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PRIME MINISTER

24 October 1997

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
PRESS CONFERENCE
THE BALMORAL HOTEL, EDINBURGH, SCOTLAND**

E & OE.....

Ladies and Gentlemen, earlier today I had a meeting with the Prime Minister of Malaysia, Dr Mahathir. It was, as has been the case in our earlier contacts, a very comprehensive discussion not only about bilateral issues but also about issues of direct import to the region. We naturally spent a lot of time talking about the currency and stock market instability in Malaysia and other parts of the region.

I also put to him in the course of the discussion a proposal that Australia and Malaysia work in partnership to establish some clearer rules in relation to the regulation of electronic commerce and my delegation is handing to the Malaysian delegation a position paper on that issue which will form the basis of further discussion between the two governments which might, I hope, lead to an agreement between Australia and Malaysia on matters concerning the regulation of electronic commerce.

As I indicated in my speech to the Business Forum yesterday, there is going to be an absolute explosion in this area over the next few years. Something like US\$5 billion is now traded on the Internet and that in three years alone is going to grow to somewhere between US\$100 billion and US\$150 billion. So we do need a set of rules and guidelines in relation to electronic commerce and given the interest of Malaysia in that area, the regional partnership between the two countries, it is very important that we work together on it and Dr Mahathir responded very positively to that proposal.

I did naturally express to him my disappointment regarding the Transfield contract and although I assured him of the continued interest not only of the Transfield company but other Australian companies in defence acquisitions, and related investments.

The discussions that we had about the turbulence in financial markets was very wide-ranging and he repeated to me his concerns about the impact and the role of speculation in that area.

I also expressed concern to him about the continued challenge to the environment and climatic conditions in Malaysia as a consequence of the fires that continue to burn in parts of Indonesia.

He noted with appreciation the role of the CSIRO team which is conducting some significant research into the causes of some of this climate adversity and I indicated that Australia stood ready where appropriate and consistent with our capacity to provide the expertise and the resources to give further assistance to Malaysia. It continues to be a very significant environmental problem and also, not only currently but potentially a significant health problem in the region.

I don't think I want to say anything more than that. I guess you'll have some questions arising out of the meeting and other matters and I'd be very happy to answer them.

JOURNALIST:

Prime Minister, is it a bit reassuring, the returning of the stock market in Australia to

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PRIME MINISTER:

Yes, I think it is important for us to keep a balance in our responses to what is happening. You can never be complacent when something like this occurs. We live in a global financial system. The linkages are such that instability in one part of the world is almost inevitably going to cause some reaction in other parts of the world. I am encouraged by that rebound but the situation has to be kept under very close attention.

There oughtn't to be any complacency and that of course, is why, when my Government came to office, we immediately addressed the fundamentals of the Australian economy.

And one thing I can say to the people of Australia is that our country is a lot less vulnerable to what is happening around the world now as a result of the emphasis that my Government has placed on getting the fundamentals of the Australian economy right. Reducing the budget deficit, changing the labour market, addressing the problems of the current account, keeping a very strong anti-inflationary policy.

If we had taken the advice of Kim Beazley, the Australian economy would now be far more exposed and far more vulnerable to the turmoil in others parts of the world because all of the reforms that we sought to undertake, reducing the deficit he opposed, privatisation he opposed, labour market reforms he opposed, he continues to oppose taxation reform, and one very clear economic and political lesson over the events of the last 48 hours is that the determination of my Government to keep the fundamentals sound has paid, I think, a great dividend in terms of greater security for the Australian economy and therefore the Australian people.

If we had not adopted those policies, if we had not observed those priorities, Australia would be in a weaker international economic position than is now the case.

JOURNALIST:

Mr Howard, to what extent do you think that lower regional growth though will hit Australia regardless of how the fundamentals may or may not be, there will be a flow on effect from that?

PRIME MINISTER:

Michelle, it depends very much on the location of the slowdown. Australia's exports of merchandise go in terms of about 15 per cent to the ASEAN countries which so far have been the hardest hit. We trade more extensively with the countries of north Asia, the three Chinas, Korea and Japan. Obviously, what happens in those countries and what happens in particular industries in those countries will determine the effect.

I think all I can say, Michelle, is that there will be an impact according to where the slowdown occurs, and where it's most marked.

If it's most marked in countries that buy a lot from Australia, then one would assume that the impact on Australia would be greater. Although it is fair to say that Japan, which continues to be our largest customer, over the last few years has gone through very sluggish economic times but still continues to be a sound customer.

We cannot be complacent. By the same token you have to recognise that the direct impact on Australia will be governed by the impact of the slowdown in different countries and within those different countries on different industries.

