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Foreign and Commonwealth Office

London SW1A 2AH

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20 April 1990

Dear Charles,

Prime Minister's Bilateral Meeting with Australian  
Prime Minister, Gallipoli, 25 April

The Prime Minister will have a bilateral meeting with Mr Hawke on 25 April when she attends the events to commemorate the 75th Anniversary of the Gallipoli campaign.

Our objectives for the meeting are:

- (a) to express our satisfaction that a good momentum is being maintained in our Bilateral relations with Australia;
- (b) to reaffirm our commitment to a successful conclusion of the Uruguay Round;
- (c) to underline the need for continuing Australian support on Hong Kong and Vietnamese boat people;
- (d) to seek Australian support for London as the site of the European Bank for Reconstruction and Development;
- (e) to have a good exchange of views on current topics of interest in international relations.

Australian Election

Mr Hawke has just been re-elected, for a fourth consecutive term, with a much reduced vote and a reduced majority of 8 seats. His new Government, which includes all the leading members of his previous Cabinet, is capable and experienced but Mr Hawke and his colleagues may no longer have the energy and ideas of former years. The Australian economy remains the main problem with an unsustainably high current account deficit, high inflation, high interest rates and a large, albeit mostly private, external debt.

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#### Bilateral Relationship

The Prime Minister will wish to say that we continue to attach importance to a strong bilateral relationship with Australia and to mention in this connection that the Lord President, the Home Secretary and the Energy Secretary hope to visit Australia in August and September. Mr Hawke is delighted with our gift to Australia of one of our two archive copies of the Australia Constitution Act about which the Prime Minister wrote to him on 1 April.

#### British Arms Sales to Australia's General Region

Australian officials have called recently for greater consultation over possible British arms sales to countries in Asia, South Asia and South East Asia. They have shown particular concern about a possible UK sale of the strike version of Tornado to Indonesia in the mid-term future and have asked us not to proceed with such a sale. In the last few days they have also made proposals to us for consultation arrangements which are breathtaking in scope and would be quite unprecedented. It is very difficult to see how we could possibly agree to them.

If Mr Hawke raises the subject the Prime Minister may wish to say that:

- we cannot accept Australia's latest proposals which are for us unprecedented in nature and extreme in scope. We doubt if any country with a major defence export industry would shackle itself with such arrangements;
- but if the Australians lower their sights we would be prepared to discuss the matter at official level to see whether a mutually acceptable solution can be achieved.

#### Cleaning Up of Nuclear Test Sites At Maralinga

If Mr Hawke raises this subject, the Prime Minister could say that we must await the report by the Technical Assessment Group, due in June this year.

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Uruguay Round

It would be helpful if the Prime Minister could reassure Mr Hawke of our commitment to trade reform and the successful conclusion of the Round. She could make the following points:

- the Foreign Affairs Council on 5 March reaffirmed the EC's commitment to the Round and its readiness to negotiate on agriculture;
- the UK is in the lead in the EC in urging reform;
- we wish to encourage Australia and the Cairns Group to build on the EC proposals;
- the US will also need to be flexible; they are showing signs of being willing to negotiate on the basis of parts of the EC proposals.

International Support for Hong Kong

The Prime Minister will wish to underline the need for continuing Australian support to help us to maintain confidence in Hong Kong. Mr Hawke is aware that we have asked the Australians to consider introducing measures to encourage people to remain in Hong Kong on the lines of our own nationality package. Our impression is that Australian officials are unlikely to move as far as we would wish but Mr Hawke may be sympathetic. It would be useful if the Prime Minister could sound him out on this.

The Prime Minister will wish to restate our aim to see Hong Kong participate in APEC (Asia Pacific Economic Co-operation) in recognition of the territory's economic and commercial autonomy, its separate membership of GATT, and its economic importance to the region.

Vietnamese Boat People

So far arrivals in Hong Kong are well down on last year and resettlement in third countries plus voluntary return to Vietnam is achieving a steady net outflow. The Prime Minister will wish to express our particular thanks for Australia's high rate of resettlement out of Hong Kong and to seek Australian support for our resuming non-voluntary returns once the backlog of volunteers has cleared, probably this summer.

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China

Australia's severe disappointment at the events of June 1989 reflected the substantial investment it had made in its relations with China. In January it decided to relax its total ban on ministerial visits and consider visits on a case-by-case basis. But other restrictive measures, largely matching those of the Twelve, remain in place. Australia remains concerned about China becoming inward-looking, particularly in relation to its regional role, eg. over Cambodia.

