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Jim Waley: At best this week's instant opinion polls showed a country evenly divided over Australia's involvement in the Persian Gulf blockade. And though, when they finally get to the Gulf our frigates will not fire on or board vessels trying to run the blockade, doubts were raised over the suitability of the vessels for their mission, whose finger would ultimately be on the trigger and over the wisdom of the Prime Minister's dispatching the warships without discussion in Cabinet or Parliament. Mr Hawke is in our studio this morning. Here to talk with him are Alan Ramsay of the Sydney Morning Herald and Sunday's political editor, Laurie Oakes.

LAURIE OAKES: Prime Minister, welcome. As you have heard there they have started shooting in the Gulf now. An American ship has fired across the bows of an Iraqi vessel. Is there any way of avoiding war now or is it an unstoppable slide?

PRIME MINISTER HAWKE: Well I hope it can be avoided, Laurie. I have had reason to say before that you have a certain amount of difficulty in prediction and analysis when you are dealing with a leader who, on the record of his actions including in regard to his own people, often seems not to act on a rational basis. But any logical assessment by the leadership of Iraq at this time must point to the conclusion that the best interests of the Iraqi people would be served by the withdrawal of their forces from Kuwait. And I add to that, as I have always, if the leadership of Iraq believes that they have legitimate causes of grievance with its neighbour, Kuwait, then there are available mechanisms for the peaceful pursuit of those issues.

LAURIE OAKES: The latest Iraqi statements about foreigners in

Iraq and Kuwait make it clear now that they are hostages. What is your attitude to the latest statement that they will be used as human shields protecting military installations?

LAURIE OAKES: It's a totally despicable action and, of course, littered with hypocrisy. If you look at the actual statement you can gather the hypocrisy of it because they talk about what is being done by others as 'being in violation of all the norms of international law and human conduct among nations'. What they have done, of course, is unacceptable by any standards.

LAURIE OAKES: What is your attitude to the Australians who are in this position? Would you contemplate a deal to get them out?

PRIME MINISTER HAWKE: You can't deal in this situation. I feel, of course, as I have from the beginning enormous concern for the welfare of these people and we have kept up, both through our own diplomatic missions and through the availability of the British resources in Kuwait where we are not diplomatically represented, a constant pressure upon the Iraqi authorities to try and ensure as far as we can the well-being of our citizens.

LAURIE OAKES: Would we support any military effort at the moment?

PRIME MINISTER HAWKE: I don't think it is appropriate for me to speculate on what may or may not happen in that area other than to say this, of course, Laurie, it is a legitimate question. We would be discussing appropriate responses with all our friends, obviously including the United States and the British who have the major number of people concerned.

ALAN RAMSAY: Prime Minister, now that the shooting has actually started in the Gulf, will Cabinet automatically review the role of our ships when they get there or do we have to wait----

PRIME MINISTER HAWKE: What we have said, Alan, on that is this. We have laid down a role at this point. There are two things that are now happening in consequence of that. Our own defence people, particularly Navy, are examining with others the appropriate rules of engagement. But the second thing that is happening is that in this next week we understand there will be discussions among representatives of all those nations with forces going to the area to get the best sort of coordination

that is possible, the most effective coordination. What we said in the Cabinet when we discussed this matter last week was that if, out of the developments in the area and these discussions that we are having - the sort that I referred to - it becomes apparent that there is a case for any lifting of the degree of commitment we have made then that will be considered by and decided by Cabinet.

ALAN RAMSAY: It is a fortnight before the ships get there. The role in fact could change before they do get there, given what you have said.

PRIME MINISTER HAWKE: It could. This is not the first time I have said it. It could change. I hope it doesn't. In fact my hope is that between now and the time that the ships arrive, Alan, that good sense will have prevailed and there won't be a need for any presence.

ALAN RAMSAY: Can I ask you why did you wait for a call from the President before announcing the commitment given essentially that you and a few of your colleagues had made the decision the day before?

