

cc Mabley Sakr

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF AUSTRALIA, THE RT. HON. MALCOLM FRASER, AT 10 DOWNING STREET ON 30 JULY AT 1700

Present:

Prime Minister
Mr. M.O'D. Alexander

The Rt. Hon, Malcolm Fraser
CH, MP
H.E. The Hon. R. V. Garland
Sir Geoffrey Yeend

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The Australian Economy

In response to a question from the Prime Minister, Mr. Fraser said that it was inevitable that, with the Australian economy growing at 5% a year, there should be pressure from the unions. The previous arrangements for fixing wages had been unsatisfactory and had had to be reviewed. This was now being done. The Prime Minister expressed admiration for Australia's economic performance. Mr. Fraser said that it was based on cutting expenditure, getting inflation down and making it possible for industries to make profits. The Prime Minister commented on the difficulties she was experiencing with the nationalised industries in the United Kingdom. Mr. Fraser said that his advice would be to sell them. He added that he understood the difficulties in doing so, but hoped that the Prime Minister would continue on the course she had set herself. The difficulties she had inherited were much greater than those which had faced him. Australia had only had "three years of madness" whereas Britain had suffered from many years of neglect. Against this background it was clear that the Prime Minister was making real progress.

CHGM

The Prime Minister said that she had no wish to devote large parts of the Melbourne discussions to Gleneagles and the problems of relations with South Africa. Mr. Fraser said he entirely agreed. He had discussed the situation at lunch earlier in the day with a

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number of other Commonwealth Heads of Government. He thought it should be possible to secure a simple reaffirmation of Gleneagles without too much trouble. Of those with whom he had discussed the issue, Mr. Adams (Barbados) had taken the hardest line. He wanted the Gleneagles agreement to be extended to third parties, i.e. the Governments' party to the agreement should refuse entry to nationals of other countries who had played in South Africa. The only obstacle in the way of a reaffirmation of Gleneagles would be Mr. Muldoon. If he carried out his present intention of analysing the human rights performance of other Commonwealth countries and of denouncing the Gleneagles agreement, he would certainly provoke an African counter-attack. This would not worry Mr. Muldoon: indeed he would probably welcome it since it would enable him to go home and win his election on the basis that he was defending "poor little New Zealand" against the unjustified attacks of hostile third world countries.

The Prime Minister commented that if anyone attacked her at CHGM, e.g. on aid, she herself would be inclined to react as Mr. Muldoon had done. Hard things would be said if events followed the course outlined by Mr. Fraser. It would be much better if there were no discussion at all. Mr. Fraser said that Mr. Muldoon considered he had already been attacked and intended to raise the Gleneagles issue whether or not anyone else did. The argument of the Africans was that Mr. Muldoon was trying to have it both ways. He was asserting that he had carried out the Gleneagles Agreement as he had understood it and had taken all the action open to him to discourage the tour but in fact, according to the Africans, had never asked the New Zealand Rugby Football Union to cancel the tour. After the discussions at Gleneagles, Mr. Muldoon, according to Mr. Ramphal, had given a press conference at which he had said sporting contacts with South Africa would cease. This obviously had not happened.

The Prime Minister asked Mr. Fraser if he was saying that a request by Mr. Muldoon to the New Zealand Rugby Football Union to cancel the tour would satisfy the other Commonwealth countries.

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Mr. Fraser said that he thought so. The Prime Minister commented that this seemed to be an important point. Mr. Fraser agreed but implied that Mr. Muldoon was now set on his present course. The only person who could persuade him to change it was the Prime Minister herself. If Mr. Muldoon were to insist on making a speech about the imperfections of other members of the Commonwealth, he (Mr. Fraser) as Chairman would refuse "to give him room for a brawl". He would try to arrange things so that only one speech was made in response, perhaps by an African participant. Mr. Muldoon would find it difficult to have a fight if there was no opposition. The Prime Minister repeated her own preference for having no discussion whatever. However, brief the discussion, regrettable things would be said. As regards Gleneagles itself, the Prime Minister agreed that it could be reaffirmed. But she was not prepared to see its scope increased in any way at all. The Prime Minister added that she would be very reluctant to see the weekend Retreat devoted to Gleneagles.

