



PRIME MINISTER

TRANSCRIPT OF PRESS CONFERENCE

HOTEL SHILLA, SEOUL

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E AND OE - PROOF ONLY

(Journalist) : Prime Minister, I have a domestic question, if I could, how concerned are you about the CPI

(Mr Hawke) : Obviously we are disappointed that it's as high as it is but you will have seen from what my colleague, Treasurer Paul Keating has had to say, that there are some very special reasons for the figure being as high as it is and that is the way in which there's been effected into the calculations the movements in housing costs. Now, the fundamental point is that it assumes that every household in Australia buys a new house every quarter - which is quite unrealistic and if that's abstracted, the figure for the December quarter would not be the 2.1 but 1.4% and for the year not 7.7 but 6.8% and as the Treasurer points out if you make a comparison between Darwin and Sydney you can see the unreality of the figures. So when you look at the downward movements of the elements in the index of beer, pharmaceuticals, the health sector, fresh vegetables, we are convinced the fundamental scenario that we believed at the time of the budget is taking place that we are looking at the downward movement in the fundamental inflation rate - and there is no reason therefore, in our judgement, to for instance in the area of wages, suggest that there has got to be some revision of the strategy that we've had in mind there.

(Journalist) : Do you feel confident that inflation has come down this year.

Mr Hawke : Well what I said when I was asked, I didn't proffer a view, I was asked will interest rates come down this year, I was asked within the latter part of January, I expressed the view then that I think they will sometime in 1989.

(Journalist) : Do you still hold to the view, Mr Hawke, that they won't go up before they come down.

(Mr Hawke) : Well let me put it this way. As far as we're concerned, I share the view expressed by the Treasurer today in his press conference on the release of these figures, that we believe that the monetary policy as far as the government is concerned is appropriately tight. Now obviously with the release of these figures there may be some reaction in the market, but the important question is what the government's attitude is as far as we're concerned we believe that it is appropriately tight.

(Journalist) : How much more difficult does this now make it to achieve a satisfactory wages outcome.

(Mr Hawke) : Well I only had the opportunity of seeing a brief reference to ACTU reaction since I returned from lunch with the FTA, but it does seem to me that the public statement from the ACTU is that there's no reason to depart from the existing wages strategy and I certainly hope that will be the case.

(Journalist) : Even with those adjustments Mr Hawke you're still a long way off budget projections. Isn't there a need to assess your fundamental ... (Mr Hawke starts speaking)

(Mr Hawke) : Well 1.4 I mean you'd be, 1.4 for the December quarter. I'm taking into account the September quarter, itself appropriately adjusted for this factor. You are not that far above the sort of order of 5% figure for the end 1988/89. I don't see any reason on those figures to panic in any way. The question is are the things that the government's doing having the sort of impact on inflation that we want and that is it. Are we looking at a fundamental downward trend - I think the answer is yes and of course I should make the observation as Paul Keating said today after consultations with me by phone this morning, we will specifically address the issue which has been reflected in this large increase that is housing costs. I, as you know, wrote some months ago to the Premiers to address this question, asking them to address the question of making more land available so that you could have on the supply side an impact on costs and for our part we've got our own task force looking at the question of what Commonwealth land in capital cities may be released to release pressures and I've agreed with Paul Keating that I'll summon a meeting of the Premiers to address this aspect of the impact of rising house and land prices. So, in the area that we're responsible for we think it's going in the right direction and insofar as we can do something further to address this element we're going to tend to do it.

(Journalist) : Mr Hawke are you suggesting that the housing factor might be abstracted out somehow or other in terms of the wages outlook.

(Mr Hawke) : Well I think, let me put it this way. It would be ridiculous for instance wouldn't it to apply nationally, the national wage case approach - a figure which is dominated by Sydney where wage and salary earners throughout the rest of Australia have not been affected by that impact and where existing householders are not effected. If anything the impact of the rising prices to those that have got the houses to increase their equity to make them better off not worse off, as the Treasurer said. So I think that the ACTU will responsibly understand that in those circumstances, Jeff, it doesn't make sense to jeopardize the whole wages, prices, competitive position outcome because of this factor. I mean it's not a terribly esoteric thing that we've got to explain to them and I think they understand it.

