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Foreign and Commonwealth Office

London SW1A 2AH

19 June 1989

Jean Charles.

Visit by the Prime Minister of Australia

This letter contains briefing to update the Prime Minister on major international issues.

SECURITY ISSUES

The Prime Minister can give Mr Hawke a first hand account of the NATO Summit.

As the START talks resume on 19 June, the Prime Minister may wish to reaffirm our support for the goal of 50% cuts in US/USSR strategic nuclear weapons.

On conventional arms control in Europe, the Prime Minister might say that the expansion of the Alliance's negotiating proposal has improved prospects for an early agreement and put the Warsaw Pact on the defensive for the moment.

On chemical weapons, the Prime Minister might say:

- UK will play active role at Conference on CW (Canberra 18-22 September). In touch with UK Chemical Industry about members of delegation.
- verification crucial in negotiations on CW ban.

Soviet Internal

The Prime Minister can underline the importance of the Congress of Peoples' Deputies and Gorbachev's handling of it, stressing:

- the unprecedented frankness of debates despite its big traditionalist majority;
- the live television coverage nationwide; and

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- the voicing of criticisms of the Army, Party privileges, even Lenin.

This represents the start of a process of shifting some power away from the Party but is only a first step; the CPSU still firmly holds the levers of power although it may now be increasingly accountable.

The Congress has pointed up the increasing contrast between the pace of political reform and continuing economic stagnation. Gorbachev's reform programme cannot proceed indefinitely so long as there continues to be little grassroots support and no sign of economic progress.

There is also the difficulty of introducing fundamental reform in a multinational empire largely held together by the threat of force.

#### Anglo/Soviet

The Prime Minister will wish to stress our continuing commitment to developing more substantial UK/Soviet relations. The Soviet response to the recent expulsions was disappointing and without justification. But, despite the threat of a ceiling, the Russians - like us - are keeping their eye on practical business over a wide range of issues.

Mr Hawke will be interested in the Prime Minister's impression of Gorbachev's recent visit to the UK.

#### Soviet Far Eastern Policy and the Pacific

Gorbachev's visit to Peking from 16 to 18 May was viewed with particular interest in Canberra. The rapprochement is important in its own right, and has been made possible by the Soviet withdrawal from Afghanistan, a more positive Soviet policy over Cambodia, and troop withdrawals from Mongolia and the Soviet Far East. It will help Soviet efforts to become more engaged in the Asia/Pacific region as a whole.

The Prime Minister may like to draw out Mr Hawke on the Australian assessment of Soviet foreign policy.

The Prime Minister will wish to remind Mr Hawke of the continuing ambiguities in Soviet foreign policy (eg wedge-driving in NATO, arms sales to Libya, and continuing high level of KGB activity).



Mr Hawke will be going on to Washington after his visit to Britain.

#### ECONOMIC ISSUES

Mr Hawke will be briefed on issues likely to come up at the G7 Summit in July. He is considering sending a message once again to all Summit participants, outlining Australia's views on the agenda. It will probably focus on trade, debt and the environment. On the major macroeconomic issues, the Australians are sound.

They see eye to eye with us on trade and agriculture. We want the Summit to welcome the agreements reached at the Mid Term Review of the Uruguay Round, concluded in April, and to give a strong political commitment to a successful conclusion of the Round in 1990. The US may come under pressure in Paris on unilateral action and the Super 301 process. But the Japanese may not press the issue too hard for domestic reasons.

The Australians share our opposition to middle-income debt initiatives which involve a transfer of risk from the private to the public sector. Like us, the Australians will not favour any proposals involving further public sector contributions. The Australians have gone along only reluctantly with the Paris Club concessions for the poorest debtors agreed at last year's Toronto Summit, on Britain's initiative. Mr Hawke may seek reassurance that the Summit will not extend the concessions to Egypt and Nigeria. This is unlikely to be discussed at the Summit. We believe that Nigeria's eligibility may have to be considered in due course, but Egypt's per capita income is too high.

The Prime Minister will wish to tell Mr Hawke that we expect the environment to feature prominently at the Summit. We welcome this (so will Mr Hawke). In particular, the Summit could give a boost to the need to base environmental decisions on sound economics, as well as sound science.

It is still too early to be certain what issues should be covered in the political declaration, but obvious themes include East/West, China, human rights and terrorism post-Lockerbie.



### Asia/Pacific Economic Cooperation

In a speech in Seoul in January Mr Hawke called for a "formal intergovernmental vehicle for regional cooperation" in the Asia-Pacific area. A special envoy (Mr Richard Woolcott) has since toured regional capitals. He was generally well received. But ASEAN countries are hesitant; so too are the Japanese. The Australians now wish to convene a regional Ministerial conference to discuss their ideas. The Prime Minister will wish to say that we welcome regional cooperation, as long as it promotes, the multilateral trading system and does not erode the OECD.

