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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 November 1988

Dear Bob,

AUSTRALIA

BN

Thank you for your letter of 28 November summarising the action which has been taken to give Australia a more prominent place in our foreign policy. The Prime Minister has noted this and commented that she hopes the effort will continue. She would like to have a further report a month before Mr. Hawke's visit next year.

I am copying this letter to Brian Hawtin (Ministry of Defence), Neil Thornton (Department of Trade and Industry) and Tom Jeffery (Department of Education and Science).

*Yours sincerely,
C. D. Powell*

(C. D. POWELL)

R. N. Peirce, Esq.,
Foreign and Commonwealth Office.

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RJ



Foreign and Commonwealth Office

London SW1A 2AH

28 November 1988

Prime Minister
CDP 20/xi

Dear Charles

Australia

In your letter of 7 August you reported the Prime Minister's conviction that Australia deserves greater priority in our foreign policy and asked for an interim report - by 1 December - of action being taken to follow up her visit there.

The Foreign Secretary decided to set up an inter-Departmental group (the Whitehall Australia Group - WAG), chaired by Under-Secretary level by the FCO, to co-ordinate further action. Since the Prime Minister's visit the WAG has met once a month. It will continue to do so next year to prepare for Mr Hawke's visit in June.

All members of the WAG have contributed to the enclosed report. The Group has paid special attention to measures to improve our export performance in the Australian market. It has also discussed other ways of advancing British interests in Australia, in particular through the Ministerial visits now planned.

Lord Young visited Australia shortly after the Prime Minister. Since then the Section in the DTI responsible for trade with Australia has been brought up to full strength, and arrangements are in hand for a one-day conference on Anglo-Australian trade and investment during Mr Hawke's visit to Britain in June 1989.

Defence links with Australia were already strong, with close co-operation across a wide range of military activities. This will, of course, continue, but Australia has also been singled out for a special effort to improve our defence export performance. A dedicated Defence Sales post is being created in our High Commission in Canberra, and the Defence Secretary will make sales a major theme of his visit to Australia in March next year.

Further information on action taken, particularly on defence exchanges and defence sales, is available should the Prime Minister require it.

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I am copying this letter to Brian Hawtin (Ministry of Defence), Neil Thornton (Department of Trade and Industry) and Tom Jeffery (Department of Education and Science).

Yours ever

R N Peirce

(R N Peirce)
Private Secretary

C D Powell Esq
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FOREIGN AND COMMONWEALTH OFFICE

Since August the Minister of State, Lynda Chalker, has visited Australia as leader of the British delegation to the Commonwealth Parliamentary Association annual conference. She had discussions with a number of Australian Ministers including Prime Minister Hawke. Sir Patrick Wright visited Australia in October for talks with senior Australian officials. A joint FCO/MOD team led by the FCO Deputy Under-Secretary (Defence and Intelligence) visited Australia in November to discuss political, military, intelligence and counter-terrorism issues.

The Minister of State, Lord Glenarthur, intends to visit Australia in March 1989 and the Foreign Secretary hopes to be able to visit Australia again in 1990.

The FCO plan to strengthen bilateral cooperation by increasing the number and scope of regular exchanges at official level.

The number of FCO category 1 sponsored visits for Australians is being increased.

ODA

ODA has increased its contacts with its counterparts in the Australian International Development Assistance Bureau (AIDAB). An Under Secretary visited Australia in October to discuss our aid policy in the South Pacific (where most Australian aid is concentrated) and Australian involvement in other regions. Mr Caines, Permanent Secretary, ODA, plans to visit Australia in June 1989.

Defence

Defence relations between the UK and Australia are close and cordial. There are frequent exchanges of personnel and joint or reciprocal exercises. Substantial numbers of Australian service personnel attend military training courses in the UK. The UK and Australia, together with New Zealand, Singapore and Malaysia, are members of the Five Power Defence Arrangement, which is entering a new phase of activity as an important security organisation in South East Asia.

The Defence Secretary will visit Australia in March 1989.

Defence Sales

Australia has been singled out for special effort by the Defence Export Services Organisation (DESO). A number of initiatives have been taken in 1988 to acquaint companies more fully with the Australian market. The new DG Marketing made Australia his first overseas destination on taking up his appointment. A new DESO post at First Secretary level is being created at the High Commission in Canberra. The post should be filled by April 1989.

Department of Trade and Industry

The Secretary of State for Trade and Industry paid an official visit to Australia from 28 August - 3 September 1988. Lord Young's report on the visit was sent to the Prime Minister on 16 September.

