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**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
INTERVIEW WITH NEIL MITCHELL - RADIO 3AW**



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(Tape begins)...and he of course starred in the World Series final last year which was won by the Yankees. And it was an interesting sporting experience for myself, a professed sports lover like myself, and also, I guess, an interesting cultural experience...

MITCHELL:

Yeah, it's not cricket though.

PRIME MINISTER:

No, it's not cricket, of course it's not. I don't think any Australian would imagine for a moment I've become a convert to baseball over cricket. But I'm in New York. I'm not in Australia or England or India or the West Indies. They don't play cricket here, they play baseball. And if you want to try and absorb the local atmosphere, and the Yankee stadium is the best known baseball arena in the world and it's the ground where people like the great Babe Ruth made their name and Jackie Robinson and Joe DiMaggio and all the other great names from American baseball in the past, so it was a terrific experience and I'm glad I went.

MITCHELL:

As you say it's almost a cultural experience. Mr Howard if we could start with Hong Kong first, the report today that Beijing has effectively told Australia to keep our nose out, it's none of our business - is what happens in Hong Kong Australia's business?

PRIME MINISTER:

Yes, I'd be very surprised if those reports are all that accurate. Of course what happens in Hong Kong is our business just as what happens in any country, to a degree, is our business. We took a mature view about the handover. We said from the very beginning that we'd attend all the ceremonies and interestingly enough the British and the Americans who at first said they wouldn't are now sending, admittedly at a lower level, representatives to all of the ceremonies. Look, we will watch what happens in Hong Kong very importantly but we have to be realistic. The British agreed some years ago to handover Hong Kong to the Chinese because the lease which was obtained a long time ago was due to run out in the middle of this year and what we have to do is to try and ensure that the handover is attended by as little controversy as possible. I hope that the policy that the Chinese Premier told me at Easter when I was in Beijing, the policy that China has promised that it will follow of preserving the existing system in Hong Kong, I hope that policy is adhered to. We will certainly want the Chinese to do that. I know the rest of the world will want the Chinese to do that. But what we have to, all of us have got to understand is that the British and the Chinese agreed in 1984, under Margaret Thatcher's Prime Ministership, that Hong Kong would revert to China on the 1st of July, 1997. And it is inevitable that things will be different with the departure of the British...

MITCHELL:

Are you aware of the letter that's been sent to the Standing Committee on Foreign Affairs? Ian Sinclair apparently received it from the Australian Ambassador in China...from the Chinese Ambassador in Australia.

PRIME MINISTER:

I did not see that letter, no I have not. I'm in New York.

MITCHELL:

No, of course, but you would have had a report on it I assume.

PRIME MINISTER:

I've not, I've not been fully briefed on that, no.

MITCHELL:

Well are you aware whether they have told us, well, it's none of our business?

PRIME MINISTER:

Well, I am aware that the Vice Premier of China, Mr Zhu Rongji, and the Prime Minister of China and the President of China, all of whom I have spoken to in recent weeks - I was in China myself - and they gave out certain assurances about the way in which they would conduct affairs in Hong Kong. I will naturally wait with the passage of time to see whether those assurances are met. I will want them to be met. I think those particular assurances, with all due respect to any letters, and those particular statements at a Head of Government level carry more weight than any letters.

MITCHELL:

How will Australia monitor it. There was a suggestion of regular reports to the Australian Parliament by the Government on what was happening in Hong Kong - will that happen?

PRIME MINISTER:

Well, I think we've got to be realistic Neil. Hong Kong as from today in Australia, tomorrow in America, will be part of China and our capacity to influence what happens there is constrained by the fact that Hong Kong is part of China and it has become legally part of China through a decision of the former colonial authority, Britain, to surrender control over Hong Kong. I mean, we can't sort of have it both ways. We can't on the one hand say, well it was, as many people do, is to say it's realistic and proper that colonial rule in Asia finish altogether and when it does finish to think that you can continue to exert the same influences you do when a nation such as Britain that has the same values, the same institutions and the same belief in full blooded democracy as we have when that country is no longer controlling events in Hong Kong. Of course things in Hong Kong are going to be different and it's unrealistic of any Australian to think otherwise. I hope that they keep their word. I hope that things in Hong Kong do match the commitments that have been made to the rest of the world by the Chinese leadership. But nobody should be in any doubt that life in Hong Kong will be different under Chinese rule than it was under British rule. I hope it is still very good for the people of Hong Kong and I hope that the special institutions of Hong Kong and the basic law of Hong Kong and the Chinese policy of having two systems in one nation, that policy is followed. But I don't pretend to anybody that things won't be different but there is nothing we in Australia can do about it. The British and the Chinese agreed 13 years ago that this handover would occur, 13 years ago, and it was agreed to by the former British Prime Minister, Margaret Thatcher and the then Premier of China. So we just have to be realistic. We have to work constructively with the Chinese. And the best way to work with the Chinese on things like human rights is to have our own dialogue, and we have established that, rather than give them public lectures. And I think that dialogue over time will produce better results than publicly shouting at each other.

