

PRIME MINISTER

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MEETING WITH MR. JOHN HOWARD

You are to see Mr. John Howard, Leader of the Australian Opposition on Tuesday afternoon. He wants a mainly political discussion.

The Opposition have recently lost the lead in the opinion polls in Australia and Mr. Howard is very well behind Mr. Hawke in terms of personal popularity (55% versus 34%).

You will no doubt want to talk generally about your forthcoming visit to Australia and points which it would be helpful to make in your speeches and elsewhere. There are, in addition, three particular points which might come up:

- there is growing controversy over the aspiration of the present Australian Foreign Minister, Mr. Hayden, to become Governor-General. He is a republican and Mr. Howard and the rest of the Opposition are very strongly against his candidature. He may try to elicit an opinion from you. This is something you should stay out of. The choice of the Governor-General is for The Queen to make on the advice of the Australian Government

- he may mention that Malcolm Fraser wants to become UN Secretary-General. This would of course be a perfectly appalling idea and I do not think Mr. Howard himself is very keen on it;

- he is still angling for you to include some sort of further meeting with the Opposition during your visit to Australia. The programme provides for you to call on him

and some of his senior Shadow Minister colleagues but we have strongly resisted anything further. I understand that he may suggest to you that while he is walking you from his office to the National Press Club you should look in briefly to a room where he will have assembled about 100 Opposition Members. I really do not think this would be right and I am sure John Coles would advise the same. The press would make a meal of it. I am sure it is better to stick to the normal protocol for these visits. You will in any case be giving Mr. Howard plenty of attention by seeing him here in London and in Canberra.

C.D.P.

(C.D. POWELL)

22 July 1988

DALAIS



10 DOWNING STREET

Charles,

The attached was on B/F today for tomorrow's meeting with J. Howard; I believe the folder went into the PM on Friday. You may want to slip this in for tonight's box.

Not to
— bother

Ch

Sue
25.7.88.

In view of John Howard's impending visit I thought you might like to see the attached



With Compliments

Sir James Spicer MP

*Pl. keep in
mind
the PM's meeting
with Mr. Howard*

HOUSE OF COMMONS
LONDON, SW1A 0AA

cc: [unclear]



The Liberal Party of Australia
FEDERAL SECRETARIAT

FEDERAL DIRECTOR
Tony Eggleton

IN CONFERENCE TO: **SIR JAMES SPICER**
ANTHONY TEASDALE

5 June 1988

Sh. 5/7.

SCOTT HAMILTON

In my recent note about the Leader's London programme, I mentioned the delicacy of the political climate here.

The following clips from the weekend papers will give you a flavour of current political speculation.

[Handwritten signature]

2 1988

Elliott moves for Parliament seat

From PETER REES

CANBERRA: The Liberal Party's federal President, Mr John Elliott, has told key Liberals he will enter Parliament before the next election if necessary.

He is understood to have begun canvassing the possibility of standing in a by-election.

But it is not known what, if any, seat he has in mind.

Liberal sources say that Mr Elliott would only consider entering Parliament if he knew he had enough support within the parliamentary ranks to win the leadership from the current leader, Mr John Howard.

"He would only want one job — the top job," one Liberal said yesterday.

Last October when he became the party's federal president, Mr Elliott ruled out considering entering Parliament "until after the next election".

The possible change of heart



Mr Elliott

by Mr Elliott comes amid restlessness within the Opposition over its chances of winning the next election.

Although the Opposition started the year up to 7 per cent ahead of the Federal Government in opinion polls, Labor has staged a strong



Mr Howard

comeback to be virtually on equal terms.

This has led to renewed questioning of Mr Howard's leadership.

There has been growing speculation within the Opposition of approaches by several senior Liberals to Mr Elliott to sound out his intentions.

A number of them are shadow ministers and have been identified as Howard supporters in the past but are now beginning to doubt that he can win the next election.

They no longer believe that the former leader and present deputy leader, Mr Andrew Peacock, is a viable alternative and for that reason, have been looking at fresh blood.

Increasingly, Mr Elliott is looking like the only one.

However, other Liberals believe that Mr Elliott has yet to prove that he is an acceptable option.

They are worried that he could be vulnerable to a sustained Government attack on his views on taxation, including his support for a consumption tax.

The Government has labelled him "un-Australian" and guilty of economic treachery for saying that Australia is a bad place to invest.

