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## PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP,  
PRESS CONFERENCE, THEATRETTE, PARLIAMENT HOUSE,  
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### **E&OE PROOF COPY**

**PM:** Good afternoon. I might just open up with a few introductory comments and invite you to then put questions. I will begin by saying that this has been a valuable opportunity for me to talk to Prime Minister Bolger and the Cabinet of New Zealand and it is of course the first opportunity I have had to go abroad since the election. The opportunity presented has been an important one for two countries which enjoy a very close relationship, two peoples who enjoy a close relationship and where contemporary issues can be discussed and advanced.

We have had useful talks on a whole range of bilateral issues as well as the international issues in such areas of course as the Uruguay round and in APEC where the New Zealand view and the Australian view is pretty much at one and where in we seek to try and integrate our two economies with the region around us in the same way as we have integrated with each other.

On the bilateral issues the subjects we covered were taxation, the trans-Tasman travel arrangements, social security, immigration pre-clearance in relation to domestic airline travel or international travel at domestic terminals, mutual recognition of standards and defence relations. There may be a few other extraneous matters which have entered into discussion, but they are principal topics. So I'd be very glad to take questions from you.

**J:** Prime Minister, ... over the welfare payments?

**PM:** We discussed the welfare payments and we have agreed to expedite negotiation aimed at a more equitable arrangement for Australia and this will focus on pensions and long term allowances and I think relevant ministers are going to meet next month so our travel arrangements of course facilitate an exchange of people that Australia doesn't facilitate with other countries and therefore this occasion arises in our social security system where from time to time situations emerge where in Australia's case, in this instance Australia is carrying a disproportionate level of the burden or the cost and I think the Government of New Zealand recognises that and it is why I think we have already been

discussing it and why today we have agreed to expedite that discussion in the near future.

J: So without looking a bit crass you are going to get more money?

PM: It has been the historic truth of the situation that people who have spent a large part of their life in New Zealand have for a minor period of their working life come to Australia and then been in receipt of an Australian pension and that means that we are carrying a substantial burden that would otherwise be carried in New Zealand.

J: Are you looking at extending ... agreement to include pensioners who have been in Australia longer than that period or do you want to add new classes of beneficiaries to those established already?

PM: We are not talking about unemployment beneficiaries or benefits which are of a short term nature, only a long term nature. We did come to an agreement in 1989 about the methodology of picking up costs for people after that point. This is about going back, looking at the burden that we are now carrying, but again on rules that are sensible and equitable and fair for both sides.

J: Mr Keating, how can New Zealand and New Zealanders avoid Australians or prevent Australians from thinking that this country and the people in it will want to bludge on Australia?

PM: I don't think that is true at all. I don't think Australians think that at all. But that is not to say that there won't be issues from time to time which arise like this one. We have had other social security type issues arise with other European countries for instance and I don't think the Australian community would conclude from that that they were to use your words, about to bludge on us. It is just an issue that needs to be dealt with and I don't think people should read more into it than it is.

J: Prime Minister, do you think New Zealand can maintain a credible defence posture in the South Pacific with Australia while it remains outside or excluded from the ANZUS alliance or would you prefer to see New Zealand back in?

PM: That is a matter for New Zealand, New Zealand and its relationship with the United States. The ANZUS alliance is an alliance of value to Australia, I think it is an alliance of value to the United States. It was concluded at a time when there was a premium on such alliances. I don't think such a premium exists in the United States today. So it is an alliance of value and it is one which the Australian government puts substantial store in and makes substantial defence efforts on its own part to meet. Of course, were New Zealand to decide to become a full partner again in ANZUS that must of itself, strengthen the ANZUS alliance. But the alliance still remains, Australia still has exercises with the United States forces from time to time and not only that, of course we have regular ministerial consultations between the Secretary of State and defence secretaries of the United States and the appropriate defence and

