



## PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, PARLIAMENT HOUSE, 4 MAY 1989

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JOURNALIST: Mr Hawke, what's your reaction to the CPI figure or figures today?

PM: Well, I have two reactions. One is that it's at the, I think, at the lower end of expectations and it shows that the underlying rate of inflation at 6.8 percent, 6.8 to 6.9, is lower than the sort of figure that had been talked about before. But having said that, the second thing I want to say is that I think the, while that underlying rate is lower than had been talked about before, still too high and the various arms of policy will be kept tight to ensure that we get a further lowering of the underlying rate.

JOURNALIST: Do banks have any excuse to raise home loan rates now?

PM: Well, I'm not here to tell banks how to conduct their affairs. They've got a competitive system out there, but I would, my own judgement on the figures, is that they don't provide such an excuse.

JOURNALIST: Mr Hawke what do you think of the idea of a pulp mill in Tasmania producing non-bleached paper products? Would the Commonwealth be inclined to offer such a scheme at least the same sort of incentives that you're prepared to offer the other Wesley Vale proposal?

PM: Well I've had some discussions with Mr Field about this and I'll be going down to Tasmania tomorrow night and I'll be there on Saturday. I may have something to say about this then. I think it's more appropriate that anything I've got to say about it, I say in Tasmania then. You won't have long to wait.

JOURNALIST: Mr Hawke, do you believe that the figures should have provided a measure of what the inflation would have been under the old measure just so that there's no accusation of a fiddle?

PM: There can't be an accusation of a fiddle. Just let me make this point. I understand that some elements in the media have been desperately going around economists in the private sector seeking to get from them some condemnation of

(PM cont): what the Statistician has done. One was rung up and asked 'well what did you think?' He said 'I think it's right'. He said 'damn it' the person who rang up said 'damn it, I can't find any of you who don't agree with what's being done'. They are right. I mean the position is that the Statistician has looked at what has been happening, he's made a decision that the previous method was not appropriate and that what he's producing now is appropriate. You don't keep producing an inappropriate method.

JOURNALIST: But wouldn't it have given us a better method of comparison if it had have been published Mr Hawke?

PM: I don't understand your question.

JOURNALIST: With the old method you had, if a figure for the old method had been published, wouldn't we have had a better comparison between the old and the new methods?

PM: What's the point of, I mean the Statistician if he's made a judgement, which he has, his own integrity and competence has made a decision that a series that he was producing was inappropriate then it would be an entirely inappropriate and, I would believe, incompetent decision to keep in the public arena something that's inappropriate. I mean, while it may be of some assistance to the one body in the whole community, that is the Opposition, who want to make something of this can't get any support from any private sector economists for their view, why should you pander to that one body? Everyone realises that this is more appropriate and therefore our statistical and economic system shouldn't be cluttered with the continuation of something that's inappropriate.

JOURNALIST: Mr Hawke, would you give us a prediction for this financial year's inflation rate, this calendar year's inflation rate, or next year's inflation?

PM: Well, which one do you mean. I mean, you had three goes there, which one do you want? Just nominate which one first.

JOURNALIST: This one.

PM: This calendar or financial year? Well this financial year is 1988/89 and therefore I can tell you that on the year to date we are at, as I said, 6.8 to 6.9. Then you've got to ask yourself what happens to the June quarter? As has been indicated, as I've said myself, as soon as I saw those floods occurring in New South Wales and I think I was the first to say 'there's a bit of a bad impact on the June quarter of the CPI', so that will be somewhat artificially pushed up. But you can see that we've got a situation, an underlying rate of inflation in this financial year as I've

(PM cont): put it, in the order of 6.8/6.9. Now you want to know about, I think you tried secondly this calendar year and then you tried the next financial year. Well, as far as both of those periods are concerned I would think, taking out the one-off character of the floods which I think will inflate it in the June quarter, we can be looking at a decline in the underlying rate for two basic reasons. One, that we already see as has been indicated in the Treasurer's press release, we're starting to see the impact of the benefits of the earlier appreciation of the Australian dollar because the price of imported items increased by 0.7 percent in the quarter which is less than the overall, less than half the overall increase in the CPI, so we do seem to be getting some benefit of that early appreciation of the dollar which has taken some time to come through. Secondly, we have a position where we've negotiated a wages outcome which is going to be reasonable and that should, I believe, together with the gradual lowering of the level of economic activity which policy has intended to bring about, in total should result in a lowering, a further lowering of the underlying rate of inflation.

