



## PRIME MINISTER

TRANSCRIPT OF QUESTION AND ANSWER SEGMENT, FOREIGN  
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E & OE - PROOF ONLY

**JOURNALIST:** Can I ask you to expand on your thoughts about APEC? APEC was formed as a group to encourage free international trade. It doesn't appear to have had enormous success in this area. What can it do in the next few weeks to encourage the current trade negotiations? And if these are not successful, how could APEC change in your view to be more suitable as an organisation ... Australia to promote its interests?

**PM:** I don't think APEC as such ... next few weeks, to take your term, can do very much. The individual members of APEC I hope will be in their various ways trying to put pressure, particularly upon the Europeans, to come to their senses. I was asked a similar question in the Parliament the other day by Mr Sinclair, the Member for New England - a very sensible question. He asked what may happen in a worst case scenario situation. I reminded Mr Sinclair then that when I had moved, or had begun to move to the establishment of APEC in January of last year in Seoul, I had around that time indicated that in a worst case scenario basis we may have to ask ourselves the question of whether APEC could in fact assume some new form. I said that in the context that we in Australia and those looking to the creation of APEC were absolutely committed to doing everything we could to try and create a freed-up international trading system. And we of course have been true to that. APEC has been remarkably successful in a very quick time in moving to try and create a framework for doing those things which it is appropriate to do within that hoped for new international system. But I take this opportunity of saying again that if against all our best aspirations, against all our best endeavours that we take both individually and as head of the Cairns Group, that the Uruguay Round breaks down, then Australia will have to reassess its position. If we then get a picture of the world breaking down into increasingly protectionist blocs with East Europe, with Europe there, the European Community and with the United States and Canada, and Canada and the United States now working with Mexico to enlarge that, then we'll have to ask ourselves whether in fact those nations comprising APEC may not have to move

to some sort of similar bloc. Obviously we in Australia would, in those circumstances be prepared to look at that. We would have to look at the question of some possible association with the United States, Canada and Mexico. But let me emphasise, so there can be no possibility of misrepresentation, that that, from my point of view and the point of view of my Government, is, as I put it, the worst case scenario exercise. Because there is no doubt that the world will pay a very very heavy price if we slip into that sort of economic autarky. As I said in a speech I gave at Davos now several years ago where I directly addressed this issue. If history teaches us anything it teaches us that where nations are not able to have rational and mutually advantageous economic inter-reactions, where they have relapsed into that sort of economic autarky, political conflict has not been far behind. There is no reason to assume that history would be any different in these circumstances.

JOURNALIST: A follow-up question Mr Hawke if I may. Have you or the Australian Government or any members of APEC had any talks, formal or informal, about what APEC might become if the GATT talks completely break down?

PM: There've been no formal talks. I would have no doubt that on some occasions officials and perhaps Ministers may have addressed the issue, but there has been nothing formal on the agenda. Nor should there have been at this stage.

JOURNALIST: According to an opinion poll ... like 74% of French people said that they were happy to subsidise three million farmers if it meant maintaining their rural way of life, ... French political ... other international political ... susceptible to pressure. What can Australia and other Cairns Group countries do to influence the GATT negotiations and get a better deal?

PM: Let me go to the poll first. I'm not aware of it but one of the truths of politics is that, generally speaking if you let me prepare the question I will guarantee you the answer. I would like to have seen the way in which that particular question was framed. The statistics should be put in mind first of all, from which ... to answer this question. If you take Europe and the United States together and throw in Japan, something like \$200 billion a year are spent in transfers to farmers by either pricing or, and-or the taxing mechanism. This is an absurdity which cost the 93 or 94% of the communities in question, cost them dearly. Cost them dearly in the sense that it increases their cost and price structure in a quite stupid way. The competitive position of their countries is adversely affected by the inflated cost in price structure associated with these transfers. It is also inefficient in terms of delivering assistance to those in need. If you are trying to justify these policies in terms of looking after the farmers most in

