



PRIME MINISTER

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TRANSCRIPT OF BRIEFING BY THE PRIME MINISTER - 14 MAY 1986
ON VIP FLIGHT TO TOKYO

PM: Well, essentially the visit to Japan is to consolidate the good relations at the leadership level that has already been created since 1983. I'll be taking the opportunity to re-emphasise our concern about the crisis in the international trade area as far as agriculture is concerned and in that context to tap into thoughts of another one of the seven major industrial countries. And in that sense we see this visit as a quite logical extension of the visit we have just made to America and Europe. Obviously the centrepiece of the visit to Japan will be the discussions tomorrow morning with Prime Minister Nakasone and I will also be meeting with four leading Cabinet ministers and that is Foreign Minister Abe, Finance Minister Takeshita, Miti Minister Watanabe and Agriculture Minister Hata.

Now quite clearly the prime focus of these discussions will be economic and in the terms that I have mentioned. But I will also be taking the opportunity to discuss a wide ranging number of issues in the international political and security fields. Without being exhaustive about that we will be talking about the, and certainly I will be wanting to hear from Prime Minister Nakasone, about the strategic situation in North Asia. And one particular area that I would be wanting to talk with him in the light of the latter part of get an assessment from Prime Minister Nakasone of developments in the Philippines. I will be informing him of our desire to increase assistance there and I will take this opportunity of trying to commence by specific discussions as to how, with others, we may be able to ensure that aid which goes to the Philippines is most effectively co-ordinated.

Now clearly as I was saying the initial focus of the economic discussions will be on the recent Tokyo Summit conclusions. I would be interested to hear from Prime Minister Nakasone his assessment of the of the Summit for international exchange rates and for the whole MTN range of issues. And in that latter respect I have particular interest on Australia's behalf as to the question of the timing of the new round and to the prospects within that round for agricultural and trade issues to be given a prominent place. And we will be making it clear to Prime Minister Nakasone that we believe that the September GATT ministerial meeting should ideally represent the launch of the round.

As far as bilateral issues are concerned I believe they are in fairly good shape. The trading relationship - we don't expect those to dominate discussions. Rather I hope we will be able to spend a considerable amount on the opportunities now emerging for developing the economic relationship which in the past has been dominated by trade and agricultural and mineral products. I think that the opportunities for those new directions are indicated by the substance of the Maekawa Report that was commissioned as you know by Prime Minister Nakasone. And they suggest that there is considerable scope for broadening the economic relationship between our countries. There is an increasing complementarity I believe between the two economies and with the recent depreciation,

substantial depreciation of the Yen against the Australian dollar and with the improved market access opportunity that exists, the opportunities for increased industrial co-operation I think a new range therefore of the basis for our economic relationship are emerging. And I think the sorts of things that we have been doing Australia particularly in the deregulation of the financial area to give an added basis for some optimism in that respect.

In saying those things I don't want to appear by implication to be downgrading trade and agricultural and mining products. Well that in general terms covers what I hope to be dealing with in this period in Japan.

JOURNALIST: Are you more optimistic or pessimistic after the Tokyo Summit about the prospects for the September meeting?

PM: Well I think on balance you have got reason to be somewhat more optimistic because for the first time in the Summit they did address themselves and for some considerable period of time to the question of agriculture. There was a recognition of the need for the new round to get underway. I would think on balance we are entitled to expect what is in the Summit will be using their endeavours to try and get an early start to the MTN round. And I will certainly be repeating to Prime Minister Nakasone what I said in America and Europe about the accordence of agriculture in the development of those at that round.

JOURNALIST: What is your concern about the aid being effectively co-ordinated ?

PM: It is just that we said right at the beginning that it makes sense, obviously by definition, if ourselves, the Americans, the Japanese are going to be involved in trying to assist the new regime to tackle the basic social and economic problems that exist there, that it makes sense if it is possible to try and co-ordinate as far as possible the sort of things that we do. Now I am not implying by that that we are going to be able to establish some actual mechanism, some framework to achieve those results but I think it is the sort of thing that sensibly is capable of discussion at the level of leadership and then perhaps subsequently at the level of officials.

JOURNALIST: Are you prepared to give a comment on the balance of payments figures released yesterday?

PM: You will be seeing that I will be saying in my speech in Japan that they are disturbing figures. But I believe that we can adapt our policy framework to ensure that the benefits of the depreciation, substantial depreciation that has occurred will flow into the economy. I will be addressing that at some in the speech.

JOURNALIST: Will you say how you will adapt it in the speech?

PM: No, I won't be going into detail.

JOURNALIST: Is this suggesting some major change?

PM: No, No, it is not suggesting some major change.

JOURNALIST: What do you mean by adapting policy?

PM: Well, clearly we have got a situation where the level of growth that has occurred has been sucking in a very high level of imports, and the sort of policies that we are pursuing will be directed to ensure that we don't continue to have an unsustainable level of imports. Now that will mean, and I am not saying anything new here, we have indicated that the rate of growth that we have had in the first three years will have to be somewhat subdued in this next financial year for that reason.

JOURNALIST: So you don't think these figures were one-off?

PM: I think that we have seen the worst of the figures.

JOURNALIST: Are you talking about fiscal or monetary policy particularly or signalling any

PM: Oh look, let's retract it. The trouble with you is I suppose you should be more careful in your use of words. I am not trying to imply anything more than I spelt out to you now. It reinforced to me to ensure that the level of activity is not at an unsustainable high level. I mean you can't go on having an imbalance in your imports and exports at that sort of level.

JOURNALIST: Do you want some spending cuts?

PM: That would always be nice. We won't be having a comprehensive May Statement of the type you have seen in the past. It maybe possible in respect of some measures to get a full year benefit. But there won't be a similar sort of May Statement.

JOURNALIST: What are the implications for wages policy from the latest figures? Do you think you are going to require any fine tuning or re-adjustment

PM: I think we will wait and see the outcome of the decision of the Arbitration Commission. But we will look at the whole range of policies as we go through but I don't see any need at this point to re-assess the policy which has been successful in the past in producing very, very considerable wage restraint. There is no comparable period in Australia's history when you have had economic growth averaging as it has at 5% plus over the last three years where you have had associated with that such a low level of wages growth. So you have got to observe the success of the policies that have been in place. It would be silly to jettison policies which have produced a level of wage restraint far beyond anything Australia has experienced in the past in comparable periods of growth.