foreign affairs ministers of Australia. So it is for us a fully operational alliance and one which we go to lengths to keep the tone on. I think the other issue which we did discuss this morning is the thing about the role of defence generally and national efforts towards defence and I did express the view to Prime Minister Bolger and to the Cabinet that it is important for both our countries to be able to maintain a minimal, at least a minimum credible defence as the expression is used in New Zealand. Now we are spending about 2.4 per cent of GDP on defence, that has declined from 2.9 to about 2.4 per cent and we have yielded from our changes over the years substantial efficiency dividends. New Zealand is spending now about 1.1 per cent of GDP on defence and while there is no doubt that efficiencies have been yielded if you like, brought to bear in that process, I think it is important to say that it is important for both our countries that New Zealand does indeed have a credible defence policy in place. Prime Minister Bolger agrees with that as does his Cabinet and that is an issue which I think is of fundamental importance whatever ones view of the ANZUS overlay might be.

J: ... (inaudible) ... credible defence policy?

PM: No, we are not in a position to second guess and don't attempt to second guess New Zealand about its defence spending, but it is important to keep core forces in place. These are not things you can build up quickly. Defence experience and capacity is something which is built up over a long period of time and that experience and operability and all the rest can if it diminishes, can take a very long time to repair.

J: Prime Minister, so you wouldn't necessarily see out of this an agreement for New Zealand is to increase their defence spending?

PM: We didn't ask for a commitment from New Zealand, but the Prime Minister made it clear that they wouldn't be spending any less on defence.

J: Prime Minister, are you convinced that the New Zealand Labor party is also committed to a credible defence policy?

PM: I am seeing the Leader of the Opposition after I see you and I'm sure he will take about that subject.

J: Prime Minister, is it your view that the purchase of one or two ANZAC frigates by New Zealand is sufficient to core a New Zealand credible defence force?

PM: I think credible defence goes more than material purchases or ships procurement or weapons procurement in their own right. It is a total thing which is operational forces, combat readiness, capacity logistics as well as equipment. These are very sophisticated issues which require sophisticated judgements and most defence ministries and armed services try and make those judgements all the time. The important thing is I think that the Government of New Zealand is convinced itself that its policies can maintain a credible

minimum defence posture because that is of material importance to Australia or the integration of Australian and New Zealand forces.

- J: How long before minimum core is increasing over the years as Asian nations increase their defence capability which they are doing already?
- PM: It depends I think what ones strategic outlook is and in which way one is planning ones defence force. Ours has been substantially re-oriented to the defence of Australia rather than as it was earlier - participation with US forces in the Pacific. That change occurred in the 1980s and if the key criteria is defence of ones own land mass and interests then I think that in a sense describes the policy rather than reference to what someone else is doing nearby. Whatever someone else is doing would be always part of some strategic assessment, that has to be fed into any calculation. But again I don't think there is any mechanical link between what someone else is doing and what we - that is Australia or New Zealand - might be doing.
- J: Is there any scope for further integrating the defence policies?
- PM: As the Prime Minister said over lunch, there is a lot of defence co-operation; we call it CDR occurring between Australia and New Zealand and I can only wish and believe that that will continue.
- J: Are you saying though that CDR is in danger of ...
- PM: No, because the Prime Minister takes the view that the maintenance of a minimal credible force is paramount in public policy. That is the key judgement for us.
- J: What issues were raised in the taxation context ...
- PM: Two things: the re-writing of our double tax agreement between the two countries which is now quite an old document and so much has changed of course, and it needs to reflect that change and the other is the question of mutual recognition of dividends, dividend imputation and progress on that issue. The problem for us on that issue is that the preservation of the integrity of the Australian tax system and there are of course many Australian companies investing all around the world, and the precedent problem for us is were we to provide imputed dividend credits, the tax paid to another Treasury, the Treasury of another country - in this case New Zealand - the pressure would come on to Australia to pay imputation credits for tax paid to the German Treasury or the British Treasury and other places where Australian companies have gone abroad.
- J: Are you effectively ruling it out?
- PM: I think what we are saying is for the moment is that we are not ready at this stage to agree to a change in dividend imputation. If we are prepared to leave it under discussion so that if ways can be found of dealing with the quarantining

problems we will examine them. But there is also another great difference in the tax systems of New Zealand and Australia and that is New Zealand does not have a capital gains tax and Australia does. So companies could take their income profits in Australia and their capital profits in New Zealand and again this would not necessarily guarantee the objectives of such a change for us.