Following the Prime Minister's visit, steps have been taken to ensure that the section of the DTI responsible for commercial relations and trade promotion with Australia is maintained at full strength to follow up new export opportunities and undertake the organisation of a one-day conference on Anglo-Australia trade and investment next year in London. Arrangements are in hand for this to take place on 22 June in the Queen Elizabeth II Conference Centre during Mr Hawke's visit. Our High Commissioner at Canberra has recently been instructed to put Lord Young's proposals for the Conference to the Australian Government. Their response is awaited.

Treasury

The Treasury has taken a keen interest in developments in Australia as the Australian Treasury has in developments here. There are parallels in the way both countries have been undertaking structural reforms (eg abolition of exchange controls and reform of personal and company taxation) to promote a more efficient economy although there are also some significant differences in approach. Meetings between the Chancellor and Mr Keating have been frequent; the last one took place in October. The Financial Secretary also met his Australian counterpart in September.

Bank of England

The Bank has also taken a close interest in developments in Australian financial markets and the increasing activity of British banks within them. At the same time the internationalisation of the Australian banking system has involved Australian banks in acquiring some UK banking institutions. This has required maintenance of a close

dialogue between the UK and Australian supervisory authorities.

In addition the Governor meets Governor Johnston of the RBA at the monthly BIS Central Bankers' meetings. Australian Ministers and senior Treasury officials call on the Governor or Deputy Governor from time to time.

Agriculture, Fisheries and Food

In addition to contact with Australia over specific commodity questions, MAFF has frequent contact over agricultural trade policy negotiations. Australia and UK objectives in the agricultural part of the current GATT Round are close. In fisheries, the UK and Australia work closely together and with other like-minded countries in the International Whaling Commission on whale conservation issues.

Consideration is being given to a visit to Australia by the Minister of Agriculture.

Department of Education and Science

The Secretary of State for Education and Science will visit Australia in April 1989. The visit will enable Mr Baker to:

- exchange views and information on education reform.
- focus on education-industry links;
- and support Acorn's further penetration of the school IT market.

The Parliamentary Under Secretary of State, Mr Robert Jackson, visited Australia from 26 August - 6 September 1988, to attend the inauguration of the Australia telescope and to discuss higher education developments.

Department of Social Security

The UK's policy of not uprating retirement and widows' pensions payable to pensioners in Australia when cost of living increases are paid in the UK is a source of resentment to the Australian Government and to the pensioners affected. There has been recent correspondence between the Prime Minister and Mr Hawke on this subject. The issue is still being considered, though no additional funds were made available in this year's PES round. Relations on social security matters other than pensions are good - for example the reciprocal social security agreement with Australia was amended last

year at their request to prevent abuse by visitors on holiday but with a right to work being enabled to claim unemployment benefit.

Scottish Office

Australia is regarded as an important developing area for inward investment in Scotland and regular visits by Locate in Scotland staff are planned to follow up those made in 1988. Agents have been appointed to develop commercial relationships further. The Clydesdale Bank has improved its overall performance since its takeover by the National Australia Bank in 1987.

Welsh Office

There is a range of academic and industrial links between Wales and Australia as well as sporting, cultural and health ties. The Secretary of State for Wales welcomes opportunities to build on these.

Northern Ireland Office

Australia takes a generally constructive interest in Northern Ireland and the Government formally welcomed the signing of the Anglo-Irish Agreement. The High Commissioner in London visited Northern Ireland in May 1988 and intends to go again in January 1989. The new Ambassador to the Republic, (and former Premier of Western Australia) Mr Burke, had talks with Mr Viggers and officials in London before taking up his post and visited the Province in November.

British Council

Following the Bicentenary celebrations, the British Council has redeployed existing funds to maintain a higher level of activity in Australia.

A proposal for a new scholarship scheme to send Australian students to Britain for post-graduate studies, to be funded from the private sector, is under consideration.

Lord Chancellor and The Speaker

The Lord Chancellor and the Speaker visited Australia in August in order to attend the inaugural session of Parliament in the new Parliament House in Canberra. The Lord Chancellor hopes to visit Australia again in August 1989 for a legal conference and to carry out a bilateral programme.

A proposal to enhance the Australian copy of the Constitution Act will be submitted to the Prime Minister by the Lord Chancellor's Department shortly.

Attorney-General

The Attorney-General visited Australia in October at the invitation of the Australian Government and met most of the leading figures in the legal field in Australia.

Parliamentary Delegation

A six-man delegation from both Houses led by Sir Bernard Braine visited Australia from 1-12 November. They called on the Governor-General, Minister for Foreign Affairs and Trade and both Presiding Officers of the Australian Parliament.

FOR POL : visits to Ant etc pt 2