PRIME MINISTER HAWKE: I thought it was appropriate to have a discussion with the President. There wasn't any need to announce it before that and the discussions that had taken place had been at diplomatic and military level. It seemed appropriate to culminate those discussions in a discussion between the President of the United States and myself. There wasn't any pressure to do it before that. That seemed the appropriate course of action.

LAURIE OAKES: But you are now getting protesters saying you are a lap dog of the Americans. Didn't you, in a sense, ask for that by your handling of it?

PRIME MINISTER HAWKE: No. It doesn't matter what you do you would have had that sort of mindless observation. If in this job you conducted yourself in terms of what sort of mindless observation will you get, what do I do to avoid that well then you can't conduct affairs that way. I know that what I did was right. I know that I had the sense of my Cabinet's feeling. I knew that the Cabinet would be supportive and that, in the event, was what happened. There was no dissent within Cabinet.

ALAN RAMSAY: The point Prime Minister surely is that you did it. Not your Cabinet. And given that you had had at least three days warning because of the talks going on over diplomatic channels, surely there was time to call a full Cabinet before you made the decision? You should involve the full Government in this.

PRIME MINISTER HAWKE: I know that you have got your position, Alan, so just calm down. I am saying that your observation that I did it is not an accurate statement of the position. I had discussions with a number of my colleagues. I also had the benefit of a previous Cabinet meeting when the Iraq situation came before us in terms of a decision about following the sanctions route.

ALAN RAMSAY: Military options were not canvassed at that Cabinet meeting.

PRIME MINISTER HAWKE: Laurie, I am here to answer questions. I am not here to have an argument with a man parading his prejudices. Let me finish my answer. I am saying that I had had the opportunity of a discussion with all my Cabinet colleagues about the Iraqi situation. I had a sense of their feeling. I had had the discussion following that with a number of relevant Ministers. I knew what the view of my Cabinet would be and my knowledge of that was confirmed by the fact that when we went to the Cabinet there was no dissent from what I had done.

LAURIE OAKES: Prime Minister, how well prepared are our sailors and our ships for what awaits them in the Gulf? The reason I ask that is I have a copy of a letter that has been faxed to you by the fiancée of one of those sailors and she says quite bluntly that the ship is not capable of defending itself effectively. Is that true?

PRIME MINISTER HAWKE: No, that is not true. Let me say these things which I think are relevant. Firstly, and most importantly, Australians are entitled to be proud of and confident in the capacities of the Royal Australian Navy. They have a history and a tradition and a current practice of competence. In regard to the ships themselves this is the equipment they have. They have, firstly, standard and harpoon missiles which can destroy air and surface targets at long range;

they have a 76 millimetre gun for their own defence; they have a rapid firing what is referred to as close in weapon which can latch on to the missiles launched at them like the Exocet; and they have electronic equipment to warn of the approach of missiles and decoy systems to deal with that. The further point to make is that these are our most modern vessels and there is some 50 equivalent FFGs in the United States Navy. There is a comparability always.

LAURIE OAKES: Sure. But this woman, presumably, is reflecting the views of her fiancée who is on the Adelaide. If I could read you a little bit of what she writes. You presumably have got this letter in your office. But she says that these men have not had the necessary training to cope with potential dangers they may encounter. Add to that the fact that our ships are not capable of defending and attacking and you have a fairly lethal combination. She also says that it seems to be a death sentence for those sailing for the Middle East and she wonders how you, as a father, would feel if your son was on the ship.

PRIME MINISTER HAWKE: I'll just ask you a very simple question. It makes good television to read the letter from the fiancée and I feel for her and her concerns. But as Prime Minister I ask you a very direct question: Would you be moved to judgment by the letter of a fiancée or by the best advice that comes from your professional people in the Navy?

LAURIE OAKES: I would be concerned if I thought the sailors thought that they were in for a death sentence.

