



PRIME MINISTER

TRANSCRIPT OF QUESTIONS AND ANSWERS FOLLOWING ADDRESS TO THE NATIONAL PRESS CLUB, WASHINGTON, 26 JUNE 1989

E & O E - PROOF ONLY

JOURNALIST: Following your talks with Agriculture Secretary Yeutter today, are you confident the Americans are prepared to concede any ground on the Export Enhancement Program?

PM: Well I think the correct way of putting it is as follows. In discussions with not only Mr Yeutter but with the President and with Robert Dole, I think there is a clear understanding that we in Australia are not confecting some concern about this issue. I believe that they will listen further to the arguments that we put about this issue. I think the important point is that which I eluded to in my address and that is that we do have a period now of opportunity. Until the end of 1990 when on our assessment the impact - the adverse impact - of the EEP is not going to be great relative to what has happened before because of the stocks and price situation. In that period we do have an absolutely identical objective that we should work within the Round to achieve a situation where there will be an elimination of subsidies so that the free market can operate in regard to agriculture. I have proposed the concept that in the preparation of the new Farm Bill that it would make sense to consider including in it some provisions which would mean that if there is a successful outcome of the Round then that any intention to pursue those provisions would not be triggered. So I think in that situation that there will come to be an acceptance that we have been adversely affected. But the important thing is now to work together to ensure - not only as between us but internationally - we're going to remove these sorts of considerations so that there can be a level playing field. Within that level playing field Australia will do well because we are the world's most efficient producer of agricultural products.

JOURNALIST: Could you amplify a portion of that? Is this to say then that the United States will be less critical of US policy and more supportive of efforts to achieve changes in agricultural policies in Japan and the European Community?

PM: It's not a question of being more or less critical. The important thing is that there be a common basis of analysis of what the impact and the cost of these programs are. Now let's just in regard to the United States understand what the cost of your agriculture support policies are. The fact is that in 1988 the total cost to the United States taxpayers and consumers was just under \$74B, it was \$73.8B. That was the total cost to the United States consumers and taxpayers. Now by any calculus - I mean I know you talk in much bigger figures than we do when talking about budget figures and so on - but \$73.8B is a lot of cookies. It's a hell of an inflation of your cost in price structure. The Europeans are even worse. Now the important thing is rather than just being negatively critical, to try and get through to policy makers here and in Europe and in Japan that they've got it all wrong, that they are being influenced very, very unduly by a small proportionist population - that is its farmers - and that the large numbers of the population, of your industry, your consumers are paying a massive price. In Europe the best calculations are that employment would be at least a million higher if there was not the impact of the CAP, that their whole cost and price structure is massively inflated, that the population as a whole is paying a stupid and unacceptably high price. The same is true here. I mean it's politics gone crazy, its economics insane. So what has to be done is that there be straight, honest, not bitter, but straight, honest talking, that we've all got it wrong, that the Japanese public, the American public, the European public, are paying a silly and unacceptably high price. Now that's what the period between now and 1990 has got to be about so we can get agreement that it doesn't make sense to jeopardise the increasing political intelligence that's characterising the relations between countries. We are moving into a period in human history where we can talk with more optimism than ever before, ever before, that we're going to have sensible political relations, that the threat of conflict is diminishing. But the great paradox, as I said recently in London, the great paradox is as that we behave more intelligently in our political relations, we're putting all that at risk by economic lunacy. We've got to get the symmetry right in our intelligence.

JOURNALIST: Last week the Council of the General Agreement on Tariffs and Trade accepted the findings on your complaint over US cuts in sugar imports from Australia. In view of Australia's total embargo on sugar imports since 1915, how much time are you prepared to give the US to get in the compliance?

PM: We speak now from a position of great strength. We've moved to stop the embargo in Australia on imports. We've moved to a tariff regime so the embargo will be removed. Now it took Australia a fairly long time before we got there. But in our period in office we've moved to make sure that when we speak to the rest of the world about what they should do, we speak with clean hands and a clear conscience. So when we talk about freeing up the markets, we've made sure that as far as Australia is concerned where we've had basically free trading situation in regard to agricultural products. In regard to sugar we were blurred. We've changed that, we've now moved to a situation where that embargo on imports will be removed, we'll have a clear tariff position where there will be able to be imports. Now it took Australia you might say, 89 years to get to that sensible position. But as with most things in economic management, it's all been accelerated since we've been here here, we've got there in six years. But I don't think you're going to need 6 years to fix it up here. I've had discussions with Mr Yeutter today and I think that we have agreement that there will be an acceptable way now of the United States handling the decision that's been made by the GATT panel.

