



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP
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JR: Prime Minister Paul Keating welcome to Tasmania.

PM: Thank you Jules.

JR: You finally made it after the Budget.

PM: Well, generally, after each Budget we try and do the rounds and I am glad to be here again.

JR: Okay can I talk to you briefly about the topic of the moment, the announcement by the French that they are resuming nuclear testing in the Pacific? It is a pretty big poke in the eye for us, isn't it? I mean there has been uproar, there is outrage. I saw Acting Foreign Minister Senator Bob McMullan on ABC Television's "7.30 Report" last night, in effect throwing up his hands and saying look, you know, there is not much we can do. We can complain officially and loudly, but that is about it. Would you go along with ACTU President Martin Ferguson's suggestion that we, as Australians, boycott any and all French products?

PM: Well I think he made the point which I agree with if Australians wish to do that, that is a very tangible way of showing their contempt for the path that France has chosen. I mean for the Government's part we have said that we condemn the decision, that we deplore it and I made clear today that that is our position and also announced that we have consulted with the nations of the South Pacific - through the South Pacific Forum - and that we will be sending a delegation to France of South Pacific Forum countries, lead by Senator Evans, to express our condemnation and to urge the French Government to desist from these tests.

- JR: Well we are not alone there of course. There are many other countries doing that. But you would then throw your weight and influence behind that call by Martin Ferguson?
- PM: Well I think it is a matter of, as I say, if people genuinely feel - or they feel for genuine reasons - that they believe that they shouldn't be buying French goods, well that I think is a tangible, useful expression of their rejection of this. I think from the Government's point of view, as you know, we have had this battle with France running now for many, many years over this issue. We were very pleased when Francois Mitterand suspended testing a couple of years ago. I think the only and important solace to take from this is that President Chirac has said that France will sign the Comprehensive Test Ban Treaty, which should be completed no later than 1996. Now I think the rest of the world, given that France is a nuclear power, will want to hold France to that commitment because that is the commitment that matters because there are a lot of problems now in the world. The Nuclear Non-proliferation Treaty was far more effective than most people thought it would be when it was signed in the 1970s. But since the decline of the old Soviet Union, or the disbandment of it, with a lot of nuclear material laying about, with these very old and badly supervised power stations in the Ukraine, the Soviet high seas fleet now rusting away in various ports with their nuclear materials degrading, all of these things, it is important that they be brought under a Comprehensive Treaty to see that there isn't the illegal transfer of nuclear materials. Getting France's commitment to that is going to be important. So the President of France has said that this would be an eight test program and then they will sign up. I think the signing up is going to be important. It is a very bad call by France to have the tests in the first place. I think this is very much the Gaullist view, you know, 'we have to protect France'. The way to protect France is basically to engage it with the rest of world, with the rest of Europe, in these things like Australia does - chemical weapons treaties, nuclear and non-proliferation - and not to try and develop more sophisticated weapons.
- JR: I would like to talk to you briefly about the Republic and the issues surrounding that. It is a week now, just over a week, since you delivered your preferred model for the Republic speech. All sorts of people have now declared their position. The word inevitability has been mentioned by Liberal Premiers. John Howard has ..
- PM: Well he declared his position too - for the Monarchy.
- JR: ... from possible to probable.
- PM: No, he sort of lined up and said I still believe that the current system is the best.
- JR: Okay, but lots of other people have leaned in your direction, you might say. Are you surprised at the momentum that has been generated in that past week and would you, had you known how things would pan out this week, have altered the content of your speech last week?

PM: Well let me answer the second question first. No I wouldn't have. I think that the model that the Government has chosen and set as its preferred model, that is of a head of state, a President, chosen by a majority of two-thirds of House of Representatives and the Senate sitting in a joint session, but that person enjoying the same powers as are currently enjoyed by the Governor General, seems to me to give us the best of all worlds. That is, we end up with an Australian head of state. The source of that person's power is a derivative power from the two elected chambers of the Commonwealth - the House of Representatives and the Senate - and yet the person has the powers they need, or may need at some point in the future, to cover some contingency. So I was not really that surprised that some members of the Coalition came out and supported it because I thought thoughtful members of the Coalition probably would.

