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13

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
INTERVIEW ON THE *AM* PROGRAMME WITH LYNDAL CURTIS**

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CURTIS:

In both speeches you've given in New York you've urged America very strongly to keep up its level of engagement with the region and you told the Foreign Policy Association that it would be a mistake of historic proportions for the US to downgrade its engagement with the region. Are you picking up signals that are causing you concern about the level of commitment by America to the Asia-Pacific?

PRIME MINISTER:

I've seen my role here in the United States to firstly tell the American people how good the Australian economy is because a lot of them don't know that. I don't think they're told the right story about the Australian economy. It really is, on the fundamentals, as strong as the United States economy and in terms of growth, perhaps a tick stronger. So I really have a very strong message to tell. The other thing is to make very plain how important it is that America remain fully involved in the region. There are always debates, there are always trade-offs within an administration as to which area should be given greater emphasis. And I've taken the opportunity of being in Washington at the highest level to put my view and to put it very directly and I think our view is clearly understood and I think it was seen as a helpful expression of opinion. Australia is a valued ally. We, to use the old cliché, do punch above our weight given our close historical relationship with the United States. They listen to us. They take notice of us. They understand that we bring a depth of understanding about our region because we're closer to it and in that sense it's been an extremely successful visit.

CURTIS:

Do you believe, though, that from your talks with Bill Clinton that the United States will keep up its level of engagement?

PRIME MINISTER:

I think the President fully understood the commonsense of what I was putting. And he encouraged me when he was in Australia last October as a man who was committed to the region. He's very strongly committed to APEC. And my time with him in Washington a few days ago was an opportunity to reinforce the value that we bring to the relationship and the importance of continued American involvement.

CURTIS:

Is the impetus for trade liberalisation through APEC still there in the United States? Do they still want to keep the process going or is there a danger that the APEC process will slow down if there aren't more and more guaranteed outcomes?

PRIME MINISTER:

Well, I think the administration is very strongly committed to the APEC process, so is the business community in New York. There are always internal currents in any country swirling in different directions. The role of governments is to explain the benefits of trade liberalisation and the benefits of the interconnectedness of a globalised world economy and both the Australian Government and the American administration will certainly do those things within APEC.

CURTIS:

In speeches you've given throughout this trip and one you gave today in New York you emphasised the importance of labour market reform. But in a press conference you gave on your arrival in New York you

seemed to put a floor under labour market reform saying that Australia wouldn't be going down the road of cutting minimum wages and saying you didn't want to see people on the streets of Australia who have been hurt by a policy that isn't as benign as Australians would like. What prompted that statement?

PRIME MINISTER:

Well, it's just a statement of my belief and that is I do believe in a decent safety net. That's part of the Australian ethos. There's nothing inconsistent in that belief and labour market reform. We have reformed the Australian labour market a great deal already. But what I was saying was that it's part of the Australian culture to make sure that people who need help get it. And we have a tradition, it's called the fair go and it's very deeply rooted in the Australian community and my Government is very strongly committed. But consistent with that, you can have a freer labour market. We've seen enormous benefits flowing already from the *Workplace Relations Act*. And what I want is the *Workplace Relations Act* to be given a fair opportunity of working its way through the system. Some of the people I spoke to this morning in New York said that it takes a number of years for those kind of cultural changes to work their way through and we've only just passed the Act. It's only been in operation for six months and for some extraordinary reason people expect all of the benefits to have flowed through so quickly.

The British deregulated their labour market some years ago and it's only fairly recently that some of the benefits of that have begun to flow through. Now, we were coming from a different perspective than they were but I do think people should understand that it does take more than three or six months to overturn a culture that is as old as the Harvester Case which was decided before World War I. I think people have to get a sense of perspective and get real about this. What we have already done with the labour market will return enormous dividends, enormous dividends, without us doing any more. That doesn't mean to say we won't do more but what we've already done will return enormous dividends. But it does need to be given, with great respect, more than three or six months. I think that's just quite unreasonable.

CURTIS:

You have talked about the importance of taxation reform as the next major economic reform. Do you at some stage soon have to put some, not some limits on the debate but some scope for the debate so people can understand what are the sort of things they need to be chewing over in their minds?

