



PRIME MINISTER

E & O E - PROOF ONLY

TRANSCRIPT OF PRESS CONFERENCE AT DIAOYUTAI STATE GUEST HOUSE
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PM: I have just completed a little over three hours discussion with Premier Zhao. As you would appreciate they have covered a wide range of international issues in the political area the economic area and of course a number of bilateral matters of importance to us. I think it is important to indicate at the outset that Premier Zhao in his opening statement indicated the very great significance with the Government of China attaches to building the relationship with Australia and as he put it to working in a way to realising the full potential of that relationship. He referred with pleasure the fact that since we last met there have been 20 ministerial visits between our two countries. There has been six completed technical co-operatio projects here, another 14 underway. He said that there have been notable developments in other fields. He mentioned in that context the development of the sister province relationship with the States, the developments in the area of civil aviation, the establishment of the operations of the Bank of China in Australia, the consular agreements whereby we have opened up in Shanghai and there is agreement now for the development of consular relations by China in Melbourne and Perth. He referred particularly with pleasure to the development of our consultation between China and Australia in a number of international forums in the way in which Australia had been able to be of assistance to China's interests in many of those areas. He referred to the developments in the four sectors - iron, steel, wool and textile, non-ferrous metals and transport as well as coal. So in total there was a firm expression by Premier Zhao firstly of the fundamental importance attached to the relationship, the pleasure that they derived from the way in which there had been the significant developments to which I refer. Now without going to all the details of the matters that were covered, let me say this, in the area of international political issues I referred to the importance that Australia attaches to disarmament issues and in that area expressed our satisfaction with the decision of the Chinese Government announced earlier this year to end atmospheric nuclear testing and also their decision to participate in any negotiations towards a comprehensive test ban treaty in the Committee on Disarmament. I also expressed on behalf of the Government of Australia our appreciation of the very positive response from China to the South Pacific Nuclear Free Zone concept and welcomed the indication from Premier Zhao that China would become a signatory to the protocols of the treaty.

21

I gave the Premier a run down on developments in the South Pacific area and included in that run down referred to the state of play, if you like, in regard to ANZUS between Australia and the United States of which you are aware and indicated that in the event that New Zealand proceeded to legislate in that area that the relationship and the commitment between Australian and the United States would continue as would the defence co-operative relations between Australia and New Zealand. There was, of course, a fairly lengthy exchange of views between us on the position in Indo-China and as you know we have a co-incidence of view about the necessity for the withdrawal of Vietnamese troops from Kampuchea so that there can be the emergence of an independent, mutual and non-aligned Kampuchea. The Premier gave me a quite a detailed exposition of their perception of the state of Sino-Soviet relations and essentially what the Premier conveyed was that while there had been a development in the area of economic relations there was no question of the normalisation of political relations between China and the Soviet Union until the three obstacles had been removed. The three obstacles - the Soviet divisions on the border, Afghanistan and Soviet involvement in Vietnam. And he saw no move at this point to the removal of those obstacles and in that sense he did not see any move towards the normalisation of relations. In the international economic area we found full agreement on the view that I had been expressing as you know in America, Europe and Japan the need for an early start to the new multilateral trade negotiations round and he expressed his gratification of the assistance that Australia was providing by way of technical assistance to the preparation by China for its application of GATT membership. We are providing a consultant experienced in these matters to train Chinese trade policy officials in this area. There was agreement not merely for the need for an early start to the new round but the importance within that round of including on the agenda items of importance to developing countries including of course the issue of agriculture. We discussed then a number of issues of bilateral importance without being exhaustive about that, we covered the area of iron and steel. We expressed mutual satisfaction with the very significant developments in the areas which have been identified two years ago. Those areas of trade in steel making raw materials, trade in semi finished steel, Chinese investment in the Australian iron and steel industry, Australian investment in the Chinese iron and steel industry and technical co-operation in iron mining and steel. We re-affirmed the importance of the work of the joint study group in those areas. On the question of the negotiations in regard to Kwinana and Channar, we recognised that these were negotiations to be finalised between the enterprises concerned, that neither my Government nor the Government of China had the capacity to direct the enterprises in the area of commercial negotiations. We recognised that in regard to Channar in particular, the gap between the enterprises was narrow and we agreed as governments that we would by our actions as governments try and provide the appropriate framework within which those negotiations could hopefully be concluded. I raised the question of possible Australian association with a number of particular projects - Shanghai liquid waste project in which Australia has been involved in the earlier feasibility stages and in regard to which we have put forward a proposal