Sinai Peace Keeping Force

Mr. Fraser said that the Americans had been trying for some time to twist his arm on the question of Australia's participation in the Sinai peace keeping force. He had told them during his recent visit to Washington that he was tired of the publicity being given to this problem and intended to take some time before making a decision. The Australian Government were in two minds. On the one hand, they supported the strong position the U.S. were taking. They thought that President Sadat needed support. They wanted the Camp David process to go ahead. All this argued for Australian involvement. On the other hand, thanks to the activities of the Labour Party, it had become a major political issue at home. The Middle East was a long way away: arguably Australia ought to focus its efforts on problems closer at hand. Moreover, involvement might damage Australia's commercial interests. The list of participants being canvassed by the Americans was very odd. In sum, the proposition probably could not be sold to the Australian public in its present form. However, the situation might be different if some "more respectable partners" e.g. the

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United Kingdom or Canada, were involved. The Prime Minister said that she fully understood Mr. Fraser's doubts. However, there was no question of British participation. We had not been asked to send a contingent. There were historical reasons for us not to do so. Our commercial interests pointed in the same direction. It might perhaps be easier for Canada. Mr. Fraser said that the commercial arguments weighed heavily with him. Following the Soviet invasion of Afghanistan, Australia had lost its wheat trade with China to the Canadians and with the Soviet Union to the Americans. It would be too much if on top of this they were to lose their trade with the Middle East as well. The Prime Minister said that Mr. Fraser seemed to have a cast iron case for refusing to participate if that was what he decided to do. Mr. Fraser said that the Prime Minister's reaction had greatly clarified the situation for him.

Namibia

Mr. Fraser asked for a progress report on Namibia. The Prime Minister said that we had made it clear to the Americans that the contact group must be kept in being. The idea of getting the Cubans out of Angola was an excellent one but it was not at all clear that a satisfactory link could be established with the situation in Namibia. If one made prior Cuban withdrawal a condition of a settlement in Namibia, the last case might be worse than the first. The result might be simply to strengthen the position of the Cubans, and perhaps of the East Germans, in Angola. It was clear that President dos Santos relied on the Cubans for civil as well as military assistance. Mr. Fraser said that it would be helpful if there were evidence of some movement in the Namibian situation by the time CHGM assembled. Otherwise there was a risk of unhelpful resolutions from the African participants. The Prime Minister said that she took the point, but doubted whether there would be much evidence of movement by the end of September. President Reagan was still concentrating primarily on domestic issues. The important thing would be to keep up the pressure on the South Africans, for whom she held no brief.

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Mr. Fraser wondered how much time was needed. The Prime Minister said that originally she had thought results would have to be achieved this year. Now she was not so sure. The South Africans were very stubborn. They expected President Reagan to back them. However, sooner or later the practical aspects of the situation would make themselves felt in Washington. Mr. Fraser said that Mr. Haig had indicated to him when he was in Washington that the South Africans were proving very tough. Clearly more time would be needed but the process could not be extended indefinitely. The Prime Minister agreed and repeated that in the meantime it was essential to keep the contact group, which was meeting that day, in action.

North/South

The Prime Minister asked what other subjects the African participants were likely to want to discuss in Melbourne. Mr. Fraser said that, above all, they would be interested in North/South issues. He had been glad to see the reference to the global negotiations in the Ottawa Declaration. The Prime Minister said that she did not believe the global negotiations would produce substantive results. However, other countries wanted them and therefore they had to go ahead. There was no point in arguing about that. But the global negotiations must not result in an attempt by the participants to dictate terms to existing international institutions. HMG would not put money into those institutions if they were to be dominated by non-contributors. Mr. Fraser said that the question was largely one of symbolism. Many countries felt that they were denied influence in the existing institutions. They favoured the global negotiations because in that sort of forum they could be part of the process.

