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10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

21 June 1989

*SUBJECT CC MASTER*

*Dear Stephen,*

**BRITISH/AUSTRALIAN CONSULTATIONS:  
PLENARY SESSION AND LUNCH**

I enclose a record of the discussions in the plenary session of the British/Australian consultations this morning, which continued over a working lunch.

I am copying this letter and enclosure to Brian Hawtin (Ministry of Defence), Alex Allan (Treasury), Neil Thornton (Department of Trade and Industry), Roger Bright (Department of the Environment) and Trevor Woolley (Cabinet Office).

*Yours sincerely,*

CHARLES POWELL

Stephen Wall Esq  
Foreign and Commonwealth Office

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RECORD OF THE PLENARY SESSION OF THE BRITISH/AUSTRALIAN  
CONSULTATIONS HELD AT NO 10 DOWNING STREET ON WEDNESDAY  
21 JUNE 1989

Prime Minister	Mr Hawke
Secretary of State for Foreign and Commonwealth Affairs	Senator Evans, Minister for Foreign Affairs and Trade
Secretary of State for Defence	Senator Button, Minister for Industry, Technology and Commerce
Secretary of State for Trade and Industry	Mr Beazley, Minister for Defence
Sir Percy Cradock	Australian High Commissioner
Sir John Coles	Mr Bowan, Adviser to the Prime Minister for Inter- national Relations
Mr Charles Powell	

Introduction

The Prime Minister said that the British/Australian Summit was a unique and historic meeting. During her visit to Australia in 1988, she and Mr Hawke had agreed to foster closer relations between Britain and Australia and to hold regular consultations. The present meeting was similar in form to our regular summits with the French and German Governments. The message to go out from it should be that both sides wanted to draw closer to each other in an uncertain world. It also showed that Britain wanted to be involved in the Pacific area. Mr Hawke thanked the Prime Minister for the welcome which he and his party had received. He endorsed her comments about the meeting. She deserved full credit for having restored impetus to relations between Britain and Australia. There had never been a meeting of this sort between Britain and Australia before, and the message would not be lost on people in both countries or more widely. It was a very positive development.



The Prime Minister then proposed that individual Ministers should be asked to report on their separate discussions.

#### Foreign Affairs

The Foreign Secretary said that he and Senator Evans had discussed events in China, on which the two Governments' views were very similar. Both utterly condemned the Chinese Government's behaviour while wishing to help open channels of communication, in the hope of re-establishing support for sanity. He had explained the difficulties which Britain faced over Hong Kong and the need to restore the credibility and effectiveness of the Joint Declaration. He and Senator Evans had considered the situation which could arise in extremis after 1997, where very large numbers of people might want to flee Hong Kong. This was something which we might all have to face up to. Although it was not possible to make specific plans now, Senator Evans had said that Australia would be prepared to play its part in any wider action. The Foreign Secretary continued that he had expressed the hope that Hong Kong would be able to take part in the proposed Pacific Economic Forum, regardless of whether China participated.

The Foreign Secretary said that he had expressed Britain's enormous appreciation for the position which the Australian Government had taken at the Geneva Conference on Indo-Chinese Refugees and the help which they had given in dealing with the refugee problem. He had explained the need to keep up the pressure on Vietnam to take back those who were economic migrants rather than genuine refugees. They had also discussed the situation in Cambodia. It was not clear what effect events in China would have on the prospects for a settlement. But Britain and Australia had the common objective of seeing Pol Pot and those connected with him excluded from any future government.

The Foreign Secretary said that Britain had been rather startled by the latest Australian ideas on Antarctica. We understood their concern about the environmental issues and were ready to discuss these, but believed that the Antarctic



Minerals Convention remained essential. There was a difference of perception here.

Senator Evans said that the fundamental question was whether there should be any mining activity in Antarctica at all. Australia wanted to build a new consensus in favour of a comprehensive environmental protection convention. He did not think the present moratorium on mining activity would collapse. The Prime Minister pointed out that the Antarctic Minerals Convention, in the negotiation of which Australia had participated fully, made it possible to regulate mining. This was the best guarantee against environmental damage. Mr Hawke said there had been an enormous increase in public consciousness of environmental problems which had simply not been present at the time negotiations on the Minerals Convention had begun. The objective should be to ban mining altogether, although it was possible that at some point in the future there could be changes in technology which meant that the development of Antarctica could proceed without damage to the environment. The Prime Minister commented that we remained convinced that the Minerals Convention offered the most effective means of protecting the Antarctic environment. The United Kingdom would continue on the course of ratification. Mr Hawke said that he hoped Britain and Australia could increase co-operation between their scientists and researchers in Antarctica.

