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Monday 31 March 1997

**TRANSCRIPT OF THE PRIME MINISTER
THE HON. JOHN HOWARD MP
PRESS CONFERENCE, GREAT HALL OF THE PEOPLE
- FOLLOWING MEETING WITH PREMIER LI PENG -
BEIJING, CHINA**

E & OE.....

PRIME MINISTER:

Ladies and gentlemen, the Premier and I had a discussion for just over an hour and a half. It was a very comprehensive discussion. Both of us expressed a strong wish to build an even stronger relationship between the two countries based on mutual benefit and mutual respect. We spent a good deal of time talking about the growing economic links between Australia and China. I reminded him of the quality and depth of the business delegation that had accompanied me to his country. We noted the historical strength of Australia as a reliable supplier of raw materials and a supplier of such commodities as wheat, often through difficult times. I thanked him in advance on behalf of the ANZ Bank for the decision to grant the bank a license. I also raised with him the interests of Colonial Mutual and National Mutual in securing insurance licenses in Australia and I specifically invited him to send, and he has agreed to do so, a party from China within a short period of time to conduct a feasibility study into directly reduced iron as a source of supply to the arc furnaces of China. This particular process produces a commodity which as I understand it, and I am not an excessively technical man, as I understand it gives you something like 90 - 96% iron versus 30 - 60% in the traditional iron ore.

That has enormous benefits for China - lower transportation costs, lower contamination, greater compatibility with modern furnaces and it also has great benefit for Australia because we have plenty of the raw material and we have plenty of the LNG that I think would be needed in order to process it. I also made it plain that as far as the Government was concerned, that is the Australian Government is concerned, we would welcome direct equity investment from China and they have agreed to send a feasibility study. There are a number of players on the Australian scene who are interested in investing in this but it all depends on the feasibility study. If it were to get off the ground it would involve an investment of over a billion dollars and very considerable job opportunities and something like half a billion dollars

of export income for Australia. But I stress, it's not a done deal and I am not pretending for a moment it is but it's another example of the complementarity of our economies. I also reminded him that if they were disposed, and I understand they're considering it at present, if they were disposed to shift to a greater reliance on LNG, once again Australia was a ready supplier and a ready customer.

As I foreshadowed during my press briefing this morning I also offered the services of the Australian bureaucracy in areas such as social security. China is transforming and this is a point the Premier spent talking about, transforming its society in so many ways and one of the things that it has to develop is a different social security infrastructure. Australia has a great deal of expertise in that area and some considerable success and he's very anxious to pursue that further. We both agreed that we ought to resuscitate the, if I can put it this way, the regularity of contact at a political and official level between our two countries and it's been agreed that the joint Ministerial commission should meet at least once every two years and the Vice Minister, that's a departmental head level, should meet at least every year. We also agreed in general terms that he and I should meet regularly. We didn't specify what that regularity would represent and in that context I invited him to visit Australia. He last visited Australia in 1988. So the large part of the discussion was involved in tracing the economic dimension of the association and there's a very clear commitment by him and therefore by the Chinese Government on the process of economic liberalisation and opening up the Chinese economy. I emphasise that Australia wanted China to join the World Trade Organisation both for its own sake and also for the benefits that it would bring to China. I made some comments about there perhaps being a need for more flexibility in relation to China's provisional offer on tariff quotas for wool and we had a discussion and an exchange on that but overall, it was a very positive discussion.

On other matters, let me say that I made it very plain that so far as my Government was concerned we wanted China to be fully involved in the affairs of the world and to be engaged not only in the affairs of our region but also in the affairs of the world, that we didn't see China as a threat and that that was a view that we would put to, and had put to other countries. I repeated my Government's support and indeed that of all Australian Governments for the last 25 years for a one China policy although I did say that we had legitimate commercial interests in the association with Taiwan and that we would, in the conduct of those legitimate commercial interests, we would endeavour to respect sensitivities in relation to the one China policy. He also repeated the Chinese position regarding Tibet. I acknowledge the sovereignty issue but I pointed out that what had been done in the past in relation to individuals there reflected the values and the mores of Australian society.

A point that both of us made was that we respected each other's sovereignty and we respected the right of each country to have a different value system. I said that it was important that if the relation was to work effectively that we recognise that although we had a lot in common we had some things that we didn't have in common and it would be a good idea to have a framework to manage differences as they arose. I said that inevitably, in the area of human rights there would be differences and I proposed it to him that we should establish a dialogue on human rights. I did that because I don't think it's realistic to imagine that human rights issues are not going to crop up and obviously no Australian Government can ever say that it's not going to raise, it won't be concerned about human rights issues as they arise. He raised with me the question of Australian sponsorship of the UN resolution on human rights. I said

that we would be taking a decision on our position in relation to that if and when the resolution was in fact proposed.

