



PRIME MINISTER

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**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
INTERVIEW WITH PAUL LYNEHAM, 7.30 REPORT
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PL: Prime Minister, welcome again to the program.

PM: Thank you Paul.

PL: Dr Hewson has been talking tough about the Japanese today. He says we have opened our markets to them, yet they have not reciprocated. Do you agree with that?

PM: Well they are our largest trading partner. They would have a fair point if they made that point. We run a large balance of trade surplus in our favour with them, so they are not that bad. Dr Hewson is out of step with everybody. This week he attacked the nurses, he attacked the teachers, he said if you drive down an Australian street you can pick all the houses where the renters are, he is into renters. He is into BHP, Toyota and Ford, the Reserve Bank, the Tax Office, the Treasury, the Japanese.

PL: And you're into portraying him as a cold hard ideologue, a frightening figure.

PM: No, no, I am just saying he is very strange. He is now saying the fellow who drove into Parliament House came to get me, that's how important I am. Something

which was violent and repugnant apparently amuses him. He is going to bury me in the flag, he is into renters, nurses ...

PL: What are you saying, he is a bit odd, are you?

PM: He doesn't understand the limits of the political debate, where it sensibly starts and finishes. He is getting more thrill, more strident and more abusive of ... almost everybody is out of step but him.

PL: Well many Australians are going to think that his comments here about the Japanese markets strike a chord, won't they?

PM: Well would you prefer, instead of running a large trade surplus with them, we run a trade deficit?

PL: But what about our access to their property market, for example. He says that they have come in here in mining ventures, they have got banking licences, foreign exchange licences.

PM: Let's not kid ourselves Paul, no Australian developers would have been in Tokyo in the last half dozen years. They wouldn't have had the money to start in the game, and would be now very glad about the fact that they were not because of the crash in property values. Companies which can market, that take marketing strategies and take their time to develop distribution systems within Japan, can get in there. And they have improved access for beef, reduced the barriers. Improved access for beef and other commodities. Now, they have always hung back. Part of our general criticism in the GATT round is opening up markets and including in Japan. But let's understand the weight of the relationship and let's not be abusive to them like Dr Hewson is with everybody else.

PL: But he says he is going to run this line a lot more up to the election. He could end up sounding like he is forging his own sort of nationalism here.

PM: I am sure the Japanese will be just absolutely frightened to death by that. They will be just trembling.

PL: What, we are such small fry we shouldn't speak our mind?

PM: No, no, have our say. We are the ones who have run the structured case to get the GATT round into place. It is the Liberal and National Parties which want us to be closed out of Britain, closed out of Europe. They always took no for an answer. We are the people who do not take a no for an answer. But again, running around abusing the Japanese Government in Australia, just like he abuses everybody else, is not going to help.

- PL: All right. Burke, Cain, Dowding, Hawke and now John Bannon, are we seeing more than simply a generational change of Labor leaders, or are we seeing the tide turning against Labor across Australia?
- PM: I don't think so. In each case the people were around nearly a decade. In this day and age this is a very long period to serve in the political system.
- PL: But you could have a situation by late next year, the Goss Government is the only Labor Government left in the country.
- PM: Well I don't think we will, but if there is a tide against Labor then presumably the Goss Queensland situation denies that case.
- PL: You could hardly deny though, that Labor's house nationally is not in very good repair at the moment?
- PM: Obviously we have been in better shape in other times in Victoria and South Australia.
- PL: And after all those losses, people losing life savings in some cases, won't some voters agree very quickly with Dr Hewson's claim that in the end Labor Governments can't be trusted with money?
- PM: How could you say that Paul? This Government has produced for the first time ever Budget surpluses in Australia. Not one dollar was ever lost from a Commonwealth supervised bank, not a dollar of a depositor's funds. And not a dollar of depositors funds have been lost in the South Australian States Savings Bank.
- PL: Meanwhile, last night's Cabinet meeting pep talk suggests doesn't it, by its very nature, that the Government has run out of puff a bit?
- PM: No. It says we are not going to have distortions put across any more. This sort of technique by Dr Hewson and Mr Reith when they get asked ... they won't do press conferences in Parliament House. All of us Ministers subject ourselves to questioning by the press gallery for half an hour, three quarters of an hour.
- PL: It has been a while since you have had a good sit down press conference.
- PM: No it has not, it was only a matter of weeks. The last time Dr Hewson had a sit down press conference in Canberra where he could be scrutinised by people that have a memory of these things was last November. He does doorstops with the fire engine chases who are covering television news, who are not in a position to ask him follow up questions, and the stock answer is - it's in Fightback. Well the answer is it's not in Fightback.