MITCHELL:

They will be basing 4000 troops there - People's Liberation Army, 4000 troops - is that a good sign do you think?

PRIME MINISTER:

Well it is inevitable once again now that Britain's gone. At one stage Britain had 10,000 troops there. It's inevitable that there will be a Chinese...I mean, nobody should be surprised with the departure of the British that things will be different but there's nothing we can do about it. The British themselves decided to go because they had no legal basis for staying there any longer. Now, I don't, you know, I don't think anybody can sort of lose sight of the fact that this was an inevitable development, that one day Britain would leave Hong Kong because her lease ran out and that it would become part of China. We can only hope and exert as much pressure as we reasonably can on a country as big as China. When I say we, I don't only mean Australia, I mean America and the United Kingdom as well, to ensure that things remain as open and as free and as good as possible for the people of Hong Kong, which of course include many people that have close family and other links with people in Australia.

MITCHELL:

Mr Howard - tariffs, the Productivity Commission Report - it's being interpreted here that this could mean 100,000 jobs in textile, clothing and footwear. What will happen with this Productivity Commission Report?

PRIME MINISTER:

Well, there's been a draft report and it's being released and we will get comment and then we'll take a decision. We'll go through the same procedure with this as we went through with the car industry and that is to get people's opinions and then when we get the final report, which will be in a few months, we will take a quick decision. We won't leave it hanging around. I want to hear what people have got to say. There is a minority report which recommends the same phase down as the majority but the phase down will be assisted by the payment of some kind of production bounty. Now, I want to hear the views of the industry, I want to hear the views of consumers, I want to hear the views of the trade unions. We will make a sensible, balanced decision. I don't think people should jump to any conclusions about the textile report against the background of the decision we took on the car industry. We are concerned about job security.

MITCHELL:

You do accept that we're talking about a lot of jobs here potentially.

PRIME MINISTER:

Well Neil, I have had the opportunity on the train between Washington and New York of reading a summary of the draft report. It's only just been released. I want to hear the comments of other people and I want to have the opportunity of assessing those comments and the impact of the recommendations before I even begin to consider what decision we're going to take. We are at the draft report stage. And the process we adopt with these things is we get a draft report, we get people's reactions then we get a final report from the Industry Commission and the Government makes a decision and releases the final report at the same time as...

MITCHELL:

Oh yeah, but that is fairly, it is very crucial, isn't it? I mean, there's no doubt...talking about many, many...

PRIME MINISTER:

Well of course, of course it's crucial Neil but I am not going to be, on the basis of a draft report from New York, I'm not going to be driven to speculate as to what the Government's decision will be. We took a sensible decision on the car industry which, although criticised by some, was widely seen in the community as striking the right balance between protecting jobs, securing investment and continuing the process towards trade liberalisation. Now, I want to bring the same considerations to the textile industry. I want to be concerned about it or take action to protect jobs. I also want to ensure that we

secure investment. I also want to have an eye to the interest of consumers because the cost of tariffs is reflected in the price that Australians pay. Now, you've got to get a proper balance between those three things. We did it with the car industry and I'm sure we'll get the right balance once again because we're a government that is interested in trying to get the right balance between those things. But we're not going to be hurried on the basis of a draft report. We don't have to make a decision. We're not required to take a decision on the draft report, we take it on the final report and the whole process is to get people's reaction. But I'm aware of how important it is. I'm aware that it's important to many regional areas in Victoria for example, areas like Wangaratta and other parts of Victoria and also other parts of Australia. But there's a particularly heavy focus in Victoria and I'm very conscious of that and I'll certainly bear that very much in mind as the consideration of the report unfolds. But I don't want anybody listening to this interview to infer from that that we're using the car industry decision as some kind of benchmark for our approach. What we have to do is look at the economic and the employment and the investment circumstances of the textile, footwear and clothing industry quite independently of any other industry because you can't draw analogies with other industries, you've got to look at these industries against the background of our own circumstances.

MITCHELL:

The next few days Mr Howard, I think you've gone to Wall Street effectively, talking to people.

PRIME MINISTER:

Yes I am.

MITCHELL:

What are you trying to achieve there. What will you be doing?