JOURNALIST:

As APEC is so important to regional countries including Australia these days, (inaudible) do you see this as the sort of occasion where APEC should have a positive role in trying to deal with the situation (inaudible)

PRIME MINISTER:

There are already international institutions that are there and they are multi-lateral institutions to deal with any systemic challenges and we saw that in relation to Thailand. And where the central banks got together, Australia very heavily, and to her great credit in the region, was greatly involved. I don't see APEC coming in over those institutional arrangements and they are set up for the whole world and not just for our region and I wouldn't want to change that. But I do see APEC, given its unique character, as a body that brings together so many countries in the region, I see APEC as obviously being a forum where these things will be talked about and perhaps some responses canvassed. But that would be fully consistent with and supportive of the international institutional arrangements.

The world has come an enormous way since 1929 and the 1987 stock market crash demonstrated that. So many people wrongly saw that as a repeat of 1929 and, of course, it wasn't. And one of the reasons why it wasn't was that the world, particularly the central banks of the world, had developed more sophisticated linkages, more sophisticated mechanisms. We had an international monetary fund, we had a set of international financial understandings that meant that the knee-jerk and absolutely disastrous response of the central banks in 1929 which was actually the cause of the Great Depression, rather than the stock market crash itself, was not repeated.

So, I think you've got to have a balanced perspective about what is occurring. It is not a time for complacency and no national political leader and no central bank can ignore what is happening and certainly that is not occurring in the case of Australia.

But, by the same token, you have to recognise that just as globalisation has meant that what has happened in one part of the world means that there is a reaction in another part of the world. Equally globalisation is the very strength that we have that the world didn't have some years ago. And globalisation can be a buffer as well as a conduit. And, I think we would make a huge mistake if we turned inward and thought that the solution to the problem lay in moving away from globalisation.

I would say in relation to Australia, that the right response to what is now occurring is to re-double our efforts at reform and change, rather than take the foot off the accelerator.

Taxation reform, which will make Australia a more competitive country, must be pursued with renewed vigour. Because anything that further waterproofs Australia by further strengthening the fundamentals will protect us in a more uncertain international economic environment.

JOURNALIST:

Did you discuss with Dr Mahathir the APEC proposal for a separate Asian IMF fund?

PRIME MINISTER:

No, no we didn't specifically canvass that, no.

JOURNALIST:

Mr Howard, do these events make that proposed industry fund canvassed in the Mortimer Report look more attractive?

PRIME MINISTER:

Oh, I think it's sort of neutral on that, Michelle, neutral.

JOURNALIST:

Prime Minister, Dr Mahathir recently made some comments that caused some controversy and drew some concern in Australia. Did you raise those comments with him today?

PRIME MINISTER:

That matter was discussed, yes.

JOURNALIST:

Can you tell us what you said?

PRIME MINISTER:

I indicated to him that the remarks had caused concern in Australia.

JOURNALIST:

And did he give you any response? Did he explain why he made them or suggest that he had ...

PRIME MINISTER:

Well, I don't think that it is for me to canvass what he said to me in relation to that. You all know my very strong views on those matters and I made it very clear when asked that anything that involved any suggestion of anti-semitism was something that I utterly and completely repudiated and would always repudiate in the strongest-possible terms.

The matter was discussed. It's fair to say that he's expressed some views and people on his behalf have expressed some views putting what he said into context, but that is a matter for him. I wouldn't presume to say any more.

JOURNALIST:

But you raised it? You...

PRIME MINISTER:

No, he actually raised the matter himself.

JOURNALIST:

To reaffirm those views, or to explain ...

PRIME MINISTER:

Well, the answer to the first question is no, he didn't. But I don't think I should say any more than that, because it would be breaching the confidence of the discussions. But he raised the matter and I, in the course of the discussion that followed, indicated that the remarks had caused concern in Australia and then we moved onto something else.

JOURNALIST:

When you say you need to re-double efforts on tax reform, did you have a specific idea of how you're going to rev up the

PRIME MINISTER:

Well, re-double the efforts is just my way of saying, we're even more committed to it now as a result of what is occurring than we were before and gee, we were committed to it before.

JOURNALIST:

So, you're not saying you're going to accelerate that process?

PRIME MINISTER:

Well, Karen, the process has unavoidable timelines on it because of the complexity of the task, but the point I make is that it's all the more important that these sort of reforms be addressed because what has happened over the last few months, and particularly over the past few days, is a reminder that nothing is ever totally predictable or totally tranquil in the world economy and the best thing that any government can ever do for its country is to keep the fundamentals sound and to keep the foundations of the Australian economy in rock solid shape.

It might be criticised. It might be derided on occasions as unexciting, but gee when you get into a squall it gives you an anchorage that you don't otherwise have.

JOURNALIST:

So, you're saying that you're going to hold firm to your agenda, you're not saying that your agenda will be changed in line with this. It won't be sped up ...