The Prime Minister said that one could perhaps look at changes in some of the existing institutions, e.g. to take account of the position of the oil exporting countries. However, it was by no means clear that those nations were keen on, for instance, the establishment of an energy affiliate. There was not much point in arguing about this if the Saudis did not want it.

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Mr. Fraser agreed, but said that if some measures along those lines could be taken, it would affect the perceptions of many countries.

The Prime Minister said that since so many developing countries were capital-hungry, there might be more advantage in looking for arrangements which would make investment in them easier. An international code of practice might be helpful. But Mr. Fraser said that this could perhaps come out of the global negotiations. The Prime Minister expressed scepticism. The Prime Minister added that she recognised that many countries were not credit-worthy and would not attract capital. They had to be the recipients of aid. That was why the United Kingdom concentrated its official aid on the poorest countries. Mr. Fraser said that he recognised Britain's aid record was a good one. The Prime Minister asked about Australia's position on imports of third world products. The UK's policy was a liberal one. Mr. Fraser said that on a capital basis access to the Australian market for third world countries was very large. Australia was a huge importer of such products as textiles and footwear. There was a developing country preference. ASEAN was increasing its exports to Australia at some 30% a year.

Mr. Fraser said that he discussed the question of how to handle North/South issues at CHGM with Mr. Ramphal. He had shown Mr. Ramphal a draft Declaration of Intent which he hoped could be issued in Melbourne. Mr. Ramphal would like the text to go further. Mr. Fraser said he thought that it was about right. He then handed a copy of the draft (attached) to the Prime Minister. He hoped that it could be appended to the usual communique. It should have some impact since it would come out two weeks before the Summit at Cancun. He hoped that it would not be "mauled by the bureaucracy".

The Prime Minister, who read the text through rapidly in Mr. Fraser's presence, said that she was anxious that nothing should be said at CHGM which would encourage people to think that

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the North/South problem was merely one of the redistribution of wealth. The fact was that the electorates in neither the UK nor Australia would be prepared to accept a lower standard of living in order to raise that of the third world. In any case, the argument that the developed world was responsible for poverty in the third world was totally false and language which implied that should be rejected. (Mr. Fraser indicated that he fully agreed with this last point). The draft Declaration of Intent would immediately give rise to the question "what are you going to do?". Mr. Fraser said that if he were asked this question he would say that it was one for resolution at Cancun and in the global negotiations. The Prime Minister said that, in other words, the answer was "let's hold more talks". Mr. Fraser agreed, but added that was in any case what the third world wanted.

The Prime Minister said that she hoped that there could be more than just talk. The potential of the developing countries was enormous. What they needed was new capital, more technical aid and, above all, will power. Mr. Fraser said that he thought they had the necessary will power but that they lacked organisation. The Prime Minister agreed and commented that one could see this in countries like Nigeria and Zambia particularly when compared with a country such as Malawi which had succeeded in organising itself effectively. Mr. Fraser commented on the difficulties facing the many countries which depended excessively on a single commodity. The Prime Minister agreed. She noted that we were encouraging the European Community to associate itself with the International Sugar Agreement. Mr. Fraser welcomed this and said that he very much hoped that Community membership could be pushed through.

Pakistan

Mr. Fraser said that he had been considering what could be done about Pakistan's wish to rejoin the Commonwealth. The Prime Minister said that the question could not be raised unless Mrs. Gandhi had made it clear that she would be content to see Pakistan back. Mr. Fraser said that he intended to ask Mrs. Gandhi

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in Delhi next week whether, if Pakistan asked to rejoin, she would agree. He was confident that if the Pakistan Government knew that a request would be granted, they would ask. The Prime Minister said that she had no objection to Mr. Fraser proceeding as he proposed. However, she doubted whether Mrs. Gandhi would in fact agree.

The discussion ended at 1815.

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31 July 1981

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