JOURNALIST: Debate on trade in this country has focussed primarily on unilateral US actions against other trade barriers. Do you believe that Washington generally is concentrating too much on unilateral action at the expense of the Uruguay Round of Trade Negotiations? Are you concerned that recent Super 301 actions against Japan, India and Brazil could jeopardise the success of the Uruguay Round?

PM: We're not too happy about the concept of Super 301. As you say, it's Japan, India and Brazil at the moment but you've got others on the contingency list, many more. We are somewhat worried about an increasing resort to this bilateral mechanism and our view that we have been and will continue to express is that the emphasis should be upon rectifying the international trading system. We've got a very short time left, we've got until the end of 1990 and we know how slowly these things move. This was the essence of the discussion I had this morning with Mr Yeutter and without going to the details, I believe we have addressed certain tactical measures which together we may be able to usefully employ which will ensure that in that period we can maximise the chances of those negotiations being successful. That is infinitely the preferable way so I merely express the hope that to the extent that that legislative provision is there, the United States will take relatively sparing use of it.

JOURNALIST: Has the Australian economy become overly dependent on the world's gold and metal industry? Could your economy survive a long price decline?

PM: I know where that one came from. No, we're overly dependent on the gold and metals industry as an analysis of our production statistics and exports statistics will show. Obviously Australia would suffer very considerably if you had a very long decline in commodity prices, and I assume you're not just talking about prices for gold and minerals. We - and I know these sorts of figures don't loom very large for you, they do for Australia - we lost in 1985-86 \$11B of our national income through the very significant decline in terms of trade. In rough terms \$11B represents between 3-4% of our GDP. So that was a very massive decline and so we are watching the level of commodity prices with very keen interest. I must say that as far as we can see the outlook for commodity prices in the rest of this year and into 1990 looks relatively sound. But the important thing to note about the Australian economy is that in the 6 years that we've been in Government what we've been about is a process of restructuring the Australian economy so that we will not be so dependent upon movements in commodity prices - both of agricultural products and mineral products. We have been excessively exposed to fluctuations in those areas and it is of some satisfaction to us that we are lifting the level of exports of manufactured goods and services so that gradually we will not have the degree of exposure as I say, to movements in those commodity prices.

JOURNALIST: After 7 years of negotiation, what has caused Australia to change its position regarding the Convention of the Regulation of Antarctic Mineral Resource Activities?

PM: Obviously to some extent I've referred to that in the address I've just made. Let me very briefly try and make the point. The whole process of negotiation of CRAMRA, the Convention in regard to the mining of mineral resources in the Antarctic, was begun in a period where the world had a quite different perception of environmental issues. So what they were about was an approach which was predicated upon the mining of resources, the potential mining of resources in the Antarctic, and to get some sort of convention around that which would minimise the problem. Now I think if we are intelligent at all, if we understand anything, we know that as we come to the end of the 1980s it's a very, very different world in its perception of a whole range of issues, including environmental issues, than it was at the beginning of 1980. We take the view now that it's not very sensible to be using a convention for mining as an instrument for protecting the Antarctic against the problems of mining. It's doesn't make a hell of a lot of sense we think. There is increasing evidence of the fragility of the Arctic and the Antarctic environment. The Exxon Valdez has showed what can

(PM cont) happen there and we there and we believe it just makes sense now not to take that risk and we are very, very pleased that in the period, the relatively short period since we've made that decision, we have now received the support of the Government of India, the Government of France, indications of support from a number of others, and as I said in my address, it is my belief and the belief of the Australian Government. I'm pleased to say it's crossed the Australian political spectrum that this is the right course of action and I express the view that if there's one thing we are witnessing in world politics today, it is that people across the economic spectrum, across the political spectrum, across the age spectrum, are becoming increasingly concerned with issues of the environment. I believe that in this period ahead as we attempt to persuade others of the correctness of our position that we will be increasingly supported by the weight of world opinion. I don't think the world is going to take the view that it makes sense to endanger that last pristine environment by the risk and the danger of mining.

JOURNALIST: Are environmental concerns having an impact on Australian politics?