(Journalist) : Given that all families either pay rent or repayments is it not cheating to just ignore the impact of housing costs.

(Mr Hawke) : No because what I've said in substituting 1.4 for 2.1 doesn't take rents out of it. I mean that leaves the rent component in it.

(Journalist) : When you say you're confident the ACTU will understand, Mr Hawke, have you had any indication of the executive's position or are you just ... (trails off)

(Mr Hawke) : No, I'm I'm I'm as I've said, Michelle, I'm going on the report that I've seen - the fax report of some comments that have been made. I've had no personal discussion, I've obviously had no chance to do this but I would believe that in the discussions with the Treasurer will have with the ACTU that they will understand the good sense of the approach that I'm suggesting and which the Treasurer is suggesting. I wonder if a question ...

(Journalist) : Could you say something about you visit for those of us who aren't from Australia.

(Mr Hawke) : Yeah sure. It's a bit esoteric this stuff right.

(Journalist) : Can you tell us about your meeting with President Roh

(Mr Hawke) : Yeah sure. Well let me, just before I do that, if there are any further questions afterwards about this, we'll come back. Before going to that meeting in particular I'll make some general observations about the visit, I want to say as I said at the luncheon I've just attended sponsored by the Korean business community, that in 1988 in our Bicentennial year, we were really at home and at host. We had people coming from all over the world. Now, 1989 I'll be undertaking a number of visits, to a number of countries, and it is significant, I think that the first country that we are visiting in 1989 is Korea. It comes soon after the meeting I had with President Roh in November and at that meeting I think firstly we established a warm personal relationship and it's certainly been consolidated by the meeting I've had with him and others of his Ministers and leaders of this community, including the opportunity I had this morning of meeting with leaders of the Opposition Parties. Something of course that I wouldn't have been able to do in my last visit here in 1984 and it's a measure I think of the change in the situation in Korea that some two and a half years ago the Australian Ambassador was in trouble with the authorities for daring to actually have a dinner meeting with Kim Dae Jung. On this occasion he was a welcome guest at the dinner hosted by the President last night and I had a meeting with him today so that gives you if you if you like some sense of the background, generally and by way of comparison with my last visit. Now, in the meeting with President Roh, essentially our discussions came into these categories. We talked about the global context and agreed that we do indeed now lead our countries at a uniquely important time. In that he agrees with me that this is an occasion more than at any time in the post-war period when there is ground for optimism in the assessment one makes of the relations between the super powers and that that has created not only a thawing of the relationship between the United States and the Soviet Union - and China has been involved in this thawing vis a vis particularly with the Soviet Union - but that this has been reflected in the easing of tensions in a number of spots around the world most obviously Afghanistan, Nambibia, Angola which both the United States and the Soviet Union had an important role to play and there is increasing evidence in Cambodia that there are grounds for optimism there and of course within that context really that we had the next Cabinet discussion that is the regional impact of these changes and other regional initiatives in the political field. I again spoke in some length with President Roh on the question of his Northern policy because when he was with me in Australia

