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10 DOWNING STREET

From the Private Secretary

14 May 1984

Dear Sir,

Call on the Prime Minister by the Australian Minister for Foreign Affairs

Mr. Hayden called on the Prime Minister at 1600 hours today for a conversation of some thirty minutes. He was accompanied by the Australian High Commissioner and Mr. Costello. Sir William Harding was also present.

The Prime Minister welcomed Mr. Hayden and commented on the economic opportunities available to Australia. Mr. Hayden said that Australia had a strong resource base. The Prime Minister of Singapore, who had moved a lot of money to Australia, had said that he was not concerned about his investment because Australia was a country which would succeed. In Mr. Hayden's view, if Australia had a larger population, say some fifty million people, it would be forced to moralise less and work harder. The Prime Minister recalled that at CHOGM Mr. Hawke had made much the same speech as she had on economic questions. She had the impression that the States of the South East Asian area were coming together more under Australian leadership. Mr. Hayden agreed but said that the process was not without strain. The ASEAN concept had been most successful. Countries that had once confronted each other were now talking together. There was considerable superficial agreement on policy, for example, on Vietnam and Kampuchea. But beneath the surface there were still large differences, for example between Indonesia, Singapore and Thailand. There were even differences of policy within Indonesia. Australia had to be very careful because there was some suspicion that it was playing on these divisions.

/The Prime Minister

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The Prime Minister then turned the discussion to Hong Kong. We had a moral responsibility for the people of Hong Kong - and derived practically no revenue from it. Australia was aware of China's policy for the future of the Territories. Although we and China sometimes used the same words, we differed as to the meaning of those words. The recent UMELCO statement had been issued without reference to us. But she understood why it had been promulgated. We had a moral responsibility to obtain the best agreement that we could and to attempt to see that it was upheld. We understood the worries and anxieties of the people of Hong Kong.

Mr. Hayden said that Australia shared the British view. It sincerely hoped that we would succeed in our aims. A position of considerable instability could be created if large numbers of people tried to leave Hong Kong quickly. The Chinese concept of freedom was very different from ours. The Bank of China seemed to understand what the free enterprise economy meant but he was less certain that those in charge in Peking had the same comprehension. The Prime Minister commented that those who visited Peking from Hong Kong were often afraid to say what they thought. We had to go on negotiating. We wanted to stay friendly with China but we had to discharge our duty to the people of Hong Kong.

Mr. Hayden said that he would have thought that by now there would have been more evidence of the underlying anxieties. But there had as yet been no change in the number of applications from Hong Kong residents to come to Australia. These applications amounted to only a few thousand a year. If those Hong Kong residents who were skilled in the operation of the money market decided not to stay in the Territories Australia would be glad to have them. But (though he could not say this publicly), if everything went wrong Australia would be very concerned at the prospect of substantial numbers of people moving out of Hong Kong. There had just been an unpleasant debate in the Australian Parliament, the like of which he had not seen in twenty-three years. It had had distinct racist overtones.

Mr. Hayden then raised the question of the UK nuclear testing at Maralinga in the 1950s which he had discussed with Mr. Luce earlier in the day. The British Government had been very helpful in helping the Australian Government to deal with this controversy. It was recognised that the Nuclear Proliferation Treaty imposed limits on the information which we could supply. One area of controversy was a series of non-explosive tests conducted in the period up to 1963. The Australian High Commissioner had been instructed to approach the Foreign and Commonwealth office

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to see what information could be provided. The Australian internal debate on these matters had a substantial emotional content. There had been complaints by ex-service personnel that they had been exposed to high levels of radiation - though there was no evidence of this. There had also been newspaper talk of secret trials. Most of the people engaged in this debate felt genuine concern and there was a political need to alleviate it. He repeated that the Australian Government appreciated the action taken by Britain.

The Prime Minister said that we had done all we could to provide appropriate assistance and had supplied full information except such as would contravene our obligations under the Non-Proliferation Treaty. Sir William Harding referred to the statement issued by the High Commission in Canberra on 4 May dealing explicitly with some of the points raised by Mr. Hayden.

After a brief and general discussion of arms control matters, Mr. Hayden said that he hoped that the British battle in the European Community to change the CAP would be successful. The CAP turned on their head the fundamental laws of international economics. The Prime Minister said that the struggle was difficult. European surpluses, like American surpluses, produced difficulties for Australia - as did the competition in subsidised exports. But we would continue to fight for change. It now seemed unlikely that a settlement of the budget issue would be achieved before the European elections.

I am copying this letter to Richard Mottram (Ministry of Defence).