JOURNALIST: When do you expect to see interest rates start falling off Mr Hawke?

PM: Good try. Good try. Let me give you my standard response. Standard because it's the right one. I do not make predictions about short term movements in interest rates because those movements in short term interest rates are a result of a combination of factors including what happens in this country and what happens overseas. So I'm not going to be making any predictions about short term movements in interest rates. I have only said, at the beginning of this year in response to a specific question, that I thought that by the end of the year they would be down. I have no reason to change that, but I'm not going to say anything about immediate movements.

JOURNALIST: You also said then they wouldn't be going up.

PM: Yes, well you can't avoid short term or long term. I'm simply saying to you quite clearly now that as far as the short term is concerned, I'm not making any predictions about it.

JOURNALIST: Is your position greener than the Government now on the Antarctic issue?

PM: Greener or whiter? Let me make it clear that as far as I'm concerned and the Government are concerned, we are totally green or totally white as far as the Antarctic is concerned. This issue will be coming before the Cabinet shortly and I can tell you that my position is that I'm totally opposed to mining in the Antarctic.

JOURNALIST: Does that mean signing, ratifying the Treaty or -

PM: Well, there'll be arguments, there'll be discussions about that. Apparently there are some views that you can best achieve a guarantee of no mining in the Antarctic by in fact having a minerals convention in place. There are others who say the opposite. Now I'm going to be listening to the arguments and discussions with a view to being satisfied in my mind as to what course of action will bring about a position of no mining in the Antarctic, of guaranteeing that.

JOURNALIST: Can the Liberals and Democrats stop it, or is it completely a decision by the Government?

PM: Stop what?

JOURNALIST: The signing of the Treaty. Does it have to go through Parliament -

PM: No, no, no. Don't try and conjure up a position that what we're going to have is the Liberals with the Democrats taking up a more appropriate environmental position than this Government. I mean we haven't reached that peculiar state of affairs. Their record on environmental questions is one of vandals. They have no right or authority in history to claim any substance, any position of merit in this area and there's not going to be some magical transformation in the historical position. It's this Government which is the one which is committed to appropriate environmental standards. I don't think I could make it much clearer than I just have in answer to an earlier question. As far as I and this Government are concerned, we will be adopting a position which ensures no mining in the Antarctic.

JOURNALIST: When will you have a decision on this -

PM: I'm not -

JOURNALIST: Before you go overseas?

PM: Yes. I would expect so.

JOURNALIST: Prime Minister two days before Peter Wilenski gave that speech in the UN, you got a long letter from Mr Isi Leibler complaining about apparently Australia having eroded their support for Israel. Your comments yesterday about the Wilenski speech ... or to allay the growing concern of the Jewish community in Australia about Australia's support for Israel?

PM: Well let's get the premises right. I did not, I personally didn't receive the letter before the speech in the United Nations. Let me say it quite directly in regard to that letter - as I've made clear to Mr Leibler - I rather object to approaches that have never happened before to me in my 6 years as Prime Minister, that a letter is published in full in the Press before I receive it and before I've had the opportunity of discussions with the person who sends the letter to me. I made that clear to Mr Leibler in the 2 1/2 hour discussion I had with him. Now the position is quite clear about this matter. I think I couldn't have made it clearer and that is that I believe the vote of Australia was a correct vote and that our position amongst the 129 nations was the right position against the two which opposed it and the one, Liberia, which abstained. I simply have made the point that when I did see the text of the speech I thought for the reasons that I put, it was unbalanced. Let me make it clear as there is some suggestion that the statement I've made implied some lack of confidence in my Minister. It does not. I merely expressed on this issue I thought there should've been another paragraph there. But I take this opportunity of confirming my absolute confidence in the Minister.