need then of course it is self-contradictory because the greatest beneficiaries of these systems are the largest most successful farmers. So it has no good sense either in terms of economic competitive terms or in social transfer terms. It fails on both those grounds. As far as we are concerned we have tried in the years leading up to the present time to convey to the 94% the absurdity to which they are parties. For instance when I was in Germany last year I had a very interesting meeting with the leader of Germany and they were at one in a) their assessment of the economic insanity of the CAP, b) of the absurdity of the great majority of their people tolerating it and c) on the need for change. We have encouraged them to try and educate their people. Indeed it is the case that the banks in Germany for instance have taken out advertisements I understand in the German press, the German media to convey the economic insanity of what they are about. There is no doubt that the political leaders understand the economics of what I'm saying. I can't in a gathering like this betray the confidences of head to head diplomacy and discussion. But allow me to say this, that in my discussions with important European leaders they have been relatively frank in saying Bob you don't really need to waste your time in persuading me about the economics of it but I've got some farmers down there pretty strategically placed in certain areas and I'm a bit worried about them. Now what I say to them is what I've had to say in the United States when talking about the same issue, and when I've been talking to the United States about their absurdity and not having the courage to face up the budgetary issues. In the end leadership is about leading and making hard decisions and educating your population about where relative good sense lies. It is the case that whether you talk about France or Germany, the Germans and the French would be better off as would the Americans if in fact they followed rational economic policies in this regard. Their people would get their food cheaper, they would have a lower cost and price structure, their employment levels would be higher. It is just my hope that in the period now that ... only be Australia and the Cairns Group, it will be others trying to put the pressure of good common sense upon our friends in Europe. And in the end I've always taken the view that morality is a pretty poor horse to be riding in politics. Not that you shouldn't have moral positions. But morality, as I've said before at a number of gatherings, doesn't have a great track record of achievement when it comes to national political decisions. But enlightened self-interest is a more capable steed and that enlightened self-interest should be mounted and ridden hard so that the French and the Germans and the Americans understand that the interests of all their people are going to be better served as well as creating a more stable, prosperous and secure world, if they get rid of this nonsensical insane proposition that you pervert policies and proper rational policies to try and look after three or four or five per cent of your farmers. And as I said

in the speech, one thing that sticks in my craw more than anything else is to witness these representatives of these countries either bilaterally or as they sit pompously in the ... of the World Bank, or the International Monetary Fund looking into the eyes of these developing countries and saying to them, rightly I might say, look, you must be economically rational, you must take hard decisions. We know it's going to be politically difficult for you, you might even lose office. They tell them that. They know all the jargon. They've got it right in preaching to the developing countries about what they must do to give effect to rational economic policies and principles if they are going to really look after the interests of their country. But when the test comes to them they fail abysmally. That's massive hypocrisy.

JOURNALIST: Would you do it? Would you do it?

PM: I've done it here. I've made tough decisions here. I mean I don't go to the United States and preach to them about balancing your budget and saying it's difficult. I've done it and from a position of strength I say have the guts to do what we've done.

JOURNALIST: You raised interest rates several times during this year. I'd like to know if you are happy with the current level of interest rates or whether you would see another increase say over the next three months because unemployment is rising above the budget expectations. And the second part of that question is related to trade. ... Australian manufacturers and farmers could sell more overseas if the dollar was lower. Do you foresee, are you happy with the current level of the Australian dollar or would you like to see it lower?

PM: You wouldn't think that such a dynamite loaded question could come from such an innocent package. Sweet and innocent. Bob will you ... yourself up for me? No, darling. Well let's get to the facts. You're right, we've had five successive reductions of interest rates since January of this year. That has been the delivery of the promise that my good friend and colleague, Paul Keating, and I have made together since the beginning of the year, that we would deliver on lower interest rates as we regarded the economic situation as being capable of delivering them. So we've done that five times. The straight answer and the non-avoiding answer to your question is that if we assess the position in the future as being consistent with and requiring a further lowering of interest rates, that's what will happen. But the guiding principle has been what is required in the overall interests of the economy. I make no prediction about if and when that next point will arise. Of course, you're right to say that as far as the exchange rate is concerned our exporters would very much like to see a further lowering of the exchange rate. Now there's been about a seven per cent lowering of the exchange rate in

the last couple of months. It got up to, on the US dollar, it got up to about 83 cents, as you know. It's come down seven per cent since then. Again what we've said and what we mean is that when we floated the dollar, we floated the dollar and that will be set by the judgement of the market as to what's the appropriate level. It would be counterproductive if I were to say, well I would like to see it at x or y. I simply say that I would expect that if events were to produce a further lowering of interest rates, and you've heard what I've had to say about that, but if they were to produce a further lowering of interest rates then all other things being equal you'd see, or expect to see, a further lowering of the exchange rate. But I can't responsibly add anything more to that.