for assistance with the co-financing of the implementation of an aspect of that project. In the area of transport, also we made the same point in regard to the Dongdu Port where there has been a funding by Australia in the early feasibility stage of that project and we welcomed the assurance that depending upon the results of further feasibility studies that China would be willing on the basis of mutual benefit and equality to co-operate with Australia as a joint venture partner on the design and the financing, construction, management and operation of stage two of the Dongdu Port at Xiamen. I also raised the question in the context of the desire by China to reduce the imbalance in our trading relationship to the possibility of some of our resource companies perhaps contemplating the purchase of ships constructed in China for the purpose of carriage of goods in that trade if China were prepared in that context to contemplate some change in the existing position where there is an insistence on the carriage of such goods in Chinese ships. And it was agreed that that was something which could be examined I also raised with the Premier the concern I have that there could be and should be a further development of exchanges between us in the educational field and he agreed with this and so we have undertaken that work will proceed at the officials level on this matter as a basis of leading up to the business here in September by our Minister for Education, Susan Ryan, as I do believe that there is more that can be done in that area. I also raised with Premier Zhao the desirability of including a double tax agreement and indicated that work was going on at the official level. He agreed that that work should be expedited and it was desirable to have an early agreement. Finally I thanked Premier Zhao for the extension of involvement of China in our Bicentennial celebrations in 1988, participation in Expo '88 and a number of other ways in which they intend to be associated with us including particularly the intended loan by China of two pandas to an Australian zoo which will be obviously a matter of great interest and attraction to people in Australia at periods. Colleagues, without being exhaustive, that I hope will give you an indication of the wide variety of subjects that were traversed, some in more detail than others in that three hour discussion. I simply conclude by saying that the discussions that I have had with Premier Zhao are a further indication of the closeness of the relationship between our two countries, our two governments and the commitment of both governments to intensify broadening and deepening that relationship. We will continue our discussions on the informal occasions that we will now have tonight and tomorrow when we will be together. We will also continue further discussions in some of these areas with Chairman Deng and Secretary-General Hu Yaobang and Secretary Hu Chi Li.

JOURNALIST: Prime Minister is this the first time the Chinese have been involved iron and steel

PM: No, I think in the discussions that have taken place at the officials level and when the representatives of the forum countries visited the nuclear powers earlier China was the most positive and indicated their approval of the course of action that had been taken and I think this is merely, if you like, a confirmation of the indications that have been earlier given. It was the first direction confirmation at

the Premier to Prime Minister level. The second question Michelle, it is the case that as I said the Government doesn't control BHP and as I indicated parenthetically, I wasn't quite sure at the moment who does. But we certainly don't and the Premier indicated the same position as far as they were concerned that under the reform program that has been established the Government doesn't direct its commercial enterprises in matters of these kind. Now we can't therefore on either side say look this is what must happen. All we can do and will do is to indicate the fundamental importance that both governments attach to these developments and we will provide at our level all the official assistance that we can to, if you like, lubricate the negotiations so there is extremely positive attitudes on the part of both governments and I am optimistic about the due course and we can reach agreements in this area.

JOURNALIST: Was there any discussion on time on either Kwinana or Channar?

PM: No, simply the view that we hope that they could be achieved as soon as possible. I think it is fair to say that probably the gap that exists between the two enterprises in regard to Channar is the narrower and it would be more appropriate to expect an earlier positive outcome in regard to Channar.

JOURNALIST:

PM: It is realistic to have that hope but I emphasise that this is not a matter that we as governments can determine. It must be negotiated as a commercial matter between the enterprises concerned. But there is a recognition, let me say this, that we both re-affirm the importance of the long term inter-relationship of the development of our two industries.

JOURNALIST: Did you go into Australia's competitiveness in relation to Brazil?

