 5%-10%.

Prime Minister

Not low enough, but lower than them.

Question

But among the countries participating in the Tokyo Summit, there are countries with economies that are going to the wall, that are experiencing price increases, rates, of nearly 20 percent. So what should these countries do to restrain inflation?

Prime Minister

I don't know that any of the countries involved have inflation rates as high as that, but a number have inflation rates 10 percent and over and rising. There is no easy way of restraining inflation. Most importantly, I think it means that Government expenditures have got to be restrained. We have to destroy the very false and shallow philosophy that governments can provide all things that's asked of them. What governments spend they have to take from people. What governments spend needs to be limited, needs to be responsible. In many cases expenditure had gone too high, as it certainly had in Australia in earlier times. In addition to that, of course, monetary policies need to be sensible managed so that the money supply growth is not too great. There are many aspects in controlling inflation - wages policy and many other things. But government expenditures, the growth of the money supply, are two very important elements. If I had to say what is the one most important thing I would say government expenditure.

Question

Back to the other problem - two relative questions. Judging by the crude oil price increases since just in the beginning of this year alone, dialogue between oil producing countries and consuming countries does not seem to be going very well. What should be done to improve understanding between the two sides?

Prime Minister

Are you talking about oil, or all commodities?

Question

Yes - especially with oil.

Prime Minister

I think one of the problems here of course comes because of a shortfall as a result of disturbances in Iran. I agree with you, it is a difficult situation and I believe that the consuming countries need to pursue their dialogue with the oil producing and exporting countries to the maximum possible extent because they do have a capacity to contribute to world economic stability or then lead to instability by the policies they follow. Quite plainly, in the medium-term to longer-term, it is very much in the interests of the oil producing and exporting countries also to have a stable and healthy world economy. If that could be better understood I think the dialogue between the two would be more beneficial.

Question

We hear that at the previous four summits the (inaudible) programs, and particularly the Western countries' strategy against USSR were discussed secretly.

The Western countries' strategy against the Soviet (inaudible) were discussed secretly. In development in world politics, I think the Bonn Summit, the Government of the Shah of Iran was supported by the United States - has been overthrown. Vietnam has invaded Kampuchea and intertwined with this a conflict has arisen between Vietnam and China and Asia continues to experience political disturbance. Political stability in Asia is important to Australia and Japan. How do you view the outlook for international politics and particularly ASEAN politics?

Prime Minister

I welcome the normalisation of relations between China and the United States and the treaty between Japan and China. These are both positive moves which hold out possibilities for a more secure future. I think it is particularly important that the United States developed fully the possibilities that flow from normalisation of relations with China and therefore flesh out their policies in the Western Pacific and in the Asian theatre -- the development of which were held up when there was not full exchange of relationships between Peking and Washington.

Prime Minister (continued)

So there are positive signs there and real possibilities that will work to our advantage.

The circumstances in the Middle East, in Iran, in Vietnam and Kampuchea, the conflict between Vietnam and China are all disturbing and they have re-awakened some fears I believe in Asia and Southeast Asia that military ventures - the pursuit of national ends by military means - is not a thing of the past as we had hoped after the Vietnam War. In these circumstances I think it is all the more important for countries such as Japan and Australia to work at their own relationships and develop those even further. It is a very good relationship and developing greatly. It is also important for Australia and other countries of Asia - Southeast Asia and ASEAN - to work very closely together.

I recently was in Manila and Indonesia and I believe that Australia's wish to have ever closer relationships with such countries as reciprocated by President Marcos and President Soeharto. Certainly countries that want peace, stability, security, so they can build up the standards of their own ...

(TAPE TURNED OVER)

Question

...the interests of Australia in the Tokyo Summit. Do you have any particular hopes for this Summit in Asia and do you have doubt about a Summit in which only such a limited number of the advanced countries are participating. (Inaudible) character of the Summit has altered because of changes in the international political and economic situation - can you give me your opinion on how the Summit should go from now on?

Prime Minister

I spoke to Prime Minister Ohira when I was in Manila and indicated what Australia thought the most important things to be discussed at the Summit - and energy, as you opened by asking me about, was certainly on the list. But inflation and protectionism was high on my list. I think Australia's views and the views of the Prime Minister of Japan are very close in relation to these matters and that is encouraging. I can understand the seven Summit countries wanting to keep that group to itself. If they extended to countries such as Australia there would be many other countries in Europe with economies as large as ours that would also claim to have a right to be involved. So I understand that fully. But I appreciate the moves that Japan had made on Japan's initiative earlier, to seek to have Australia included. We were flattered by that but certainly didn't want it taken so far that it would be an embarrassment to Japan with the other Summit countries. I think that we need to understand, and the Summit members need to understand, that by their meeting

Prime Minister (continued)

together, as they do, they are giving notice of and accepting responsibility of the fact that what they do in the management of their affairs affects not only themselves but the whole Western system of trade and payments. If they manage their economies well, the world will march forward well and the growth in world trade will be great, maybe double what it is now. If they manage their economies badly, then the Western system of trade and payments will muddle along as it has during the last several years of high inflation, low growth in trade and high unemployment. Therefore, by meeting together, they are giving recognition of an enormous responsibility not only for their own people but to really the whole Western world and North/South relationships and the way in which that can develop. I only hope for their sake, and for ours, that they will respond to it fully. I think on this occasion it is not just a question of leaders meeting and making a statement. The world will want to see action following from that meeting, of a forthright and vigorous kind that will cure some of the world's grave and serious economic problems.

Question

...relative to the (inaudible) programs. What should be done by the Tokyo Summit so that the North/South problem can be resolved and stable political and economic structures can be built between the ...

Prime Minister

The best thing that could be done in relation to North/South issues to make a Common Fund a reality - now all accepted the Common Fund but let Europe, the United States, join the International Sugar Agreement -- let's get on and negotiate other commodity arrangements that are important to developing countries, so make the integrated program for commodities a very real reality. I have no doubt that Japan's view and Australia's views are very similar in that regard. I hope that the Summit Conference will give significant attention to these particular issues.

Question

Japan, like Australia, is a strong supporter of the Common Fund and what role should Japan play in the Common Fund at the Tokyo Summit?

Prime Minister

At the Tokyo Summit I hope that Japan would persuade nations there to participate in the particular commodity programs - as I mentioned the Sugar Agreement which America and Europe have not yet joined - and also to participate in other commodity arrangements where they have an interest in the trade, either as producers or more principally, as consumers. That will help to bring the Common Fund to a reality. If the members of the Tokyo Summit can set an example in that regard well then it will be a very useful step forward.