



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, M P
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- J: You must be terrified this morning, with the news that 17 percent of Labor voters are prepared to vote Liberal under Bronwyn Bishop's leadership?
- PM: Yes, well, don't believe any of those rinky-dink, one thousand, polls on the telephone - they're just not worth reading. The fact is, the Liberal Party's in a state of chaos, I think. And, as Four Corners reported last night, when people are coming out attacking the leader saying they can't win with him, with Senator Bishop prowling around displaying herself politically to the rest of the Liberal Party and the country then I think the Liberal Party has got deep problems. The problem for the Liberal Party is it doesn't know what it is there for. It's got no policy framework, they don't know where the society and the country is and they can't relate to it. That's why they're in the trouble they're in. It isn't because they have somebody who parts their hair the wrong way, it's not to do with appearances or political appeal - they don't know why they exist. They've lost the policy threads in this country and they can't relate any more to Australian society and the Australian community.
- J: There would also appear to be a lack of discipline, too?
- PM: Well, that comes whenever you get the policy paralysis and the breakdown and that's what they've got. The Labor Party had the same thing in the 1950s and 1960s. They've got it now. They don't understand the changes in Australia, they are not part of them and it's because of that that they have the dissension they are having. It's not about personalities, it's the fact that they don't have any policy cohesion.
- J: How seriously do you take a Bishop-Costello Coalition?

PM: Well, I think while ever the Liberal Party doesn't know what it's about, while ever it fails to relate to the community and understand the changes taking place in Australia, it doesn't matter who they propose to lead them, they'll be in trouble.

J: Mr Keating, on another matter, do you anticipate any flow through effects from the worsening trade war between Japan and the US?

PM: Well, this has been on now for years, this balance of payments problem between the US and Japan, and no doubt in the working out of this the US and Japan have got to find accommodations. And they will over time.

J: Do you think it will have an effect on Australia?

PM: Japan is in a recession and that's already having an effect on us. And, obviously, the more that we can spread economic growth, the more the GATT round can open up opportunities for growth, the better off we'll all be including Japan and the United States.

J: In the past, Australia has taken the position, your government has taken the position that in a war between Japan and America you would be inclined to take Japan's side. Is that still your position?

PM: No, it was never our position. What we're saying is we won't enter into bilateral arrangements which are detrimental to Japan. That's a completely different thing to saying we're taking one side against the United States. It's for the US and Japan to work that out, we've helped create a new institution to work it out, within, and that is APEC. APEC gives the United States and Japan a chance to work it out within an umbrella organisation, to look at their policy and trade differences. But, they'll always do it bilaterally as well as in any other framework. There's a lot of serious thought about this relationship and in terms of their current account it's had a problem for years which stems from an underlying savings imbalance between the two countries. Now, it's going to take time to work this out but it's working itself out, in a sense, now as the United States is enjoying very rapid growth of exports into north and south Asia so that the dependency of Japan on the United States, as a market, is diminishing and like most problems they tend naturally to work themselves out.

J: What's your reading of the American position though, do you think the timing of all this is to take advantage of the political vacuum and crises that exist in Tokyo at the moment?

PM: No, I don't think so. I think this is just, I think Prime Minister Hosokawa and his government have had a good relationship with the Clinton administration. I think this is just a reflection of fundamental underlying differences.