The Foreign Secretary said that he and Senator Evans had also discussed wider environmental questions. Australia had played a helpful part at The Hague meeting, emphasising the essential role of the United Nations in environmental matters. Senator Evans confirmed that Australia had not wanted The Hague meeting to cut across existing activities or create new institutions. He believed Australia and Britain could work together successfully in this area. The Prime Minister commented that European initiatives in the field of the environment were not always well thought out or based on proper scientific analysis. This had been evident, for instance, in the recent decision to introduce three-way



catalysts for small cars. The effect of this decision would be substantially to increase the quantity of carbon dioxide in the atmosphere, as well as to increase consumption of fossil fuels.

### Defence

The Defence Secretary reported that relations between the British and Australian armed forces and defence industries were an important part of overall relations. He had briefed Mr Beazley on the recent NATO Summit and for the conventional force reduction negotiations. He had also reaffirmed the United Kingdom's commitment to the Five Power Defence Arrangements, and the United Kingdom's intention to participate in an air defence exercise next year. He had mentioned to Mr Beazley indications that the Philippines were showing interest in participating in the FPDA. Both of them were sceptical about this. He had expressed Britain's gratitude to the Australian Government for their help over dry-docking of Royal Naval ships. They had reviewed developments in United States' and New Zealand defence policies and welcomed the excellent co-operation between the United Kingdom and Australian elements of UNTAG, which had been crucial to its success in the early stages. Finally, he had thanked Mr Beazley for Australia's participation in mine-clearance operations in the Gulf through the presence of its diving team.

Mr Beazley said that the most pleasing development was the extent to which the United Kingdom now treated the FPDA with more seriousness than for a decade. There had been a helpful commitment to take part in future exercises. There had also been some discussion of the possibility of establishing permanent exercise staffs. They had agreed that the situation in Namibia was likely to become difficult later in the year as pressure built up before the elections. The United Kingdom and Australian contingents might be called upon to take a more substantial role once again. On ships' visits, he had put forward a series of formulations which the United States had found useful. There would be further discussion of these.



Finally, they had considered the scope for collaboration between defence industries in areas such as air purification systems for submarines, pilotless aircraft and sonar buoys. To sum up, there were good things to report, most of all Britain's very welcome interest in defence matters in South East Asia. The only word of caution was the need to avoid any impression of trying to recreate SEATO.

### Trade and Industry

The Trade and Industry Secretary said that trade and investment between Britain and Australia was developing very satisfactorily. The United Kingdom's investments in Australia had doubled over the past five years and the United Kingdom was now the largest equity investor in Australia. Twenty-five trade missions would go from the United Kingdom to Australia over the next twelve months. He and Senator Button had discussed Australian concerns over referral of bids to the MMC. He had been able to point out that of thirteen merger proposals, only three had been referred and only one rejected. This had been purely on domestic competition grounds. The major conference on Trade and Investment the following day would be a most important event. More and more British businessmen saw Australia as the best way into the markets of the Asia-Pacific region.

Senator Button said that he and Lord Young had discussed how to get the best value out of the Trade and Investment conference. He welcomed the recent resurgence of interest in Australia by British investors. This had been matched on the Australian side: in 1987, Australia had been the third largest investor in the United Kingdom after the United States and the Netherlands. They had also discussed European Community matters, including Australia's fear that the proposed new merger control regulation would impose double jeopardy for companies from outside the EC. The Trade and Industry Secretary said that the Government was conscious of these fears and determined to avoid the problem of double jeopardy. We were also insisting that competition should be the only ground for referral. Senator Evans said that there were other



aspects of the Community's trade policy which caused concern such as anti-dumping actions and quantity restrictions. The Trade and Industry Secretary said that we were doing our best to prevent these being mis-used. The Prime Minister said that the Australian Government should make its complaints vigorously in Brussels. Mr Hawke asked whether the question of subsidies to the coal industry had been raised. Australia was disadvantaged by the policies pursued by Britain and Germany. The Trade and Industry Secretary said that the subsidy in the United Kingdom was £6.60 a ton compared with £58 in Germany, and similarly high figures in France and Belgium. Privatisation of the electricity industry was likely to improve the market for imported coal. The United Kingdom was very active in working for the reduction of State aids and subsidies of every sort in the European Community.