*Your ever*

*Joh Wals.*

Peter Ricketts Esq  
Foreign and Commonwealth Office.

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File 13

10 DOWNING STREET

*From the Private Secretary*

14 May 1984

HELICOPTERS FOR AUSTRALIAN  
FRIGATES

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Thank you for your letter of 14 May. I am afraid that an opportunity did not arise for the Prime Minister to discuss this question with Mr. Hayden.

A. J. COLES

Miss Wendy Anderton,  
Ministry of Defence.

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C. DEFENCE :  
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MO 14/5

14th May 1984

*Dear John,*

HELICOPTERS FOR RAN FRIGATES: SUPPORT FOR WESTLANDS

The competition for frigates for the Royal Australian Navy (RAN) frigates has been narrowed down to one between the Sikorsky Sea Hawk and Westlands Lynx 3. The RAN, in general, prefer the larger Sea Hawk; but the Lynx 3 has considerable advantages - not least in cost. The final decision is likely to be taken in the next month or two, on political as much as military grounds.

In these circumstances the High Commissioner in Canberra has recommended that Mr Hayden's visit to London provides an excellent opportunity to give the Westlands case timely support. I attach a short brief, in case the Prime Minister has the time and/or opportunity to raise the matter in her talks with Mr Hayden.

*yours ever*

*W Anderton*  
(W ANDERTON) (MISS)

A J Coles Esq



HELICOPTERS FOR RAN FFG FRIGATES

POINTS TO MAKE [REDACTED]

1. We attach great importance to Westlands securing the RAN contract for helicopters to be based on their guided missile frigates. We believe that the Lynx 3 helicopter will meet the RAN requirement at a cost substantially less than the Sikorsky Sea Hawk. The close military and industrial co-operation created by such a purchase will be of long term benefit to both our countries.

2. During his visit to Australia last year Minister(DP) proposed that there should be more collaboration between our two countries. We endorse that statement and are giving full consideration to the Westlands proposals for Australian collaboration on their helicopter projects.

3. We welcome the proposed visit by Defence Minister Mr Scholes and believe that this will provide a useful forum in which to discuss the various suggestions for defence and industrial co-operation currently under consideration.

ESSENTIAL FACTS

1. The competition for this requirement has been narrowed down to the Westlands Lynx 3 and the Sikorsky Sea Hawk. The Lynx is the cheaper option but the Sea Hawk more fully meets the Australian operational specification.

2. Both companies have recently responded to a supplementary tender requesting additional information and costings for an initial procurement of 8-12 aircraft. (The value is approximately £50 million). This is seen as just the first tranche of a much larger RAN requirement. The project is now going through the final committee stages and a decision is expected in July this year; the successful contractor will be well placed, in terms of continuity of supplies and logistical support, to compete for the later helicopter requirements of the RAAF and Australian Army.

3. At the request of Westlands, MOD has agreed to provide support in the following areas:

- a. Evaluation trials at A & AEE to substantiate the results of the Westlands development programme.
- b. Availability of MOD ranges for weapon trials.
- c. Advanced crew training, including operation off RN ships, after delivery of the aircraft but prior to their departure to Australia.
- d. Oversight of manufacture by MOD Quality Assurance Directorates.



- e. Assistance in the logistic support, under the UKLSA arrangement, of the aircraft in so far as the aircraft retains commonality with helicopters in UK service.
  - f. A & AEE assistance in certification of the aircraft.
4. There has recently been some concern expressed by the RAN on the effectiveness of the Gem 60 engine and Engine Usage Monitoring System (EUMS) and reassurance has been sought from MOD. A reply will be sent to Australia this week, stating confidence in the engine and EUMS system. Certification is expected in advance of the RAN requirement.
5. On the industrial side Westlands proposals for setting up an Australian Helicopter Industry (AHI) have fallen through and they have now put forward a new set of proposals concentrating on 3 areas:
- a. An Australian interest in one of their 3 major projects, Lynx, W30 or EH101.
  - b. Westlands to represent the Australian Aircraft Corporation (AAC) in the UK in marketing the A20 basic trainer for the RAF AST 412.
  - c. Joint UK/Australian collaboration on procurement of support helicopters for the RAF and RAAF. (The timescale and requirements of the RAAF are similar to those in AST 404).
6. This would provide long term employment opportunities in Australia and also aid the development of their indigenous





defence industries. MOD and DTI approval would need to be given to these proposals and this is currently being considered. Minister(DP) will be writing on this to Mr Scholes, Minister for Defence, shortly and will also meet Mr Scholes during his proposed visit to the UK next month. Secretary of State for Industry is also expected to write to Senator Button of the Ministry for Industry and Trade.