

(WASHINGTON)

QUESTION:

You did cover in the press conference before, but I would just like to get it on the record about how Australia can help the U.S. in the event of military action in the Indian Ocean. Are you making any plans?

PRIME MINISTER:

Some weeks ago we offered to provide increased patrols and surveillance in the Indian Ocean. Our navy operates in the Indian Ocean now. Obviously we do have the capacity to increase our effort and that will be happening. Our respective Defence Departments and forces need to consult together about the best way of integrating in a greater Australian effort.

QUESTION:

Do you have any specifics? What sort of things could it involve?

PRIME MINISTER:

Well it could involve increased patrolling by ships, a variety of ships in our own forces, submarines and maritime surveillance. Now some of our own papers have said there is a decision to send a carrier task force into the Indian Ocean. Well, you know, that is only one of the possibilities. Our defence people haven't put their options to me or to the government yet. Patrolling, on the sea, air surveillance where our aircraft have fitted in very well with the United States because they are basically the same aircraft. Other than that, similar equipments. These are matters for them to sort out and put to governments to finally agree.

QUESTION:

Well, your armed forces have been plagued like ours was with budget cuts and to what extent are you prepared to increase defence spending and is it going to come from the windfall oil tax levy or are people going to get a tax cut themselves?

PRIME MINISTER:

We have already announced a review of our strategic position as a result of Afghanistan and the changing environment that creates and I expect to have put on my desk from the Defence Minister shortly after I get back from this visit proposals, options for a greater defence effort on Australia's part. Some of those options might be only short term. Others involve additions to our equipments material and may be long term. In the order of things it takes some time, obviously to be delivered. There has been some slightly misleading publicity in Australia in the last three or four years because every year we have provided more in real terms for defence. Our defence effort, year by year has expanded from the base when we took over government at the end of 1975. But we were originally a little more optimistic about the rate of recovery in the economy and had hoped that we could provide for even greater increase than we did, and this was where the mythology about budget cuts came in. It was cuts in expectation, not

cuts in real terms because there was an expansion in real terms. I believe in the current environment that it is inevitable that we do more. How much more I can't say.

QUESTION:

Where is it going to come from?

PRIME MINISTER:

Well, it will have to come from the general revenue available to the government. We don't predicate one particular source of revenue for one particular purpose. But we have said in Australia that any increase in requirement for defence will have to be given priority on the tax cuts for example.

QUESTION:

Are you planning to get involved in an economic and military consortium for Pakistan?

PRIME MINISTER:

We have indicated a willingness to provide civil aid and aid for refugees. That indeed has already been announced. We are not planning any other activities of note although I expect that we will be continuing aid requirements, continuing assistance for refugees. The defence aid we do provide has really been concentrated in countries much closer to us - Indonesia, Singapore, Philippines, Malaysia, Thailand.

QUESTION:

There is some talk that this kind of aid towards Pakistan would in turn, turn India more toward the Soviets?

PRIME MINISTER:

Well that is a danger and it needs watching. My Foreign Minister has recently been in India discussing these matters with both India and Pakistan and clearly each has a concern of the actions and motives of the other. I think we've all got a role to try and make sure that things are seen as they are and a role of trying to do what can be done to reduce the regional tensions which might divert all our attention from the main danger which is the Russian invasion of Afghanistan and the consequences to detente.

QUESTION:

The Australian Wheat Board and Wool Corporation are apparently predicting that the boycott would be catastrophic to them. How far are you willing to go in terms of .....

PRIME MINISTER:

We've made decisions to support the United States position and I don't see that changing. I don't think there is any real evidence at this point that a boycott is going to be catastrophic for the grain industry.

QUESTION:

Have they complained to you?

PRIME MINISTER:

They are concerned. It's possible. I understand their concern. As in the United States, many Australian farmers produce grain and that is their total income. So it's natural, they believe, that if there is to be an economic sanction it ought to be fairly shared in terms of its impact on the people, and you know, that is a view we all have to support. But, by and large, the Australian people, as I believe, strongly support the position of the United States, strongly support the position the Australian Government has taken.

QUESTION:

We get from our reporter in Australia that there have been some charges that your strong anti-Soviet stance is an election year ploy. Now Carter is also taking those same charges, now I wonder how you react to them.

PRIME MINISTER:

Well I think that is nonsense and I haven't felt the need to answer them up to this point myself, they are so absurd. Nearly everyone is very concerned at what the Soviet Union has done and I have been on record over a long period of being somewhat sceptical about Soviet actions in the world. I would have been delighted if it had been proved entirely and utterly wrong but unfortunately events in Afghanistan tended to prove that my fears and concerns were much more right than wrong. I think what Afghanistan has done is to make it possible for many people to see the Soviet Union in clear and plain terms, where before the pursuit of detente sometimes enabled the Soviet Union to hide its real intentions. The meaning that they attach to that word was never the meaning that the United States or we attached to it. They still pursued competition, exploited opportunity. You only have to look at what they have been doing in Africa - Cubans, Soviets, all the rest, trying to stir up trouble wherever they could. If they really believe in detente they would support settlements and peace instead of supporting revolution.

QUESTION:

Do you sense a change in the President here and that Carter, would you say that he was naive? He made a statement here that his perception of the Soviets had changed more in the two to three days after the invasion than it had in the two or three years he had during detente.