in November he outlined in some detail his intention to pursue the initiative of trying to have contacts with the North, his Northern policy and in that period there have been developments. The details of those developments and indicated to me his intention to continue that thrust of policy - to try and increase the contacts, the level and depth of the contacts, and of course he had encouraged me in Australia in November to on Australia's behalf to open up contacts with the North. Since we've met him we've done that, we had some of our officials in the North earlier this month and then just on 26 January we had our Ambassador in Beijing meet with one of the Deputy Prime Ministers of the North in Beijing and we had further discussions. We have kept the President informed of those developments, he welcomed them and we have undertaken to keep them informed of those developments and I've made it clear that insofar as we are opening up further dialogue with the North there will be a conditionality about that approach in that Australia's preparedness to go further in substance will be a function of how ready the North is prepared to engage in constructive dialogue with the South. And the third category, if you like of our discussions was with our bilateral relations and we were pleased to see that the initiatives that were launched in Australia. In November are being effectively progressed in particular agreement to establish and Australia-Korea Forum is proceeding. I have nominated the Australian co-Chairman of that. The Koreans are in the process of doing that and we are expecting them by the end of this year that important Forum meeting will be held. The Cultural Commission which we agreed to establish in November will have its first meeting here in Seoul in April or May. So you can see that we've discussed a range of issues and I think it's fair to say that we found ourselves at one on virtually every issue that we discussed. I see this visit coming on top of his visit to Australia as consolidating very much the already strong relations which exist between our two countries and providing the basis for growth not only in the economic relationship but in other areas which will underpin the economic relationship.

JOURNALIST: Is Australia considering re-establishing relations with North Korea?

PM: No, that issue has been raised. We will not move to the point of re-establishing diplomatic relations. I think they understand that because it goes back to what I said before: There will be conditionality in our approach to those discussions. It would not be appropriate for Australia to move to the resumption of diplomatic relations in a context where there was not a satisfactory position obtaining in the dialogue between the North and the South. And the North understands this I think. It is appropriate and certainly it is the view of the Republic of Korea that it's in the interests of everyone that the isolation of North Korea should come to an end in the same sense as we think of Vietnam. If you look at North Korea and Vietnam, to use a phrase that I've used before in regard particularly to Vietnam, they are islands of stagnation in a sea of great economic progress and it's neither in the interests of the people of Vietnam or North Korea or of the region itself that that isolation should continue. So our discussions with the North Koreans will be in terms of how we can increase perhaps economic relationships and so on. But all of that will not involve a rushing in to a resumption of diplomatic relations. There will be, as I say, a conditionality about that approach.

JOURNALIST: Have you reached an accord concerning direct flight routes?

PM: The position has been - very briefly let me explain it to you. When President Roh was in Australia that issue was raised. We agreed that given the developments that have taken place including the total relaxation of travel restrictions on Korean citizens, given the increase in trading relations that have taken place between us which see an enormous explosion in two way trade which is now at the order of \$2 billion Australian, given those factors then there is a case, a very strong case for the establishment of the two-way airline relationship. What we have done is to pass over to the Koreans a draft airline services agreement. That has been passed over and now that has been discussed at the official level. The Korean airline asked for a certain delay, we were happy about that. The talks at the official level will resume in February, next month, and I see no reason why now that should not proceed from the official level of discussion to a point where by the end of this year the agreement will be in operation. I expect that to happen.

JOURNALIST: ... the Korean Government asked the Australian Government to investigate and expose any assets owned by Chun-Doo Haan and his family. ... is the investigation going on right now and what have they found so far?

PM: It is true that we were asked to do that, and we agreed to do it. The investigation has taken place. I haven't yet received the final report.

JOURNALIST: When are you expecting it?

PM: I don't know. I don't interfere in these matters. You ask the authorities to undertake a report. We have confidence in our authorities that they will efficiently and effectively undertake the request that you make of them. They are doing that and we'll receive it in due course.

JOURNALIST: Are you satisfied that the information that you've received from the South Korean Government is sufficient to undertake such an investigation? There have been some reports that Australia was unhappy because it had been asked to investigate but not really been given enough to go on to make such a ...

PM: I've been around in public life, in politics, in the Prime Minister's position now for six years and as my colleagues from the Australian media know I don't always believe every report I hear and read. That's one I don't.

JOURNALIST: Are you satisfied with the information?

PM: Yes, yes.

JOURNALIST: Do you think that the health of the Australian economy is now being held hostage to the Government's ... tax cuts in July?