- PL: Well let me ask you a follow up question. If the Government is really on the ball, how could Bob Hogg have been urging Ministers to fill the political vacuum? I mean surely a confident robust Government doesn't leave a political vacuum?
- PM: Well until two weeks ago we were putting a Budget together for six or seven weeks. It is Budget time. We were as all Governments have to, governing the place as well as represent our views and explain policy. But that phase is over and now we will be out there telling Australians that the economy is picking up, that the '90s do look good for us with a low inflation environment, that exports are going gangbusters, that basically Australia is going to be trading its way out of its troubles. And that a lot of the things which Dr Hewson is saying are simply doomsaying things, where he is trying to beat down the exchange rate, beat down confidence and beat down the rest. We will be up there putting the right construction on things and not simply sitting in the Cabinet room putting policy changes together, as we were bound to do in the Budget process.
- PL: You talk of high exports, and they were in July record level I concede, but shouldn't we be worried about record imports so early in this recovery phase?
- PM: Well it depends whether it is a spike or whether it is a trend.
- PL: What do you think though?
- PM: Let's just take the first thing. If it is a trend it means that the recovery is coming on much hotter and much stronger than we think.
- PL: Worryingly so.
- PM: Why would you think so?
- PL: I would. Record imports at this stage, the economy is still groggy.
- PM: No, no, no.
- PL: Not up off the stretcher yet.
- PM: No, no if imports are coming in a trend way, there's a lot more demand in the Australian economy. So all Dr Hewson's rhetoric that we're ruined, that nothing is happening, will be dead wrong. Now if it's a spike it will wash itself out of the system, if it's just one month's aberration or two it will wash itself out of the system. The main point is that exports are as you say, at record levels by value. Given the fact that prices for commodities are now very low again, it just implies that the volumes must be astronomic. We are going gang-busters in exports and it's exports in the end which will save the day for Australia and its trade accounts.

- PL: But look, we imported \$560 million worth of motor cars in July, imports in the first seven months of this year are up 25 per cent cars.
- PM: Dr Hewson says we ought to have a zero tariff, so how many motor cars would we have under his policy? That is, with tariffs at 35 per cent for cars and coming under Labor's 15, he wants a zero tariff which you and I know would wipe the Australian motor vehicle industry out, it would wipe the city of Adelaide, South Australia out in terms of manufacturing.
- PL: But how bad does it have to get before we start thinking about a pause in these tariff cuts? Is it totally off your agenda?
- PM: Hang on, you're jumping subjects here, are you worried about import volumes or tariffs?
- PL: I'm worried about, for example, as tariffs come down on cars in come those imports.
- PM: If you're worried about import volumes, what I say to you is let's wait and see how the trend goes, and secondly the markets already taken a decision, in the adjustment of the exchange rate, in the face of those lower commodity prices and higher import volumes. A large adjustment has already taken place in the exchange rate which will make imports dearer, exports cheaper.
- PL: All of our Asian neighbours though have tariffs, quotas or in some cases closed doors to protect their local industries. How come it's good for them and bad for us this idea?
- PM: What we have done is to take tariffs down in a measured, structured careful way from 1988 to 1997 in a phase down and the result is, the proof of the pudding is in the eating, we are exporting our heads off. The competitiveness in Australia has risen, the efficiency of companies has risen, but there's got to be levels, end points where an industry may survive. In the car industry, we've said when those tariffs travel to 15 per cent, then at that point we don't believe that given the low volumes of the Australian market and a glut of cars in the Northern hemisphere that marginally priced imported cars, we believe it will simply wipe our industry out.
- PL: How do you know 15 per cent is right though? Maybe that's too low.
- PM: They are judgements which are made by John Button, me and others in 1991 and 1988 when we spoke to the car companies, when we tried to get the right.
- PL: Does that necessarily mean they are right, these judgements?
- PM: I think they are, Governments have got to make these decisions. But the notion that it ought to be zero, that basically the economy, the country only belongs to

economic athletes, this is the sort of Hewson view, that you sort of socially impoverish the place and you wipe industry out and what rises from the ashes is athletic and strident and able to survive. He's been told and Mr McLachlan has been told by Toyota, Ford, General Motors - zero tariffs no motor industry. Yet the city of Adelaide and the city of Melbourne would suffer enormously under his policy which Mr McLachlan just reaffirmed last week. They are serious about it, they would in office take the tariff to zero and decimate the Australian motor vehicle industry.

PL: But what if even at 15 per cent our industry looked like it was getting swamped, would you act then as Prime Minister?

PM: I don't think it will.

