



NINE NETWORK AUSTRALIA LIMITED  
A.C.N. 009 071 167

SUITE 114 PRESS GALLERY PARLIAMENT HOUSE  
CANBERRA A.C.T. 2600 AUSTRALIA  
TELEPHONE: (06) 273 3300 FACSIMILE: (06) 273 3097

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**WIN TV**  
**Subject:**

**SUNDAY**                      **0940**  
**I/V Prime Minister Paul Keating**

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**Compere (Jim Waley):**

As we've already heard, the Malaysian Government line seems to be hardening in the row over Paul Keating's choice of words to describe Prime Minister Mahathir. A letter from Mr Keating, explaining he meant no offence, has been rejected as not conciliatory and now there are reports that the Malaysian Cabinet will consider downgrading the relationship with Australia. This latest threat was made public last night after Sunday's Political Editor, Laurie Oakes, recorded this interview in Canberra with Prime Minister Keating.

**Laurie Oakes:**

Prime Minister, the first issue I wanted to talk about, obviously, is Malaysia. Dr Mahathir has rejected your letter. What's your response?

**Paul Keating:**

Oh, I don't know that he rejected the letter. I think he just said that it was not as conciliatory as he expected it. But the one clear message in it is - I mean, it's an honest, frank letter but the one clear message in it is that what I said was not calculated to offend him, and that's true. So, therefore no offence was intended and I hope

he accepts therefore that none was taken.

**Laurie Oakes:** Well, he said last night that it did give offence. Do you regret that, even though you didn't intend it, do you regret that he took offence?

**Paul Keating:** Well, if my remarks were not intended to offend him and he has taken offence at it, well naturally one would regret that. But they were said in the context which, at the time, made it fairly clear that there were some issues of difference between us and I've always got to argue, and will of course, for Australia's policy positions.

**Laurie Oakes:** Have you done all you can now or will you try and make contact again?

**Paul Keating:** No, I think what I have done is very reasonable. That is, I've written to him, putting in some sort of context - I mean, there is not much point in writing letters saying 'Dear Prime Minister, under the tail plane in the Boeing 747, I had this to say', and not provide any context, and I've put some context there but made clear that the remarks were not designed to offend. The remarks were made to say 'look, this is not my matter'. That is whether Dr Mahathir attends APEC meetings or decides, as he put it, to thumb his nose at people, is for him. That was the point of the remark.

**Laurie Oakes:** Although you obviously didn't apologise in this letter, is

it fair to say that you're sorry that he's offended?

**Paul Keating:**

Laurie, look I've made it quite clear. I represent Australia's national interest. We have interests, I was asked by journalists and I've been asked persistently for months about Dr Mahathir's attending of these meetings. On the day I was asked, what prompted the question was his remark saying that his policy was to thumb his nose to people and that was his best way of being noticed. It was in that context I said 'please don't ask me about Dr Mahathir. It's not my matter and that APEC's larger than any one of us, including those who seek to thumb their nose at people.' That's what I was really saying.

It was not, I don't think, offensive or calculated to offend. Now, that's what I have told Dr Mahathir quite clearly but look, we want to put a line under the relationship, Laurie and get on with it. Now, I've got Senator Cook and Senator Ray going there this week. I mean, it's very tangible evidence on our part. We want to keep the relationship going and on a good footing. I think there are substantial opportunities in the economic developments between Australia and Malaysia. This has always been our view and, you know, we want to try and maintain that kind of momentum.

**Laurie Oakes:**

Dr Hewson says that you should now pick up the phone and talk to Dr Mahathir personally. Is there any point in that?

**Paul Keating:**

Well, I don't think so. I think I've said what I wanted to say but, you know, one - the Federal Opposition saying in the first instance they could understand my remarks and then, as late as yesterday, Dr Hewson was running around saying I should get on the phone and do this and do that. Well, I mean, they should make their mind up what they meant. I mean, I'm sure their first response was right. That was that they could understand my remarks and Australia does have a position of substance on these various issues between Australia and Malaysia and I've put those. But again, hopefully in the context of a good ongoing relationship.

**Laurie Oakes:**

Since you've been Prime Minister, you've stressed the need for Australia to engage more heavily in Asia. Now, how does this row affect that?