PRIME MINISTER:

Well, a very simple thing Neil and a very important thing and that is to tell them, the business and investment leaders of the financial capital, not only of the United States but also of the world, that Australia has a strongly growing economy, an economy that is enormously attractive and enormously beckoning to foreign investment, that we have low inflation, falling interest rates, improving productivity, according to the OECD growth in prospect in the coming financial year better than any of the G7 nations, that's the largest industrialised nations, and a foreign investment climate that is very, very encouraging and a level of business investment which is very good. And also, and very importantly, a government that is willing to and has already taken major, made major changes to make the Australian economy more productive, more competitive and is continuing the process of micro economic reform and has also commenced the very important process of debating the nature of taxation reform. So I have a very good and strong and positive message.

MITCHELL:

What is the mood like, what's the mood like in the country because...?

PRIME MINISTER:

The mood in America, economically, is very buoyant.

MITCHELL:

So that's a good sign for us. I mean, you would assume that we do tend to feel a lot of the impact from the United States. Do you think there's a good sign for Australia out of that, on jobs, on interest rates?

PRIME MINISTER:

I think all of the signs are very positive because the United States economy is stronger now than it has been at any time since that...in 20 or so years, from the late 1940s through to the late 1960s. The Chairman of the Federal Reserve, Alan Greenspan, who is probably the most powerful economic figure

in the United States, told me that the sort of numbers they are now getting are virtually unbelievable and he doesn't fully understand all of the reasons but he sees it. I thought that was a very frank and mature comment from a very wise economist and wise administrator.

MITCHELL:

What does all that say for jobs in this country do you think?

PRIME MINISTER:

I think what it says is very good things because when America is strong economically, the industrialised world is strong and America is Australia's largest foreign investor. America is a major trading partner and America has a major economic influence on Australia. The strength of financial markets in the United States has some bearing, not an exclusive bearing, but some bearing on the strength of financial markets in Australia. The level of American interest rates has some, I don't say, once again, exclusive but some influence on the level of interest rates in Australia yet if we can learn from the flexibility of the United States economy, we can understand that the benefits of flexibility there, if adapted appropriately in Australia, can be very beneficial. Now we don't want to drive the analogy too far. There are cultural differences. The Americans have not had quite the strong tradition of a social security safety net that Australia has had. We have to strike a balance between the Australian culture of a fair go for everybody, which is expressed in that safety net, but at the same time, getting as much flexibility into the economy. But I will be giving a very strong message in two major addresses and in a whole lot of meetings with bankers and investors and with the entire editorial board of the New York Times, which is one of the major newspapers in this city, and therefore in the country, that I'm Prime Minister of a country with a very strongly growing, opening economy and one that's got very strong levels of investment and one that is very attractive to foreign investors and it's certainly a country in which large numbers of Americans have successfully done business in the past and they are welcome in even greater numbers to do more business in the future.

MITCHELL:

Okay. On another local issue, Mr Geoff Prosser, the Minister for Small Business. Will you review that issue when you get back to this country?

PRIME MINISTER:

I believe that he's given a full account to Parliament. I haven't myself spoken to Mr Prosser since I've been away. I've naturally discussed the matter with the Acting Prime Minister, Tim Fischer, and with the Treasurer, Peter Costello. He did give a full account to the Parliament and I don't believe that anything has emerged since he gave that explanation to the Parliament which (inaudible) the accuracy of what he told Parliament.

MITCHELL:

But he gave a full account but it does seem to breach your guidelines.

PRIME MINISTER:

I don't believe that's the case. I mean obviously I'm not going to go into the detail of it during this interview but I believe that the allegation made against him, the suggestion that he's in some way benefited from his Ministerial position, that's been proved worthless, that allegation. He, in my view, has observed the requirement that he devote his full attention to his Ministerial duties. I mean it seems that there are some in the community who believe that when a person who has been successful in small business and has accumulated some assets, when that person becomes a Minister in some way that person has got to get rid of all of those assets. I mean, we will reach a stage in this country where people who have been successful in business and have taken risks and employed lots of people will be literally intimidated out of going into Parliament. I think that will be a very, very great shame.

MITCHELL:

There seem to be more than a hundred examples of them being called into issue.

PRIME MINISTER:

When you say a hundred examples, you're talking, I understand that is the figure that the Opposition has used of the number of conversations he had with his brother about his business. Well...

MITCHELL:

There were also conversations with the officials from the Bunbury...

PRIME MINISTER:

Yes but the figure of a hundred, as I understand it, includes conversations he's had with his brother. Well, it's hardly surprising if you've spent 20 years in business with your brother, even if he's running the business on your behalf and you're in Parliament. Do you behave like Trappist monks towards each other when you see each other at the weekend or you have him around for morning tea? I think we've got to inject a bit of realism into this. You hardly remain... of course you'd say, Steve, how's the business going? What are you doing with this or that? I don't think there's anything unreal about that. I think it would be unreal if that didn't occur and I think we've got to inject a bit of realism into this. I mean, if there were evidence that the man had gained personally, if there were evidence that he had put his private interest ahead of his public duty, if there were evidence that he was involved on a daily basis in the running of the business then his critics would have a case.