THE WEST AUSTRALIAN SATURDAY, JULY 2, 1988

RECEIVED FROM 062 731534

THE AGE

The leader the Liberals can't get

THIS is not about what will or can happen, or, for that matter, what this writer would like to see happen. It is about what the Liberals should probably make happen if they want to improve their chances of winning the next election.

The Liberal Party, if it were really rational and truly ambitious, would carefully assess its present situation and make a fundamental change. It would find John Elliott a seat, and then take a gamble on him as leader.

Radical? Risky? Mightn't pay off? Yes to all three. But as the months go by, it is increasingly clear that the Liberals under John Howard's leadership have no more than a 50-50 chance, possibly less, of winning the next election.

Elliott would very likely improve the odds. Certainly Elliott versus Hawke-Keating would be an interesting contest.

Counting against Elliott would be his lack of experience, his political crudity, his willfulness, his lack of sensitivity, his difficulty in coming to terms with a new environment, his wealth.

In his favor would be his leadership skills, his ability to differentiate his product, his crash through style, his curiosity value, and the appeal of rough, tough bastardry, which is another brand of the quality that made one think, in the late 1970s, that maybe the Labor party should draft Hawke, then still outside Parliament, to

Comment
MICHELLE
GRATTAN



replace Bill Hayden. (The Hawke brand came out as "consensus". Heaven knows what "processed" Elliott bastardry would look like.)

If you are a small-l liberal concerned about the future of the country, you would not welcome the possibility of the right-wing John Elliott running it. But if you are a common or garden Liberal concerned primarily about winning the next election, Elliott could look a saleable proposition.

The evidence so far this year suggests that the Liberals have terrible troubles with Howard. The latest opinion polls are mixed in terms of party support, with last week's Morgan poll in "The Bulletin" showing the coalition three points ahead, while the Age Poll showed the Government leading the coalition 44 per cent to 39 per cent.

But the polls do show clearly that Howard is having, and will continue to have, tremendous difficulty in grabbing the public's imagination or support. The Age Poll showed only two per cent of voters rated his performance as very good and 15 per cent as good, a drop in general approval of four percentage points in four weeks.

The Liberals face a frustrating outlook. Their qualitative

research indicates that people would like to switch from the Government but are not convinced about the alternative. People have some sympathy for Howard, but they do not believe he is a credible alternative.

For Howard, the next critical test will be the referendums on 3 September. He has invested a huge amount of prestige in his fight against the Government's four questions.

The Liberals' own research suggests that public support for the question on four-year parliamentary terms has fallen to 53 per cent. However, support for the other questions is around 70 per cent. With such a long time to go, it is impossible to predict whether the Government can get the required majority in a majority of states.

If Howard succeeds in stymying the referendums — and the first question (four-year terms) is the crucial one — his fortunes will probably pick up a little, although he will come in for some criticism as a spoiler who stopped a desirable reform. If, however, Howard fails, there will be a big backlash against him both in the media and the party, which could provoke some crisis-thinking among Liberals.

But crisis or no, the Liberal Party is still left with the problem that it has absolutely nowhere to turn. Andrew Peacock is no longer an option. He does not even have a power base of his own, and by becoming deputy his fortunes are



Mr Elliott: gamble

locked in with Howard. Fred Channey sees himself as a long-term leader, and is angling to switch to the House of Representatives at the next election, assuming the new seat proposed for Western Australia is winnable. But he does not present an alternative for the next election.

And Elliott is not available, in practical terms. Even if the party thought Elliott would give it its best chance, there would be no easy way of getting him into Parliament and into the leadership. Howard would fight to hold on, and there are many people in the parliamentary party whose best personal interests are served by the status quo or who are genuine-

ly doubtful about Elliott. The Liberals like to portray themselves as ruthless pragmatists when it comes to leadership. But don't believe the image.

Bob Hawke and Paul Keating are both convinced they could beat, even destroy, Elliott if he suddenly materialised as Liberal leader. Maybe, maybe no. I recall Malcolm Fraser confidently saying the same thing about Hawke. Possibly Fraser still thinks he could have beaten Hawke had there been a few months between the accession in 1983 and the election. Personally, I think Hawke would have won against Fraser whenever the election was called.

Of course, Elliott would be much more of a question mark than was Hawke. The Australian public wanted Hawke as PM, and had done so for years. There is no such groundswell for Elliott. Still, if the public wished for a change he would present a clear choice. The one qualification to the proposition that Elliott would be worth the risk is the continuing argument about taxation: if the Government could produce anything new on this front to embarrass him seriously, Elliott would obviously not be a risk ever worth taking.

