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**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
PRESS CONFERENCE - WILLARD INTERCONTINENTAL HOTEL
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E&OE.....

Well, I just thought I would make a couple of comments at the beginning and then answer your questions.

Since being in Washington as you know, I have seen the Senate majority leader, Senator Lott, and the Speaker of the House, Mr Gingrich; yesterday afternoon an extraordinarily interesting hour with the Chairman of the Federal Reserve, Alan Greenspan, which was particularly illuminating about the character and strengths of the American economic recovery. And this morning meeting the new Defense Secretary, Mr Cohen, and the luncheon with the President and the Vice President.

The wide access that I have been afforded is characteristic of the very close relationship between Australia and the United States and the willingness of the Administration to listen to the views of the Australian Government and to be very confidential and direct in exchanging opinion on matters of mutual interest and world affairs generally.

My discussions with the President covered a number of issues including the remarkable strengths of the American economy. The fact that the conjunction of strong growth, low inflation, low interest rates, strong productivity, strong investment and low unemployment had not been seen for a very long time, and his view and those of the Chairman of the Federal Reserve were very similar to the effect that it was a conjunction of fortuitous economic circumstances that had not been seen in this country for decades and that some of the reasons for it were still in the process of being worked out. That was of particular value to me and to the members of my party because most of the positive numbers that the President and the Chairman referred to of course are present also in the Australian economy. Our unemployment rate is higher than that in the United States, but in other respects the strengths of the Australian economy is very similar to that of the United States economy.

We also spent some time talking about both China and Indonesia. It was a good opportunity for some Australian perspectives on both of those countries to be offered to the discussions. It is obvious that one of the values of these sorts of exchanges between an Australian Prime Minister and an American President are that an Australian Prime Minister can give some regional perspectives which are different and therefore extremely valuable to the United States.

We also touched on the issue of climate change. I reiterated the desire of the Australian Government to play a constructive role and not to expect a free ride, but equally that the sort of goals and objectives sought by the European countries were unfair and inequitable and, therefore, could not be supported by the Australian Government; that we believe there should be differentiation; that you could not apply the same set of rules to all countries irrespective of their particular circumstances; that there were Australian jobs involved, and as I said in the Rose Garden, potentially also American jobs. I said again that the Australian government appreciated the fact that in his speech in New York yesterday the President had not endorsed the European

request in relation to climate change. My concern had been before I went to Britain and also to the United States that what would happen was that the Americans and the Europeans would get together at the G7 meeting in Denver and agree on a joint course of action in relation to climate change that would effectively pre-empt the discussions in Kyoto.

What pleased me was that in the President's speech yesterday, it was quite plain that that had not occurred and I expressed by gratitude to him in relation to that. I never expected at any stage that the Australian position and the American position would end up being precisely the same. But I think we have got to first base in that the Americans have not endorsed the quite unacceptable European approach. The President explicitly endorsed the notion of flexibility in relation to this issue in the discussions that I had with him today and we have agreed, at an officials level, that further discussion will take place between now and the meeting in Kyoto.

This was always going to be difficult issue for Australia because we were almost in an atypical situation being a large net exporter of energy and being a highly developed country and the Europeans, some of them were in the comfortable position of being able to make demands that they alone knew that they could meet, and that without a very very difficult process of adjustment others couldn't.

The other concern that we have always had is that what the Europeans had in mind did not contemplate the effective involvement of developing countries. So, I think what has happened on that particular front has been very, very encouraging. We still have a long way to go. Of course, at the end of the day Australia will make a decision on her national interests. And we, under no circumstances, are going to be party to an agreement that has an adverse effect on Australian jobs and Australian investment. And that basically is what this issue is about. We cannot accept an arrangement that is unfair or inequitable and whereas a few weeks ago I feared that we might face a combined preemptive position on the part of the United States and the European countries it is plain from what the President said in New York yesterday and from our discussions today that that is certainly not the case. What the final outcome will be will be a matter of us discussing and debating over the weeks ahead.

Finally, can I say that this visit has again of course confirmed how close our relationship is and how valuable the sort of exchanges that we commenced on a personal basis in Australia in October continued at Manila and reaffirmed again over lunch today. It is, of course, a relationship that does not get any closer in terms of shared values and shared beliefs and although along the way you inevitably have some differences as I have said before, it is the strong relationships and not the fragile ones that can absorb some differences of view. But on the fundamentals we are very close and we share a very similar view of the world. Once again, the value of personal contact at a head of government level has been confirmed.

JOURNALIST:

Mr Howard, do you agree with the President that something has to be done and is Australia doing enough on greenhouse?