PM: Yes, as on politics all around the world. I mean the thing that's happened as I was just saying, that it's become an issue because in large measure, where you were talking about the environment earlier in this decade and last decades, if people were talking about a forest or a river or a lake, the great majority of people tend to say, 'oh well it's their forest, their lake, their river', and they didn't in any very real sense tend to identify their own interests with the environmental concerns of the few. That's changed. I think you could say it's changed dramatically in the last 18 months. The environmental issues now are not capable of being isolated by region or by nation. If there's a hole, as there is in the ozone layer which is posing very considerable dangers for people, it's not in part of one nation or in one nation and not another, it's a danger for all. The Greenhouse Effect is not a danger for one area or another. It's posing a danger for everyone today and particularly for the next generation, for our kids and for their kids. So whereas you had this compartmentalisation of environmental concern, you don't have it anymore. People are saying these issues concern me, they concern my kids. So in that circumstance you're witnessing right around the world - including in Australia - an increasing understanding of and concern with environmental issues. It will be the case whether it's Australia or in any other country that those conventional parties, those historical parties who seek to

(PM cont) ignore this issue, will do so not at their peril but at the certainty of political devastation. Fortunately in my case in Australia we don't have to be jumping on to any latter day band wagon. For because from day one where we saved the Franklin River and with our decisions in regard to world heritage in regard to which - I may say the World Heritage Bureau has said that no government has done more to protect world heritage values than has the Australian Government. So we don't have to become latter day converts. We understood these things from day one.

JOURNALIST: Speaking of world heritage values, do you see any paradox in your country's, in your Government's support for environmental issues and what this question says is the approved slaughter of nearly 4 million kangaroos annually?

PM: No, none at all. That's a very facile sort of question. The fact is that we have very stringent measures to protect those species which could in any sense be endangered. We have a massive, a massive kangaroo population. Now come and see them sometime. There is a very, very strictly controlled culling and shooting program which is justified by and is regulated in terms of considerations which are necessary for protection of the working farming environment. But in regard to those areas of those species which could be in any danger there is the strictest preservation. We have nothing to apologise for in that area. There is no inconsistency.

JOURNALIST: Changing gears for a moment, what will be Australia's response if the United States goes ahead with its plan to give lethal aid to the non-Communist resistance in Cambodia of Kampuchea?

PM: Members of the travelling Australian press will recognise that as a hypothetical question which usually gets very short shrift in my country when they ask me hypothetical questions. I have to be slightly more accommodating in this environment I guess. Let me say that this is an area which I've yet to discuss in detail with my friends here in the United States, I did have a brief discussion with Vice-President Quayle about it when he was in Australia earlier this year, it is a matter that I will be discussing with the President and Secretary of State Baker, but it will be no secret that we have taken the view that we think the provision of lethal aid is inappropriate. I understand the thinking which is behind those who are contemplating it, but we think that the processes, and let me say of course when I was talking to Vice-President Quayle before the events, the recent tragic events in China, we took the view that the process in negotiation, the various strands of negotiation in regard to the settlement of the tragedy in Kampuchea, had reached a point where, in our judgement, it would have been counterproductive to provide lethal aid, and I expressed that view to the Vice-President. Now, we have no reason to change our view about that, though it must be said that, given the recent events in China, that you have to have question marks as to what those changes will do to the Chinese attitude to the processes of negotiation for a settlement in Indochina. But even with that question mark it must be in ones's mind what will they do? Will they try and upset the negotiations, even with that question mark? The view that I expressed to Vice President Quayle in Australia remains unchanged, but, as I say, I've got to have more detailed discussions about this with the President and the Secretary of State tomorrow.

JOURNALIST: What advice do you have for President Bush on current events in China?

PM: Well, we don't presume to give advice, but let me say that in the very congenial period that I had with the President at Camp David yesterday, the issue of China was the one that took up most of our time. We're in the position where both of us have a very considerable degree of knowledge and involvement with China, in the case of the President of course, involving his time as Ambassador to there, and in my case reflecting very, very long hours of discussions that I've been able to have with leaders of China over the last six years, both in my country and in China. I'm able to say that the position of the President and myself is essentially at one. May I sum it up in this way. Firstly we agree that there can be nothing but condemnation, unqualified condemnation of the barbarity which is reflected in Tiananmen Square and in subsequent persecution and execution of people in China. We are at one in saying that we and the rest of the world must, without qualification, condemn that suppression of legitimate human aspirations. We also are at one in recognising that it is important for the people of China, the region and the