J: If Australia's focus on actually getting greater reparation from New Zealand or on minimising eligibility for frequent pay outs ...

PM: We have a very tight social security system, there is an assets test and income test and over the period of time with the social security review teams and the rest we have got now by world standards a fairly tight system. So eligibility is not I think as primacy here, it is just a question of the balance of the costs which in this case for about 270,000 New Zealanders, 30,000 of whom are taking pensions in Australia, means that the great body of the burden falls upon the Australian budget and given that this occurs principally because of travel arrangements between us that therefore it needs to be remedied.

J: ... Australian government prepared to recognise these tax contributions working between ...

PM: I think we do and vice versa, but that I don't think deals with this problem at all.

J: ... (inaudible)

PM: Yes, I was happy to reaffirm the strength of the existing arrangements. I think they have worked well - that is basically the avenue by which there is an exchange of people between the two countries and it works well and I am very happy to endorse those arrangements.

J: What did you decide on immigration ...

PM: That we should like to be able to establish a pre-clearance regime by the end of 1993. We agreed to make every effort to do that and we are originally targeting November, there may be a bit of slippage in that, but it would be very nice to do it if we could before the end of 1993 because this will facilitate flying between domestic terminals. So it would be international carriage of people, but to domestic terminal to domestic terminal which means immigration pre-clearance and customs and quarantine clearance would obtain at the domestic terminals. I can't think of any better way of removing impediments to people travelling between the two countries than to travel through the domestic terminals and this of course, will mean also enhanced opportunities for the airlines and those enhanced opportunities can only mean that the tourist industry between both countries is enhanced. Both of our countries rely upon a substantial services sector of which tourism is a rapidly growing part and therefore getting this done and getting it in place has to be a good thing for tourism between Australia and New Zealand and of course, in that the airlines and need I say that this arrangement is part of a larger arrangement where

Australia has already agreed beyond rights for New Zealand Airlines out of Australia to North America and to Asia. So it is not a policy which sits alone, it is part of a broader policy of a closer integration of our two airline markets into a single airline market.

J: Prime Minister, you said in your discussions today in terms of benefits for the long term like superannuation, do you anticipate at some stage you will have to look at things like the unemployment benefit?

PM: It has not been on the agenda at this point in our discussion and I think from our point of view it is that these are payments of a shorter term duration, there is a flux of people moving backwards and forwards, there is not so obvious a longer term cost and so therefore I think it is wise for us to concentrate on the longer term benefits and pensions, aged pensions in particular. I think it is possible to arrive at a formula where this can be reasonably well constructed, operate effectively and efficiently and make the system just that much fairer.

J: Are you going to free up the travel between the countries ... is there going to be more New Zealanders with freer access?

PM: The mode of travel would be freer, more subtle, but the basis of the travel is no freer than what is now eminently free. That is virtually visa free entry into Australia.

J: Do you resent that New Zealand will have a credible defence policy if it doesn't increase its ...

PM: I got asked that earlier. I responded to that earlier.

J: Prime Minister, regarding your visit to the Savage memorial, are you ... the New Zealand government to praise the value and ideals of ...

PM: I don't know whether that is supposed to be a leading question. You have a furry thing in your hand there, I take it it is a microphone and that you want therefore an appropriate furry answer I suppose. I was able to say in my remarks a few minutes ago at lunch that I think the thing about these countries is they are deeply democratic countries. When you say in countries like New Zealand and Australia, you make a speech to the Parliamentary folk, you say these are democracies, people say oh yes democracies, but democracies like ours are few and as old as ours are few. This is a very old democracy in New Zealand as is Australia's and it is the transmission of democratic values around the world is I think one of the things we do best. With that democracy has come I think in both societies a deep sense of tolerance. I think tolerance comes from ones sense of democracy, an innate sense of democracy and the tolerance has led to different kinds of societies being developed. A different society here in New Zealand say to Europe. Certainly a different society in Australia than say Europe, indeed different societies between Australia and New Zealand, these are different places. That tolerance has also I think produced a view of society, a view about the role of government and the role