PRIME MINISTER:

Well, I think Australia is doing a lot on greenhouse. We are making a big investment in environmental renewal which involves quite a deal of revegetation. We are phasing out leaded petrol. We have achieved an improvement in relation to emissions involving companies that account for about 45 percent of our emissions. We do not argue the need to make a contribution. We have never argued that. But what we are against, and we remain unalterably against, is the imposition of unfair, inequitable, inflexible uniform targets which take no account of the different circumstances of different nations. Now, that is our position and that is not going to change. I

mean I want to make it very clear that I am about the Australian national interest in this issue. What pleases me about the past few days is that what I thought might be a solid American-European block is not a solid American-European block. That is not to say that on all scores our position is exactly the same as the Americans or visa versa. But there is a willingness on the American part to talk about flexibility, there is a willingness on the American part to understand our position and to talk to us about it. I feel well pleased that that is the situation.

JOURNALIST:

Mr Howard, where do the differences still remain with the US on the issue of greenhouse and is it possible to close the gap before Kyoto?

PRIME MINISTER:

Well, I don't know about that. I've always acknowledged that there were some differences. The fear I had before I came to the United States was that the whole thing would be sewn up in Denver and that we'd be locked out. Now, that hasn't happened and that is a cause of great satisfaction to me.

JOURNALIST:

You say that the Americans have conceded the need for flexibility. Does that go as far as accepting the need for differentiation?

PRIME MINISTER:

I think that will become known over the next few months as we talk further at an official level.

JOURNALIST:

Are you more confident that that's..?

PRIME MINISTER:

Well, look I had little confidence at all a few weeks ago. I had no confidence because it looked at one stage as though we might face this pre-emptive understanding between the Americans and the Europeans. Now, I mean, it is obvious, without in any way intruding on the domestic politics of a host country, it is obvious that there is a range of views, a vigorous range of views on this issue within the American community, and obviously the fact that something like 65 Senators, which is more than half the Senate, has indicated a particular view on this, is something that you ought to bear in mind in your assessments.

JOURNALIST:

Did the President give you any sense that he could move from his position in favour of you for legally binding targets?

PRIME MINISTER:

The President gave me a very clear indication that he wanted us to sit down and work our way through on this and see if we could reach an understanding. He did express both during the formal discussions and as we took our leave a desire to see if he couldn't assist us in relation to the difficulties we had, recognising that he has goals and objectives too. I think the fact that he indicated a willingness to look at flexibility - that was the expression he used - it was not my expression it was his, was extremely encouraging. Now, I think it is a question of recognising that we are in a much better position now than we were a few days ago. I mean, a few days ago we faced a joint American - European lock out. Now we face a situation where the Americans have said to the Europeans "hang on, we are not going to sign up to what you've said, we are going to have a look at it", and I think that is very encouraging. But I understand the American desire to

do things on greenhouse gas emissions, we share that desire. It is a question of doing it in a way that is fair and equitable and in a way that recognises the different circumstances of different countries. And there is no way that any self respecting Australian government could sign up to the sort of thing that the European's wanted. It would be a gross betrayal of the Australian national interest.

JOURNALIST:

What's produced the change of mood?

PRIME MINISTER:

Well, I think I feared a lock-out. I hoped that it mightn't prove to be the case. I don't want to speculate. I'm more interested in the fact that that hasn't occurred. Now, I don't want to overstate it, my expectations were not high but I am therefore all the more relieved that we have got to a situation where the European bandwagon hasn't rolled on, and the Brussel's bandwagon has been halted.

JOURNALIST:

Prime Minister now that the issue is still alive so to speak does Australia have other potential allies out there in elsewhere in the international community that you could talk to?

PRIME MINISTER:

Well, I believe the Japanese when they study this thing closely will see the commonsense of our position because their own situation is potentially also at risk if the European process is allowed to dominate. Because what we are asking for in relation to ourselves is no different from what the Europeans are asking for in relation...have endorsed in relation to the Union, the European Union that is - that is differentiation within the bubble.

JOURNALIST:

On regional issues, did the President offer you any perspectives on China and Indonesia specifically about human rights or other issues?

PRIME MINISTER:

Well the trend of the discussion was really he seeking our perspectives and our views both on Indonesia - Indonesia in particular - we had a very detailed discussion about Indonesia. My views on Indonesia are of course - every democratic country has to continue in an appropriate way to push human rights issues. Also I think we have to understand that the stability of Indonesia being the largest Islamic country in the world, a very major country in our own region, a country that has enjoyed very significant economic growth and a country that has a fundamentally benign view of both the west and the United States in the region that you have to strike the right balance. But we had a very lengthy discussion about Indonesia but it was predominantly one of where the views of the Australian government were sought.

JOURNALIST:

When he was in Australia the President made it very clear that they were going to be more strident if you like in their criticism of Indonesia on human rights. Did that come out again in your discussions on that?