JR: Is the Republic going to be an issue at the next election?

PM: I think it will be because I think it is very hard for ...

JR: You want it to be?

PM: Yes, because I think that ...

JR: John Howard doesn't, of course.

PM: No, because John Howard is happy for the Monarch of another country to be our head of state and he doesn't want to see debate about the full expression of Australian nationality, sovereignty, individuality, identity. He doesn't want that. It is a very curious position he is in. I mean how do you walk around saying, "I want to be the Prime Minister of Australia and I so believe in who we are and what we have become that I believe that our head of state must be not one of us, but the Monarch of another country". I mean it is a tough position to be arguing and it is almost, I think as Australia faces the turn of the century and that is the sense of ourselves and our place in the region, it is almost a disqualifier from anybody who wants to be the Prime Minister of this country to say that one of us shouldn't be our head of state.

JR: At the next election John Howard has pretty well made it plain that one of the issues that is also going to be significant and he has admitted as such, he is going to make your personality an issue. Do you accept that your style of politics, your prescriptive brand of politics, the way you do things ...

PM: And getting it done.

JR: ... do you think it is going to be an issue?

PM: I call it getting the mail through. You see I have looked at all these people, like Howard, in the past. They had power for years

themselves and did nothing with it. When John Howard left, he left us with double digit inflation, double digit unemployment, the biggest Budget deficit in our history, declining competitiveness, our manufacturing industries closing in every city. We were nowhere and the terms of trade, that is the price of our minerals and wool and these other things declining, we were in a parlous position.

JR: He could enumerate a similar list of your record as Treasurer, surely?

PM: No, no he could not. I mean we have had now 26 per cent employment growth since 1983. We started with a workforce of 6 million, we have now got 8 million. We had five times as much employment growth per year that he had every year that he was Treasurer. We are looking at an inflation rate of around 2 to 3 per cent, he was never looking at anything under 10 per cent. As a consequence, I believe, that you give a country leadership, you take risks, you point the direction. Howard believes that you follow. He believes that you pick up the polling data from the Party Secretary and you go glibly out running the lines that they have been given. Just take, for instance, on this nuclear issue. Yesterday he was saying "the Government's response has been entirely appropriate". He has obviously got some mail from his pollster and today he is saying "no, no, we have got to crank it up a little bit, we need to crank it up some more". On the Republic ... can you believe this, he wouldn't give an answer to that simple question: 'Mr Howard do you believe an Australian should be our head of state?' He wouldn't answer. Then he went on on with this obfuscation and wriggling about process and finally after five days, he sort of pinned himself down to putting a referendum, but only if he thought a majority of his stacked convention would actually agree with it. In other words, he faced up to test about a Republic and failed it. I mean in the last week there were two statements by Howard. One was the headland speech

JR: Do you feel sorry for him?

PM: No, he is just not entitled to seek the job I have.

JR: Well let's move on.

PM: I mean other people are entitled to seek it, but not him. It has got to be somebody that can

JR: Who meets with your approval?

PM: No. Who believes in Australia and has got something to say and do. You know, his headland speech was described by one commentator as mulch, the republic speech was completely empty. Why does Australia need, essentially, a sort of political vagabond without ideas, with a fifties view of the world, as their Prime Minister?

JR: OK. Twenty-two minutes past five on ZR (inaudible) across the state, and joining us on the program Paul Keating, Prime Minister, is our

guest. Just a little bit more on the next election - one of the most, in fact the most, marginal seat in the country has got to be Bass in the North of the state - Sylvia Smith is holding it by a mere handful from Warwick Smith, who is the re-endorsed Candidate. [The] Labor Party currently holds four out five [electorates] - not by wide margins at all - and Tasmania, of course, is an early - very early - indicator of how things were swinging in the last election. It could be pretty important how things go in the next one?

