



## PRIME MINISTER

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JOURNALIST: Mr Hawke, what reactions have you had so far to yesterday's speech?

PM: It's been very positive. People have been very gracious in their comments, but as in all these things the judgement is to be made later on. I meant what I said at the beginning of the speech that one doesn't feel like coming half way round the world, or right round the world, if you think you are talking to people who are just going to say "well, yes that's nice, yes that's rational, yes that makes sense", then they're not going to do something about it, and I have the feeling that what we've been able to do is to state the issue fairly starkly, point out the very considerable limits of the danger involved that it's not just economic but political. And I would hope from the reactions I've got that people are going to go away and talk about the proposals. I just make this point, which is relevant to a whole consideration of our presence here, Australia does not take the view that what we have said represents the last word that we know exactly what the paths are through to solving these very considerable problems. But what we hope we've done is to state the problem pretty accurately and to make some, as we put it, practicable suggestions that may very well be that the merit of what we've done is to set other minds going about other ways of getting there. If we've done that, we will have judged ourselves to be successful.

JOURNALIST: (Financial Times)

JOURNALIST: He was referring to last night's agreement between the EC and the US or that it was really where the future lay.... world was rapidly moving towards ... managed trade ....

PM: Well, it's too early, it seems to me to make a judgement as to what's going to emerge through the various avenues available to the U.S. and the Community. All we know is that from the discussions we've had myself to some extent - but my Ministers and officials more particularly, is that at that level of relevant officialdom, there is an acceptance of, firstly, the non-viability of the continuation of the existing practices in the two countries, and in Japan for that

matter, the need for change. And thirdly, the recognition that there is a political hurdle that has to be overcome. Now, all I can say is that there is agreement with us on these things, and that your question, in the end, gets down to making a judgement - me making it, you making a judgement - as to what is the level of political will. Quite clearly, I can't, with any confidence, say to you that I know that there will be sufficient political will to get to the more ideal solution that I've been talking about. ~~But I can only hope that by a range of interests beyond governments that the rational solution, can get a greater degree of exposure.~~ In the end, the greatest hope is this - that is, the internal political arithmetic of it. By that I mean that, whether it be in the United States or within Europe, the political arithmetic is entirely opposed to the economic insanities that are being pursued. In other words, the majorities in each country are being prejudiced, and very sorely prejudiced, by policies calculated to help a minority and in the end, won't be able to help the minority, so what you're really hoping to be able to do is to crystallise in the minds of the decision-makers, the nature of the political arithmetic.

JOURNALIST: Mr Hawke, how much further can you take the line of warning to a country like the United States that allies like Australia may well develop a totally negative viewpoint about the alliance?

PM: First you have got to be sure what is the message that can properly be conveyed, and once you know what that message is, then your question becomes relevant - "how far do you take it? just going to the first part of that analysis. I wasn't trying to convey last night, nor is it the position, that the point has been reached in Australia that because of the action of the United States, Australia has reached a point of putting into question the elements of the alliance relationship, because I don't believe that that is the position. The message that I am trying to convey to the United States is that we all ought, sensibly, to take account of the warning signs. For the sake of some of our friends here from other countries - I'll just mention to them what you know. We had the remarkable situation last year in our country of farmers getting in touch with my office, the Prime Minister's office, and offering to organise a march of some thousands of farmers to the United States base' in Alice Springs, one of our joint facilities here, to demonstrate against the existence of the joint facility. This is, U.S. within our society one of the most conservative groups, one traditionally most closely identified with the maintenance of the U.S./Australian alliance relationship. But I go to that to give you an idea of the intensity of the impact