**Paul Keating:**

Well, I mean, I don't think it does. I mean, we have had spats with Malaysia before on other issues, or more particularly, Malaysia's had spats with us on other issues. I have a very good relationship with President Sohato, I've a very good relationship with Prime Minister Go Chok Chong(?), I've an equally good relationship with President Kim Yung Sam(?) and I would like such a relationship with Prime Minister Mahathir but he's got to want it to. Malaysia's got to want to have a relationship with Australia of the kind Australia's prepared to have with it.

**Laurie Oakes:** If the worst happens and there are more sanctions, more retaliation from the Malaysian side, does Australia have any way of hitting back? I mean, could we engage in a tit for tat fight with them on this level?

**Paul Keating:** Well, I don't think we would like to. That's the point. We would prefer a constructive relationship to continue.

**Laurie Oakes:** But what about those 5 power arrangements? I mean, is that something that we could pull out of if we took offence?

**Paul Keating:** Well, I mean, defence agreements are fairly solemn things and, of course, they exist because countries regard each other's sovereignty as important enough to defend and that means keeping core relationships going. Now, I think everybody in that arrangement, including Malaysia, understands the importance of keeping the relationships going. Australia certainly does.

**Laurie Oakes:** But if there's a freeze on the Malaysian side, I mean, is there any point in having a defence relationship like that?

**Paul Keating:** Well, I think this is premature to be talking about this, Laurie.

**Laurie Oakes:** Well, the reason I raise it is that when we had the last spat you mentioned in '91 over the Embassy television

series, Gareth Evans did make some recommendations about this to the then Prime Minister. Bob Hawke took a different view and he decided instead to apologise, but presumably that kind of recommendation is still there for you to look at.

**Paul Keating:** Well, I'm not aware of that, to be honest. Thank you for the research.

**Laurie Oakes:** But you haven't looked at that yourself this time.

**Paul Keating:** No.

**Laurie Oakes:** What would the Malaysians have to do to prompt you to go that far? I mean, if they were to start defecting Australian businesses, disadvantaging say the company that's bidding for the patrol boat contract, you couldn't sit back and just cop it, could you?

**Paul Keating:** Well, I don't think it's going to help our relationship for me to even canvas those issues. I mean, I'm faking the presumption- Malaysia wants a good cooperative relationship with Australia, as certainly as we want with it. But again, as I said earlier, Malaysia does have to want that. In the end, we can't whistle up or in some way develop the spirit of a great relationship if one party doesn't want that. Now, I mean, our bona fides in this are that our two very senior ministers are going there this week to maintain that relationship and I think really

we've got to see where it goes from there.

**Laurie Oakes:** Do you wish you hadn't used the word recalcitrant?

**Paul Keating:** Well, Dr Mahathir said that morning that he thought the best policy was to thumb - to use his words - thumb his nose at people to be noticed. The word recalcitrant was a sort of shorthand way of talking about the odd person out or odd people out. As he had himself described himself that way, I didn't think it was particularly doing anything other than simply identifying that kind of attitude.

**Laurie Oakes:** The reason I asked for this interview was to look to the future in our last program for the year. So, I guess I'd better move on to that. Can I ask you, do you think that at last the economic and political cycles are coming together for your government?

**Paul Keating:** Well, I think that's true but I think, more particularly, the economic cycle's coming together for the country. I mean, we are growing now at three and a quarter percent, we're growing as fast as any other OECD country, there's a fair bit of, there's a nice mix in some of that - a bit of investment, private consumption, a bit of government spending - but all in all, it's going quite well. We're seeing job vacancies improving quite sharply, job ads and we saw 70,000 employment growths in the last 2 months. So, I think we can say

with some confidence, the economy is now looking much better.

**Laurie Oakes:** And what about the Japanese situation? I mean, how worried are you that the problems they have could drag Australia back?