PRIME MINISTER HAWKE: All I can say is that I didn't dodge the sailors. I went and farewelled them. I moved among them as a matter of record. And all I can say is that I found amongst the sailors and their officers these feelings - and may I say that I was very glad to find that there wasn't a mad jingoism to get there and get them attitude. I wouldn't have like to have seen that. There was a degree of apprehension which is what you would expect and, in a sense, what you would hope. But over and above all that, there was a feeling of commitment and of pride and of confidence.

ALAN RAMSAY: Prime Minister, Iraq's announcement about the

hostages does raise the stakes. If George Bush decides to go into Kuwait or into Iraq, do we support him?

PRIME MINISTER HAWKE: What I have said in answer to a previous question holds. I am not going to speculate in advance as to what the position of Australia will be or how we will conduct ourselves and I don't think you really expect that I would. But, with my colleagues, we will make the decisions which we think are in the best interests of this country and we will certainly, within that parameter, be conscious of what you rightly referred to as the upping of the stakes and the putting in very considerable danger the lives of Australian citizens.

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LAURIE OAKES: Prime Minister, the Middle East crisis has obvious implications for Tuesday's Budget. To what extent did the Government have to do a re-write? Did it have to revised its forecasts?

PRIME MINISTER HAWKE: That is being done. I can't give you the details of it but in net terms, because Australia is a net energy exporter, increases in prices in net terms should benefit Australia. You are quite right it involves the re-writing of some of the assumptions about prices and so on.

LAURIE OAKES: And inflation, I guess. You were predicting a 6 per cent inflation rate this year. Is that now not realistic?

PRIME MINISTER HAWKE: It is too early to predict the outcome. You have got to make an assumption about how long the crisis is going to last. Secondly, what are the other OPEC and non-OPEC countries going to do about production. There are only four million barrels a day to make up. You could do that easily by a million barrels a day rundown of the record levels of stocks and by an increase of production on the part of others. So, there are so many assumptions that you have got to make. I would hope, of course, in line with all I have said that we are not going to be looking at a long period of crisis. If that is so, then the volatility of prices shows that you could relatively quickly get back. What happened immediately before the crisis was that it was just under \$US20 a barrel - these are in US dollars of course - and it shot up to \$US30, went back to \$US24

and it is now about \$US27. It is too early to predict for a whole financial year.

LAURIE OAKES: What about defence spending, Prime Minister? It will look a bit silly in the present climate to have another cut back won't it?

PRIME MINISTER HAWKE: The obvious point is that nothing we will do will diminish our capacity to sustain our commitment in the region.

LAURIE OAKES: So an increase in defence spending in real terms?

PRIME MINISTER HAWKE: You wait and see to the Budget. What is the important thing to Australians is the answer I have just given. That no Budget decision will be allowed to stand in the way of ensuring we meet properly and adequately the commitment that we have made.

ALAN RAMSAY: Prime Minister, the accord. ACTU leaders say that if rising oil prices do feed into inflation that they would expect a wage increase.

PRIME MINISTER HAWKE: The accord, Alan, as you know, is calculated to try and give at least a maintenance of real income/outcome. They will obviously want to take that into account but this is a matter for discussion at the time. I don't avoid the thrust of what you are putting there.

ALAN RAMSAY: It is a problem.

PRIME MINISTER HAWKE: It's a problem. If the prices go up more than we expected prior to the event then that is something that is going to affect us not only in regard to the accord but the whole calculus of this financial year.

LAURIE OAKES: Unions have to accept there is sacrifice demanded, don't they, in this crisis?

PRIME MINISTER HAWKE: Everyone has to and I think you will see that the Budget, quite apart from the question of the Gulf crisis, is one which is directed, Laurie and Alan, to trying to shape for Australia the sort of position we need to have to meet the challenges of the present time and the period ahead of us. Now there is a new element in that challenge that will have to be taken into account by everyone including Government.