PM: Yes. The point was made by Premier Zhao that Brazil we were much closer than Brazil. Therefore the shipping of the product should be cheaper. I made the point in regard to the comparison with Brazil that it is of course difficult if not impossible to intrude into the economic calculus that one makes in these comparative matters the question of what weight you attach to relative political stability. But I made the point that nevertheless that was significant and asserted as I have in a number of discussions here and with other countries that there is when contemplating sources of supply, there is no country which is more politically stable than is Australia. And it is appropriate that those considerations should be taken into account.

JOURNALIST: Did the Premier bring up industrial relations?

PM: No. They are fully aware of the magnificence of the improvement in industrial relations in Australia.

JOURNALIST: Did Premier Zhao as or indicate in anyway that he would like to change Australia's position in Kampuchea?

PM: No. There was a recognition of the role that Australia has played and of the shared interest we have in the outcome of this matter and what needs to occur. I think it is fair to say that the Premier expressed his belief that there had been a strengthening of the position of the CGDK forces and he believed that that would lead to the sorts of result that we are talking about. Now that association that China has with elements of the CGDK forces leads them to that position. Perhaps they are better placed to be able to make an assessment as to the outcome of the pressure of the CGDK forces. But no there was no suggestion of wanting any change of view or role on the part of Australia.

JOURNALIST: Just on iron and steel. What is your perspective of how serious the Chinese are in these discussions with Brazil. You mentioned that distance

PM: I think clearly and there has never been any suggestion at any stage of our discussions that China was going to say our focus is going to be exclusively on Australia. We have to be competitive and while China sees some obvious benefits in development the relationship with us and that has been proved in the two years the sorts of things that have been happening to substantial developments. Nevertheless, they are going to look at relative advantages. Let me say this, this was not something that I went to in the discussion with Premier Zhao although it may well be that we will develop this point in some subsequent discussions. Let me say this, that it is well known that some of the developing sources of supply of raw materials have in the pricing policies which they undertake have not been strictly commercial in their assessments. They have a pressing need for foreign exchange to meet their debt servicing requirements. Now that is going to be a changing sort of situation and as for instance in Brazil you get increasing levels of activity within Brazil and demands for their products internally then you are going to see some changes I believe in pricing policies. Now what I am saying as far as Australia is concerned that we are increasingly a competitive and reliable supplier and we do have the capacity which very few other countries have to provide a range of input and involvement in the whole area of the iron and steel industry both in terms of investment in this country and the provision of technical assistance. So it is our view that taking all these aspects into account it will lead to a continuing integration of our industries.

JOURNALIST: When do you believe an agreement on Channar will be reached?

PM: I can't answer that with precision. All I can say is that there is a recognition on both sides that the gap is small. It is a question of what should be the service charge for the facilities to be provided by Hamersley. There is a very narrow gap in that. One area of previous disputation and that is how the charges are indexed. I think that has basically been resolved and now it is a reasonably narrow gap. I hope that it won't be long but I haven't got a basis for giving you a date.

JOURNALIST: On your previous trip here this initiative was presented very much in terms of an integration of the iron and steel industries of Australia and China. Do you think that when that was put forward that the Government underestimated some of the commercial factors relating to prices and competition and in any way do you withdraw from that sort of concept you were putting forward last time? Do you still think that be realised despite the lack of progress.

PM: Well, I don't accept that there has been a lack of progress. Neither side says there has been a lack of progress which is completely unsustainable. I mean if you look at the areas that I have referred to. Let me remind you of them again. That is the trade in steel making raw materials, the trade in semi-finished steel, the mutual investment in the industrial and technical co-operation. In all of those areas very specific progress has been made. So I just repudiate that part of the premise of your questions. However, having said that Paul I acknowledge that in regard to the specific projects at Kwinana and Channar the process of finalising the commercial details has been longer. But I think both sides expected that. But I have no reason having acknowledged that to change my belief that there is a recognition on both sides of the very considerable benefits there will be for both countries in an increased degree of integration of our two industries.

JOURNALIST: The fact that those steel question?