PM: No, I see the provision of tax cuts as an appropriate part of both economic and social policy. I repeat that what we've said from the beginning, right back last year, that there is a relationship between what we'll do in the tax area with what will happen in the wages area. We are waiting to see what will happen in the wages area. My colleagues in my absence will be engaged in discussions with the trade unions and as I said I hope we'll be beginning to see discussions with the employers as well. It would make sense from the point of view of the health of the Australian economy if the satisfaction of the legitimate aspirations of Australians for maintenance and gradual improvement of living standards can to some extent be affected by the tax cut mechanism rather than by an otherwise higher level of wage increases. That makes economic sense as well as social sense.

JOURNALIST: You said today and you've said consistently that the Montreal Review failed. Do North American trading blocks, the European trading blocks remain in ... How do the Asian Pacific countries tackle it if they don't form their own protective mechanism?

PM: I think you've got to look at this in stages. I have, as you know, consistently made it clear that the Australian position is one of undiluted commitment to the multilateral trading system. I do that in an historical, in a broad historical sense. I'm not sure that you have the Davos speech I made at the forefront of your mind, you should, it's a very good speech. The point I made there is that if you study history, there are many lessons you can get from history, but one lesson you can certainly get from history is that economic autarchy has always been the precursor to political conflict. There is no reason to believe as we come to the end of the 20th century that history is going to change now because we happen to be here and that it would be inconvenient for history to repeat itself. History is very likely to repeat itself. So on that basis there is a vested interest, a political interest as well as the obvious economic interest in trying to see that the multilateral system prevails. Australia will be second to none both individually and in terms of trying to harness the capacities and abilities of others to try and achieve that objective. As I said in my speech today, one of the benefits of a move towards the creation of a regional framework of the OECD type, not a trading block type, was that I believed that that could help to harness the capacities of the countries of the region to pressure the rest of the world to understand the truth of what I'm talking about in this regard. Now having said that, as you know I am by nature an optimist and we will do everything we can to achieve that result. I don't want this to be misunderstood, what I say. Listen carefully to what I say. If you took the most pessimistic scenario for the future and the best dedicated efforts of Australia and like minded countries were to fail and the multilateral system were to break down and the GATT system were to fall apart and you saw, in other words, a determination on the part of others to conduct their international trading relationships via blocks, then in those circumstances if the countries of this region had advanced along the path that I'm talking about and for the purposes that I'm talking about, you would I suppose have the building blocks then for a recourse that in those, I hope, entirely hope in hypothetical circumstances, you would be able to take the action that would be necessary to protect yourself.

JOURNALIST: On the meeting with Premiers. Is that in addition to the Premiers' meeting in June?

PM: Yes, it will be before that.

JOURNALIST: Will industry associations be invited?

PM: Well as you know this Government has always had very close and constructive relationships with the Housing Industry Association. They have made some useful inputs into this area and whether in fact they were formally participants in the conference, that may not be appropriate, I would certainly see that they were involved in understanding the preparations and if they any particular input they wanted to make I'd welcome it.

JOURNALIST: Your worse case scenario that you just gave us about the building blocks, is that the way President Roh also would perceive the worse case scenario?