-8-

(PM Cont) world that the processes of economic reform be allowed to continue within China, and that that is not only intrinsically obviously correct, but we also share the view that it is only with the effect of further economic reform proceeding that you will have the environment within which there will be able to be a flourishing of the pressures for political reform within China. And so what we believe we have to do, and the rest of the world has to do, is to walk what is, admittedly, a very difficult dividing line. You have to express your position without equivocation, of condemnation of what has happened. At the same time make it clear that you want to do what can be done to assist the processes of economic reform. The interests of the people of China, and particularly those people within China who are committed to political reform will be very adversely affected if, by the action of the rest of the world, China was forced completely to turn in upon itself, because the processes of economic reform would be diminished, and therefore the opportunity subsequently at some time for political reform. And so that is going to require a delicacy of decision and, of course, very considerable difficulties would be created in pursuing and walking that line if in the near future there were in fact to be executions of the student leaders. To this point, that basically hasn't occurred; the two categories are those who were involved with the train incident in Shanghai and workers representatives. If the Chinese leadership were in fact to pursue the leaders of the students, there were to be further executions in that area, then it would make the walking of this sort of line that the President and I agree on extremely difficult. It's our profound hope, the President and myself, that those who now have the responsibility for leading China both recognise the ultimate futility of what they have done, and more importantly for the future will recognise that if in fact they are to be able to do what they said on the 24th they wanted to do, that is to continue the process of economic reform and have opening up to the rest of the world, that that will only be facilitated if they eschew further violence, persecution and certainly execution of people within their country.

JOURNALIST: Should Great Britain re-examine its agreement to relinquish control over Hong Kong, in view of the recent events in China?

PM: Well again, I don't presume to tell Great Britain what they should do, but I've had the great good fortune, at the end of last week and quite a bit of last week, to have extensive discussions with Mrs Thatcher, and may I say that in expressing as I did just a moment ago the views of the President and myself, I think it's fair to say that those views reflect also those of the leadership of France, with whom I was speaking earlier, and of Mrs Thatcher. We are at one in our perceptions in this matter, and I don't believe that Mrs Thatcher is taking the view that is appropriate to attempt to undo the negotiations that have occurred. Having said that, she has a very deep sense of concern about the future of the citizens of Hong Kong, and they have gone to great lengths and difficulties to negotiate with the authorities in China to get the basis of the post-1997 transition, and it is, I think I've put it correctly, to say that

-9-

(PM Cont) it's Mrs Thatcher's hope that the sort of processes to which I've been referring for the immediate future will turn out in a way to which they will be able to adhere to the arrangements that they have already made with the Government of China.

JOURNALIST: Do you anticipate a large influx of people and money from Hong Kong as the deadline for return approaches?

PM: Well how many people will come from Hong Kong will depend on our decision, and we of course can approach this issue generally with the very cleanest of hands and the very best of records, because in regard to that region, the fact is that we have taken more refugees from Indochina per capita than any other country in the world, including the United States. We've taken 118 000 refugees from Indochina since 1975, so Australia is a country with a record of compassion and concern for the people of this region. May I interpolate to say that of course in regard to the influx of people into Hong Kong from Kampuchea, that we're faced now with a quite different situation. They are no longer essentially political refugees, they are economic refugees, and let me make it clear that as far as we're concerned, we said so at the international conference on Indochina Refugees in Geneva earlier this month, that where you're dealing with economic refugees, as is overwhelmingly the characteristics of the people going from Vietnam into Hong Kong now, they are economic refugees and there is no corresponding obligation on the rest of the world to accept them as there is in the case of political refugees. Now in regard, therefore, to that component of people in Hong Kong which represent this influx from Vietnam, in regard to the people of Hong Kong itself, where there is a legitimate case for considering their trying to come to our country they will be sympathetically considered within our overall immigration program, which has a significant component for refugees and humanitarian considerations. As far as business people from Hong Kong are concerned, one of the components of our immigration programme is a Business Migration Programme, and under that programme we've already had a very significant influx of people from Hong Kong. So, those components of our programme, the Business Migration Programme and the refugee component, will be utilised to allow to come into Australia significant numbers from that area.

JOURNALIST: Switching gears again, what is your view of the Australian Broadcasting Tribunal's decision yesterday to declare Mr Alan Bond unfit to hold a television station licence?

PM: Well it's an ambitious question. Ambitious in the sense that the matter is obviously sub-judice. What has happened is that the Australian Broadcasting Tribunal has, as you properly say, found that Alan Bond is an unfit person to hold a licence. But what they have now said is that they've referred the matter to Federal Court for a decision for decision in regard to penalty. It must be obvious that in those circumstances of being sub-judice it's quite improper for me to make any comment.

-10-

JOURNALIST: Do you see any improvement in the South African situation, and do you favour continued economic sanctions against South Africa?