JOURNALIST: Was the text of that speech screened by your Department Mr Hawke, before it was delivered?

PM: By my Department?

JOURNALIST: Yes.

PM: Not that I'm aware of. I think not.

JOURNALIST: Some members of the Foreign Affairs and Trade Department believe that your criticism has undermined Dr Wilenski's credibility. Would you accept that proposition?

PM: No I don't accept that. Let's not get too complicated about this. Here is a case where in one respect I think an error of judgement was made. Now I've expressed my view on that. The position has been quite directly and graciously accepted by my Minister, he's accepted responsibility. As I say it implies no lack of confidence, quite the contrary. I think in the relatively short period that he's been Minister he's done a quite outstanding job on behalf of Australia. But here I believe there was an error of judgement. I want

PM (cont): to make the point here as I did briefly in the House yesterday that it must be understood what happens in these explanations of votes in the United Nations. You have the opportunity only of speaking very briefly. The text of the statement by Dr Wilenski in fact only covered two pages and you are not able in such circumstances to give a fully detailed exposition of the Government's policies on the matters which are under discussion. Of course, if that had been possible then I'm confident in those circumstances there that the sort of balance that I think was appropriate would've been achieved.

JOURNALIST: The Opposition Leader says this reflects deep divisions in the Government on the issue.

PM: If those deep divisions exist they haven't been brought to my attention. No-one in Government has had any discussions with me other than the discussion that I initiated with the Foreign Minister before I made the statement in the interview that has been published in the Jewish Press. I spoke with him, he accepted the point I made. Apart from that discussion which I initiated with the Foreign Minister no-one has raised the issue with me. So I can understand Mr Howard, who is himself a victim of and in the centre of the deepest divisions in the conservative parties that we've seen for many, many years, grasping hopefully at straws. But this is indeed a straw and it's not a straw which will save him from the judgement that he is a weak, feeble, unsupported leader of the conservative forces in this country.

JOURNALIST: Did Senator Evans immediately see your point Mr Hawke, or did he feel that the original emphasis was -

PM: It was a very, very relatively brief and very friendly discussion. He took the point -

JOURNALIST: Well did he explain the error of judgement?

PM: That's something that really is - I suppose that's directed to the Senator but I mean I simply say this. That in that post of Minister for Foreign Affairs there's an enormous amount of material that crosses his desk. I'm aware of the volume of cable traffic because I read most of the cables myself. There's an enormous amount of cable traffic and decisions to be taken and you know how ever many questions you put to me you won't get me in a position where you'll find me being deeply critical of the Minister. I think as I put it was an error of judgement on this issue, it's accepted, and I think that should be accepted.

JOURNALIST: When did you have this conversation with Senator Evans?

PM: It would've been last Friday, I was in Melbourne. Or was it the week before? I mean I've got to get it right. It was the end of the previous week when I was in Melbourne. So it would have to be, I think, last Friday week is my recollection. I'd have to confirm that but I'm sure it was last Friday week.

JOURNALIST: Is it a case that the Jewish community is just not prepared to wear any criticism at all by the Australian Government that ...

PM: Well, you'd have to ask the Jewish community what they are prepared or not prepared to accept, but let me say this. I think if you take the opportunity of reading the very long interview that I gave to Mr Lipski and Mr Gawenda, which I believe is published in their media this week, that I made quite clear the foundational positions of myself and of this Government. They haven't changed, and that is a total commitment to the integrity and viability of the State of Israel. That remains, as I say, foundational and unchangeable. I've made it clear that I believe that we are living in circumstances now where changes have taken place. I believe that it is understandable that Israel should take the view that there are some risks in accepting and acting upon the statements that have been made by the leadership of the PLO. Having said that however I believe that the statements that have been made do engender a new situation and that it is in the interests of Israel, of the region and of the world that they should take the risks that they may see entailed in entering into negotiations. I made the fundamental point to Mr Leibler in repudiating the presumption that he had made to put my arguments, that he was totally wrong to put my arguments as saying that Israel should gamble its future. That was an intellectually flawed position in his letter to me and I so explained it. I said that I wasn't asking Israel to gamble. I said that I put this position from a position of strength as a gambler - I have a punt myself. But as I put to Mr Leibler, when I go to the bookmaker and I have my gamble and my bet, I can't after the horses have jumped say to the bookie, I'm sorry bookie, I don't like the way the race is being run, I take my bet back. Gambling doesn't operate like that.