PM: No, we didn't go to that point. We are totally at one in our perceptions of the need to save the multilateral system. So our discussions were held in that framework. I didn't go to your point that I've just mentioned but I think there is a certain, if I could put it that way, hypothetical logic about that. It is very important because I don't want Australia's position to be misunderstood or misrepresented. There is no country in the world more committed to achieving the success of the multilateral negotiations than we are. No country will do more to achieve that. The suggestion that I have made and to which I received a totally enthusiastic response from President Roh is calculated to help in the achievement of that objective. The observations I've just made are, if you like - as I put it - a hypothetical, fall-back, worse case scenario situation. I just wonder if I could add to an answer I gave to the question about the discussions with President Roh and I know this will be of interest to Australian colleagues as well. There were one or two specific points that we discussed and on which we had agreement that may be of interest. I indicated to the President that one of the features that is emerging in the world today is a growing realisation of the great dangers of the depletion of the ozone layer, the greenhouse effect and that we in Australia have acted in this area in two basic ways. We have moved to implement the Montreal Protocol and indeed by legislation have moved well beyond the minimum requirements of that protocol - that was the '87 protocol. Secondly we are simulating research in Australia to see what it is that we can do both within Australia in co-operation with international bodies and other countries to advance the cause both of understanding and of action. We have in Australia an association of chlorofluorocarbon consumers and manufacturers which are in the process of developing technology for the recycling of chlorofluorocarbons. I indicated to the President the importance we attach to this and indicated that there would be a preparedness, a willingness on our part to look at the transfer of the technology which is being developed in this regard. President Roh agreed with me on the importance of this issue and welcomed the suggestion for the possible transfer of technology and we have agreed that there will be a meeting between our officials to follow this matter. The second specific point is that I welcomed the recommendations of the Presidential Commission on Economic Restructuring that the President appointed here which make recommendations for market liberalisation. I invited members of the Presidential Commission of Enquiry to come to Australia and the President responded positively to that. I believe and hope now that we will be having a visit of the members of that commission to Australia. I think that will be useful both in terms of our bilateral relationships and further understanding of the regional issues to which I've referred.

JOURNALIST: Do you know how much support there is for your regional initiative and how do you think it will fit in with the proposal that was coming from Japan the other day about a possible ministerial meeting?

PM: The letter went out relatively recently raising the question of the need for further consultation. What I've done here is to advance that one step further. So the answer to your question Michelle is it's too early yet to know what the reaction is. All I can say is that the only leader that I've tested the idea on, President Roh, has embraced it completely and enthusiastically. I hope that in the relatively near future we'll get further responses. There may be different perceptions. I think there'll be unanimity about the need for further co-operation. The processes and the end objectives - obviously there'll be some differences about. The important thing I think is that we have given from Australia's point of view a thrust now in the region towards pursuing the need for further co-operation. We have put up a suggestion if you like as a sort of type of model and we don't want to be prescriptive about it. What we do want to do is to ensure that the dialogue and the discussion develops reasonably rapidly.

JOURNALIST: Do you think the major trading nations of the region up till now have done enough to support the GATT system or have they been sitting back a bit?

PM: You can't, when you're talking about a region, think of it in monolithic terms. Let me say this, that there has been a very substantial response to our two initiatives. Firstly the November '83 initiative which I launched in Bangkok which asked the countries of the region to be involved with us in pre-Uruguay round discussions. There's been a very substantial and continuing response to that. Secondly with the establishment of the Cairns Group there's also been an involvement in that. I think that generally speaking the countries of this region do see, share our perception of the need to ensure that the multilateral open trading system is rescued and strengthened. I tend to believe that that perception will increase. After all, time is running out on the Uruguay timetable. It's a four year timetable, they're more than half-way through now. There's going to be the meeting in April. They have reached agreement on 11 areas, as you know, there were four that weren't. But the attitude will strongly be of many countries who have given agreement to the 11 areas that they will make their agreement on those conditional to achieving agreement in the other areas which are, as you know, textiles, intellectual property safeguards and agriculture. There's not a great deal of time and I think that that sense of pressure will heighten the perceptions of the countries in the region. Just one final point just before I go off to an important meeting with the President is this. It is remarkable, the paradox of our times, it is a remarkable paradox in that we see in political terms a greater reason, broader grounds for optimism than at any time in the post war period for the reasons I've outlined to you before and which I don't reiterate now. It is a more congenial international political environment which gives us

PM (cont): more ground for hope and which is producing in various areas of the world concrete results. The paradox is that while there is ground for political optimism, on the economic front, which as I've said before ultimately can determine political outcomes, the world is being far less than sensible and is in some respects going somewhat backwards. I hope that that paradox will be resolved in the right way.

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