



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP
DOORSTOP, SYDNEY, RANDWICK RACECOURSE, 6 OCTOBER 1995**

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PM: I wanted to say some things about John Howard's Defence Policy Statement he released yesterday. And if you need to be proof positive that as we squeeze Mr Howard to release policy details, each one he releases - though he has most, of course, secretly cached in his bottom draw - but as he releases them, you find that there are no ideas in them, and that they are out of their time. Last week we saw his blunder on Mascot Airport, on the third runway. This week, it's on an even larger topic - the question of the nation's defence. And what his statement reveals, is, I think, what we have been saying of him, and that is that he hasn't had a fresh idea since the 1950s. He says in this speech that what he calls "unresolved tensions between the Government's focus on the defence partnership with the region versus the region as a potential source of threats". In other words, there's a codeword here which is basically fear of South East Asia, which underlined all of his call for rebalancing our policy.

So, here we are in the 1990s engaging Asia like as never before, and what's he talking about? He's talking about rebalancing, which means more fear of our environment, and a bigger gun. He talks about rebalancing, yet you know, when the leader of Vietnam came here a few weeks ago - 6 weeks or so ago - he wouldn't see him. He wouldn't engage Vietnam, that wants to be a friendly country with Australia, but he wants us to have a bigger stick and more weapons against them. At the same time, he won't put any more dollars on the line to do it. In other words, a complete confusion of objectives and means. Here he is, basically espousing a 1950s defence policy for Australia. Closer ties, he calls it, with the United States, fear of the region - he upbraids Gareth Evans for not including the United States in a map of East Asia, and the main reason for that is, of course, it isn't in East Asia. And the only map that John Howard wants to see is the one with the big red arrows coming down again towards Australia,

so he can run around beating up fear about the strategy environment - the threatening strategic environment we live in.

Australia has completely passed John Howard by. Australia has passed John Howard by. The changes that have been made here, the changed environment we now live in - an environment of trust and co-operation with ASEAN, in the ASEAN Regional Forum, in the big bilateral relationships we have with China and Japan and the United States, in multi-lateral bodies such as APEC, in the defence co-operation we know have around the region, in the defence exercises we have with countries such as Malaysia and Singapore and others, in these sorts of things, we see - from him - a complete failure to understand this. The Indonesians, for instance, in the Kangaroo 95 exercises this year.

So, what we are seeing is the very thing we always say about John Howard - he's learned nothing since the 1950s. If you want to really see a slab of 1950s policy, that was his Defence Statement last night. And this is the person who says he should have stewardship of Australia's Asian relationship - someone who fears it, and someone who wants to put together a bigger defence effort. And, as I made the point, nowhere in his policy were there any extra dollars committed. He says that our defence relationship with the United States is drifting - Kim Beazley is in Washington at the moment. We have 2 US warships - a guided missile cruiser and a destroyer in Sydney harbour - 1 in Darwin - a frigate - the 2nd US marine group air exercise to be held this year - Southern Frontier - is underway today, in the Northern Territory involving 300 US troops and 18-30 aircraft, we have also just completed - a few weeks ago - Kangaroo 95 - our major exercise with a large US participation of about 2000 US troops, and black-hawk helicopters, plus 3 US ships. I mean, if we do any more with them, they will be sitting in our laps - it will look like 1945.

But this is the sort of dross and drivel that John Howard's about. You can understand now why he wants to keep the policies a secret. Because as he drops them out, you realise he and his party have come nowhere in 40 years. And whether it was turning our backs on the gateway to Sydney at Mascot last week, or as it is today dredging up a 50s defence policy for Australia completely missing the point about Australia's connections with South East Asia and North Asia, and our relationship with the United States. Wherever you look, John Howard's out of his depth, and out of his epoch, and the country has passed him by. Now, we will see more of this - this is why there is this dichotomy of opinion in the Liberal Party - the Andrew Robb's of this world who want more policies released, and his parliamentary colleagues who want less because they know they are going to reveal this sort of tripe. So, I would be glad to take questions from you.