PL: If they couldn't cut the mustard, to use a phrase you're fond of.

PM: The answer is I don't think that will happen because one's got to make a judgement about whether Australians get lower priced cars or whether ... The difference between us and the Coalition, we've said we shall have a motor industry, we believe we can't leave car demands of Australia to be satisfied by imports.

PL: That would blow out the current account if we did wouldn't it?

PM: Exactly and the world car makers would charge what the market would bear. We're saying there should be an Australian motor vehicle. Hewson and McLachlan are saying look it's a matter for them, if they can exist fine, if they can't bad luck.

PL: Did you notice the State Bank of NSW has put up its three year loan rate a quarter of a per cent, longer term rates, wholesale rates soon to be locked in there now about a point and a half up?

PM: I saw that yes, that's for three year fixed. But on the short end nothing has changed. That is, the variable rate mortgages, nothing has changed.

PL: And nothing will change?

PM: The Government is not going to be tightening policy.

PL: What happens if the current account does blow out though between now and the election? That's your big nightmare isn't it?

PM: The current account is half of what it was three or four years ago, it came in way under the Budget target for last year, we got a spike in imports. I know you are trying to go potty about it but let's wait and see whether it's a spike or it's a trend. As long as those export volumes stay there ... but again, I remind you the market

has already comprehended all this and made a quite substantial adjustment on the exchange rate.

PL: And where do you come down in the middle of this slanging match now between Gough Whitlam and Bob Hawke?

PM: I'm basically not an "AM" listener so I didn't hear it all, any of it in fact.

PL: Just to bring you up to date the story so far Whitlam, says Hawke was a Prime Minister with no purpose and no policies other than the Accord.

PM: That's for them, they are big enough to look after themselves and they will.

PL: But it doesn't say much about you, you were the lieutenant there for all those years.

PM: That's right, I can look after myself.

PL: I mean only a few years ago you described the Whitlam years as a period of failure, notable mainly for doling out funds in an economic collapse.

PM: I also said of Gough Whitlam and his Government, that he put the Labor Party back together and made it relevant again and he did. After nearly a quarter of a century out of office he put it back together. And it was that period, even though there was some confusion of means and ends in his period of office, the fact that Labor was relevant again gave us a chance in the '80s.

PL: Do you agree with John Hewson that this is going to be the most important and clear cut choice type campaign since the War?

PM: I do, because basically what Labor developed in Australia is an open market economy and efficient economy with a nice social policy wrapped around it. That is, all the social balances, access to education, access to health, support for women, women's policies, aged care, child care, occupational superannuation. What he's saying let's turn back a century of social advances, industrial advances, let's have a policy of social impoverishment and the economic phoenixes, the self made people will rise from the ashes.

PL: He is saying this hasn't worked, you've got to change the whole game, that's what he's saying.

PM: A whole bunch of little Hewsons will rise from the ashes. He sees himself as some sort of economic athlete. That's why he attacks large businesses, he thinks they are not legitimate. If you haven't owned a restaurant and been an out-riider to a merchant bank, you're illegitimate. If you happen to run the biggest company in the country and it makes steel or you make cars, you're a fat bloated bureaucracy and you're illegitimate. If you haven't made it yourself you're illegitimate. That's

the hard-hearted view, harder than the Thatcherite views of the '70s. So yes, there will be a choice between a party which is the Government, which has had to, for the first time a Labor government, give Australia a true open market economy, that's had both the pride and the pleasure of stitching together one of the best social policies in the world. And we're about keeping it; Medicare, support for the aged, pensioners, child care, aged care, the rest, and not taking the view that survival of the fittest and devil take the hind most and if we have a whole lot of little economic athletes bouncing through there, self made people, well that's Nirvana. It's not Nirvana, and that's the choice Australians will have.

PL: Is it going to be a dirty campaign do you think, personal?

PM: Not from me, but almost every remark Dr Hewson makes about me is personal.

PL: But you call him Gordon Gecko and all that sort of stuff.

PM: No, but that's a mild blandishment on the scene. He'll say almost every day this man will lie, deceive, do anything, it's all that vicious stuff. Well let people judge him, if he wants to participate in that sort of campaign, that sort of debate, fine. In the last month we've just set up a new vocational education system, in the last month ...

PL: So you're the gentle good guy are you Mr soft touch?

PM: In policy I am, certainly and in the debate. But he won't be having a free ride in the debate, I won't be that gentle. But I don't need to get down to the level he's at to articulate my policies or speak with pride of the policies of this Government or its achievements.

PL: Prime Minister, thanks for your time.

PM: Good Paul.

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