



PRIME MINISTER

E & O E - PROOF ONLY

TRANSCRIPT OF BRIEFING BY PRIME MINISTER AT IMPERIAL HOTEL - TOKYO
15 MAY 1986

PM: Let me start with an exposition of what has happened and then answer your questions. I had a long, warm and businesslike discussion with Prime Minister Nakasone. As you would expect a major topic of our discussions was the Tokyo Summit. I told the Prime Minister that I appreciated the evident willingness on behalf of Japan to pursue the point that agriculture should have a prominent place in the new MTN round. It was expected that there should be decisive progress made at the September ministerial meeting to launch the new round and that in the meantime the work to be done in the OECD context will serve as preparation for the later global negotiating process. Now in all of those points we were at one. There is no doubt that the Japanese have with us I believe a vested interest in seeing an early as possible start to the new round.

I also took the opportunity of expressing our satisfaction at Japan's co-operation with the regional trade initiative which I mentioned at the end of 1983 which will believe be followed now with a meeting we think in Manila before the September meeting. That will either be at the level of ministers or officials. I also noted the re-assurance of Mr Nakasone that the participants at the Summit were prepared to take into account the interest of the non-Summit agricultural producers and I thanked him for taking our concerns and putting them before Summit participants.

Another major issue we discussed of course was the restructuring of the Japanese and the Australian economies. In the case of Japan the backdrop is provided by the Maekawa Report, the marketing measures which they have commenced and the re-alignment of currencies involving very substantial appreciation of the Yen. I welcome the opportunity which these factors presented to Australia. I express regret that so little had been achieved in respect of agricultural products so far in opening up the Japanese market and I noted that the Maekawa Report without doubt the most positive step in recent times. I asked the Prime Minister what was the status of the report, what could we expect in terms of action and he told that the Japanese leadership is pledged to promote the implementation of the report and that this process has only just begun but there is a commitment to it. I suggested in this context that it was a propitious time for an agreement between us as Prime Ministers an exchange of investment missions from Japan to Australia and Australia to Japan. I made that proposal to the Prime Minister and he agreed to it. We have agreed therefore in principle and

the details and timing of that exchange of investment missions is to be worked out in consultation with the appropriate government and private sector people. We both noted with pleasure that the trading relationship is already broadening with Japanese co-operation with the Australia/Japan market strategy, the very significant increase in tourism with now over 100,000 tourists per annum and hopefully building up to something like a quarter of a million by the Bicentenary year. And with the developments in finance and banking flowing from the regulation of our system and the influx of foreign banks including three Japanese banks. But having noted that expansion of the relationship which has taking place I emphasised to the Prime Minister that our Japanese market of traditional exports remain vital and in that context I stressed Australian reliability and international competitiveness in minerals and in agriculture. I discussed several issues relating to our mineral exports and I say in relation to coal where opportunities may open up as a result of the review of coal policy and of the Maekawa Report said that Australia would have a very strong interest in competing on a commercial basis for any additional tonnages which were opened up as a result of those two factors. And I stressed to the Prime Minister as I have before that Australia is not seeking any special treatment or advantages. We simply sought to rely on our competitiveness and as a reliable supplier to the Japanese market. And I received re-assurances from Mr Nakasone that Japan would not be proceeding in this area with any bilateral arrangements at Australia's expense. I received a helpful briefing from Mr Nakasone on other major matters which arose at the summit. That included terrorism, the United States/Soviet talks on arms control, Chernobyl and the need to strengthen the International Atomic Energy Agency machinery. I might say there that on this matter wrote earlier this week to Mr Gorbachev on a number of nuclear issues. It was in response to his positions earlier in the year on the announcement of the Soviet positions. I responded to them and I called in that letter for Soviet support for our initiative which is a proposal that action be taken at the June meeting of the International Atomic Energy Agency board of governors to initiate an international conference to negotiate an international convention on notification and emergency assistance in the event of nuclear accidents.