JOURNALIST: Shame.

PM: Yes, shame as you say. Although if you're a good punter you wouldn't have to often do it. But I'm making an extremely serious point. I repudiate it as totally intellectually flawed, Mr Leibler's analysis where he presumed - I deliberately use the word presumed - in his letter to state my arguments, that he stated my arguments as saying I'm asking Israel to gamble. I make the point that when you have a gamble, put your bet, you can't take it back after the horses have jumped. What I'm saying of course to Israel is something quite different. I would be the last person to ask Israel to gamble but I am saying to Israel

PM (cont): that they are living in a situation now which is different and everyone realises that it is different. You can make the judgement as to how different, how much weight you attach to the statements that have been made by Mr Arafat, but those statements have been made. And the fact of them having been made and on their face meeting the conditions that I laid down - and I say I because I was the first one in the international community to lay down those conditions. They subsequently became accepted by others, by the United States, I believe the Soviet Union and Europe and other countries who are concerned with this issue. It was I who first said that there were three conditions and the three were the acceptance of 242 and 338, secondly and following that the acceptance of Israel's right to exist, and thirdly the denunciation of terrorism. It was Bob Hawke who first laid down those conditions in the international discussion on this matter. They've been accepted as a reasonable basis of approach on this issue and the statements of Arafat, at least if you want to take the most sceptical view, at least on their face meet those conditions. They so meet those conditions that countries including the greatest friend and ally if you like and supplier of assistance to Israel, that is the United States, the statements of Mr Arafat so meet those conditions that they have substantially changed their position. That is they have entered into discussions with the PLO. No-one including the State of Israel can argue in these circumstances that there isn't a change. My position therefore is not asking Israel to gamble but to say accept the realities that there are changes, that there may be risks involved in therefore entering into negotiations, but you enter into those negotiations and discussions. If in the process of doing that after taking that risk, if you want to put it that way, if you find that your worst apprehensions and assumptions of mala fides are borne out then you are in a position where you can withdraw and change your position. But to describe those realities as asking Israel to gamble is, as I say, fundamentally intellectually flawed.

JOURNALIST: On another subject Mr Hawke, does the American sale of subsidised wheat to the Soviet Union plus the likelihood of a similar sale to China indicate that despite all the rhetoric, our legitimate interests really account for nothing there?

PM: I must say that we are of course disappointed with this announcement by the United States to refer their EEP subsidised sale to the Soviet Union and to continue the massive subsidisation by the United States of the Soviet Union. As far as the Soviet Union is concerned historically we are somewhat of a residual seller to the Soviet Union but there is no doubt that our interests will be adversely affected by this decision, if not in terms of access in volume terms it will certainly have an impact in price terms. What makes it the more surprising, if I can put it



PM (cont): that way, as well as hurtful, is of course that in commercial terms it was economically unnecessary. There is a shortage of grain and there is no need in commercial terms for the United States to make this decision.

JOURNALIST: On Mr Bowen's imminent record, do you acknowledge that one key contribution from Mr Bowen to this Government has been the stability and loyalty that comes from a deputy who doesn't have leadership aspirations and is it your wish that that position be continued when he retires at the end of ...

PM: I'll simply say two things about that. Firstly my assessment in appreciation of my mate Lionel Bowen goes far beyond that, that's an element of it, I mean no-one could have had a more loyal deputy than I've had in Lionel Bowen. I don't want to say a great deal more about that because I'm going to have the opportunity of saying it more publicly shortly. But my appreciation of Lionel goes far beyond that, it goes to my assessment of him as a man and secondly, whoever succeeds Lionel Bowen as deputy Prime Minister in the fourth Hawke Government will I know in that respect have exactly the same qualities.

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