**Paul Keating:** Well, I think it's certainly delaying their recovery. Japan's still running a structural budget surplus. I can't, with all due respects to Japan, see a lot of sense in a country which has got a recession running a structural budget surplus. Now, there may be some indications that the government of Japan is going to change its policy there. That would help. But there's no doubt these very big changes in asset values would be very inhibiting of growth and activity in investment. That can't be good for us, Laurie, but again, given the spread of our - the elements of our growth and where it's coming, I think we can maintain the kind of growth rates we've got at the moment and do better.

**Laurie Oakes:** You've been preoccupied since the election by Mabo. That's, every other way, served one way or the other. I mean, what's your priority for '94? What's your main focus?

**Paul Keating:** Well, I think we're coming into '94 with the following things in place - the economy growing, we will have received the report on full employment by the 15th of



December. On the 16th of December, Bill Kelty will present the Regional Development Task Force report. We'll be focussing on those two things in the run up to the budget which will now be an earlier budget and that kind of focus, I think, coupled with other changes which the government will be looking at over the course of the year, including say in health, means that we're going to have a fairly full domestic agenda, following as it has already upon a very successful conclusion of negotiations in respect of industrial relations. I hope by then a successful conclusion of the Mabo debate in legislation, the development of APEC as a structure for Australian investment and trade to grow within.

So, we're moving on a broad front but I think next year we'll get back onto those domestic issues and hopefully that will occupy a large part of the debate.

**Laurie Oakes:**

Prime Minister, we'll pause for a break. We'll be back in a moment.

Prime Minister, the task force on unemployment's due to report, I think on the 15th of December. Do you expect any sort of left field options from them, anything radical?

**Paul Keating:**

Well, I think that the whole tenor of the report in western world terms will be reasonably radical. I mean, I think we can pride ourselves on being quite innovative

in social policy with things like the family allowance supplement and those other income support mechanisms over time. I think we have the opportunity here to be doing something innovative again. There is no doubt that there is a problem and a reasonably long term one with the long term unemployed and we have to address it otherwise it'll be a long term problem and so it was an important part of our election policy, that as I said we wouldn't leave the unemployed behind and that's why the Government will be considering it very carefully and acting on it as quickly as possible.

**Laurie Oakes:**

In the budget...

**Paul Keating:**

In the budget and of course it'll be an early budget which means we'll be acting on it fairly early.

**Laurie Oakes:**

You're prepared to spend money on it?

**Paul Keating:**

Well, I think so. But again, that's got to be money well spent. That is that the proposal has got to be thought about, thought in the structure of our current policies in respect of the labour market so that when we spend money, we spend it effectively.

**Laurie Oakes:**

The ACTU talks about spending \$3 billion. Is that the sort of ball park you've got in mind?

**Paul Keating:**

No, I haven't got any in mind at this stage, Laurie. I

think it is very important for us actually to see the colour of the report, to see what's actually recommended.

**Laurie Oakes:** But does that sound unrealistic?

**Paul Keating:** Sounds on the high side to me, for some of the objectives that have been spoken of.

**Laurie Oakes:** The ACTU, of course, like ACOSS and a large slab of the Caucus, says it should be paid for, part of it should be paid for with a jobs levy. Now, what do you think about that? Your Treasurer doesn't like it.

**Paul Keating:** Well, no, I think John has made a remark about it but it is an option, of course. It's a relatively short term response to what would otherwise be a long term problem. How we'll raise the revenue or how we will deal with outlays are matters for the ERC and the Budget Cabinet to consider. But the jobs levy is obviously an option and we'll consider that because it may well be that the report actually recommends it.

**Laurie Oakes:** The employers, of course, say that the jobs levy will cost jobs and there seems to be some backing from economists for that.

**Paul Keating:** Well, I think that that's like saying that the Commonwealth revenue, wherever it might be, if it's

high it'll cost jobs, if it's lower it won't. I mean, this is the lowest taxed country in the western world. I mean, this is the point I think the Australian business community have got to understand. This is the lowest taxed country in the western world and the profit share in GDP, the profit share in the economy now, is back to the highs of the late '80s. So, I don't think there's any real case for saying the Commonwealth shouldn't be spending money on the long term unemployed.

**Laurie Oakes:** So you don't have an in principle objection to the jobs levy idea?

**Paul Keating:** I don't have an in principle objection but I don't, I've never embraced levies in the past when we've spoken of them and when I was Treasurer, for what I thought at the time were good reasons. So, I'd like to see what is recommended, look at our budgetary options and then see what we can do within the, if you like, the normal parameters of budget making.