JOURNALIST: Could you give us your assessment of what you think will happen if Saddam Hussein does not withdraw his troops from Kuwait when the January 15 deadline arrives?

PM: Peter, that's a massively important question. The first thing to say is I don't know and neither does anyone else in the world. If I had to bet, and one of course wouldn't bet on these things, but if you had to bet, my belief still is that the Gulf crisis will be settled without war. If that happens, as I profoundly hope is the case, then it will happen because the world has shown its determination that aggression will not go rewarded and that Iraq and its leadership will have been informed in the strongest possible way that the aggression and annexation by it of Kuwait will not be tolerated. So that's my belief on balance that Saddam Hussein will come to the conclusion that it would literally be insane for him not to meet the requirements of the international community. Let me just make a couple of points about that so that there can't be any misunderstanding of my position and the Australian Government's position. We are saying that it is absolutely essential that Iraq meets the three requirements, that is; total withdrawal, release of all hostages and the return of the status quo within Kuwait. I've made it clear from the very beginning that this does not mean that if Iraq believes that it has some legitimate cause of grievance against Kuwait, be it territorial or otherwise, that it should not have the right to pursue those issues peacefully within the framework and the institutions of the international community. Indeed, it is our position that if Saddam Hussein meets those requirements then every facilitation should be put in the way of allowing a consideration of any such grievances that they may say they have. Now, going finally to the question of what happens if against my on-balance expectations he doesn't withdraw then it is obviously, in those circumstances, inevitable that force will be used by the international community to bring about the satisfaction of those three conditions. My Government has made, and I'm pleased to see with the

clear support of the Australian people, has made the decision that if that is necessary Australia will be part of it.

JOURNALIST: Minister Evans has mentioned a few times that he would like to see a security arrangement in this region similar to that of the CSC in Europe. What are your thoughts on that and would you like to expand on it?

PM: Yes, what Gareth Evans has said - and let it be understood that we're not trying to push this ahead of what will come naturally by the ... events - but we would like to see reflected in the Asia-Pacific region the degree of detente that has occurred in Europe. That has occurred in Europe as a result of a combination of factors. Of course, firstly, just the fact of the reduction in tension between the two superpowers, the United States and the Soviet Union. Secondly, because of specific agreements that have been met in regard to the reduction of classes of missiles and the reduction of conventional forces in Europe. But as well as that you've also had, now, in an increasingly important sense underpinning those important facts, you've had the influence of the Conference in Security and Cooperation in Europe which has brought together all the countries of the region. Now, we in the Asia-Pacific area have not had the benefit of all those structural arrangements. In a sense, we in this region have been very much a residual beneficiary of the fundamental changes that have been taking place between the two superpowers. What Gareth is talking about in this way is saying, well the time may well be coming when we, to maximise the opportunity in our region of the reduction in tensions that Europe is enjoying, that we may need to look at some formalised arrangement which will give impetus to what essentially, as I say until now has been a residual benefit that we've derived from what's happening in Europe. Now, of course, we've got to understand that you can't necessarily be rushing into these things because we, in this region, have unresolved issues which distinguish the region from Europe. For instance, you have North and South Korea and, for instance, you have the unresolved issue between the Soviet Union and Japan in regard to the four islands. Now those two issues create circumstances which differentiate us from Europe to some extent and which raise concerns as to whether yet is the time in which we can move to that sort of formalised arrangement. As well as that, of course, we still have the unresolved issue of peace in Cambodia although here I speak, you know, with great pride as to the role of what we've been doing and very much with a sense of gratification of the enormous contribution of Foreign Minister Alitas, from your country. We've got grounds for hope there. But we've still got that unresolved issue and, of course, over all that we've still got the uncertainties that flow from the events of 12 months ago in Tienanmen Square. So when you take account of all those issues you can see that we can't quite as easily and as readily move in a structural

sense as they have in Europe but hopefully the time will come in the not too distant future when we can.

JOURNALIST: You mentioned a few minutes ago your good friend Paul Keating. What do you feel about his comments on Australia's lack of leadership and are you concerned about any sort of leadership challenge by your Treasurer?

PM: I've got no comment about the first and the answer to the second, no. As I said at a doorstep early before, I'm looking forward to having a very fulsome discussion with Paul later on today. I hope he's looking forward to it as much as I am.