the decisions by the United States Administration as seen through the eyes of our farmers, one of our more conservative groups. What I'm trying to say is, we want to convey the signs to our friends in the United States of the impact on internal Australian attitudes to alliance relationships that flow from their decisions in this area. As I said in the speech last night, if you attempt to make some judgement from that experience in Australia, one has got to imagine that within the countries of Europe, the attitudes of ordinary people there. Within the United States, and within Japan, when they see what's happening in trade relationships between their countries, and the tensions that are developing there, you've got to ask yourself the question whether there isn't a process of some gradual dissolution of the ties that are essential to the broader political relationships. I'm really trying to say, and this is what in my Australian colleague's question, that it is very short-sighted if we think about this developing trade war, trade conflict, and just put it in the trade and economic box and say "that's the beginning and end of the problem". We really believe and we have the evidence that behind my friend's question here, that it does go to these more fundamental questions. We are continuing to say to the United States "look, this will impose greater and greater strains upon this area of the relationship". But I am not saying, at this stage, that we are using that as some part of the bargaining process because, as you know, we believe those facilities have an intrinsic merit and it would be antagonistic to our perceptions about security interests to put that as an issue. But you government go on and on like this, and if your own community builds up an antagonism, then that's got to inform the thinking of government.

JOURNALIST: Mr Hawke, the Financial Times reported yesterday that France was refusing to allow the EC to put agriculture on the MTN round. Are you aware of that and is what is your response?

PM: I wasn't aware of it, but let me say two things. Firstly that in the processes leading up to the decisions at Punta del Este, which processes included discussions between Australia and the Group of 14 with the Community, and with the French. There was agreement at Punta del Este, that the first time agriculture was seriously would be put on the agenda, and we would regard it as a breach of the understandings that were reached at that stage, if there was now an attempt to take agriculture off the agenda.

JOURNALIST: Mr Hawke, have you gaged any feeling or reaction at all.... investment in Australia. .... trying to round-up investment here?

PM: I wouldn't use the phrase "round-up" But we certainly in the session I'll be having this morning, will be wanting to convey what is the reality, and that is that Australia is a very attractive place for investment, that the fundamentals are there. And let me take this opportunity of saying what those fundamentals are. Firstly, probably the most politically stable country in the world, at least I don't think there are any that are more politically stable, a country of vast resources, of a well-trained population, part of the fastest growing economic region in the world - Asia-Pacific - and with good relations in that region, and therefore strategically well-placed as a base for export into the region. We only have a population of 16 million, so we can't put Australia up in itself an enormous market. But when you take those other factors into account relevant, recent developments with the 35% trade-weighted depreciation of the dollar, we are now in a very, very much more competitive position and very importantly, the attitude of our trade union movement is extremely cooperative towards further investment, prepared under its central leadership to talk in advance with those who are seeking to establish new ventures so that there can be, in advance, understanding as to an industrial relations framework. All these things make Australia very attractive. And what I'll be trying to do in my brief time here is to project those facts into the minds of people who are considering investment decisions and to do that with the overall knowledge that the Government of Australia welcomes such investment.

JOURNALIST: Mr Hawke, speaking about the willingness of the Trade Union movement to talk in advance - at what level and within what sort of framework ... and what specifics do you think might come out of that?

PM: I want people to understand that this is not just an Australian Prime Minister saying things that might sound nice. It comes from specific discussions I've had with the leadership of the ACTU. And they have given me an undertaking that should any foreign investment proposal be in contemplation, that they at the ACTU central trade union level, are prepared, and not just prepared, but would want to talk with those interested in such proposals, that they would undertake to have the relevant unions who would be likely to be involved, bring them together and in advance talk with those who are considering the proposal, so that they could work out, in advance, an understanding and a framework of the industrial relations agreement which would operate so that those contemplating the investment could have the certain knowledge about the continuity of operations. And

therefore have much more, or the greatest degree of confidence about the viability of the operation. So it's not just a concept that I'm putting, but a specific undertaking.

JOURNALIST: Is that the sort of thing that could lead you to a direct contract system in the Union movement.

PM: It would be an agreement - the concept of an agreement - within the overall system that we have in Australia. In other words, you would still have the basic rates laid down out of the National Wage Case decisions and so on, but within the principles of the National Wage decisions, there is absolute room for the negotiation of conditions and arrangements for dispute-settling, which is an absolutely critical point, I think, in the confidence of potential investors. What they don't want, and quite understandably, is I'm going to make the investment, but we're not sure as to the continuity of operations. Where I think the most significant part of the discussions can be is to get an actual dispute-settling procedure laid down so that in the event of some point of disagreement arising, there is not just a resort to direct action, but you'd have lines of communication and dispute-settlement laid down so that the concept of direct action is not the thing that's invoked at an immediate or early stage and in hopefully, not a part of the relationship at all. It's those sorts of things which I think can most sensibly be talked about and, as I say, the ACTU stands ready to operate in that way. Now if I can pick up your question, Mike. I've had the discussions with Simon Crean and Bill Kelty over a period of some weeks now. I've been in a couple of ad hoc discussions and also, within the framework of the Australian Labour Advisory Council, we have talked about - it has been the outcome of a number of discussions.