of society which has seen both Australia and New Zealand break many of the moulds of social justice and break them in a way which enhance the social agenda of both countries. I think Michael Savage when he was Prime Minister did these things. We have continued in our country to do these things and much of the Australian election just passed, the debate was about these things. There is a role for government, but again too substantial a role for government is disruptive of private investment and in the end employment, so it is a matter of finding that balance, to do what is fair and just and sensible and at the same time pay appropriate due to that sense of democracy and tolerance that is in our society and that sense of fairness which comes from it. So I think that the work of great pioneers and I think you have to put the former Labor Prime Minister Michael Savage in that class - has laid down the style of New Zealand life, the sort of society it is. That is not to say these things are immutable, can never be changed or shouldn't be changed; of course governments will come along and chop and change them all the time, but the values which arm them I don't think are going to change and I think that is the good thing.

J: Prime Minister, going back to your comments on tax you said as I understood it that Australia was not able to move towards imputation of dividends because if you did that it would set a precedent on the countries to have follow. Does that comment not belie the relationship that the two countries have under the CER agreement and the progress that has been made on that agreement?

PM: Yes, but I'm quite sure the US Commerce Department will immediately write to the Australian Treasurer and say we want the same for us were we to introduce a dividend imputation system or any other country which wants to claim the same benefit. But certainly the companies of Australia will seek the benefit, they are already seeking it, they have been seeking it for years and were we to conceive the benefit in New Zealand they will seek it more strongly for Western Europe, North America, the Asia Pacific.

J: But you have free trading goods and services with New Zealand and you don't give that to every other country.

PM: No, that is true, but again it is a matter of where the antecedents of the argument come from and this one I think the argument is that we should give tax credit for tax paid to a foreign treasury. Now I don't agree with that. While we would like to see businesses in this country in New Zealand and Australia integrate more closely, but again it is worth recording we have already seen an enormous integration of investment between the two countries particularly since the early 1980s; enormous growth in investment. The other problem is of course, were New Zealand to extend its imputation system to other countries, were it to decide on a few bilaterals on the side, then people will bring dividends through New Zealand which will end up costing us so we are defacto extending our imputation system to other countries via New Zealand and the problem then is saying, we will withdraw the imputation credits, once businesses have established themselves on the basis of such credit you can barely then say, it is possible to say, but certainly business would resist it, any Australian government saying that the benefits now be withdrawn. So

were we to extend this to New Zealand we'd have to have a very clear covenant that it would not be extended elsewhere by New Zealand. These are all the issues involved and that is why I say at the moment we are not ready to agree, but we are quite happy to continue examining the policy implications.

J: Prime Minister, your relationship with Mr Bolger, has that been affected at all by earlier comments about Joan Kirner?

PM: Earlier, that's much earlier. Months earlier.

J: So exactly what sort of relationship do you have with Mr Bolger?

PM: Very good I think. He is as you know, an affable, easy going, easy to talk to person who is conscientious about his country's interests and very savvy about the relationship between Australia and New Zealand and about the issues involved. So I find dealing with him and on the issues, but beyond that just knowing him to be a very easy thing to do.

J: Can you say what progress has been made on mutual recognition?

PM: One of the good things is that we do have quite unique, I made reference at lunch to the fact that New Zealand ministers meet with Commonwealth and State ministers of Australia in so many of these functional areas of our economies and our societies and we have been seeking as States of Australia to develop a set of uniform, mutual standards so that we don't have one standard in Melbourne and a different standard in Sydney or Victoria or NSW as the case may be. And in that of course, it becomes an obvious thing to extend that uniformity of standards, classification of standards across the Tasman so that Australasia has the same standards in these respects and we are making progress there and I'm sure we'll make substantial progress together on this in the ensuing period.

J: ... (inaudible)

PM: There is a formula that is being discussed, there has been a formula discussed about ..

J: ... have you put in any idea of how much the Australian government would consider reasonable?

PM: You must write for a tabloid do you? No, no I haven't.

J: When will you be announcing the details ...

PM: We are going to meet I think in a couple of months, within three months there is going to be another meeting of our respective ministers.

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