JOURNALIST: If I could ask a double-barrelled one about the Gulf, ... follow-up of Peter O'Loughlin's question. Firstly, do you share the concerns that seem to be arising in Britain and France, particularly the proposed US-Iraq talks in some way represent a weakening of American resolve in response to their own domestic pressures. Secondly, if the worst happens and ... still in Kuwait on the 15th of January, what is your understanding ... of the fundamental political decision-making process ... by the allies and most specifically will Australia be consulted in any way before any guns start firing?

PM: In regard to the first, no, I don't share that concern. I think there are two points that need to be made. Obviously George Bush wanted to reassure not only his domestic constituency but the world constituency of what is, I believe, the truth. That is that he doesn't want war. And I say that on the basis of personal conversations with him. I'm convinced that George Bush would profoundly prefer that this matter be resolved peacefully. So he wanted to go as far as he reasonably could for domestic and international constituency reasons to make that perfectly clear. Those who think there are some other reasons, I think, are wrong. And secondly, as well as wanting to reassure his constituency, I mean the second point flows from it and that is that it would be his hope that out of the Foreign Minister of Iraq coming to Washington and Baker going to Baghdad that there would be left absolutely no chance of misunderstanding on the part of the leadership of Iraq of the firm commitments of not merely the United States but of virtually the rest of the world to proceed under 678 if that became necessary. So I think he moved with good reason and wisely and hopefully in a way which will produce the result that we all want. As to the second part of your question, Don, I obviously don't want to go into the details of that other than to make this fairly obvious point; that because Australia's ships will now be moving up into the ... of the Gulf and will be exercising with the ships of the United States as well as with those of Canada and Britain, in the very nature of events because we are going to be part of the processes our capacity to be involved in ... knowledge and to therefore have some

opportunity of ... is the greater than if we had not been there, although that of course is not the reason why we moved to that point.

JOURNALIST: The Cairns Group and the US on the one hand and Australia on the other, sorry, the Cairns Group and the US on the one hand and the European Community on the other are so far apart on the GATT negotiations that it's hard to see how any ... can be made. Do you see any areas of compromise perhaps on a longer ...

PM: Well there are areas of compromise. Let me make it clear that while the Cairns Group and the United States have put down, as you know, the broad details of the proposals, they are not identical but they are quite similar. They are a long way from the totally unrealistic 30% proposal of the Europeans, only in regard to one leg of the troika of domestic support, of domestic access and of export subsidy and based on 1986 have virtually been more than half delivered now at any rate. So there's an enormous gap between the Cairns Group, the United States on the one hand, and Europe on the other. But I do believe there is a possibility for a compromise. We obviously want the Round to succeed and we've indicated that what's required as a first step is for the Europeans to negotiate on their offer. I mean no-one takes their offer seriously, including themselves I think. Now there is evidence that within the community there are those who would wish to see movement on their part. It's my hope still that Chancellor Kohl, now with his very substantial victory behind him from the 3rd of December, will use his undoubted influence to give the political thrust and impetus to change there. So I'm clearly saying that if the Europeans were prepared to up their offer and direct it to the three elements of domestic support, domestic access and export subsidies, which they must do, then there's a possibility of negotiating a compromise.

JOURNALIST: If you were to step down tomorrow as Prime Minister of Australia -

PM: I thought this was the real world we were in.

JOURNALIST: What would you ... as your failing ... seven years in office. What are some things that you have not been able to achieve and ... the record, will you stand ... next election as Prime Minister?

PM: The answer to the second one is yes, obviously. Well I am very disappointed that we haven't been able to get constitutional change in this country. I know I've been asked that question before. I've said that looking back the thing I would've done differently, I would've put myself more into that campaign. I think we got lulled into a false sense of security by all those polls which showed the clear majority of Australians in favour of each one of the four proposals that we put up on the



last occasion. In terms of satisfying the true criteria for constitutional change, that is in favour in a majority of States and in favour of the majority of Australia as a whole. I think I got, together with my colleagues, lulled into some false sense of security and certainly the picture changed very rapidly under the pernicious and totally false sense of arguments that were put by our political opponents. I still need to pinch myself to some extent to believe that the Australian people would vote against a proposition which, simply put, said that there would be entrenched into the Australian constitution a provision that if any citizen has had his or her property compulsorily acquired by any government then there would be this constitutional provision for fair compensation. I find it difficult to believe still that the majority of people voted against that proposition which is proof positive of how difficult it is to get constitutional amendments carried in this country. So that is one area of regret. I mean if I'd realised how difficult that was going to be I would've myself got myself more involved in that campaign.

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