



PRIME MINISTER

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TRANSCRIPT OF INTERVIEW WITH TELEVISION JOURNALISTS - TOKYO
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JOURNALIST: Prime Minister, how worried are you about the economic situation?

PM: Well, the first thing I want to say is that this is not a time to panic. We have got to recognise that the deficit on the current account is undesirably high and that we have been put at a very considerable disadvantage by the drastic deterioration in the terms of trade especially since last October. Now the key elements of our policy to deal with that have to be followed closely. That is there is a need to have some slowing down of the high levels of growth that we achieved deliberately in the earlier years. With that slowing down there has to be a very firm level of fiscal restraint. The task of the Budget forming process has, if you like, been reinforced by these figures. And we need to do that because we don't want to have a situation where there has to be more reliance on monetary policy.

JOURNALIST: You have already cut back though very heavily. Is there much more room to manoeuvre?

PM: By definition when you have had three previous Budgets when you have tried to cut back there and successfully in areas of unnecessary expenditure. I mean by definition that the fourth time round the job is harder but we have to do that because the less you do in the area of the Budget the more reliance there may have to be in those circumstances on monetary policy. We also, in the other arm of policy that is available to us which has not been available to previous governments, we must have a continuation of moderate wage outcomes. I make the point that in the previous history of Australia you never would have had the moderate level of wage outcomes with such high economic growth as we have been able to have under the operation of the Accord. It is essential that that continues. So the basic message that I am giving is that we don't want some dramatic new policy directions but what we must do is to ensure that existing elements of policy are utilised firmly to meet the challenge which is proposed for us as a nation by this unsustainable level of the current account deficit.

JOURNALIST: Do you think we are headed for a banana republic?

PM: No I don't.

JOURNALIST: Prime Minister you say that it is not a time for panic but if there is talk of Australia becoming a banana republic if we don't get on top of our trade imbalance surely that suggests some alarm?

PM: Well, let me say if you look at the full context of what Paul Keating said you are saying if you don't firmly follow through the arms of policy that I am talking about, if you don't have the determination to do that then the alternative is the sort of thing he was talking about.

JOURNALIST: Do you share that view though, if policy is not achieved in the way you have said?

PM: You know I don't go into this hypothetical business. I simply make the point that Australians in 1983 showed their capacity in combination with firm leadership by government to act together in a way which brought Australia out of the worst recession in 50 years. Never forget that. When we came to office in the beginning of 1983 it was the worst recession in 50 years. Now there had to be new policy directions co-operatively shaped by government with the elements of the Australian population. Now together we have got out of that worst hole in 50 years. So I am certain we can do the same sort of thing against. Not that we are operating from a low economic base. The problem is in a sense we are paying the price for our success and the very high levels of economic activity that we have achieved averaging 5% in each of the last 3 years - well above the OECD average. So the problem now is the challenge of success if you like and we have together to be prepared to do that and I am sure we can.

JOURNALIST: Prime Minister could I just ask you just to clear up one point. The tax cuts will be on this August?

PM: I have said that the tax cuts are firmly in place as they have been announced in the past.

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