/ A background note is at annex A.

### TRADE ISSUES

The Australians strongly support trade liberalisation through the Uruguay Round. Mr Hawke warmly welcomed the successful outcome of the TNC meeting in Geneva in April. Australia is most interested in agricultural trade and founded the Cairns Group of agricultural free traders in GATT. The Australians have not been prominent in expressing concern about 1992, but they are worried about it. The Prime Minister will wish to reassure Mr Hawke of our commitment to trade liberalisation and the liberal principles guiding the Single Market process. The Prime Minister could say:

- fully share commitment to liberalisation through Uruguay Round;
- welcome successful outcome of April Trade Negotiations Committee. Firm basis for second phase of negotiations;
- must tackle many difficult issues. Strong political will needed on all sides if to reach agreement.
- UK committed to fundamental agriculture reform. Have to work within EC. Have had some success: 1988 CAP reforms working well. But must go further.
- 1992 should encourage global liberalisation in the Uruguay Round. No question of "Fortress Europe".
- Australia well placed to take advantage of Single Market. 320 million consumers.



### Coal Subsidies

Mr Hawke will raise the question of coal subsidies. Australian producers see European power stations as major potential customers. But they complain that restrictive agreements between domestic producers and generating companies, and subsidies to producers, restrict their exports. The Prime Minister should make the following points:

- (1) The agreements between British Coal and the CEGB are a result of commercial judgement. UK electricity generators can buy their coal wherever they choose. There are no Government restrictions on imports.
- (2) UK aid to producers lowest in EC on a £ per tonne basis. The 1987 (1987-88 in the UK) figures are:

	Belgium	France	Germany	Portugal	Spain	UK
£/tonne	58.1	49.6	59.1	6.9	12.0	6.6

- (3) Average pithead price of British coal in 1988 was £41 per tonne. This 12% higher than the average CIF price of imported coal (£36.50), not 180% as sometimes alleged in Australia.
- (4) UK policy is to phase out aid over a period until we produce coal at world market prices.

### MIDDLE EAST

The Prime Minister could summarise her talks on Arab/Israel with Mr Shamir (22 May), President Bush (1 June), and the Egyptian Foreign Minister Dr Magid (6 June). Mr Shamir's election proposals represent a useful step forward, but, as she made clear to him, they are flawed by the absence of a clear promise that they would lead to negotiations based on 'land for peace'. They need elaboration and clarification to make them acceptable to Palestinian opinion. We should like to see the PLO nominate Palestinian representatives in the Occupied Territories who might discuss the elections plan with the Israelis. Building on Mr Shamir's proposals, as the Americans are also determined to do, requires the constructive engagement of both sides. The Prime Minister underlined to Mr Shamir our concern about the situation in the Occupied Territories.

If Mr Hawke asks about our contacts with the PLO, the Prime Minister could say that we see no problem in



principle about further contacts with the PLO, provided that Arafat sticks to his moderate line. But we have no plans at present to meet Arafat.

On Lebanon, the Prime Minister could stress the UK's support for the Arab League's Three Man Committee (she will have met Prince Saud), drawing attention to the statement issued by Foreign Ministers of the Twelve in Luxembourg on 12 June. She might add that, as long as the League is pursuing its initiatives, it should be allowed a free hand before the international Community considers alternative approaches, such as involving the UN Security Council.

#### Iran

While the death of the Ayatollah is certain to lead to changes in Iran, it is almost impossible to judge what will happen in the immediate future. The Prime Minister can say that our immediate concern remains that all Iranian threats against foreign citizens be withdrawn.

The Prime Minister will wish to thank Mr Hawke for Australia's co-operation over Iran in recent months. We have consulted closely, and Australia, like our European Partners, has imposed a ban on high level visits to and from Iran.

#### COMMONWEALTH ISSUES

##### CHOGM Agenda

The Prime Minister will want to stress our interest in seeing that important non-political items get the attention they deserve and that CHOGM avoids divisive treatment of Southern African issues, when what is needed is encouragement of the positive developments since Vancouver. The Secretary General's pre-agenda letter has just issued, and suggests topics like strengthening democracy, and the Commonwealth in the 1990s and beyond. The Prime Minister may wish to seek Mr Hawke's initial views on these items, and on the weight to be given to Environment and Drugs.

##### Secretary Generalship

I shall be writing to you separately about this.