We also discussed other issues of importance to both countries - the Philippines where we agreed that we should do what is within our power to give support to the Aquino Administration and I indicated that while we had a relatively low level of aid we had agreed to a 50% increase in that aid. And I said that it would make sense for us in either bilaterally or in appropriate forums to see how best our aid could be co-operatively effected to give the best level of results. I reported to Mr Nakasone on developments in regard to ANZUS. Mr Nakasone reported on the good state of Japan's relations with China. And I also thanked Mr Nakasone for the substantial involvement by Japan in our forthcoming bicentennial celebrations. I also say I had a useful but fairly brief discussion with Foreign Minister Abe and that discussion covered essentially international economic

matters particularly the MTN round and he reported to me on developments in Japan/Soviet relations. And we had a brief discussion about developments in the South Pacific. Well, ladies and gentlemen I think that covers country.

JOURNALIST: Prime Minister has the Chernobyl accident given you cause to rethink your support for nuclear power particularly your belief that Australia should export uranium to the world.

PM: No. The fact is that something like one-sixth of the electricity power in the world is generated by nuclear means and while there will be some reconsideration in some parts obviously as a result of Chernobyl. The important parts of the world are going to continue to rely and some to increase their reliance on this source of power. We as a world community would be foolish in the extreme if we didn't to seek to learn as much as we can from the Chernobyl. And this is why we believe there should be this international conference to try and create a situation by international convention so that we are not going to have a position where it would be the sort isolation which existed for so long in regard to Chernobyl. We should try and learn from experience and ensure that as far as possible everything is done to prevent a repetition of that sort of accident. But while the world is going to rely to the substantial extent that it does on nuclear generation of power then I think the reason that we have advanced for Australia's involvement remain valid. That is we want international nuclear fuel cycles to be as safe as they possibly can be. No country has a more rigorous regime of safeguards on the supply of uranium than does Australia. And it is still indisputably true that if Australia were to withdraw from being a supplier then to that extent the international nuclear fuel cycle would become less safe than it is. So I repeat we would be foolish not to learn as much as we possibly can from Chernobyl. We should take the sort of steps that Australia has initiated through the IAEA and we will be hopeful that we will get support for that initiative.

JOURNALIST: Mr Hawke, do you have any ideas on how you might breakdown the international secrecy in the nuclear industry and also in your letter have you have you any ideas or suggestions of where the line might be drawn on what is a notifiable incident? What constitutes a serious enough accident?

PM: Well, when you are talking Paul, about the breaking down of secrecy, obviously when you are talking about the Soviet Union you are talking about relatively a secretive society. I don't want to get into a political argument or dialogue about their secrecy other than to say this that I believe that there are certain aspects of national behaviour and events that occur within national boundaries which by definition transcend the interests of one nation. Clearly Chernobyl was one such event because by definition the radioactive fallout could not be contained to the Soviet Union. So I would hope that really in this area of generation nuclear power that there could be an acceptance that there should be complete openness in regard to any incident or accident that may arise because I think each

country has an obligation to the rest of the world to try and ensure that it can learn from that experience so that there should be created the greatest possible environment of safety for the use of this method of generation. I haven't deigned in my initiating letter to try and spell these details out. That seems to me a matter precisely for meetings of technical and political experts who should be involved in drawing up such an international convention that we suggest.

JOURNALIST: Mr Hawke, is it your view that high Yen has been behind Australia's deterioration in terms trade and did Mr Nakasone or Mr Abe give you any idea about where they thought the Yen would be going over the short term?