From the Liberals' point of view, it is vital they maximise their chances of winning the next election. If they lose again, they will have spent a decade out of federal office by the time their next chance of power comes up.

More to the point, they are obvi-

ously quite close to power. Although the federal swing required to win is now greater than at the last election, because Labor performed well in the marginal seats, the conservatives picked up votes overall, and are still well within striking distance.

This will be highlighted if Labor loses ground in the Victorian election, due late this year or early next year, or the Western Australian election, due early next year.

If the conservatives look generally to be on a roll, but the Hawke-Keating team still seems favorite for the next federal poll, the Liberals will survive the access with some desperation.

The federal Liberals in 1983-89 are in a similar position to Labor in 1981-82. The political trend is probably moving their way. But they are unable to exploit it. They may, under their present leadership, be able to win. But you would not want to gamble a fortune on it.

In those days, however, the ALP had one great advantage over today's Liberals. It had an alternative leader, on the spot and only too ready, willing and able. Even so, Labor went through agonies in turning to him.

The Liberals' apparently best alternative is almost certainly out of reach, and certainly a lot more chancy. They will need a great deal of help from circumstances and their opponents to have a prospect of pulling off the next election. They are not, it seems, able to do much to help themselves.

LIBERAL PARTY

TEL: 062-731534

05.07.88 13:03 No. 028 P.02

Howard under pressure, and he wants it that way



By IRENE STEWART,
Political Correspondent

CANBERRA: Opinion poll findings showing a further drop in support for Mr Howard led to new scenarios yesterday within Opposition ranks.

The latest Saulwick Herald Poll found that the Opposition Leader's positive rating — those who said his performance was good or very good — fell 4 per cent in the last month to 17 per cent. At the same time, Mr Hawke's support jumped from 45 per cent to 52 per cent.

The figures, which for Mr

Howard are close to the lowest he has recorded in almost three years as leader, emphasise what several Liberals described yesterday as the "malaise" in the Opposition.

An attempt by the Senate Opposition Leader, Senator Chancy, to take the pressure off Mr Howard backfired when the Opposition Leader indirectly rebuked him.

Senator Chancy told the Herald that the figures could be indicative of an issue discussed by Opposition frontbenchers this week. They had agreed that they had left the Opposition Leader to carry too

much of the burden.

"We put a very heavy load on him," Senator Chancy said.

"The rest of us have to get off our tails and do more work for him."

Mr Howard did not appreciate Senator Chancy's gesture, no doubt because he realised it could be easily interpreted as suggesting that he was not up to the leader's job.

"I would not comment on anything that may have happened in shadow cabinet during the week" was his terse response through a spokesman.

The exchange points to the tensions in the senior ranks of the Opposition over the Coalition's failure to make a significant impact on public opinion. Results from the same poll published in yesterday's Herald show that Labor has bounced back from the trough of February and March, during which it lost the Adelaide by-election and the NSW election, and is now leading the Coalition by 44 to 39 per cent in voting intentions, with support for the Democrats increasing from 8 to 11 per cent.

While support for the Opposi-

tion increased in Sydney to 43 per cent, its standing in Melbourne has slumped to a very low 28 per cent, compared with 52 per cent for Labor.

There is increasing despair that the Coalition has been unable to capitalise on Labor's woes of earlier this year.

At an Opposition party meeting recently, the NSW National Party MP, Mr Ian Robinson, spoke for many of his colleagues when he said that the Coalition had good policies but it did not seem to be able to get them through to voters.

Mr Howard's position is rela-

tively secure in the short term because of the absence of clear alternatives. The Deputy Opposition Leader, Mr Peacock, continues to play a supportive role and has faced fewer questions in many eyes.

The other main alternative to the Parliament is Senator Chancy who would have to realise his long-held ambition to lead a seat in the House of Representatives. One opportunity may have arisen on Thursday with the decision of the Commonwealth Election Commissioner, Dr Hughes.

Continued Page 6

TEL: 062-731534

Pressure on Howard grows after poll result

From Page 1

create a new seat in Senator Chancy's home State of Western Australia.

Senator Chancy said yesterday he would be interested in contesting the new seat if it looked "viable". But if such a move was seen as "disruptive", he would not make it.

He stressed that he was "well content" with the leadership of Mr Howard and Mr Peacock.

If Senator Chancy gained pre-election for the new West Australian seat, he would not enter the House of Representatives until the next election. Another seat would have to be arranged for him if he were to

take over the leadership beforehand.

