



## PRIME MINISTER

TRANSCRIPT OF UNEDITED INTERVIEW WITH PAUL MURPHY, PM  
PROGRAM, 8 NOVEMBER 1990

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MURPHY: Prime Minister, just before coming to your statement to Parliament this afternoon, yesterday you had a win with inflation down to 6% which surprised everybody. Today the other side of that figure, if you like, unemployment is up to 7.6%. So isn't the hard reality, the fact that the economy is in serious trouble still, in fact quite serious trouble?

PM: The fact is that what is happening to the economy is what was necessary, unfortunately, to deal with the pre-existing situation where the simple fact was that our expenditure as a nation was increasing by 8% and our production by 4%. That was untenable and any responsible government had to slow the level of activity down otherwise the rest of the world would've imposed a solution on us which would have been devastating. So we have had to have tight monetary policy last year. Through this year we've now on five successive occasions, Paul, reduced interest rates and we are now seeing that slowing down in the economy which was necessary but it's a slowing down which is going to not lead to the devastation of the economy but during next year we will see economic recovery taking place, and sustainable economic recovery. If we hadn't done what we have done in slowing the economy down the world would've done it for us but in a much more ruthless fashion in a way which wouldn't have allowed us to be continuing with the processes of reform that were typified by the statement I made in the Parliament today.

MURPHY: You seem very confident that there will be an upturn in the first half of next year. Why are you so confident that that will happen? A lot of other commentators say that we're in decline for the rest of this decade.

PM: That is nonsense, in decline for the rest of the decade. I mean that's so absurd on its face as to hardly warrant any comment. The fact is that certain things will be happening now in this period ahead that I've talking about which will lead to improvement. In that I mean let me refer to them. The fact is of course that I've said there have been five successive reductions in interest rates during this year and they will start to

impact. There's always this lagged impact in monetary policy and what we're seeing now is the effect of the high interest rates of 12 months and more ago - 12 to 18 months ago. Secondly, we will have the impact to activity coming from the tax cuts which will flow into consumers pockets in January and we will have the wage increases as well. We'll have the rebuilding of stocks that will take place during the stock cycle. All those things are going to be positive factors in leading to what we believe the recovery in '91.

MURPHY: Do you expect the unions to stick to the deal worked out between them and the Government or do you think the latest CPI figure and its size will cause them to want to renegotiate?

PM: Well I just don't know. We're meeting with them - a meeting which was scheduled at any rate tonight, the Australian Labor Advisory Council meeting. We'll be meeting the unions tonight. But what is important is, I believe, that they retain their commitment to the accord which in terms of aggregate wage outcomes, talks about a 7% national aggregate, national aggregate wage outcome. And I believe they will retain their commitment to that. That in terms of levels of activity and the future prospects for this economy is what matters.

MURPHY: You gave your Ministry and your Cabinet a pep talk at the beginning of the week, you've asked them to get out there and sell the message, to explain how policies are working. Some people see Mr Dawkins' speech yesterday and some media appearances he made as being a response to that. Others say that it could be that there's a contemplation in Cabinet coming up of a change of economic policies.

PM: No, there's no contemplation of any fundamental change in economic policy. Part of the debate that's been going on about what John Dawkins has said is as though there is a total dichotomy between a form of freeing up the economy by deregulation and lowering tariffs on the one hand and on the other, some forms of interventionist economic policy. The fact is that over a period now of nearly 8 years in Government we have massively reduced protection more than has ever been done before, a 30% reduction from 13% to 10% on average manufacturing tariffs. In that way what we've done is to expose Australian industry more to the wins of competition which is what is necessary if it is itself going to be able to be competitive on world markets. But at the same time as we've done that we have also been interventionist for instance, when we came to office after 7 years of conservative government the steel industry of Australia was going to be closed down. We said not on your Nelly. We bought in the steel industry plan. That was interventionist and we've not only saved the steel industry but we now have the steel industry as being a massive contributor to our export income. We

also intervened in regard to shipbuilding and heavy engineering because we believed that there was a place for that within the framework of our overall commitment to gradual reductions in protection. So our record is one not of ideological blinkeredness in which any particular action which we regarded as necessary couldn't be put on the table because of some, you know, almost sort of religious position. As Paul Keating said yesterday we have been pragmatic about the way we go. Now we will continue, I've already flagged it, that when the existing plans for tariff reform, when they come to their end in '92, then we will be committed to further reform in that direction then.

MURPHY: OK. Today you've announced a timetable for reform of telecommunications and aviation. Now how will these changes benefit Australians during these admittedly - and you've admitted it - very tough times?