JOURNALIST: Do you expect it to be a formalised arrangement?

PM: Let's say a company wants to come and establish a new high-tech enterprise. They've got the proposal in their minds. The normal thing when an enterprise is contemplating that they talk with Government, they talk with their bankers or their source of finance. They will in advance have clear in their mind their finance, what's required to meet Government regulations. What I've been saying, and what the ACTU agree with, is it makes sense that in advance, not to wait till later, but in advance, to get a clear idea of what the industrial relations framework is going to be within which you're operating. And to try and negotiate in advance the circumstances that will apply, including as I've just said here, sensibly, a sort of

dispute-settlement procedure so that you're not going to have some idea in mind of saying "well, I wonder how the dispute arises" so that you know in advance that you've got undertakings about how these things will be done.

JOURNALIST: Mr Hawke, you mentioned this sort of proposal a couple of years ago in China. Have there been any advances where ...

PM: I am aware of circumstances where proposed operations have been discussed in advance with the ACTU. I'm not, I don't bring to mind something that arises as a result of just what I've said in regard to China, but there are examples of this sort of thing happening, and what I'm really wanting to do now, is particularly in an environment like this, is to say to let potential investors know, Michelle, that the ACTU is in favour, supports the concept that I have and is prepared to cooperate, to talk in advance in regard to those with investment proposals. And there is no question at all about their preparedness to do that.

JOURNALIST: ... system goes just about as far as it can to guarantee that there won't be strikes?

PM: As far as you can. What investors know about Australia is that it's a free, liberal democracy within which the right to withdraw labour is an intrinsic part of our democracy, as it is in Europe, as it is in the United States. But part of what I'll be saying is to tell them about our achievements. In the period since we've been in office we've more than halved, significantly more than halved, the level of industrial disputation. And there's very few of the OECD countries which has had a rate of reduction of industrial disputation that anywhere near matches what we've done, and that hasn't been an accident. It's been part of the processes of consultation between Government and unions, and industry within our country. And what I'm saying is that what we've been able to achieve is based upon a principle of negotiation and consultation and I'm saying today is we're contemplating coming to get the advantage of that in advance, so that in making your decisions you've got it there in place. And if the negotiations are undertaken in good faith, yes, you do virtually guarantee such an outcome.

JOURNALIST: Mr Hawke, if the future of world trade is not as you adambrialia last night but rather a drift towards big cartels. Where does that leave our country?

PM: It's not a happy prospect for our country but I suppose that in one sense, as disconcerting as that

might be, I think it's much more disconcerting if you want to take an overall view for the really poor and developing countries of this world. You may recall one part of my speech last night, although I know every part's still vibrantly in your mind, that one part where I said that I regarded as one of the more grotesque features of the world economic scene is this way in which the majors either directly or through the institutions like the IMF and the World Bank, they preach to the developing nations and - the debtor nations - say "look, there are rational, tough, hard economic decisions that you've got to make and it's ~~only in that way that you will prosper~~". A lot of the messages that they preach are valid. But at the same time as they preach the need for rationality and to release the forces of competition and deregulation within these countries to whom they are preaching, at the same time they eschew, they repudiate, exactly the same principles in regard to themselves and their relations with others, which is bad enough but particularly bad when you recognise that the very fact of their refusal, themselves to embrace the same sort of rationality, imposes almost an impossible condition upon the people to whom they are preaching to meet their commitments. And it just strikes me that that's not just a paradox, but an absurdity which we've got to understand, and it's so relevant to your question. Sure, if you get that sort of cartelisation which may suit the interests of some of the majors, it's going to make virtually impossible the meeting of the commitments of these smaller debtor nations.

JOURNALIST: Mr Hawke, one of the difficulties Australia may have in attracting foreign investors is that they ... high inflation ... CPI ... do you think that Government should look again at re-adjusting economic policy to try and get inflation down to ....