The third alternative to Mr Howard is Mr John Elliott, head of Elders-IXL and the party's Federal President, who some Liberals believe would make an attractive, strong leader. Counting against Mr Elliott is that he has no parliamentary experience and has shown a tendency to make statements which embarrass the Opposition.

Senior Government ministers have collected detailed information which they believe would damage Mr Elliott and which they are holding in reserve.

The closer the party gets to the next election, the greater will be

the pressure on Mr Howard to demonstrate that he can win.

The Saulwick Herald Poll was conducted by telephone among 1,000 voters throughout Australia on Tuesday and Wednesday this week.

It shows that approval of the Prime Minister's performance has jumped from 36 to 52 per cent in three months.

The latest poll was conducted immediately after a high profile visit to the US by Mr Hawke, who met President Reagan and the presidential candidates and argued forcefully against US subsidies for agricultural exports which are harming Australian goods.

About the poll

Date: June 27 and 28, 1988
Sample: 1,000 voters
Coverage: National
Method: Telephone
Question: Thinking about Mr Hawke/Mr Howard and his performance as Prime Minister/Leader of the Opposition, would you say his performance was: very good, good, fair, poor, very poor?
Surveys of this kind are subject to normal sampling variance which, with the sample of 1,000, could be up to plus or minus 4 per cent.

Saulwick Herald Poll is conducted by Irving Saulwick and Associates who also hold the copyright

MONDAY: What people think of the Aboriginal Treaty.



The Sydney Morning Herald SAULWICK POLL

How the leaders rate

	HAWKE		HOWARD	
	Now	A month ago	Now	A month ago
Very good	45	15	2	5
Good	37	30	15	16
Fair	24	35	44	42
Poor	7	10	21	22
Very poor	4	9	13	13
Don't know	2	2	4	3

All figures are percentages rounded to the nearest whole number.

05.07.88 13:03 No. 028 P. 04

Jim
for info
Deena.

DAILY TELEGRAPH

4 JULY 1988

Australian hunt for Tory tips

MR JOHN HOWARD, leader of the Australian Liberal party, is to make a private visit to London later this month to attempt to discover why Britain's Conservatives keep winning.

Mr Howard was Treasurer in Mr Malcolm Fraser's Liberal government until 1983.

Since then, the party has lost the last three federal elections to Australia's Labour Prime Minister, Mr Hawke.

"Britain's government is the showpiece of conservative politics around the world," he said in Sydney yesterday.

"They win, and I want to make a political study of their success. That is the dominant reason for my trip."

By Geoffrey Lee
Martin in Sydney

Mr Howard, who is also leader of the Opposition coalition of the Liberal and National parties in the federal government, said there was a constant interchange of information and ideas between his party and the Conservatives at the organisational level.

He now wanted to make "some political observations".

Mr Howard said: "In the 1960s quite a few members of the Conservatives spent a lot of time in Australia learning from us.

"Now they're in government and we are not, and perhaps we can learn from them.

"I don't know their secret. Maybe it's the total incompetence of the British Labour

party. But I suspect it is Margaret Thatcher."

Asked how much affinity there was between the Australian Liberals and the Conservatives, Mr Howard replied: "They have gone through the same transformation we are going through.

"Perhaps the real difference is between the two Labour parties: Australia's Labour is a social democrat or United States Democrat-type party. The British are still into cloth caps."

Mr Howard arrives in London on July 20, and during a busy week will meet Mrs Thatcher, Sir Geoffrey Howe, Mr Nigel Lawson, Mr Peter Brooke and Sir James Spicer.

He will also have talks with a number of prominent bankers and industrialists.

AUSTRALIA: Call by opposition leader Jan '81.





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~~Covering Secret~~
(Bills No. 2)

CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER FOR FOREIGN AFFAIRS, ON THE PRIME MINISTER, 14 MAY AT 4 PM

STEERING BRIEF

1. This call of thirty minutes offers an opportunity to demonstrate the importance we attach to Australia. Mr Hayden will be very pleased to be received by the Prime Minister.
2. Our interests in Australia are very large. Bilateral trade yields us a net annual surplus of around £1 billion and Australia is in second place as a destination for British overseas investment. Internationally, the Australians exercise constructive influence in South East Asia and the South Pacific. Their support at multilateral conferences and negotiations is of great value to us.
3. We need continually to reassure the Australians that we are anxious to hear their views. The two subjects about which the Prime Minister might best speak so as to demonstrate our anxiety to take Australian views into account are the London Economic Summit and Hong Kong.
4. The latter presents no particular difficulty. The Australians are happy with briefing we have been giving them. The Prime Minister will wish to know that Sir Geoffrey Howe, following his visit to the Far East, sent a personal message to Mr Hayden about the negotiations. Mr Hayden speaks freely to the Press and should be asked not to disclose discussion of Hong Kong.
5. The London Economic Summit is a contentious issue with Australia and Mr Hawke has made known to the Prime Minister his disappointment at Australia's exclusion. In talking to Mr Hayden the Prime Minister might begin by alluding to the trouble we took to get participants to consider Australia's