LAURIE OAKES: Is it the toughest Budget since you came to

office? Is that a fair description?

PRIME MINISTER HAWKE: I don't whether it is the toughest. They have all been pretty hard. I suppose it is the toughest in this sense to the extent that we have got to find some more saving and we do, almost by definition. The ones you have taken in the first seven years are relatively the easier ones. What's left are comparatively the harder.

ALAN RAMSAY: You still want a great big surplus, though?

PRIME MINISTER HAWKE: It is not a question of wanting it just for the sake of it.

ALAN RAMSAY: For economic reasons.

PRIME MINISTER HAWKE: You need a considerable surplus, yes.

ALAN RAMSAY: That would be more spending cuts and essentially the first Budget after an election. Always the----

PRIME MINISTER HAWKE: Let me say this, Alan. I know neither of you expect that I am going to give you the details. But roughly you have got it right. There will be more expenditure savings and this, together with the other things we do in the Budget, will be directed towards having a significant surplus because Australia has got to have that. Without getting into the technical jargon, essentially what Governments - that is, the Federal and the State Governments have to do - is to reduce their demands upon the community savings because that means then that the savings are available for expansion by the private sector. And we don't need then, correspondingly, to call to the same extent upon overseas resources.

LAURIE OAKES: Prime Minister, does the economic situation mean that you won't be able to deliver fully now in the Budget on some of your election promises.

PRIME MINISTER HAWKE: Let's wait and see. I don't want to prejudge.

ALAN RAMSAY: You're confident that the child care package, which was a centrepiece of the election campaign and your campaign speech, will be met over the term of this Government?

PRIME MINISTER HAWKE: It's not long to wait, Alan.

LAURIE OAKES: That's almost an admission that it's not going to be met.



PRIME MINISTER HAWKE: You read what you like into what I say. You had one great scoop in getting the Budget before it was actually delivered, Laurie, and you deserve credit for that. You're not going to get one from me.

LAURIE OAKES: Not today. Prime Minister, Graeme Richardson, the Social Security Minister, was reported as telling colleagues that he expects to cop heaps as a result of the Budget. That does mean that you are going to be belting people on welfare benefits?

PRIME MINISTER HAWKE: There will be some decisions that have an effect in that area. Of course, in some important areas, there will be compensating decisions but I can't go any further than that.

LAURIE OAKES: Why is the Labor Government targeting those sorts of areas?

PRIME MINISTER HAWKE: It is not a question of targeting those areas. To put it that way doesn't do justice to what our approach has been. There has been targeting in the past in that we have tried to conserve resources to ensure that those most in need are protected and there will not be any capricious attack on those most in need.

ALAN RAMSAY: Prime Minister, the Reserve Bank recently - the Treasurer - has again cut official interest rates. Fiscal policy is being tightened as you acknowledge. Does this mean that the Government's overall economic policy is being changed along the lines that critics have been calling for?

PRIME MINISTER HAWKE: What it means, Alan, is that we have had, as you know, to tighten policy over the last 12 months or so because we couldn't sustain the level of demand with the associated level of imports. Let's look at what has been happening. Over the last four quarters the inflation rate is trending down from about 2.3 per cent in the September quarter down to 1.6 per cent in the last quarter. Inflation is tending down. In the last quarter imports went down by 11 per cent. So we are seeing evidence of the successful impact of the tight policies that we have had. That has been associated then with this most recent decision to which you referred - the ease off of monetary policy. What we will continue to do, Alan, is to

monitor the impact of the decisions that we have made and obviously, if further down the track we see further evidence to support the conclusion then there will be a further easing of policy.

LAURIE OAKES: One thing that the Budget won't contain is any announcement of telecommunications or the airlines for that matter. The Government is in a terrible mess on those issues, isn't it?