PRIME MINISTER:

Lyndal, I think the people understand exactly what's happening. I think they appreciate the fact that this Government has had the courage to relaunch the debate. I don't think they're clamouring for the sort of things you're talking about. They know they've got a government that's had the courage to relaunch the debate and will handle it in the right way in our time and I am sure the Australian people appreciate that we're after a tax system that generates more jobs, helps our export industries and encourages investment and savings. They're the three criteria. I want those criteria met before I agree to any change and I am sure that all of my colleagues would agree with me.

CURTIS:

As you head home from your two week visit, are you a little concerned that some of the media coverage in Australia of the visit has been quite negative, showing footage of you stumbling in the rose garden, showing Shirley McLaine apparently falling asleep at your speech last night. Is there a worry that the coverage might not be as good as you think the trip has been?

PRIME MINISTER:

I don't think there's any doubt that the trip has been extremely successful. We have come a long distance on climate change. We were called lonely hermits on that subject a couple of weeks ago. You now have a situation where the Americans have essentially repudiated the European position and fully understand our position. Now I think that's a huge achievement, alone a justification for the time that I have spent out of Australia. I have had the opportunity of telling the financial community of New York direct, without the filtration of others, just how good has been the Australian economic achievement over the last 15 months. I've established a good, friendly working relationship with the new British Government. I've fulfilled the

proper courtesies in having a discussion with the Queen and I have also, I think reinforced with all members of the Administration the importance of the links between Australia and the United States. The bilateral relationship between Australia and the United Kingdom remains very important culturally, historically and in a forward-looking business sense, so indeed is the relationship between Australia and the United States.

I think the Australian people see the substance and I don't think they will be influenced by the triviality of some of the individual reflections of the trip.

CURTIS:

What will be the highest things on your agenda when you get home? What do you think needs to be tackled first?

PRIME MINISTER:

It's a question of resuming, in a full cry of the domestic agenda. I mean, we've just introduced in the past couple of days two quite historic changes in the area of health insurance and small business. As from yesterday, any small business operator in Australia can sell a business and invest up to \$5 million of the proceeds of that in another business of any kind, without incurring any capital gains tax liability. As from yesterday, there's a \$450 tax break available for families who take out private health insurance. As from yesterday there are great additional incentives for people to take out private health insurance. I will be spending a bit of time explaining the benefits of those two things in particular to the Australian people. There's a lot of good things to be talked about. Also, I will tackle with great enthusiasm the implementation of the Government's work for the dole plan which has finally been approved by the Senate after a monumental backflip by the Australian Labor Party and the Australian people will begin to see the benefits of this approach to implementing my philosophy of mutual obligation. That is, we provide a safety net but in return, people can be expected to give something for that safety net. Incidentally, it's a philosophy that Mr Blair, the new British Labor Prime Minister, fully shares. He calls it reciprocal obligations. I call it mutual obligations. I don't know what people in the Australian Labor Party will call it.

CURTIS:

There's an old saying that travel broadens the mind. Do you think you've learnt anything on this trip that you didn't expect to find out?

PRIME MINISTER:

You always learn things. The thing that I learnt interestingly is that many people in the United States ascribe the extraordinary economic performance of that country to the benefits finally arriving from the massive technological change that has taken place in the United States over the last few years. That was a view expressed to me by Alan Greenspan and by many of the financial people in New York. If that is the case then that bodes extremely well for Australia because Australia in many areas is only just behind the United States in taking up new technology. Our personal computer take up per thousand is only just behind the United States. In many other areas we are either just behind or ahead of the United States so if there is any validity in that proposition which tends to disprove the earlier proposition that technology can cost jobs, it may well be that Australia also very soon will get some of the benefits of this investment in technology. You've got to remember that our economy is performing very well. I mean we keep sort of, others keep ignoring this. I mean the OECD says that next year and the year after, the Australian economy will outperform the average of the G 7, that's the leading industrialised nations. We have rates of inflation that are the envy of other countries. Our housing interest rates are the lowest they've been since the late 1960s. I mean, we have very high levels of business investment. There is a strong and vigorous and comprehensive story of economic achievement already and I think there are still better times ahead.

CURTIS:

Prime Minister, thank you very much for your time.

PRIME MINISTER:

It's a pleasure.