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claim to a seat. There was no consensus, as she explained to Mr Hawke. The Prime Minister could then move on to identify the principal concerns of the forthcoming Summit and invite Mr Hayden to let us have Australia's views on them.

6. Mr Hayden has told the Press that he intends to raise one bilateral matter with the Prime Minister, the British nuclear tests conducted in Australia in the 1950s. He wishes to acquaint Mrs Thatcher with the high level of concern now felt in Australia about the effects of these tests, especially on aboriginal people. He is seeking "quite full" disclosure of information to reassure the public.

7. The Prime Minister can assure Mr Hayden that to the best of our knowledge and belief the tests caused no injury, either to those who took part in them or to local inhabitants, including aborigines. In addition, she may say that Australian officials, who have been given access to data available in the UK, have indicated that they have what they need to compile a comprehensive report on the background of the tests in Australia for publication later this year. The only information we have withheld relates to weapon design. We remain ready to provide the Australians with such further information and assistance they may require.

8. Should Mr Hayden refer to the wish of the Commonwealth Government in Australia to sever the residual constitutional links between Britain and the Australian States, he may be told that this is a matter for Australians to resolve in Australia. When there is agreement in Australia on the severance of links, we will do all we reasonably can to assist, eg through the passage of Westminster legislation.

9. The personality note makes it clear that Mr Hayden feels bitter over his deposition from the leadership of the Australian Labor Party. References to Mr Hawke's successes are to be avoided.

South Pacific Department
May 1984

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HAYDEN, THE HON ("BILL") WILLIAM GEORGE, MP

Minister for Foreign Affairs since March 1983.

Born Brisbane 1933. Joined Queensland police force after leaving school, continuing his studies part-time. Elected ALP Member for Oxley (Queensland) in 1961; subsequently obtained degree (BEcon) at Queensland University. Minister for Health and Social Security in Mr Whitlam's Governments from 1972 to June 1975, when appointed Treasurer. From March 1976, Opposition Spokesman on Defence; from September, Spokesman on Economic Management. Lost a ballot for leadership to Mr Whitlam by only two votes in June 1977. Elected leader after December 1977 election defeat when Mr Whitlam stood down. Leader of the Opposition until February 1983 when he announced his resignation of the leadership giving as reasons his reluctance to encourage division and faction fighting within the ALP.

Established Australia's first national health insurance scheme ("Medibank") despite considerable opposition. Showed promise as Treasurer, in particular with his 1975 budget, but there was not enough time before Mr Whitlam's dismissal for his policies to show results. Refused after 1975 election defeat to accept shadow post, declaring he wanted to further his studies, but soon apparent that he was Mr Whitlam's likely and chosen successor. As a leader of the Party in opposition he was consistent but not charismatic, and made some unfortunate minor mistakes which were exploited by his rivals.

He harbours bitterness about the way he was forced out of the party leadership, and would not pass over an opportunity to regain it. Recent formation of a Centre Left group within the ALP composed of a number of MPs and others not previously close to ALP left wing or right wing factions, has given him a potentially useful power base. Mr Hayden is a forceful and innovative Foreign Minister who is basically well disposed towards the UK (notwithstanding occasional public statements which might indicate otherwise). He has actively pursued a policy of involving Australia in the affairs of the Asia/Pacific/Far East region, taking a special interest in the Cambodian question. Nevertheless he is committed to maintaining Australia's position as a western, aligned nation and to maintaining the ANZUS alliance, but on the basis that Australia should be an equal partner. He often thinks aloud at his press conferences which causes his Department and occasionally his allies, including ourselves, some problems.

Despite his rather nondescript appearance, he speaks clearly and holds his own well in debate and on television. Somewhat intense and even humourless. Non-smoker, former rugby league footballer. Privately very pleasant, gentle and modest. Slightly deaf. Prefers not to be addressed either orally or in correspondence as "Minister".

Married 1960 (Dallas Broadfoot) the charming hairdresser daughter of a coalminer; one son and 2 daughters. First child killed in a road accident at age 5. A devoted family man who detests Canberra, which he considers artificial.