Mr Hawke said that Australia appreciated Britain's efforts to persuade the Community to adopt a more open position in the Uruguay Round. He wondered how the Prime Minister saw the prospects for success. The Trade and Industry Secretary said that the work done by the Cairns Group had been responsible for the breakthrough achieved last April. He hoped that the momentum from that would carry us through to a successful conclusion, not just on agriculture but also on intellectual property and services. The Foreign Secretary said that it was satisfactory to see Australia and the United Kingdom firmly in the lead. Senator Evans said that Australia would like to see an informal meeting of Trade Ministers before the end of 1989. It would be important to get all the agenda items for the negotiations on to the table by the end of the year. He hoped that the GATT Secretariat would prepare its own negotiating draft.

#### Lunchtime Discussion

In a brief discussion of the Australian economy, Mr Hawke said that Britain and Australia faced many similar problems. Economic performance in both countries had been too strong and it was taking a long time to achieve a slow down.



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Mr Hawke raised the question of the Middle East. Australia had traditionally been a strong supporter of Israel. But the Government took the view that there had been a real change in the Arab and PLO position. There was now an obligation on Israel to come forward with a more positive response. The Prime Minister said that the way forward lay in building on the Israeli proposal for elections in the Occupied Territories. She did not think Mr Shamir would ever bring himself to make the concessions on territory which would be needed to secure a peaceful solution. Mr Hawke commented that a large number of details about Israeli proposals still had to be clarified.

Mr Hawke wondered whether the international community should not do more to help bring about peace in the Lebanon. There seemed no real sense of urgency. The Prime Minister said that the Arab League were now making a serious effort to achieve a solution. She had recently received an account of their plans from Prince Saud, on behalf of the Arab League Committee of Three. We had given them our full backing. She was not very optimistic of the chances of success but saw no other way forward. It would be necessary to be very firm with Syria. Mr Hawke asked how Australia could help. The Prime Minister said that it would be useful if Australia were to make a public statement of support for the Arab League's efforts.

The Foreign Secretary expressed our appreciation for Australia's role in representing British interests in Damascus following the withdrawal of our Embassy.

In response to a question from Mr Hawke, the Prime Minister said that we expected the Ayatollah Khomeini's ideas to continue to have a major influence in Iran. We were concerned by the extent to which the Soviet Union was trying to strengthen its relations with Iran.

Mr Hawke wondered whether events in China would lead the Chinese Government to take a tougher position on Cambodia.

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The Foreign Secretary thought they were more likely to disengage from business for a while, as over Hong Kong. Senator Evans thought that the Chinese would not want to spoil the process which had been set in train. The unpredictability of Thailand's role was a matter of concern. Mr Hawke commented that the Thais would no doubt be working out a net benefit calculation. They would support anything which made them a fast buck. Mr Hawke added that he had the impression that the US Administration were backing off their proposal to provide lethal aid to Prince Sihanouk's forces. The Foreign Secretary commented it would be harder to make progress without the involvement of sensible Chinese officials.

Mr Hawke raised the question of Mr Gorbachev's prospects and how the West could help him. The Prime Minister said that economic reform was bound to take a very long time. We were not in favour of proposals for some sort of Marshall Plan. During his visit to the United Kingdom, Mr Gorbachev had spoken of his fears of seeing the settlement reached at the end of the Second World War undone. He had also been very concerned about the problem of the nationalities in the Soviet Union.

Mr Hawke raised the potential dangers of nuclear proliferation, particularly with Pakistan and India. Mr Gandhi clearly believed that Mrs Bhutto was not being fully informed of Pakistan's military nuclear programme. It would be a tragedy to lose the impetus of the Non-Proliferation Treaty.

Mr Hawke raised and pursued at some length the issue of the South Pacific Nuclear Free Zone. The Americans had agreed to look further at the possibility of signing the Protocols. He hoped that the United Kingdom would also be prepared to reconsider its position. He was increasingly concerned by the instability of the Pacific region and particularly by unrest and the secessionist movement in Papua New Guinea. Signing the Protocols would contribute to stability and generate much goodwill. It would not involve any diminution of rights of



passage for ships carrying nuclear weapons. The Prime Minister and the Foreign Secretary explained our difficulties with this: we accepted the need to test nuclear weapons to maintain their effectiveness and could not abandon the French on this point of principle. Mr Hawke asked whether a change in the United States position would affect our view. The Prime Minister said that it would not.

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