PM: The situation in South Africa is one which I think needs very careful analysis at the moment, because there are going to be lots of arguments and pressures both ways in the rest of the world as to what should be done to increase or not to increase pressure upon South Africa. And I would say to those within this country who are going to be considering this issue that they should take very considerable account of some recent comments that have been made by influential figures in South Africa. For those who in this country or anywhere else argue that pressures upon South Africa have had no influence, they ignore the facts, and it's about time they stopped ignoring the facts. In two statements recently, firstly I refer to the statement on the 5th of May by Mr De Klerk, who is the Governor of the Reserve Bank of South Africa, and his statement was very explicit. He said that there was no hope of South Africa sustaining viable economic growth, no hope of them sustaining viable economic growth in South Africa, unless there was fundamental political reform in that country. And this, as he said, was the result of the financial pressures that have been applied to South Africa. And on the 9th of May, De Plessis, the Finance Minister, made exactly the same sort of considerations. He said that as a result of the financial pressures on South Africa, that South Africa could not sustain its existing standards, and there would have to be the imposition of very significant austerity measures. So, if the governor of the Reserve Bank and the Finance Minister of South Africa are both saying, that as a result of what the world has done, this is the impact upon them and that they can't survive with their existing standards and expectations unless they reform how silly it is for anyone else to be saying, "well, pressures haven't had any effect." Now the important thing therefore, I believe is to recognize that with the change of leadership there, that there may be some hope. And now for a different approach. Never at any stage have I or the Australian government taken a view that we take any pleasure at all from sanctions as such. And I imagine that those who are responsible for the 1986 Anti-Apartheid Act here, and the Rangel Tax Amendment here, and to that legislation, none of those people would have been saying, we want to impose sanctions for the sake of sanctions. All we've been about is using sanctions and financial pressure as an instrument to get the regime of South Africa to the negotiating table, because what we must realise if we're talking about South Africa is one fundamental truth, that we are running out of time, if you're going to be dealing in terms of the blacks, if you're going to be dealing with those who want to retain the white influence in the economic area. The current leadership of the ANC, the current leadership of the front-line states, are quite explicit, they have been in conversation with me and with everyone else, they say, we don't want to see the whites expelled, we don't want to see white capital, white expertise expelled, because they recognise that the future prosperity of a democratic, racially discriminatory-free South Africa depends very very much upon keeping white

-11-

(PM Cont) capital, white expertise, there in that country. They understand that. but they are running out of time with their own younger generation, who are saying, why are you adopting this attitude when we're getting no positive response. So I trust very very much indeed that what will be done by the rest of the world is to keep up the pressure but to give this, the new leadership that's emerging in South Africa, the opportunity of responding, getting them to understand, getting them to understand that it is only by getting to the negotiating table in the near future that we are going to have the opportunity of a resolution of the conflict in South Africa in a bloodless way. It will, as I've said on many occasions, be resolved in one way or the other, but the time, I believe, is running out, where it can be done in a congenial and bloodless way. The pressure that the world, including the United States, has put upon South Africa has, in the words of these two people, the Governor of the Reserve Bank, the Minister for Finance, its had its impact. Time now to keep it up, not to try and, as I've said before, to bring them to their knees but to bring them to the table, and I hope that together, both from within the Commonwealth and with our friends in the United States and elsewhere, that that's the result that we can get.

JOURNALIST: Before asking my final question, I'd like to present you with a Press Club Certificate of Appreciation, and also as a memento of your trip to the United States, the book "A Day in the Life of America".

PM: Thank you very very much indeed.

JOURNALIST: My final question is, when will Australian tennis prospects improve?

PM: Well, I think I've, as you may have seen by now, I'm prepared to be fairly definite and dogmatic about most issues, but on this one I can't be. But there's one very serious point that ought to be made about this, it seems always to have escaped those who have tried profoundly to analyse movements in dominance in sport. Where Australia is concerned they say, why aren't we dominating in tennis? Why aren't we dominating swimming, as we used to in the post-war period? Well they're not very clever or intelligent in analysing this thing. We dominated in the post-war period in these things, tennis and swimming, because the rest of the world had gone through a bloody rough time during the war and before that, and here we were, a country which, of course we lost many of our young men, but our country hadn't suffered, and in that post-war period there we were, beautiful climate, plenty of food, everything in our favour, and the rest of the world recovering from devastation, and with allot of the world, the East not even knowing the rules of tennis, let alone playing it. But as the world recovered from the devastation of the Second World War, we more and more and more and more got onto a level playing field,

-12-

(PM Cont) where others had the same advantages as we did. Now, once that became the case, the capacity of a country of 16 million people to dominate was very very significantly reduced. So we will continue to do well, but in a world where others, fortunately, have all the opportunities and advantages which were fairly exclusive or relatively exclusively ours, we will never again get that sort of dominance, and that's as it should be.

JOURNALIST: Thank you Prime Minister Hawke.

ENDS