PM: No. I think the approach has been very sensible. And it is recognised by Premier Zhao and myself that the framework that has been established has worked. This is the joint consultative group has worked consistently, there has been a consistent interchange of missions between Australia and China. They have developed and there has been out of that consistent interchange of missions progress in integrating our industries in a number of ways - provision of training facilities, the development of investment opportunities here in China. That work is going on and I think we have been very sensible therefore in the framework that has been established. Within that framework we have come to see that in regard to these two particular projects that both sides are going to try and ensure that they get the best commercial outcome that they possibly can. Now that is natural and as I say I repeat the hope that that can lead to a finalisation of those actual two projects. But the way in which we have gone about it seems to me to be sensible.

JOURNALIST: optimism about the eventual finalisation of Kwinana

PM: Well, on these two basic considerations, firstly that there is recognition on both sides of the very distinct possible advantages that can come from the finalisation agreement. And secondly that the movement in international factors in prospect can operate in a way to reduce the gap that currently exists in the negotiation about the first year price.

JOURNALIST: Mr Hawke, your talks this morning with your Cabinet colleagues Can you briefly tell us how they went and what were the results?

PM: Very well. I indicated to my colleagues what should be the course of events. That has, of course, been accepted. Let me make these points, firstly as to the timing of the meeting. It is now being suggested that perhaps the meeting might be on Thursday, 5 June and I think that now subject to a cheque with the other participants of ACPI that is when the meeting would be. I have indicated as has Mr Bowen confirmed after the meeting that all matters that are important to the determination of the interests of this country are decided by Cabinet. That is where the decision will be made. Any minister that may have some desire to have an input in the process will do that via Mr Bowen. The actual preparation for the meeting, of course, will be for Mr Willis who is the Chairman of ACPI and with Mr Keating, the two ministers who represent the Government in that meeting. I will be kept informed to the extent necessary by Mr Bowen while I am away of any developments that I need to be informed of and of course I will pick the matter up directly on my return in a weeks time. The position I put to my colleagues was, of course, accepted.

JOURNALIST: (inaudible)

PM: I wouldn't think that that is in any sense necessary or likely. I have kept open that option. But essentially it has got to be understood, as I have said, this is another meeting of ACPI. Mr Willis is the normal chairman of that meeting. At this stage I don't, in the light of what I have said in discussions I have had with my colleagues, I don't see any reason to be saying that I will.

JOURNALIST: How much discussion was there on what

PM: Not an extensive discussion. The position that I think was put at the last meeting was that those who are the participants in ACPI will be able to raise any questions that they regarded as relevant and nothing has changed on that so we didn't need to have any detailed discussion about that Mike.

JOURNALIST: What about in terms of Government proposals?

PM: Well, as far as the Government is concerned it will be largely a listing process. I think what we would do would be as is normally done with these meetings is to put a statement on analysis of the economic position as it seen. That is what has been done in the past and it would be appropriate to do it again. Within that context some proposals may emerge from the parties. If they do then the Cabinet will consider them.

JOURNALIST: Will there be any consultation

PM: There may well be and certainly if either the employers or the ACTU want to have discussions it would be appropriate for them to raise matters with us. I don't know how far they would want to but consistent with what we have said in the past and we are open to what people may have to say to us. It is up to them if they really want to raise some matters in advance with us.

JOURNALIST: Mr Hawke, can you tell us anything of what the ministers said in response to your statements?

PM: Yes, I can say that there was, as far as I could tell, a complete acceptance of the course of action I proposed.

JOURNALIST: Did any of the ministers complain about reports in this morning's papers?

PM: There was one raising of that issue but very briefly.

JOURNALIST : Who was that Prime Minister?

PM: Mr Keating went to that issue but it was very, very brief.

JOURNALIST: What was the import of his comment?

PM: I am not going into that issue.

JOURNALIST: There has been reports that there is a rift between you and Mr Keating

PM: Well, I think that the media has fairly assiduously for some time been reporting on this proposition. All I can say is this that as far as I am concerned I have made it clear both on Friday night during my discussion with Mr Bowen and then this morning in my discussion with my colleagues that this meeting has to be seen in its right perspective and that has been accepted by all ministers including Mr Keating. Now you can spend as much time as you like on trying to develop a proposition about rift. I don't think it would be very productive. As far as I am concerned I repeat now what I said to you before that I have complete confidence in Mr Keating as Treasurer. He has done an excellent job. I believe he will continue to do it.