PM: Two or three things to say to that. The first is what are the prospects for inflation, what are the reasons for the inflation rate that's emerged. Now, just a very brief historical analysis. When we came into office inflation was over 11%, as you know. As the result of the policies that we pursued and particularly the policy of the Accord, we more than halved that inflation rate. We've got it down to 5% - an annual rate of 5% - within two years. And the point I make therefore is that the actual application of our economic policies that were autonomously within our own control, had got our inflation rate back very much towards what was happening in our OECD and partner countries. Then we got hit by the turn in the terms of trade in the very significant depreciation which unleashed forces that took that inflation rate up again, and which saw,

as a result, this last December quarter figure coming in for that twelve months at a bit under 10%. So the point I'm making, Greg, in regard to those who are looking at the Australian situation and movements is as to making a judgement as to whether they come or not, can see that the sort of policies pursued by the Government have been successful in bringing inflation down. And if you look at 1987, that we've now, we believe, had the final washing-through of the depreciation, and that we will be looking in 1987 at a declining inflation rate. Secondly, the point to be made is that within those processes that temporarily produce that increased inflation, importantly for their consideration, it also produced an enormous improvement in our competitive situation. That 35% depreciation in TWI terms, which is what has taken place in the early months of 1985, has made Australian industry much more competitive than it's been in memory. So I would suggest that a proper analysis of those factors, taking into account what you say, that there's been that upward movement in inflation, should lead to the total conclusion that now is the time to come into Australia because our inflation rates will be coming back through '87 - the gap between us will be narrowed. But the very processes which have produced that temporary spurt in inflation themselves have also improved our competitive position.

JOURNALIST: Do you think that fiscal, monetary and wages policy should be looked at again ... some sort of May or June statement?

PM: Greg, as you know, we take the view that you've always got to be reviewing all the elements of macro-economic policy. We don't attach any magic to a particular rate and certainly we've demonstrated that we are not bound to some almost mystical religious significance for budget day and that's the one day of the year you assemble all your tools of macro-economic policy and get them right on that day. We've continually adjusted our policies. What has characterised the more recent period is that we've tried to ensure that by making the decisions in the fiscal area and getting our wages policies right, that we can be moving to a position where we can take some of the weight off of monetary policy which had to bear a fairly heavy part of the burden during 1986, and we think that we've done that. I repeat that it's our view that as we go through 1987, because we've got fiscal policy right, budgetary policy, and because we, I believe, will get a wages policy which will produce an acceptable outcome in 1987 that there will be able to be an easing in monetary policy during 87, with that being reflected in a lowering interest rate regimen. The whole purpose of the hard work



that's going into wages policy is to ensure, as you know, that we make the depreciation that's taken place, and the improvement in our competitive position, that we maintain that by not dissipating it through a significantly high movement in wages. So, it's a constant inter-relationship between these elements. But what it will mean in my judgement, through '87, is that, having taken the hard decisions that we did in '86, that we will have this sort of framework in 1987 - a lowering rate of inflation; a declining interest rate regimen through '87; and a wages outcome which will be in line with what we said in the last budget would be required, and a real wages outcome which is better than most of our trading partners'.

JOURNALIST: Mr Hawke what would you regard as acceptable rate of inflation by the end of this year?

PM: That's an invitation to suicide, almost. In an election year "Hawke said in Davos inflation will be x%, it's not x% - Advertisements for the Liberal Party. So I'm not going to satisfy them. But I will say this, seriously, Kerry, that there will be a declining rate of inflation. The rate of inflation at the end of '87 will be lower than 86.

Journalist: Have you had discussions with the ACTU about applying the industrial relations ... new investment in Australia....