PM: Well, it is not a question of my thinking. It is an obvious fact that part of the explanation for the deterioration of our terms of trade have been associated with that factor No, in answer to the second part of your question Greg. Neither of them gave any suggestion as to what they thought the appropriate alignment of the Yen was with other currencies. But what is obviously clear is that the very significant appreciation of the Yen is a factor now here in Japan in their realisation that they have to look at the restructuring of their economy and the types and disposition of their economic activity. And it is within that context Greg, that I think the Maekawa Report has a very particular significance. The two things together should mean I believe that there will be significant restructuring of the Japanese economy. And that is why I have sought to say to Prime Minister Nakasone that we should it as in our mutual interests as we are in Australia are also as you know undertaking a process of gradual restructuring of our economy. To see where two economies which over the years have become more and more inter-related - 26% of our exports coming here, 22% of our imports coming from here. Now obviously there is already a significant inter-relationship. It only makes intelligent good sense therefore in those circumstances that we should try and see what are the implications of the restructuring that is taking place to try and see how for our mutual benefit we can't open new areas of joint activity or identification of areas which we better developed in Australia or here. And it was in that context that I made the suggestion which Mr Nakasone responded affirmatively of the interchange of investment missions between our two countries.

JOURNALIST: Any particular areas of the market?

PM: No, not exhaustively but let me give you one obvious example Michelle. There has this massive increase in Japanese tourists to Australia. As I say over 100,000 Japanese tourists and the expectation of a very strong continuing increase in that area. Now it seems therefore sensible that the Japanese may consider investment in the accommodation, recreation, tourist area. I just give that as an example. I think there is already evidence that in some high tech areas - computer software - Australia has developed quite significant capacities. Now there is another example I think where there may be the opportunity for significant joint activity and investment by Japan in Australia. So I just use those examples but it would be the job of these joint investment missions to examine this question in more detail.

JOURNALIST: Would you like to see visa free entry for Japanese tourists?

PM: The question hasn't been raised with us in this visit. As you know the matter has been raised in Australia but we haven't yet considered at a Cabinet level. Let me say this, you could see that there could be certain advantages given the very considerable increase in Japanese tourists. Then again we have to look at the questions security and I think generally Australia has a very good record in this area. It is not something that we could just rush into. We will look at it very closely for the reasons I have put and also it would raise questions of comparisons with other countries. So it is a matter that will have to be carefully looked at.

JOURNALIST: On the Maekawa Report, how widely did you interpret Mr Nakasone's words when he said Japanese leadership

PM: Well, he put it in terms of his Party. So I believe the interpretation that I took and my colleagues took from his statement was that there was a broad acceptance of the need to accept the thrust of the Report. Let me make it clear that he was not saying that it was going to be implemented in full tomorrow. They were beginning the process. I believe that as I said earlier when you take into account the very substantial realignment of the Yen, the implications of that that the thrust of the Maekawa Report is totally logical.

JOURNALIST: Mr Hawke, was Mr Keating wise yesterday to use alarmist phrases such as 'banana republic'

PM: Well, I think it is always wise Mike, when you are looking at what is said by Mr Keating or Bob Hawke or anyone else to make sure that you look at the whole context of his remarks. And what Paul was saying was if you don't pursue sensible and appropriate policies now which are relevant to dealing with situation that confronts then if you don't pursue those sorts of policies then Australia could be in trouble. You could have the sort of situation that that language was averting to. Let me make it quite clear and I am talking with the advantage of having had discussions with Paul on the telephone that what he is making clear in Australia is precisely what I said to you people and that is that there are these elements The internal Australian economy is in good shape. The facts are quite obvious there but we have suffered from a devastating turn around in the terms of trade. And what both Paul Keating and I are saying is that the effect of the depreciation is working but that depreciation can't beat change in the terms of trade by itself. Let me give you the evidence of the way in which the depreciation is working. The export volumes are up at this stage by more than was forecast at the time of the last Budget. Imports have gone down by 7% in the last three months. But just to give you some example of the impact of price movements just look as we are here in Japan at the importance of steaming and coking coal. Just look at what's happened in prices. 1984 prices of steaming and coking coal were down 11% on 1984, down 21% on 1983. If you look at sugar even though there has been some recovery now, prices are down 45% on 1984 and 50% on 1983. A dramatic way of looking at it - if had this sort of terms of trade situation at the end of 1984 applied up until March 1986, that would have saved us