JOURNALIST: Mr Hawke, would you like to see some positive outcome from this meeting particularly in terms of policy, particularly given the extent of the trade problems?

PM: Well, at any time when there is a meeting between Government and representatives of employers and the trade unions of course one likes to see agreement emerge. And that's why I have said that if out of this meeting some agreement can emerge on particular elements of policy then we would want to consider that in the Cabinet. That's consistent with the way we have

approached economic policy making since we have been in Government. But I repeat and it is important that it be understood that as far as the actual decisions about economic policy are concerned they will be made in the Cabinet. And I can't see anything that will come out of this which will involve a radical redirection of policy. We have got the elements of policy there and in the implementation of that policy we may get some useful assistance as to developments of that out of the meeting, I don't know. But we certainly, as I said, think it appropriate that when there is an indication at that meeting as there was on Friday that they would like to have further discussion. then of course we will facilitate that.

JOURNALIST: Prime Minister, did you ask for or did any minister volunteer an explanation about how things could have got out of hand

PM: No.

JOURNALIST:

PM: I have been around politics for so long that if I got carried away by a headline you would know where you would finish up. You may think headlines determine politics, I don't.

JOURNALIST: But your deputy is blaming

PM: OK my deputy may be doing that. If you have got a question that you want to ask him as to why he is doing that you direct the question to him. But you asked me about headlines. Let me make it quite clear, I have been around in public life now for a generation and if I had allowed what I see as a headline to upset me, to make me think that that is how policies are determined then I wouldn't be where I am now.

JOURNALIST: Do you see it as a problem of media perception?

PM: I think that the media or parts of it got somewhat carried away with what developed on Friday and I have tried gently in Tokyo and here to make the point that what happened on Friday is not terribly complex that a suggestion spontaneously arose about an extension of the meeting with employers being more involved in the discussion about economic policy that they thought they had been in the past. There was a positive response to ministers to that. That is what is going to happen, nothing more, nothing less.

JOURNALIST: in saying yourself last night in a background briefing

PM: I didn't hear what you said then.

JOURNALIST: Mr Hawke, Mr Keating said that this meeting will be the most important held since the 1983 economic summit.
Do you agree with that?

PM: I am not in a position to make that judgement. It is a very large statement to say it would be the most important. I think that it is useful that there is going to be that meeting and if agreement comes out of it then it can be significant. And I certainly don't want to create false expectations nor in any sense, as you can appreciate from anything I have said, want down grade the importance that people might attach to it who are going to be involved in the meeting. I hope that they will go into it with a view that they are going to be discussing what sort of things may be most appropriate for the economic health of Australia. And I congratulate those involved wanting to do that. How important it is going to be will depend on the meeting itself not what is said about it before. It is the meeting itself that will determine how important it is.

JOURNALIST: Mr Hawke, what was Mr Keating's reaction to what was

PM: Well, I think it is fair if you want to get Mr Keating's reaction you should ask him. I don't think you have ever in the past had difficulty about talking to people that you want to Michelle.

JOURNALIST: Mr Hawke, you have criticised the media for

PM: Hey, I haven't gone a media criticising thing. That is not my caper. I just think that there was a little bit of perhaps exaggeration about what had happened on Friday. But that is fair enough.

JOURNALIST: But don't you think that Mr Keating has to bear some of the responsibility for that in the way that he handled the remarks

PM: You ought to know by now that I don't get into this exercise of trying portion blame when it comes to my ministers. All you will find me doing is giving credit to my ministers. And that is what I have done consistently since I have been in office. And that is what I am about now.

JOURNALIST: The panda initiative - any more details on that?

PM: No I haven't. It may be that our Excellency here, Ambassador Garnaut, may be a fuller bottle on the panda issue than I am. All I know is that there is an enormous enthusiasm and excitement in Australia for the proposal as part of the Bicentennial celebrations. I think the negotiations are fairly well advanced, Ross.

GARNAUT: You might even see them before the week is out.

PM: Yes, you are going to see them.

JOURNALIST: Who will make the decision on what zoo they go to?

PM: Well, I think if a Prime Minister can't have a say in which zoo the pandas are going to. There is not much use in being in the job.

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29