MITCHELL:

What is a daily basis though?

PRIME MINISTER:

It is precisely what it means, in other words instead of doing your job as a Minister, you are spending half your time worrying about your business. He's plainly not doing that and I think unless people can establish that, and I am sure they can't, he's not breached the guidelines.

MITCHELL:

So you're happy with it. Will you review it when you get back?

PRIME MINISTER:

Neil, I don't see any need to pull into question the statements that have been made on this by Tim Fischer and Peter Costello. Tim Fischer and Peter Costello have handled the matter correctly and fully and adequately and I have total confidence in the way in which both of them have handled it.

MITCHELL:

Mr Howard, it's reported you met James Packer and Kerry Packer when you were in London. Did they tell you James was getting engaged?

PRIME MINISTER:

They didn't seek my permission for that, no.

MITCHELL:

He's announced it overnight.

PRIME MINISTER:

I subsequently heard, yes I did meet them. They happened to be in the box next to me at the cricket and we chatted and they asked whether they could come and see me and they did.

MITCHELL:

They lobbed the media changes did they?

PRIME MINISTER:

They talked about a whole lot of things including media policy. I never meet a media proprietor, Neil, without that media proprietor talking about media policy and that has been the case for the last 10 or 15 years. There's nothing unusual, they have a perfect right as Australian citizens and Australian media proprietors to raise those issues with me but there's really nothing more either as a result of that interview or that discussion or indeed anything else, there's nothing new so far as the media debate is concerned. Sure, they saw me and they could see me again. I have no reluctance to talk to either of them or indeed, to Mr Murdoch. I have seen the Managing Director of BIL which has the major stake in John Fairfax and Sons. I had a very lengthy discussion with him before I went overseas. I am willing to talk on an even-handed, open basis with media proprietors. In fact, I think it is important that we demystify meetings between Ministers, Prime Ministers and media proprietors. They are entitled to put their views. I make no secret of the fact that they do put their views to me and Mr Packer's views on media ownership are no secret to anybody. That doesn't mean to say I share them all or that what he wants will necessarily prevail. He's entitled to put his view as anybody else is.

MITCHELL:

Thank you very much for your time from New York, the White House paths must get a bit slippery do they? We nearly lost you in the rose garden.

PRIME MINISTER:

A bit of a rock but you know, the discussions were very steady and very productive and we certainly have a very close and good relationship with the American administration and it was an extremely valuable discussion and we have really achieved a lot on the greenhouse gas issue. I am very pleased that the American administration did not endorse the European approach. My concern was that the Americans and the Europeans would do a deal to Australia's detriment before the summit in Japan. That has not happened and there is a great realisation on Capital Hill in Congress that the concerns that we have in Australia are also concerns that American industry and American unions ought to have in the United States and I think you will see over coming months a gathering of support within the United States for the kind of stance that Australia has taken.

MITCHELL:

Really? You think they will swing around?

PRIME MINISTER:

I am not saying they will swing around entirely, no I am not saying that but a couple of weeks ago people were saying that I was a lonely dissident on this issue. My critics in Australia were saying that I was wasting my time.

MITCHELL:

Global hermit is what Kim Beazley said today.

PRIME MINISTER:

Exactly. They were just... that is a very foolish statement and one that doesn't match the national interest of Australia. I mean, I have had one thing in mind on this issue and that is looking after Australia's interests. If we had agreed to what the Europeans wanted it would have cost thousands of jobs and affected our economic growth and done Australia enormous damage. Now that is what I have campaigned against and that is what I will continue to campaign against. Now I am not saying that I am going to be able to get the Americans to agree to everything that we want but I have got to first base, I

really have, and getting to first base occurred when I heard the American President in his speech in New York, I heard the American President talk about change and commitment and so forth but not endorse the European approach, certainly not endorse uniform, legally binding targets. Now that is an enormous change and I am very pleased for Australia's sake. That's what is important. It's not a question of how long the queue is behind one particular point of view. When you go overseas as Prime Minister you have one responsibility and that is to represent the interests of your country and to prosecute those interests, even if you are lonely and even if you are out of step with the majority, if you believe that your cause is correct. Now I believed on this issue my cause was and remains correct and I have made some progress and I will be very pleased when I return to Australia to report in my detail to the Australian people of the progress that has been made and instead of calling me a global hermit, Mr Beazley should be putting up his hands for the Australian jobs that are involved. I am surprised that an Opposition Leader is not putting up his hand for Australian jobs.

MITCHELL:

Mr Howard, thank you very much for your time.

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