PRIME MINISTER HAWKE: I wouldn't describe it as a terrible mess. It is not elegant and I concede that. We are not in a terrible elegant position. I am not trying to be the slick politician in dodging an issue. I have said quite clearly that when you come to a point in a great party like this that has very firm positions about monopolies of publicly-owned utilities, it is not to be expected, Laurie and Alan, that we are just going to say that it is easy to contemplate change there. That is going to arouse passions. As well as passions it is going to arouse quite legitimate differences of view about what is the best way, of going about change. So what we are witnessing now is precisely that and I am not upset about it. I concede it is not terribly elegant but it is exactly what you would expect. The important thing is this. Where the essential debate remains in this community is not within the Labor Party. We will come up in the area of telecommunications with a policy that will be calculated to introduce competition but in a situation where there will continue to be a publicly-owned telecommunication facility. As far as the best interests of Australia are concerned that is essential. And the debate, the distinction, is between that Labor Party position and what is now clearly that of the conservatives who will flog Telecom and sacrifice the interests of Australians by just removing a publicly-owned facility from this area and just throw it right over to the private sector. That is the real debate and it is the debate that the Labor Party will deal with.

LAURIE OAKES: But they have at least made a decision but you are paralysed to the special ALP conference, are you not?

PRIME MINISTER HAWKE: Paralysed if you want to put it that way.

What I have said, quite properly, is that we will wait until the conference has the opportunity of considering this because there is an existing policy position which is not appropriate to the present position. We are changing that but out of that change you will have in Australia the start of debate. Labor standing for competition but competition where there is a publicly-owned telecommunications facility, internationally and domestically. The conservatives who are going to say to the Australian people that we don't give a damn about protecting you, we are going to flog the whole lot off to the private sector - that is a debate that I am more than happy to be engaged in and am more than confident about the outcome.

ALAN RAMSAY: Prime Minister, Gough Whitlam has challenged you to say what has happened since 1985. Have you changed your stance of privatisation?

PRIME MINISTER HAWKE: I'll be saying that as I have been within the process of the party. I don't regard it as particularly necessary or appropriate to be having a public discussion, or debate with Gough about this. I will be handling it within the party.

ALAN RAMSAY: On the subject of Gough. His terms as Chairman of the National Gallery ends in December. Will you be giving him an extension?

PRIME MINISTER HAWKE: I think what I will be doing in that area, Alan, is not appropriate for relevation on this show.

ALAN RAMSAY: Gough would think so.

PRIME MINISTER HAWKE: That he would think it appropriate to reveal it on here?

ALAN RAMSAY: No. Just to know. He would like an extension.

PRIME MINISTER HAWKE: We will see.

LAURIE OAKES: Prime Minister, in the election campaign in March you said repeatedly you promised that you would remain Prime Minister through this entire term and go to another election. Does that still apply?

PRIME MINISTER HAWKE: Yes.

LAURIE OAKES: Absolutely, solemn, cross-your-heart promise?

PRIME MINISTER HAWKE: Yes. That is my commitment.

LAURIE OAKES: So if you breach that commitment, if you do go before the next election, the Australian public would have reason to feel that you had breached faith with them?

PRIME MINISTER HAWKE: They would certainly have reason to believe that I hadn't adhered to what I said. I guess if something disastrous happens to me they might excuse me but I am hoping that won't happen.

LAURIE OAKES: But it has to be something disastrous. You won't be forced out, you won't go to avoid being a loser?

PRIME MINISTER HAWKE: I've given you my answer, Laurie.

LAURIE OAKES: We are just about out of time, Prime Minister, but the Senate is to be televised from Tuesday. Will the Government allow the House of Representatives to be televised as well?

PRIME MINISTER HAWKE: Let me quickly answer that. I have had a discussion with my Cabinet about a range of issues for reform of the proceedings generally of the Parliament. I have just got to finalise one matter on that in the Cabinet room this week and then I am going to have a discussion with the Leader of the Opposition. It would be my hope that out of those discussions we would be getting television of the Parliament.

LAURIE OAKES: Prime Minister, thank you very much.

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