The Prime Minister may wish to make the following points:

- China's political prospects remain uncertain with heavy dependence on Deng Xiaoping, for whom there is no obvious successor;
- we agree about the importance of not isolating China and endorse eg. the resumption of limited World Bank lending;
- our policy and the EC's has also evolved eg. resumption of export credit;
- further normalisation is likely once the anniversaries of last June's events have passed;
- but wholesale abandonment of measures would be premature in the absence of any positive Chinese response to justify this;
- Western solidarity may have helped to moderate Chinese behaviour and should be maintained.

Cambodia

Current diplomatic activity stems from the Australian Foreign Minister's proposal for an enhanced UN role in an interim Cambodian administration, leading to fair and free elections, and from the US suggestion that the Five Permanent Members of the UN Security Council should work together for peace in Cambodia. The Five

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have made significant progress on several of the aspects of a settlement. They hope to meet again in mid-May and there is a possibility of a meeting with the four Cambodian factions in June. It may not be easy to keep the Russians and Chinese in play. It also remains to be seen whether the Cambodian factions are prepared to accept a peaceful political settlement. The signs were not encouraging at the Informal Meeting on Cambodia in February and seemed to indicate that despite agreement on the principle of UN involvement neither Vietnam/Hun Sen nor the Khmer Rouge were yet anxious to make significant progress towards a settlement.

The Prime Minister will wish to thank Mr Hawke for the constructive Australian contribution and to stress the importance we attach to maintaining the momentum of current diplomatic activity and keeping the USSR and China in play.

UN involvement will be expensive, possibly costing £2 billion in the first year. The Australian Foreign Minister has suggested a Trust Fund to pay for the early stages of the UN operation. We are considering this proposal carefully, although our preliminary view is that initial costs could be met from existing UN funds.

South Africa

The next meeting of the Commonwealth Committee of Foreign Ministers on Southern Africa (of which Australia is a member) will take place in Abuja (Nigeria) on 16-17 May. Commonwealth reactions to developments in South Africa will be the principal item. The Prime Minister may therefore wish to draw on the following:

- President De Klerk is irrevocably committed to negotiations on a new constitution for South Africa;
- we are pleased that SAG/ANC "talks about talks" on removing obstacles to negotiations are about to take place (2-4 May). There is an urgent need to show progress and to stem the wave of violence (much of it between black factions);
- Mr Mandela (like De Klerk) is vital to changes of progress. It is still unclear whether he can carry his constituency with him;

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- we believe the role for the international community is to:

(a) apply pressure and encouragement on all sides to get substantive constitutional negotiations started; and

(b) increase aid to the black community to help them prepare for transition to post apartheid society. We are increasing our programme by £10 million, including our CHOGM commitment to provide additional aid rather than contribute to Commonwealth Committee of Foreign Ministers on Southern Africa.

Antarctica

Two special meetings convened by the Antarctic Treaty partners will be held in Santiago in November. One will deal with proposals for comprehensive measures to protect the Antarctic environment, at which the Australians will push their 'Wilderness Park' proposal; the other will deal with the Liability Protocol to be attached to the Convention on the Registration of Antarctic Mineral Resource Activities (CRAMRA). If the subject is raised the Prime Minister could say that we look forward to the Santiago meetings, favour comprehensive measures to protect the Antarctic environment, continue to support CRAMRA and do not wish it to be replaced or damaged. But we do not support the proposal for a 'Wilderness Park' which is an over-ambitious alternative to CRAMRA.

Developments in Eastern Europe and the Soviet Union.  
Implications for East/West Relations. Germany and NATO.

Mr Hawke will be interested in the Prime Minister's views on these interrelated topics and in her assessment of the situation.

On Eastern Europe, the Australian government participates in G24 co-ordination and has developed a modest assistance programme on similar lines to UK and EC efforts. It has committed \$5 million for food aid for Poland, contributed \$760,000 to the Poland Stabilisation Fund, and announced a \$3.5 million training programme for Eastern Europe.

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We have lobbied the Australians about the site of the European Bank for Reconstruction and Development but they have not yet declared their preference. The Prime Minister will wish to say that we hope we can count on Australian support for London as the site as we have the best case on practical grounds.

Papua New Guinea

The Australians are much preoccupied at the moment by events in Papua New Guinea where secessionist rebels have taken complete control over the island of Bougainville, closed down a huge copper mine owned by an Australian subsidiary of RTZ, and forced the police and army to withdraw to the mainland. The Australians as the major aid donors and PNG's partners in a defence co-operation agreement have a much bigger interest than we do but our investment in PNG is considerable and is increasing. It would be useful to have Mr Hawke's assessment of the situation.

*Yours ever,  
S L Gass*

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