PM: Sure - I mean I've consistently said, not just in recent months, but all the way along my message has been to business. I can remember speeches in which I've said look you're talking about an investment in this country you'll have your finance manager and you'll spend weeks and months working out how you are going to raise the finance, how you are going to service the debts. You'll have your engineers, you'll have every facet of your corporate structure in. And in advance you work out all those things but how often have you had your Industrial Relations' Manager or whoever responsible in advance and working out that part of environment. Yet look at the stupidity of it, you can spend months and months working out how you are actually going to acquire the money for a 50 million investment, how you're going to service it, how you're going to build it and yet the whole of it can be rendered useless or the value of it reduced very considerably because once you've done all that, got the thing going you haven't worked out in advance a sensible dispute settlement procedure with the unions. I said it just is plain dumb and it is. It's plain stupid to spend all that time with your finance managers, your engineers what to build an enterprise if you haven't in advance done as much as you can to ensure that that's going to be continuously operating

and it just makes sense in advance to sit down and talk and get a dispute settlement procedure. This is how we are going to handle things. I've said that for years. This is not something that I'm just simply saying makes sense for people from overseas who are coming in.

JOURNALIST:... election ..

PM: A year is twelve months isn't it? I've got nothing to add to what I've said before other than ~~to clarify it for you. This Government will run its~~ full term and that means it could be an election any time up till April 88. But we'll all be going our full term and that means an election either the end of '87 or sometime early '88. I've said that several times and I'm not changing it.

JOURNALIST:farmers are about 2% of the population ....  
(inaudible question)

PM: Let me take the first part of your question. This time I don't like the analogy of being taking hostages - it conjures up very unpleasant connotations. But essentially you're right it goes back to answer I gave earlier about the political arithmetic. The political arithmetic just can't be lined up against the economic decision. It is the case that the large number, the majority, are being disadvantaged because of perception of what needs to be done for a very small minority. That in itself is bad enough if you like but then as I was trying to say in my speech last night it doesn't work anyway because in the end you're not going to be able to protect, in income maintenance terms, those who most need help. A feature of the system here in Europe is that the minority of the farmers, the bigger the wealthier farmers, get the overwhelming proportion of the assistance. What we're saying is it perfectly proper for governments to have a concern for the welfare of those most in need - the poor farmers. But it is a lunacy to try and pretend that you're helping them by an economic system, which at one and the same time does these two things directs the great proportion of that assistance to those within the farming community which least need it, but secondly to do it in a way which imposes a significantly higher cost and price structure on the whole community so that here in Europe the economic growth rates of Europe are lower than they otherwise would have been because of this artificially imposed higher cost and price structure. That means not only are the growth rates lower but associated with that the level of unemployment is higher. And all of that in the name of trying to protect a very small minority which leads to the obscenity of people with lower than average incomes

amongst the taxpaying group generally paying from their taxes to look after some farmers with higher incomes anyway. The whole thing, if you look at it, is just riddled with economic absurdities. Now your question is right when it implies that people in government, your bureaucrats, all of them know the truth of that. No-one argues that because it's unarguable. But the political realities are we've all got to worry about the vote. What needs to be done is really to mobilise the political arithmetic of it, to make the ninety percent plus who are paying the price understand the dimension of the price that's being paid but not in the process to ignore the plight of the poor farmer. The poor farmer is entitled to have his interest taken into account but it's infinitely more intelligent to adopt other economic measures - assistance measures - which can be targeted onto the person in need because if you do that, you will do two things. You will make sure the person who needs the assistance is getting it and you will do it at a lower price and in a way which is not lowering the economic growth of the community as a whole and increasing the unemployment of the community as a whole and it's just eminently senseless.

JOURNALIST:... clarify the earlier point ... have you received an undertaking from the ACTU..

PM: Yes. Mike it's not something that you should be very surprised about. It the sort of thing that has been talked about. It shouldn't come as any surprise to any Australian entrepreneur that if he were to go to Crean & Kelty and ask them to talk about this and to get the union involved that Crean and Kelty and the unions would talk. It's not a surprise and they will do it.

JOURNALIST:...(inadible question)...

PM: I am Michelle because as you'd appreciate, we've been in Government for four years now and the evidence is getting through about the changes that have occurred under this Government the more than halving of industrial disputation. But I suppose in the literature and the assumptions there's still something lingering there about Australian industrial relations. I really want to tell people here; (a) what we've achieved but (b) that hasn't been achieved by accident. It's happened because we follow a certain principle and (c) that that principle is available to them not after they get there but it is sensible to take account of that in advance and to talk and work out to their satisfaction the sought of framework which would be appropriate for the establishment of their enterprise.

ENDS