PM: Indeed. And I think we have earned the right to hold those seats, Jules, and to win the fifth. Because if you look at the principle commitments the Government gave at the last election, were to restore growth to the economy, and employment. We have 630,000 job growth since the last election. 630,000. The economy has been growing somewhere between 4 per cent and 5 per cent through that period. I mean, they are the most difficult things to deliver - and to deliver them with low inflation. So, in terms of the fidelity of the Government's commitments - to it's commitments at the last election - I believe we have been faithful to them. And if you look at Tasmania, all of the extra employment that has come in Tasmania since the last election, has come from Federal Government programs. You have got a Coalition Government down here, a Conservative Government, that hasn't been able to do - despite the national trend - anything with growth in Tasmania, and were it not for things like we did this afternoon - the Antarctic program, or the grants, or the Landcare program I was associated with this morning, or the labour market programs - if you net out the employment in Tasmania from Commonwealth programs, Tasmanian employment has actually shrunk since the last election.

JR: Well, here's an idea for some extra growth, possibly, certainly in tourism and to reduce the sense of isolation and separation from Australia that many Tasmanians have - take the case of a family travelling across Bass Strait - either direction, it doesn't matter. They want to take the car, okay? It costs something like - so I am told - \$500 extra if you travelled the equivalent distance on the mainland. Now, a scheme to equalise that cost, I'm told again, would cost something like \$29 million - about the equivalent of building 15 kilometres of good quality highway - a \$29 million scheme to equalise the cost of crossing that body of water, which would promote the tourist trade, which would reduce, as I say, the sense of isolation that many Tasmanians experience, and would do a tremendous amount for growth. And it has got bi-partisan approach - Bob Collins, Federal Transport Minister, is looking at it at the moment....

PM: What is he looking at on that at the moment?

JR: Whether it's of sound principle?

PM: If he is, I mean, that's fine with us. I mean, we have kept the support for cross-Tasman traffic going now for many years - most obviously in the freight equalisation scheme...

- JR: It's still more expensive to live here than in many other capitals.
- PM: Yes, that may be true. But we have an efficient air transport system which works right around the country - you know, since the Federal Government de-regulated the airline system, air fares have dropped by 25 per cent and the number of people travelling has risen by 63 per cent.
- JR: But if you want to travel by a car across the Tasman...
- PM: I know that. Let's take me - I go to Queensland occasionally, I go there for holidays, I don't take my car with me - I fly. And I...
- JR: It's a lot bigger than Tasmania?
- PM: I know, but it's still a long way. I mean, from Sydney to Cairns is a lot longer distance than from Sydney to Hobart. But, let me make this point - I think that what Tasmania...Tasmania has got some great strengths - it has some natural strengths, it has some developed strengths - you can see that in the technological base of the state, you can see it in the innovation, you can see it in the scientific things I saw this afternoon - the Antarctic. You can see it in things like the catamarans, you can see it in some of the other high technology products...
- JR: But what deters people from coming here is the cost.
- PM: But I'm just making this point - I think Tasmanians have got to believe that they can do anything that can be done on the mainland, and when that belief permeates through the state government - which persists in this sort of victim mentality: this Coalition view that the place is sort of victimised - just means that businesses stay away from it. They say, "look, this is not a psychology I want to get tied up with - this is not a winning psychology". And I think all of this sort of general stuff that says "you know, look, we are disadvantaged - we want this and that", in other words "we are being preyed upon". Instead of taking the view "look, we are as good as anybody, we can do our best, we have got the scientific institutions here, we have got the education system, we have all the opportunities, let's think positively, and let's oblige our state government to think creatively", then you will find businesses both growing here, and businesses from the mainland coming here. But, whenever businesses which can lift investment and lift employment run into this sort of view, "look, basically, we are either all 'ruined, or we are victims, or we don't have a positive enough view of ourselves" - it's poison to them. They just stay right away from it, and I think that's the thing that matters most. Just have a look at Queensland - Queensland has really got the wind behind its sails. We used to hear this sort of talk from Queensland - not in the last 4 or 5 years. Look at the result - it's tearing away. It's growing way beyond the national average.