I indicated that we would be prepared to consider in a positive frame of mind the Chinese proposal to have a specific consular agreement. In the past Australia has taken the position that the Vienna protocols, I think they are Vienna protocols, maybe they are Vienna and Geneva but there are protocols which govern consular exchanges between nations. China has always argued that because of the particular circumstances of her position that we ought to have a particular agreement. Now I have said today that we would be very happy to have further discussions on that with a view perhaps to concluding that agreement.

I raised specifically the position of Mr James Peng, an Australian citizen who is in jail in China. I said that he, that the Chinese Government should release him on compassionate grounds and that that would make a contribution towards the relationship between Australia and China. He said that it was a matter for the courts but he would pass on my request to the relevant authorities, I think was the expression that the Premier used. I said that it was a matter that properly should be raised because of Mr Peng's status as an Australian citizen and that his release on compassionate grounds would have a beneficial effect. I also said that the absorption, or should I say the transfer, or the incorporation of Hong Kong into China raised a number of issues that it was an important year for China and I understood the historical significance to China of that. I said that the course of Australia's very significant interest in Hong Kong, including but not only of a commercial kind, we naturally wanted a maintenance of the legal system and a free flow of information in that country. His response was that Hong Kong would remain a society of the rule of law but the basic law would in effect be the mini constitution of Hong Kong and that the Hong Kong people will continue to enjoy the freedoms they now have. They were the responses that the Premier gave me on that issue. We have of course concluded a specific consular agreement with China in relation to Hong Kong so that there is a mechanism to cover that situation.

So ladies and gentlemen, it was a very good discussion. It was a detailed discussion, it was a candid discussion. I believe that the Chinese Government sincerely wants a good association with Australia. We have it. The economic links are there to be seen and they've been demonstrated amply in both Shanghai and Beijing over the past few days. The presence of so many men and women from business in Australia has helped enormously to drive home that point. The attendance of so many senior members of the Government at the luncheon today from the Chinese part also drove home the point. But none of that is to diminish the fact that we are as both of us acknowledged, different societies and we will have differences and it's important to recognise that in advance and to have a framework for dealing with them so that they can be handled properly and I believe that the Premier and I have gone some distance towards establishing that framework today and I regard myself as very well pleased with the discussions that have taken place.

JRNLS:

Could you sum up his response to the human rights issue?

PRIME MINISTER:

Well he understands that there will be differences on this issue and he understands that it is

inevitable from time to time that Australia will want to raise issues and I made that, that was evident from the nature of the discussion that we've had.

JRNLS:

Did you agree with the dialogue from...

PRIME MINISTER:

Well he gave no specific response to that.

JRNLS:

What other dialogue were you proposing?

PRIME MINISTER:

Well it would be at an official level. When you have a dialogue at an official level, that's the framework but that doesn't mean to say that specific issues can't subsequently be raised at a ministerial level.

JRNLS:

Just how firm was he in terms of raising the question?

PRIME MINISTER:

How firm, well he raised it. It wasn't something that occupied a lot of discussion but he put a point of view and I put a point of view in response.

JRNLS:

I just wonder if he did that on any other issue such as Taiwan for example?

PRIME MINISTER:

He sought reassurance on the one China policy and I gave him that but with the rider, well, rider is perhaps the wrong word, with the accompanying comment that Australia has legitimate commercial links with Taiwan.

JRNLS:

Prime Minister, what were your personal feelings about meeting Mr Peng so close to Tiananmen Square given that he's the man responsible?

PRIME MINISTER:

Well as I said this morning my one responsibility overseas is to represent and promote the interests of Australia and I have endeavoured every minute I've been here to conduct myself in

a way that promotes the interests of Australia and I am satisfied that everything I have done does promote those interests. I think that is the appropriate response to that question.

JRNLS:

Did the Premier talk about Australia's relationship with the US?

PRIME MINISTER:

No, no it was not raised. Australia's relationship with the United States was not raised and there is nothing really more I can say. It was simply not raised by the Premier and it was not raised by me because as I've said repeatedly in the past, that association is a stand alone association. It's borne out of our own clear headed assessment of our national interest.

JRNLS:

What would you classify as the concrete steps towards this new era of economic growth?

PRIME MINISTER:

Well I don't know whether new era. It's a question of building on what we've already achieved and also taking advantage of the further opportunities. I think the greatest possible facilitation by the Government where appropriate, of commercial links between China and Australian business men and women is the best way of doing it. As I said in Shanghai, that it's important that the Chinese see the Australian Government and the business community of Australia working together in economic matters because that is more the custom here and we have to be sensible enough to tailor our approaches and synchronise our approaches in a way that gets the best results and that's what I want to do.

JRNLS:

...who Australia's players are that are interested in the iron ore processes?

PRIME MINISTER:

Well I think I could get my colleagues to give you some of that information, yes. I mean, let me make it clear that we naturally will want the normal market forces in Australia to sort out who gets it but I think there are three but I am sure Max or the Ambassador or Arthur Sinodinos can give you some help on that but it's certainly, if it takes off will be a very exciting project.

Thank you very much.