



## PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH JANA WENDT, A CURRENT AFFAIR, 5 JUNE 1989

E & O E - PROOF ONLY

WENDT: Australia has already lodged a formal protest with the Chinese over the brutal suppression of the Beijing students and Prime Minister Bob Hawke has called off a planned visit to China later this year. But the Federal Government has stopped short of severing diplomatic links or imposing trade sanctions. The Prime Minister joins us now live from Parliament House in Canberra. Mr Hawke thank you for your time this evening.

PM: My pleasure.

WENDT: You have expressed our disapproval as a nation for what's happened in China. Can I ask you how you feel personally about all this?

PM: I feel a sense of tragedy Jana, tragedy for the people that have been killed and injured, a sense of tragedy for the nation of China because this has in one blow smashed in a sense all the goodwill that over the last few years China has accumulated by the opening up of its doors, the change of direction, its economic policies, the gradual appearance of a more open society.

WENDT: Do you think we've been misguided in thinking that China is changing?

PM: No I don't think we have. The world has taken the view on the evidence that the changes have been for the better. In economic terms it's had a more open economy. There has been more of a market economy. There has been more openings to the West. There have been more joint ventures. There's been the introduction of more technology from the West. There's been more cooperation. And while the economic opening up and freeing up of the system has not been accompanied by the same degree of opening on the political front, nevertheless it has become a relatively - to what it was before - a freer society.

WENDT: Mr Hawke what more can we do as a nation tonight?

PM: I think what we have to do is to keep our people there so that we can both continue directly from our people there to make our position clear and also to monitor the situation so that we can be as well informed as we possibly can. We

PM (cont): have approximately 500 people in China - this is not just Embassy people - but people who are there at the Embassy, students, business people, approximately 500 Australians permanently there, and we have to see that their interests are guarded and watched and I don't think it makes sense for Australia Jana, or for any other western country to pull out their diplomatic representation. But what is necessary is that we make clear in the strongest and most unequivocal terms our repudiation of the violence and the tragedy and to put to the authorities of China, the ageing authorities of China, that force can never provide a lasting resolution of the sorts of problems that they see themselves confronted with.

WENDT: Mr Hawke this is a shocking death toll. Isn't it time for us to do something more like trade sanctions for instance?

PM: No I don't think anyone in a country in the world is yet contemplating that sort of approach. You've got to understand the economic framework of China that exports constitute only about 14% of their level of production. They are relatively well placed in terms of their reserves. They have reserves that would cover the best part of 6 months of imports. So I don't think that makes sense at this stage. Jana that doesn't mean that if the Chinese authorities are not going to come to their senses and change direction and that we get an acceleration of violence that we together with the rest of the world may not have to contemplate different sorts of action.

WENDT: So some action is possible in that regard. Let me just ask you quickly, what about those 13,000 or so Chinese students in Australia who have so far stuck their necks out in support of the demonstrations, what can we do for them if they seek political asylum?

PM: Firstly let me say I think they are courageous in making it clear their identification with their colleagues in China. I commend them for their courage because in a sense there is a risk. At this stage the question of asylum has not arisen and we will have to look at that further down the track if you have a situation where you had a worsening of the position in China and these people here were able to establish that they would be at risk. But that's down the track Jana.

WENDT: Prime Minister if you'd like to stay with us, after the break we'd like to look at an issue much closer to home and that is rising interest rates. We'll be back with more in a moment. (break)

WENDT: Prime Minister Hawke is still with us in Canberra and he has agreed to watch this report on one street in the mortgage belt where interest rates have hit hardest. Prime Minister, do those people have a legitimate gripe?

PM: Of course they do. I understand their position and I hope that they will understand when I say that I understand that there is no way Jana, and I say this directly to those people, there is no way that I would have interest rates at this level for a day longer than was necessary. We don't have them there for fun Jana, we don't have them there on the basis of saying well we know that people there, out in Kingsgrove Street, are going to be hurt. You don't do it for that reason. The problem that we have is that we have an economy which has been growing so fast with so many new jobs being created and so much investment taking place which is creating new jobs that we've reached a point where we have to bring back that level of activity. Because we can't afford, Jana, as a nation we can't afford to keep up that level of activity any longer. The only way that we've got to bring down that level of activity is for some time to have interest rates fairly high.