**Laurie Oakes:** Now, is your plan for next year all economic or have you got some sort of cultural program as well?

**Paul Keating:** Well, we've got, we've had this review of cultural policy being undertaken. That will be announced next year. I think the whole - there has been a sea change in Australia, Laurie. There's no doubt the culture has changed from the '80s culture, the '70s culture of

protection. Australia's now an open trading economy, we've got the GATT backdrop hopefully underpinning a greater growth in trade around the world, we've got APEC as well but we are now very, very competitive with a competitive exchange rate mechanism, low inflation, low interest rates. It's all there for us. We've got a good education system which is feeding through into our industrial base and into product innovation and research and development.

**Laurie Oakes:**

How's that related to culture?

**Paul Keating:**

I think one has to look at all of that in terms of a total culture. That is, Australians have got to know, have got to feel proud about themselves, they've got to feel proud about the change they've made in the last 10 years and we go to the world as ourselves, as a totality. In other words, you just can't market a bit of R & D here or a particular service there. You go as Australians who have made an important change competently to deal with the rest of the world. So, I think the whole culture matters. I think art matters, culture matters. You know my views about the republic. I think the earlier Australia represents itself in these matters, the better.

**Laurie Oakes:**

So, what you're talking about is creating some sort of national spirit but can governments do that?

**Paul Keating:**

Well, I think a lot of that's happening already. It's a

combination of the Government's '80s policies changes and the early '90s policy changes and the willingness on the part of the Australian public to actually make an important change for their own long term economic and social benefit. It's a totality and I think we're a long way down the road to that totality but I do see it all as one thing. I don't think just the economic bit and then there's the sort of social bit and it's got to be a total, a total view of Australia.

**Laurie Oakes:**

We're almost out of time but could I ask you about the political bit? You're now facing a couple of bi-elections, probably 3. It's a bad time for you to face a bi-election, isn't it, with the Government on the nose, basically?

**Paul Keating:**

I don't think that's true, Laurie. I don't think the Liberals have any standing, basically. John Hewson hasn't come up with a policy change since the election.

**Laurie Oakes:**

But they're miles ahead in the polls. I mean, these bi-elections must show a big anti-government swing.

**Paul Keating:**

Well, bi-elections traditionally do, but look, all of this will come back to the field. If you ask people seriously whether the Opposition amounts to an alternative government, I don't think the answer to that's in the affirmative. John Hewson's been the classic Oppositionist, opportunist since the election. He's

nothing like the figure he said he would be - someone removed from public life, trying to do the right thing in policy. That's all gone and even last week he said basically he was readopting the essence of Fightback. So, I don't think in leadership or policy terms - I can't remember one policy that they've articulated since March 1993 that matters. Not one policy.

**Laurie Oakes:**

But if that's the case, why are you so far behind in the polls? I mean, is it because of the things you refer to as dust in the cracks of history? Are people offended by things like your style?

**Paul Keating:**

In political terms, we had a bad budget and it's taken us a lot to - in political terms. In economic terms, it was a very good budget for us. It's taken us a while to recover from that. We have had the distraction of all these other issues and ...

**Laurie Oakes:**

What about your so-called imperial style?

**Paul Keating:**

Well, I think people will make their judgement about that. In the end, I think people make their judgement without the big issues. You know, in a couple of weeks where we concluded the budget, wrapped up a deal on Mabo, attended a meeting of APEC of which we had a large part in the architecture there of, and are now about to consider long term unemployment and regional development, for that not to be recognised - I mean, I've

been here a long time and so have you. There was more change this year than there was in 10 years of Coalition governments. I mean, I remember my own government and the Gorton Government and the whole government. I mean, they didn't do these sorts of things.

So, I think it's pretty unfair to have that, you know, important classic work - you know, really large changes in any way diminished by basically silly issues.

**Laurie Oakes:** Prime Minister, we thank you.

**Paul Keating:** Thank you, Laurie.

**Compere:** The Prime Minister with Laurie Oakes.

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