PM: Well let's look at telecommunications. For consumers the benefits will be that they will get it's estimated up to a 40% reduction in STD prices on major trunks routes. They'll get more rapid access to new technologies, they get a choice of telephone company, they'll get better service quality, they'll get quicker response time for telephone repair. All in all, quicker access to the most modern technologies and a reduction in prices that they pay. But from the point of view of the economy generally, as you get a more efficient telecommunications industry that permeates in its benefits right through to every part of the total industrial structure.

MURPHY: And no timed calls for telephones in the home?

PM: We've made it quite clear that there will still be a requirement to provide untimed local calls.

MURPHY: Yes, but they could be - that's in the home but they could be timed elsewhere?

PM: Well as far as consumers are concerned in regard to the home situation, it will continue as it is.

MURPHY: Prime Minister, you must be worried about the progress, or lack of it, in the Uruguay Round of GATT talks and the attitude of Germany of France in particular in the EC to agriculture reform. Are you prepared to intervene personally, perhaps with others, to end the log jam?

PM: Well before Neal Blewett, my Minister for Trade Negotiations, left last weekend to go to Geneva for these discussions I asked him to get some feeling as to whether there could be any suggestion of involvement by heads of government - and I made it quite clear to Neal that if that were to be the case then obviously I'd be involved - that would not be - and my I emphasise any lack of

confidence in Dr Blewett, I think he's done a magnificent job as did his predecessors, Michael Duffy and John Dawkins. But there may be a feeling that given the urgency of this matter, because under the schedule now the final negotiations were to take place in the week commencing the 3rd of December, and if there's some feeling that the presence of heads of government may be necessary or desirable then of course I would be involved in that.

MURPHY: Have any other heads of government been in touch with you?

PM: Margaret Thatcher has written to me urging me to communicate to other heads of government by writing. That's the most specific recent communication I've had.

MURPHY: So Mrs Thatcher would -

PM: Let me make it quite clear when I say that. She was urging me to write to certain of the heads of European governments to urge that they adopt a more constructive approach in the area of agricultural trade. She wasn't saying write to them urging them to come personally to a meeting but urging me to write to them to take, as I say, a more constructive attitude.

MURPHY: So she's as concerned about the lack of progress, the obduracy if you like, as the Cairns Group led by us?

PM: Yes, and as I said in the Parliament yesterday I've had my differences with Margaret Thatcher but it would indeed be churlish of me if I didn't acknowledge the very considerable commitment she has shown and, may I say, the courage also in putting it right up to the Germans and the French and others of the recalcitrant Europeans that it is necessary to have meaningful and substantial reform of agriculture in the GATT Round. She has been first rate in the job she has done in that regard.

MURPHY: Prime Minister, you know all these leaders. From your wide experience did you think there's any hope at all of getting the EC to move?

PM: The thing that bloody well exasperates me, Paul, is this; when I sit down and talk with them they say 'Bob, we know in economic terms you're right', but then they then the but, they go on 'but the farmers vote's important to us'. I mean they're quite straight forward about it. They accept the economic lunacy of a common agricultural policy which adds literally billions of dollars per annum to their cost and price structure and which is not an efficient way of looking after the poorest of agricultural producers. They acknowledge all that but they say the votes are important. That upsets me terribly.

MURPHY: So they're not going to move, are they? -

PM: Well I'm not - the signs are not propitious, let me say that. But I think there's going to be an enormous amount of pressure accumulating upon the Europeans in these days immediately ahead because you see it's not just a question of agriculture but a number of the members of the Cairns Group have said if the Europeans are going to sabotage agreement in regard to agriculture then they are saying they'll pull out of the whole lot and there'll be agreements on nothing in areas which are of importance to the Europeans. So it's not just a question of agriculture being isolated, the whole Uruguay Round is really at issue now and it really would be devastating for the world if this failed and we relapsed into a much greater increase of protectionism around the world. No-one wins from that.

MURPHY: No, a trade war between the EC, America and Japan with the Cairns Group and us principally caught in the middle?

PM: That's right, it would be devastating for Australia in particular.

MURPHY: Do you think that will happen, Prime Minister?

PM: Well I hope not and all I can say is that there's no country, and this is recognised, not just the Prime Minister of Australia saying it's recognised that no country has over the period of the last few years and at this moment, has done or is doing more to avert that outcome than is Australia.

MURPHY: Prime Minister, thanks very much indeed for speaking to PM.

PM: Thank you very much, Paul.

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