WENDT: Mr Hawke, it's pretty clear from what those people are saying that your explanation just now means nothing to them.

PM: I can understand that. If I were in their position I would be hurt, I would be angry and I would be looking to take it out on the Government. I can understand that, I'm not bitter about them. I'm simply asking them to believe me when I say this, that if we were to lower interest rates now, artificially, then the result for them and for all Australians would be very much worse, because I tell you what would happen. What would happen is that the dollar would plunge and in that situation you would then have interest rates which would go right through the roof, far worse than they are now.

WENDT: Mr Hawke, those people are saying that you and your Treasurer are responsible for creating the economic circumstances whereby those interest rates are so astronomically high now.

PM: If I can answer that, and if you'll let me answer it, let me say this. Of course the Government is responsible for economic policy. We are also responsible in the conduct of that economic policy over the six years we've been in office for creating 1,400,000 jobs.

WENDT: Mr Hawke, if I can interrupt you, it really doesn't mean anything to those people that we're talking about now.

PM: Jana, you say, I mean I get half an answer out, let me please make the point, I mean you are saying they say I'm responsible and my Government's responsible for what's happened in this country. We are, they are right. What I'm

PM (cont): trying to say, put it in the perspective that we have been responsible for massive economic growth and unfortunately the growth which has been reflected in the massive increase in jobs is now simply too high and we do have to rein back that level of growth.

WENDT: Well, can I say to you that the plumber and the public servant and the truck driver and the policeman in that story don't buy that argument. They are hurting. They are people who are not asking for more money, they are saying we simply can't make it any more because of what the Government has done to us.

PM: Well, you say they are not asking for more money. In a sense, the community has been and we are delivering on that. Next month, if you take, let me take an average family, average weekly earnings and with one income and with two kids, they will be getting another \$24 a week as a result of the tax cuts.

WENDT: But Mr Hawke, even your Treasurer is saying that those tax cuts will be eaten up to a certain degree by these increasing interest rates.

PM: There is no doubt about that. Of course to some extent the increases in money that they receive, about \$24 a week on average, of course that will be partially eaten up by increases in interest rates, I understand that. I'm simply making the point that as a result of the combination of policies, there are jobs, these people are in work, they are going to get very substantial tax cuts which tax cuts will add up, on average, to over \$100 a month.

WENDT: But to some of those people, those tax cuts you understand are meaningless.

PM: Well, look, \$100 a month coming in can't be meaningless.

WENDT: Well, some of these people have had their mortgages rise by \$120 in a couple of those cases.

PM: OK, I accept -

WENDT: There goes the tax cut.

PM: I accept what they say, but on average, around Australia the tax cuts that people will be getting will more than offset, on average, the increases in interest rates. Now, look, I want those people to understand we haven't been conducting economic policy to create more jobs, to have Australia growing, on the basis then that we want to hurt people, we want to help people, but the only way now that we can help people is by calling some sort of a halt to the rate of growth that we've got, Jana. So this is not going to last forever, we've got to have it for a while to rein back the level of activity and when that happens, then interest rates will be coming down.

WENDT: Well, Mr Hawke, they've heard you say that before. You told them back in January that interest rates would fall and they're still waiting.

PM: Well, I understand that. The rate of growth in the economy has surprised not only the Government, but every economic commentator in this country. The rate of growth, the continued expansion, has been beyond what everyone expected and so we have to now haul that back. I simply say to those people, I'm thinking all the time, all the time, there's not a day goes past when I don't direct my thinking to what's the range of things that we can do so that we can get the right policies in place, the tight policy, so that as soon as possible those interest rates will be coming down. I just express the hope that in that period we've got, the next few months, when the tax cuts will be coming in, that that will enable them to hold the line and then holding the line with those tax cuts within a situation then when interest rates will come down.

WENDT: Mr Hawke we will have to leave it there I'm afraid. I do appreciate your time this evening.

PM: Thank you very much indeed Jana.

ends