\$4½ billion on the current account. Now I am not saying that we simply say well, if that had been the case wouldn't it be nice. I am trying to make the point Mike, that this is the sort of measure of the impact upon us of the dramatic turn around in the terms of trade. Now, what is required in these circumstances is not some dramatic new direction policy. What is required is that we make sure that the elements of policy that we have been working with continue to be stressed and the right decisions made in regard to them. It certainly means that with that very dramatic change in the terms of trade we have to recognise the impact that has upon the capacity to provide certain standards. And we have to make sure that the public sector plays its part in dealing with this situation. So it gives an added emphasis to the work on which we have been engaged in ERC. But we have known that the work has to be done and if you like this has confirmed the necessity for what we are doing there. The States and public sector borrowing generally has to play its part in dealing with this situation. And I repeat here what I said earlier that what in a sense we are dealing with now is the problem of success. I go back to what happened in 1983. What we did then when we came to government was to see that the worst recession in 50 years could be turned around by sensible government policies in co-operation with the Australian people. That is what we did. Now we are in a sense dealing with the success in part of our policies, very high levels of growth and we have recognise that we have to have the appropriate policies to deal with. Now I don't apologise for the length of the answer Mike. I am trying to put in the total context what Paul was saying. I think when you do that and take into account what I am saying the conclusion you can form is this, the Government recognises and has been recognising the changing nature, if you like, of the problems with which we have to deal and we will ensure that the instruments of policy available to us will be utilised to deal with that problem. As a community we showed in 1983 our capacity to deal the worst economic problem Australia had for 50 years I am sure we can do it again.

JOURNALIST: Prime Minister, did you ask Mr Keating to be careful of the sort of language he uses in the future? You didn't put that too him

PM: No.

JOURNALIST: What did you think of the market figures?

PM: The market goes on for more than one day. The market yesterday seemed to react somewhat. At least there is a relationship - he spoke and then the market moved. The market has come up again today. The market is a strange animal as you know Geoff.

JOURNALIST: Is it responsible for a Treasurer to make statements that are going to cut 4 cents of the price of the

PM: Well, you have got the problem that if you look at what part of what the Treasurer said out of its total context it could be seen as rather horrific. I suppose it was. But if you read the total context of what the Treasurer said where he said -

look here are the things that need to be done and if these things aren't done then you can have a dramatic sort of situation. I would think if the whole context had been seen you may not have had the reaction that you did. This is a constant problem people in public life. You ought to know. Some of the things I have said, if they had been taken out of context it would have been enough to hang me but fortunately you are usually good enough to put them in context.

JOURNALIST: Mr Hawke, you made certain guarantees to the State and the last Premiers Conference about tax sharing. In view of the seriousness of the situation are those guarantees up for grabs?

PM: Well, you will appreciate that what the Government provides by way of revenue to the States is not exclusively covered by the 2% for the recurrent expenditures. Let me simply say generally as Mr Keating has been saying that I think the States are going to have play their part in the exercise in restraint which is necessary.

JOURNALIST: Mr Hawke, policy adjustment as a result of the very substantial

PM: No, I don't think so at this stage. I think if you look at there has been a fairly substantial discount which has been agreed to and I repeat that if you look at Australian history, I don't think there has been a period in the past where you have had such high levels of growth where you have had such restrained wages outcomes. I think it is sensible at this point to continue with the processes of the Accord which have produced that result. You will appreciate that the Accord II does contain the vision of the end of the Accord for rediscussion. Now that capacity is there. I don't think that at this point that it is appropriate to go to that. I think we have got to as a Government pursue our task that I have referred to in the Budget area and I hope that exercise and its associated needs of restraint on the part of the States will meet the problem we are confronting. I don't think there is any necessity at this point to go beyond that.

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