### Southern Africa

At CHOGM Mr Hawke will press for financial sanctions against South Africa (exactly how this will be done procedurally will be decided at the next meeting of the Commonwealth Committee of Foreign Ministers on Southern Africa in Canberra on 7-9 August). The Prime Minister will wish to outline to Mr Hawke our view of how progress can best be achieved in Southern Africa and why we shall oppose all calls for sanctions:

- New era approaching in South African politics.
- UK urging new South African leaders to consider early initiatives for fundamental change (de Klerk in London this week).
- Timing of CHOGM crucial for Namibia.
- Sanctions at CHOGM would make reform politically impossible in South Africa and provoke South African withdrawal from Namibian independence process.
- Do not believe Governments should dictate to banks.
- British and Australian units in UNTAG worked well in Northern Namibia.

### ENVIRONMENT

The Prime Minister will wish to tell Mr Hawke of our proposal for a Convention on Climate Change, welcoming the fact that we and Australia have similar views, and to remind Mr Hawke that we are firmly committed to strengthening international institutions such as UNEP (where the UK is now the second largest contributor). We do not favour setting up a new international institution and very much hope Australia continues to support this approach.

If Mr Hawke raises it, the Prime Minister might say we have an open mind on where the 1992 UN Conference on Environment and Development might be held. A consensus will probably emerge at this year's General Assembly.

If asked, the Prime Minister can say that we are not attracted by the idea of a special international fund to help developing countries to deal with the environment. We believe existing international mechanisms should be used as well as bilateral arrangements.



## Antarctica

This issue will be high on Mr Hawke's agenda. The Australian Government has decided not to sign the Antarctic Minerals Convention, thus putting into jeopardy its entry into force, and is seeking international support to replace the Convention with a ban on all Antarctic mineral activity. Formerly a strong supporter of the Convention the Australians have changed tack for internal political reasons related to environmentalist pressures. We have told the Australians we are "disappointed" but are prepared to listen to their arguments. The Convention provides for greater environmental protection than any other politically feasible course of action.

It is very much in UK interests that the Convention should enter into force. If it does not, the present voluntary moratorium on minerals activity may collapse; unregulated mineral activity may follow, and lead to the unravelling of the Antarctic Treaty System.

The Antarctic Minerals Bill passed through all its stages in the House of Lords on 8 June, with bi-partisan support. But an MPs' letter campaign instigated by Greenpeace, coupled with the Australian move, may mean a rougher passage in the Commons than was expected. So, for political as well as policy reasons, it is important that Mr Hawke be given a clear message on where we stand.

The Prime Minister will want to make the following points to Mr Hawke:

- read his recent letter;
- Convention essential for management of our relations with Argentina and Chile, who lay claim to British Antarctic Territory;
- an effective alternative to Convention is unattainable;
- do not agree that Antarctic mineral activity should be banned; proper way to deal with environmentally sensitive issues is to regulate them in the interest of environmental protection; Convention a landmark agreement in this regard;
- prepared to work hard with Australia on practical measures to improve protection of the Antarctic





environment: there is much that can be done, eg on marine pollution, waste disposal and the Convention Liability Protocol (but not at the expense of Convention);

- we should do all we can to encourage cooperation between your scientists and British Antarctic Survey in research of global environmental significance (ozone, greenhouse).

/ A background note is at annex B.

I am copying this letter to Trevor Woolley (Cabinet Office).

*Jans.*  
*Stephen Wall*

(J S Wall)  
Private Secretary

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10 Downing Street

PRIME MINISTER HAWKE'S VISIT: INTERNATIONAL ECONOMIC ISSUES:  
ASIA/PACIFIC ECONOMIC COOPERATION

BACKGROUND

1. The idea of closer Asia/Pacific economic cooperation is not new. ASEAN has existed since 1970; the Pacific Economic Cooperation Conference (PECC) was formed in 1980. On 31 January, Australian Prime Minister Hawke made a speech in Seoul calling for a "formal intergovernmental vehicle for regional cooperation". Hawke said that although the PECC had identified areas of common interest within the region, it had been unable to address policy issues properly. His proposed forum would use the OECD as its model. The aims of the new organisation would be:

- (i) to improve the prospects for a successful Uruguay Round;
- (ii) to stimulate the liberalisation of regional trade on a multilateral basis;
- (iii) to identify scope for greater interdependence between the economies of the area; and,
- (iv) to provide analytical backup that could stimulate the development of the region.

Hawke stressed that his aim was not to create a Pacific regional trading bloc, nor to undermine the multilateral trading system.

2. Indonesia, Malaysia and Singapore have doubts about the Hawke initiative. They are convinced that a larger, looser group could undermine inter-ASEAN co-operation. Their preference is to build on existing ASEAN machinery, rather than create new structures. Mr Takeshita said in a speech in Jakarta on 5 May that countries of the Asia/Pacific region should think seriously about how best to promote cooperation in the future. But UK officials were told at the end of May that Takeshita had decided that there was no need to institutionalise Asia/Pacific cooperation "for the time being".