PRIME MINISTER:

Well let me answer that question this way. I think his State of the Union speech is realistic. I believe it was needed. I think it was a courageous speech and one which I hope the United States people and people in as many independently minded nations as possible will support because I think it is only the collective determination of the United States and many others including Australia, that will really deter the Soviet Union from further adventures, and the dangers of a further Soviet move into Iran - the circumstances for that could so easily be promoted if the Soviets wanted to. The dangers would then be horrific. If the world has been facing a dangerous circumstance over the last few weeks as a result of the invasion of Afghanistan, we would be half pushed over the cliff if the Soviet Union goes further. As I interpret it, the President's speech was saying that very clearly and very plainly and that's why my government supports it so strongly and supports the United States position and wants to do what it can to assist because we believe the United States is right. Some of our own people - some of the critics in Australia - say why don't you wait until 40 other countries have agreed to boycott the Olympic Games, until 40 other countries have agreed to join in this or show their disapproval of the Soviet Union in more positive ways. Well if everyone is going to sit back and wait until everyone else has moved first, nothing will be done. The United States will be left relatively isolated and alone and I believe this is very much a time when not only the President of the United States but the United States people need to feel that other peoples, other countries around the world feel and know that the United States is right and support what the President is doing in the name of the United States people.

QUESTION:

Is this a different President Carter?

PRIME MINISTER:

I don't really think I can pursue that. You can ask the American Senate that sort of question. I am just speaking of the President as I find him today. I think he has always been a very determined person. I also believe that he is enormously idealistic and well meaning. And they are good things in a political leader, they really are.

QUESTION:

What do you expect to gain from your visit to London?

PRIME MINISTER

Well a perception of the United Kingdom's view. You have to read the cables but it's never the same thing. You speak to people and you learn things which can never be put on paper. I think it is particularly important to get the European view - land-based European France and Germany as well as the United Kingdom - because in the past if events haven't immediately touched Europe, Europe has tended to say, these events aren't of great concern. Well, if the Soviet Union starts to get control over oil supplies it is European nations who would feel the damage and the destruction of that before the United States and before Australia. Both of which - they don't have enough, but they have reserves of energy of different kinds which would enable them the United States and ourselves, to get through some way or another. But a number of countries in Europe without Middle East oil would be totally destroyed. And I would have thought they must be aware of it. But I look forward to hearing from them directly in the course of the next few days.

QUESTION:

Prime Minister Ohira has been promoting the idea of a Pacific economic community. What do you think of that?

PRIME MINISTER:

I believe the idea is a good one, but at the moment it is an idea, it needs to be given some bones, and then the flesh has got to be put on the bones. We've agreed, if other regional countries want it, to sponsor a seminar to discuss it at the Australian National University in Canberra to see what emerges from that. The idea of closer Pacific cooperation is one that ought to be pursued and I believe pursued with vigor. But the difficulties come because of the diversity of the nations in the Pacific. We have got some industrial nations, and just to stick to the western Pacific - Korea, Japan, Taiwan, Australia, New Zealand, industrializing countries, Malaysia; Singapore is an industrial country. But then you've got others with very different economies, Papua New Guinea, you've got the very small island states of the Pacific. How do you fit all of these into some kind of integrated concept? And also it needs emphasizing that in Prime Minister Ohira's mind the concept would not in any way impinge upon the strength and viability of the ASEAN group of nations. There are sensitivities there that need to be understood. It is a new organization between nations which has grown in cohesion and strength. Something that you and we support very strongly and they obviously don't want anything to impede the growth of that organization. And they wouldn't want something that might divert attention from it. But that again is something that would have to be accommodated within the Pacific community concept. But at the moment, we have a great idea, and that's valuable. Whether we can put flesh and bones on it, well that's the challenge ahead of all of us.

QUESTION:

I want to ask you one last question, a sort of a general question about what the 1980's are going to bring for Australia. Some are predicting an economic boom. Talk a little about that and foreign investment particularly.

PRIME MINISTER:

I believe economically we can do better than many. For a number of reasons. Inflation is too high, but it is lower than many, it is lower than the OECD average, lower than it presently is in this country. Our secondary industries which couldn't sell overseas when we came into office are now expanding their exports quite rapidly because they are competitive across a wide range, even some things which are labour intensive. There is a specialised capacity in Australia. And they are selling some things in the Asian markets against Asian competition. So we do have a capacity to compete, and that's in manufactures. Now it is our intention to try and keep inflation under that of a number of our major trading partners. So that's one bull point for the Australian economy. But then, political stability; possession of very large mineral reserves, but perhaps more important, possession of significant energy reserves. We have a shortage of oil, we are about 70 per cent self sufficient, but we export vast quantities of coal, natural gas; and are potentially large exporters of uranium. Having the energy resources and mineral reserves in Australia provides a great opportunity to bring the two together in greater processing in Australia. Now this is happening in the aluminum industry, with four billion dollars being spent on processing, smelting operations, expansions, right at this moment. I think it is likely to happen with other minerals because as oil costs rise there is no prospect that OPEC countries are going to change their practices. As they rise, shipping costs are going to get greater and the economics of finishing or exporting our processed or semi-processed product will probably be greater than exporting bulk commodities and the coal to provide the energy. This does open up options and opportunities for Australia which aren't present in a number of other countries, so in short terms the ingredients are an economy with a more favourable inflation rate than in many countries .....

QUESTION:

What is it now?

PRIME MINISTER:

Well it's 10 per cent. It's too high but oil has had its impact on us as it had on everyone. But the relatively favourable economy, a competitive economy, then foreign investment policies and guidelines which encourage foreign investment and couple that with mineral reserves and energy reserves and the whole package can be put together and undoubtedly make a relatively optimistic decade for Australia in spite of world wide economic difficulties of quite an acute kind.

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