PRIME MINISTER:

Well, we're going to hold firm with our agenda, very strongly in relation to taxation reform and we'll press ahead with other reforms as well.

JOURNALIST:

Mr Howard, on this tax reform question, are you separating out the decisions of business tax, business-related taxes and taking the earlier or are they just (inaudible)... general tax package?

PRIME MINISTER:

It will be a harmonious, comprehensive package.

JOURNALIST:

So, they're not part of the industry decision ...

PRIME MINISTER:

Well, I'm not going to talk about what's in the industry decision package but the comprehensive tax reform the which the Government has committed itself is something dealing with both business and personal tax together. Together. Together.

JOURNALIST:

Did Dr Mahathir express any particular views about the fundamentals of the Malaysian economy, you said that you did discuss the position in Malaysia.

PRIME MINISTER:

Yes he did. He felt that the Malaysian economy was fundamentally sound. He drew attention to the record of lifting growth and of economic reform and economic change that his government had undertaken. His views on the impact of speculation have been canvassed before, and I listened very carefully to what he had to say. He has naturally a deep concern for the living standards of his people and feels that a lot has been achieved in that country, which it has, over the last 15 years.

JOURNALIST:

You don't seem convinced the speculation was the sole cause of the .

PRIME MINISTER:

Look I'm not going to become a commentator on the economic management of other government

JOURNALIST:

Your our expert

PRIME MINISTER:

Well I know I am, I know that Malcolm, but notwithstanding that, and I will forebear on this occasion. I will not do that.

JOURNALIST:

On greenhouse, prior to your arrival in Britain, the British government had been mounting a less than subtle attack on Australia's greenhouse position, and that in turn has spawned some of the environmental activists here describing you as the dirty man of the world, in that context. Are you ...

PRIME MINISTER:

I have been insulted by experts.

JOURNALIST:

Are you offended by the British campaign, and how does it feel to be labelled thusly?

PRIME MINISTER:

Well I wouldn't for a moment imagine that such thoughts have entered the minds of British ministers. They are the utterances of some groups on the periphery. The reality, Dennis, is that the British position as expressed to me was more accommodating and more understanding than had been the public perception. That's the reality.

The Prime Minister of Britain said to me when I saw him that he understood Australia's different position. He also said that he believed that you'd only get a comprehensive agreement on this issue if countries accepted that other countries had different challenges, different situations and therefore there had to be an acceptance in any agreement that we worked towards of our different positions.

Now that is all that Australia has been arguing for. We have never argued that we shouldn't be part of the process. We have never argued that we shouldn't do things, and we will be doing further things and I will be announcing those, as I've said for some weeks now I would be doing, before the Kyoto conference. But what I wanted to get an acceptance of was that you couldn't just have a mandatory, blanket rule for everybody because we're coming from different positions.

I mean, obviously if you've got a starting point of 1990 and you've got an East German economy that's fallen over and nothing's happened for several years, and you've got all those pits that were closed, which you all saw about in the movie coming over, in *Brassed Off*, and you pick those up as a sort of environmental credit,

obviously you're going to be able to say to the rest of the world, well look, we've got all our things down, what about you coming into line?

Now if the starting point were 1995 and not 1990, then your outcome would be different and the European Union would not be in such a position to say to the rest of the world well we can deliver this, you've got to match us. Ninety per cent or more of the European Union's money in the bank on this issue, environmentally speaking, is as a result of the closure of British coal mines and the fact that the East German, the dirty industries of Eastern Europe fell over when communism fell over and the bottom fell out of the command economies of Eastern Europe. Now you take those two components out of it, you've got a vastly different world. And that of course is why in the European bubble Portugal can apparently go up by 40 per cent and other countries can go up by certain percentages.

Now what I think we have seen over the last few days is an acceptance by the British, an acceptance by the Americans, emphatically, that different countries will give different responses and have different solutions and different reactions. I'm not saying that the British aspiration has changed, it hasn't, and I'm not asking that it change. All I'm asking is that in addressing us, they understand that our position is different and I'm not going to back away from that and I'm not going to back away from a defence of the Australian national interests, and it is winning wider acceptance.

JOURNALIST:

Have you got any information out of the Small States meeting this morning?

PRIME MINISTER:

Small States, what Australian Federation or Pacific Islands?

JOURNALIST:

The Small States I think had a meeting scheduled for this morning at which greenhouse was expected to be discussed. I just wondered whether Australia goes along to (inaudible)

PRIME MINISTER:

Well we're not regarded in that context as a small state.

JOURNALIST:

No, but I thought that somehow we might get a look in on what (inaudible)

PRIME MINISTER:

Well it wouldn't, Michelle, it would be completely unsurprising to me if the Small Island states, in particular of the South Pacific, and others, didn't meet to talk about

the greenhouse issue. Of course they will. I understand that, and it's entirely to be expected.