- J: John Howard said yesterday when he spoke of the possibility of the repositioning of US equipment in Australia. A body that he spoke to, the Australian Defence Association, suggested that this could involve for example, 15 merchant vessels in Darwin. Was that the sort of thing the Government would support?
- PM: We have just finished a major exercise, a major mock combat exercise in Kangaroo 95. As I say you have got this southern frontier II here exercise underway at the moment, this very day. They are the sort of things you do with the United States and you keep, as well as that, apart from strategic engagement in bodies where we have had a huge influence such as the ASEAN Regional Forum, but you also keep it in the big commercial bodies of engagement between the United States, Australia and East Asia, in bodies such as APEC. This is what it is all about, we are in a co-operative war, the cold war has finished. John Howard is the same person who by the way was telling us that, I mean, it was a bit rich I thought, Howard criticising the Government for not coming to terms with the end of the cold war. I just remind you, he was still warning Australians of the need to avoid being fooled by Gorbachev and Perestroika in December 1987. He is unbelievable.
- J: Do you believe that an increased dialogue with our Asian neighbours is lessening the need for a sharpening of Australia's defence?
- PM: No, Australia has developed through our White Paper process of the 1980s a strong defence capability and a forward core defence capacity, but the complementary policy, the better approach than simply relying on weapons is to engage the neighbours and to develop a friendly co-operation with them. Which, of course, we have. We have got the best relationships we've ever had in east Asia, south-east Asia and north Asia. Also, we have got Mr Downer saying 'oh well, we should be concentrating more on north Asia'. Why? We are already doing so much with north Asia, but south east Asia is where we live.
- J: What do you say to those critics who say that we are, in fact, too close to those countries in terms of military relations, that the military are responsible for the ... (inaudible) ... on human rights?
- PM: What do I say? It is rubbish. I mean, how can you be too close to a nation of 180 million people who are on your doorstep. How can you be too close?
- J: Prime Minister, is there a need to have another look at the ready reserve and its relationship with the general reserve, in terms of their training, morale and those sorts of operations and things?
- PM: That question jogs my memory about this Liberal Party magic wand called 'administrative savings'. They are always going to be cutting money out of the budget. Of course, administrative savings will not

fund the sort of spending that they have in mind, but we have from the defence budget, yielded great changes in savings already. In terms of outsourcing and changing the character of the ADF where a lot of the tasks which are done in-house, within the force, within the ADF structure, will now be done privately and off bases so that more of the ADF will actually be a core combat force and sitting behind that a reserve. That is the direction Australian defence planning and policy is going, but I think, this has just escaped Mr Howard.

J: This morning Mr Howard spoke about another topic, he quoted the ALP President Barry Jones suggesting that the Government is going to increase tax.

PM: Barry Jones has written another book and in that book he talks about some of the subjects that he has been quite learned about. About the information age, about how he thinks the nature of work is changing, about how national governments will respond to this... This has got no implications for the national policy at all.

J: Do you reject claims from Mr Howard that you are thinking of increasing taxes?

PM: Mr Howard was the highest taxing Treasurer in Australia's history. Mr Howard had taxes to GDP higher than any one in Australian federal history. He left me the dirty work of bringing taxes down. When he left office the bottom rate of tax was 30 per cent. It is now 20 per cent. When he left office the tax free threshold was \$4,500. It is now \$5,450 from memory. When he left office the top marginal rate was 60 per cent. It is now 47 per cent. When he left office the company rate was 46 per cent. It is now 36 per cent.

J: So you reject his claims?

PM: It is just tripe, as most of the things he says about economic policy are and certainly about taxation.

J: Any comment concerning the story this morning out of Washington, in the Financial Review, about IMF warning Australia on interest rates?

PM: I think there is a bit of reading into behind what the IMF said. The IMF does a study on Australia as it does on most other countries, all the OECD countries every year and they give us a running commentary on economic policy, but they don't give a month by month, quarter by quarter account on monetary policy or interest rates and I just think whoever wrote the story read too much into it. Thank you.

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