PRIME MINISTER:

Look, I don't really want to sort of comment on ... don't want to match up my assessment of private utterances against public statements of the President's, that's not really a matter for me to do. I think that verges on the discourteous of me to do that. Suffice it to say that we expressed a

view that you needed a balanced approach and neither of us were of the view that human rights issues shouldn't be raised. It's a question of how you did it, and I did in fact explain to him the progress that we had made in relation to the human rights dialogue with China and that we thought that was a good start and we remain modestly hopeful that that will bear some fruit. Once again, I don't want to overstate it, it is very important you don't overstate these things but we did get the agreement of the Chinese government on that and we have put some processes in place and after a period of time, only after a period of time, it will be possible to make some assessment of it.

JOURNALIST:

On the subject of China, did the President have any comment on differing approaches of the respective countries in relation to the handover of Hong Kong?

PRIME MINISTER:

No no. That's clearly not a matter of concern to the administration, not a matter of concern at all. And in any event as I understand it, a lower level American representative will be attending the swearing in.

JOURNALIST:

Prime Minister what lessons should be drawn from the briefings you got on the strength of the American economy and the reasons for it?

PRIME MINISTER:

Well, I think one of the conclusions you should draw is that you can always experience a new economic situation, that the precedence of what has happened in the past economic... that you don't always explain current day phenomena. I mean, I think what is happening in the United States and potentially in other parts of the world is an unforetold level of economic stability and certainly both the President and the Chairman ... I didn't think there was anything excessive or unreasonable about their optimism but the rate of job generation has been quite remarkable in the United States and I think there are some lessons one can learn from that. The American economy has always been...its labour market has been more flexible for a long time. The other thing about the American economy and the American society is that it is a lot more mobile. People have the culture of shifting around in pursuit of jobs in this country that Australians don't have and it's not something you can sort of throw a switch on and change overnight but...

JOURNALIST:

Is it something we should be looking at?

PRIME MINISTER:

Well, I think all of the experiences of a country that is successful we ought to look at, but can I just make the point that on inflation and investment and growth and productivity Australia is doing extremely well by comparison even with the United States and in fact the chairman of the Fed volunteered the comment that he thought the Australian economy was in a very strong position and he particularly talked about the improvement in productivity in Australia.

JOURNALIST:

So is the difference between the Australian economy and the US and British economies when it comes to jobs is simply a question of a more flexible labour market?

PRIME MINISTER:

I think certainly in relation to the United States the historically more flexible labour markets has played a big role because they've had a lower rate of unemployment for a longer period of time. I

think it is too early to make a final judgment in relation to the British labour markets. I don't know the British labour markets are all that much more flexible than ours if you look at the non-wage costs in the United Kingdom, they are not markedly lower than ours. I think there are some timing issues involved in relation to the UK and bear in mind that some of the benefits of changes in Australia are yet to flow through. We only changed our labour market six months ago. The British changed their labour market some time ago.

JOURNALIST:

Do you think you will need to go to Kyoto?

PRIME MINISTER:

Me? Well, I haven't thought about that yet. I'll see how things progress. I mean, I've every confidence in what Robert Hill has done on Australia's behalf and I have absolutely no doubt in my mind that the right strategy was to pursue at a head of Government level as I have done over the last five or six months - to Mr Hashimoto, to the German Chancellor, to the British Prime Minister, and today to the American President, to pursue at a head of government level Australia's concerns and I think it has borne some fruit. I don't want to make exaggerated claims - that is stupid, because there are coincidental national interests involved in these things, but it is certainly a better outlook than what it was several weeks ago and for that I'm very grateful but we've got to keep up the pressure, we've got to keep arguing a case. And this is a case about Australian jobs, Australian investment and the Australian national interest. And we are going to be absolutely uncompromising and unequivocal in arguing that position.

One more question from Mr Spencer, who's..

JOURNALIST:

Could I just ask you about trade. Every other time a Prime Minister has come here in the last few years it seems the row has always been about farm subsidies. That appears to have hardly been mentioned this time. Do you find that a promising development in the relationship?

PRIME MINISTER:

Don't... you know.. it got, in all of the discussions there was some reference to it, but the Americans have not used EEP, had the occasion to use EEP, but one of the reasons I think for that is that the prices have been good. Now there will always be a concern that if that changes then it might start to be used. The President did give a promise in Australia last October that if they used EEP they would try and use it in a way that did not hurt countries who were not to blame for the problem, and he had that in mind. It is fair to say in defence of the Americans that since then, that commitment has certainly borne fruit. Now whether that continues or not I suppose is dependent on the vicissitudes of world prices. But it didn't bulk quite as largely this time but don't anybody think that it doesn't still remain a difficulty. But, of course, as I have said before the fountainhead of the evil as far as agricultural subsidies are concerned is to be found in Brussels and not in Washington and EEP was a retaliation. I mean, I said last night at a dinner, I mean, we understood that it needed an elephant to take on an elephant - we just didn't want to be the grass. That was the concern that we had in relation to the agricultural subsidy battle between the Americans and the Europeans.

Thank you.