JOURNALIST:

But you don't know what's come out of it?

PRIME MINISTER:

No I don't. I've been talking to you and Dr Mahathir and others.

JOURNALIST:

Are you confident of a uniform position out of CHOGM on greenhouse?

PRIME MINISTER:

I wouldn't preempt what will come out but I am a lot more confident now that there will be a broader understanding of the different situations of different countries. I don't think at any stage it was realistic for CHOGM to say, well this is the figure that everybody's got to reach, I don't think that was on anybody's agenda. But I am more optimistic that we will have a balanced, sensible response. I mean, the thing I have to say again is that it will be putting quite a bit on the table, quite a bit on the table in relation to new measures, and we've always intended to do that, but for obvious negotiating and other reasons we didn't want to talk about that too early in the piece.

JOURNALIST:

Prime Minister there's a report before the Commonwealth today on the issue of Nigeria and the move by the British Government to have sanctions imposed. What's your view about what should be done about Nigeria's position?

PRIME MINISTER:

Well I don't think Nigeria has thus far absolved itself of the conduct and gainsayed the reasons why her membership of the Commonwealth was suspended in 1995. As to how I would react to particular British government proposals, I'll wait till I've seen those proposals and I'll wait until the conference has started, but the decision of the smaller group, of which Australia is not a member, to in essence maintain the 1995 suspension remains totally valid and I think the stance that's been taken by the Commonwealth Secretary-General is right and the Commonwealth must maintain a very consistent respect for those principles of human rights and internal democratic practices that are what, after all, the body is meant most of all to stand for.

JOURNALIST:

So your simply suggesting you support the ongoing suspension that's put forward. What's your in-principle view about taking further actions against Nigeria, whatever they might be?

PRIME MINISTER:

Well I'll wait and see what's put on the table at the CHOGM meeting. What I'm saying, Karen, is that the suspension now is justified and it's up to the Nigerians to address the reasons for it.

JOURNALIST:

Prime Minister what did you make of the speculation about the future of the Queen as the head of the Commonwealth and how was your dinner with her last night?

PRIME MINISTER:

Well her role as head of the Commonwealth I would have thought, without prejudice to the republican debate in Australia, I would have thought the role of the Queen as the head of the Commonwealth would not be the subject of any sort of serious dispute. It's my recollection historically that when the formula was worked out in, was it 1949, to allow India to remain in the Commonwealth despite becoming a republic, that the formula for the monarch of Great Britain to be the head of the Commonwealth, which was proposed by the then Indian Prime Minister, Nehru, that was the foundation of it and I don't think it's been seriously challenged since then and I'm not sure that the remark made by the Secretary-General was other than a slip of the tongue. But my own view is, as I say without prejudice to views about republics or otherwise, the current arrangement ought to continue. Most emphatically.

JOURNALIST:

Did you express much interest in that subject last night?

PRIME MINISTER:

Well you know, Alison that I can't really, in accordance with proper protocol and process, talk about what was discussed. It was a very pleasant evening.

JOURNALIST:

But have you had an opportunity to talk to her on developments on the Constitutional Convention since you last spoke with her?

PRIME MINISTER:

Dennis, I'm not going to canvass what was discussed either a few months ago in London, or last night. I'm sorry but I think you understand the settings.

JOURNALIST:

Put it this way Prime Minister did you tell Prime Minister Chretien about the Constitutional Convention?

PRIME MINISTER:

Well, it would not be possible for me to answer that question and maintain a respectful consistency with what I said a moment ago in answer to Dennis.

JOURNALIST:

Mr Howard being a cricket fan are you concerned about this possibility at home of a wide-ranging players strike?

PRIME MINISTER:

Well, naturally as a lover of cricket I would hate to see any circumstance develop whereby either the Sheffield Shield teams, the one-day teams, or worst of all the Australian Test team, were denied the services of the best Australian players available. Now I don't want to comment on the ongoing negotiations between the Australian Cricket Board and the Players' Association. I would imagine that I express the passionately held views of all Australian cricket lovers in saying that the idea of a strike is not something that we, that is the cricket lovers, warm to. I understand and respect the rights of the players, I also respect that there is a negotiating process underway. I hope it's satisfactorily resolved to the greater benefit and promotion of the game.

JOURNALIST:

Would you support use of the secondary boycott provisions?

PRIME MINISTER:

Somebody might say if you introduce a few West Indian fast bowlers into it.

JOURNALIST:

Will you be playing golf at St. Andrews on Sunday?

PRIME MINISTER:

Well I don't know yet, I don't know what I'll be doing. I thought we were going there to work. Is that a rumour is it that we're not going there to work? No I thought we were going there to work, but if the majority want to engage a little bit of recreation than who am I to be a spoiler.

Thank you very much.

[ENDS]