VISIT TO BRITAIN BY THE PRIME MINISTER OF AUSTRALIA:  
20-24 JUNE 1989

ANTARCTICA: BACKGROUND NOTE

1. Antarctic Treaty of 1959 was result of UK initiative. We could find no other solution to our escalating dispute with Argentina and Chile over the British Antarctic Territory (shots had been fired).
2. The Treaty demilitarizes Antarctica, puts sovereignty questions in suspense and encourages scientific research. Present world-beating scientific excellence of the British Antarctic Survey a direct consequence of Cabinet decision in 1967 to rely on the Treaty as means of managing our Antarctic relations with Argentina and Chile. Hallmark of Treaty System has been its capacity to deal with looming issues before vested or territorial interest made them insoluble.
3. The minerals negotiations began in 1982. They were covered by a voluntary moratorium on mineral activity dependent on progress towards their "timely" conclusion. Negotiation proceeded from a common assessment that, in the absence of agreed rules, an unregulated scramble for Antarctic mineral resources was inevitable and that unregulated prospecting activity would revive the sovereignty issue in an acute form, causing possibly fatal damage to the Antarctic Treaty System, as well as damage to the Antarctic environment. Australia held these views in common with all other Treaty parties and was one of the parties which specifically requested the extension of the voluntary moratorium "pending the timely entry into force of the Convention". Australia's ratification as a claimant state is, like ours, essential to the entry into force of the Convention.
4. Contrary to public perceptions, Convention is weighted in favour of environmental protection. If Australia wishes to prevent

Antarctic mining on environmental grounds, the Convention provides mechanisms for them to do so. It is difficult to interpret their decision other than as playing to their domestic environmental gallery, but our High Commissioner in Canberra believes they will be hard to shift.

5. Australia is holding a gun at the head of the Antarctic Treaty System. If the Convention is not to become a dead letter, with all the severely damaging consequences for our political, scientific and environmental interests that would follow, the only courses of action available to us are to assume the Australians can eventually be won round, and meanwhile, to give the Australians time by seeking additional environmental protective measures - but not at the expense of the Convention.

6. France is also having difficulties with its environmentalists, but has not yet decided which way to go. Mr Hawke will have tried to get them on his side. Our soundings of other Antarctic Treaty partners show widespread support for Convention and opposition to the Australian decision - notably on the part of the US and NZ.

7. Legislation to enable the UK to ratify the Convention (Antarctic Minerals Bill) passed all its stages in the House of Lords on 8 June with bi-partisan support. Because of Australian decision, we expect the Opposition in the Commons to use debate on the Bill in support of its environmental credentials.

Polar Regions Section  
South America Department

9 June 1989

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Dear Margaret

You will be aware that on 22 May the Australian Government announced that it had decided not to sign the Antarctic Minerals Convention but to propose an alternative course aimed at achieving the comprehensive protection of the Antarctic environment. The Australian Government has a strong commitment that no mining at all, including oil drilling, should take place in Antarctica.

Although the negotiation of the Antarctic Minerals Convention began in 1982, it was based on resource and environmental assumptions that were prevalent in the early to mid 1970s. The view then was that, with proper regulation and with the eventual development of appropriate technology, mining could take place consistent with the protection of the environment and the preservation of the Antarctic as an invaluable scientific laboratory.

I believe these assumptions now deserve reconsideration by Governments. There has of late been a profound change in the appreciation of the world community and national Governments of the importance of protecting the environment. Accidents such as the oil spill from the Exxon Valdez in Alaska have demonstrated to many the impossibility of guaranteeing that accidents will not occur no matter how good the environmental safeguards are on paper. The margin for error in Antarctica is even less than it is elsewhere.

The Australian Government strongly believes the Antarctic Treaty System will continue to offer the best means of protection for Antarctica. We now propose to pursue the urgent negotiation of a comprehensive environmental protection convention within the framework of the Treaty System.

In this context Australia wishes to explore the prospects for the establishment of an Antarctic Wilderness Park. While this objective will represent a change in the course followed to date by the Antarctic Treaty Consultative Parties, my Government believes it should have the ultimate effect of strengthening the Treaty System, a process to which we are firmly committed.

An assurance that mining was no longer a possibility would also greatly reduce external pressures on the Treaty System.

In 1964 the Consultative Parties acknowledged Antarctica as a special conservation area. A progression to an Antarctic Wilderness Park bringing all existing activities under its purview is, I firmly believe, a logical extension to that idea.

I look forward to the opportunity of presenting our ideas to you in greater detail when we meet later this month in London.

Yours sincerely,

Bob Hawke