- JR: Mr Keating, interest rates. Since the Federal Election, you and Federal Treasurer Ralph Willis have, on any number of occasions, said "look, it's all in place - the climate is now established for a drop in interest rates". Reserve Bank Governor Bernie Fraser - to an overseas audience - said forget it - he has ruled out a cut in interest rates. He even said "look, they might even go up before they come down" - that's at odd with what you have been saying.
- PM: Look, he was asked by somebody in the financial market in London, and he said "interest rates could rise, fall or stay where they are - we'll just see". The main thing he said is that the Government has put into place a solid Budgetary change. And I think people need to understand - let me just give you these figures Jules: Last year, the Commonwealth sold \$21 billion worth of bonds, \$21,000 million worth of Commonwealth bonds. As a result, the Budget changed. This year we will need to sell only \$6 billion. So we have relieved the bond selling program of \$15,000 million. If you are selling fewer bonds, what happens is the price of bonds rises and the yields drop. That is why long term bonds have fallen by over 1 percentage point since the Budget and that is a fall in the market. The ten year bond rate is set in the market, it is not set by the Reserve Bank, it is set in the market. So if the market, which has already dropped the long term interest rate by around 1 per cent, over 1 per cent, and we have already seen the banks drop their fixed rates by 1/2 per cent or thereabouts. What Mr Fraser is saying is we will be looking at the longer term portents in the economy, for wages, inflation, before there is any further movement. In other words, he is reflecting general Government policy. Mr Howard ran out immediately with an opportunist line saying "yakkety yak, yakkety yak, blah, blah, blah, if rates fall down, if rates fall down it will only be Mr Keating manipulating them down". The Government will be manipulating nothing. If rates fall, they will fall for completely legitimate reasons, that is the reasons for a primary change in fiscal policy.
- JR: So Bernie Fraser and the independence of the Reserve Bank is guaranteed, cast in iron?
- PM: The Reserve Bank shares a responsibility under the Reserve Bank Act to set interest rates in consultation with the Government and that is where they have been set in the past, last year, that is where they will be set in the future. But I think the Governor is wisely saying to people ... he is really saying to the markets here, who were getting a bit of a sort of, what shall we say, thinking they were on the gold seam, "here we come, rates just sort of plummeting as low as we would like to take it". He is just reminding them, "hang on, look there is a few other things here, wages, inflation. We have got low inflation, we have got good wage outcomes, we want to keep them. Don't jump to conclusions, just let the natural course of things go" and I can only endorse that view.
- JR: Mr Keating, final question. Freshly elected New South Wales Premier, Labor man Bob Carr, proudly showed off his new Australian made

wool suit just a couple of days ago and he rather pointedly said well look what I have got, this is an Australian made suit - Merino Gold I believe the brand was, or the type of wool, I am not sure - but, as I say, he rather pointedly said I am supporting the Australian textile industry. I wonder who he was possibly sending a message to? Might it be time for you to hang up your Zegna, your Italian suit. Maybe some

PM: Well I am not just supporting the textile industry, I am supporting the coal industry, the petroleum industry, the agricultural industries, secondary industry, product innovation. When I became Treasurer, we exported 13 per cent of our GDP. We are now exporting 22 per cent. GDP this year is \$500 billion. 9 per cent of it is worth \$45 billion of exports.

JR: So wearing an Australian made suit ...

PM: ... So when Bob Carr ... he has probably got about \$44,999 million to catch up with me.

JR: You have got a good calculator in your head.

PM: I have, I know because these numbers have been running through my mind for so long.

JR: Mr Keating thank you for spending time with us this afternoon. Enjoy the rest of your short stay in Tasmania.

PM: Good on you Jules.

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