South Pacific Department
May 1984



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CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER FOR FOREIGN AFFAIRS, ON THE PRIME MINISTER, 14 MAY AT 4 PM

LONDON ECONOMIC SUMMIT

POINTS TO MAKE

1. Aim of Summits is not to establish permanent mechanism for resolving international economic problems. Rather Summits aim to give high level impetus to resolving problems, usually building on work in existing fora. Summit leaders will want to show that problems of world economy can be tackled and that present upturn can be turned into sustained non-inflationary growth. They will also be aware of the need to spread the benefits of economic recovery more widely.
2. Although there is no formal agenda for Summit, main elements of Summit strategy should be:
 - (a) continued adherence to prudent macroeconomic policies with firm control of monetary growth and measures to put fiscal deficits onto a sustainable medium-term basis;
 - (b) firm US commitment to tackle its budget deficits so monetary targets can be met with less strain on interest rates and risks of renewed inflation can be averted;
 - (c) more realistic pattern of exchange rates. Improved US policy mix should help orderly adjustment of the dollar but liberalisation of Japanese financial markets and greater international role for yen also important;
 - (d) as a means of strengthening recovery, giving emphasis to the need to reduce structural rigidities and impediments to growth; and promote flexible working of markets in our economies the encouragement of technological change and public acceptance of such change; the reduction of protectionism and the opening of markets, particularly to exports from developing countries;

/(e)



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- (e) developing medium-term strategy to deal with debt problems, including possible continued IMF monitoring, larger direct investment, debt restructuring and a greater role for the World Bank;
- (f) need to follow-up work of G10 Deputies in the area of improvement of the functioning of the international monetary system;

3. Welcome Australian views on Summit issues. Have noted that Australian views (especially recognition of need for commitment to sustained non-inflationary growth and trade liberalisation) are very similar to HMG's. Also aware of particular interests of Asian/Pacific countries.

4. As hosts, aware of interest of non-participants in proceedings. We take seriously our responsibilities to keep them informed. Have already started this process in OECD and will brief OECD after the Summit. [Hope to send a senior official to Canberra soon after the Summit to brief Australians.] Hope Australia understands reasons for not expanding Summit participation - especially desire to maintain the informal and wide-ranging freedom of discussion characteristic of these Summits. Cut off point makes sense.



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CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER FOR FOREIGN AFFAIRS, ON THE PRIME MINISTER, 14 MAY AT 4 PM

LONDON ECONOMIC SUMMIT

ESSENTIAL FACTS

1. Personal Representatives met for the third time on 6-8 April to prepare the Summit. Discussion focussed on a thematic paper, the final version of which will be presented to participants shortly before the Summit. Its purpose is to identify the issues to be discussed at the Summit and to serve as a quarry for possible communique language. The final meeting of Personal Representatives will take place on 20-21 May.

2. Trade officials of Western Pacific countries met in Bali from 30 April - 1 May. (An Australian discussion paper is attached.) They resolved not to make a concerted regional approach to the Summit, preferring instead that individual countries should consider how to put their views to Summit countries. Particular Australian concerns are the need for trade liberalisation measures not solely of interest to the major countries and increased awareness among Summit nations of special Asian/Pacific regional interests.

Australian Participation at the London Economic Summit

3. Australia has tried hard this year and previously to secure attendance at Summits. The decision not to allow Australia to attend this year may still rankle, even though the Prime Minister wrote to Mr Hawke. In his reply to the Prime Minister, Mr Hawke did not take up the offer of special briefing. But the Australians will wish to be kept informed of events. At the OECD Executive Committee in Special Session in January, the UK representative gave an account of the UK approach to the Summit at a dinner where the Australians were present. UK intends to provide further, post-Summit briefing

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for the OECD. Sir Robert Armstrong has agreed to go to Paris shortly after the Summit. [A senior official will also go to Canberra after the Summit, to provide special briefing for the Australians.]

Economic Relations Department
May 1984

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FOLLOWING IS THE TEXT OF THE AUSTRALIAN PAPER FOR THE REGIONAL TRADE OFFICIALS' MEETING IN BALI 30 APRIL TO 1 MAY.

BEGINS...

OBJECTIVE OF THE MEETING (UNDERLINED)

AUSTRALIA SEES THE BALI MEETING AS PRESENTING AN OPPORTUNITY FOR REGIONAL COUNTRIES TO IDENTIFY THEIR INTERESTS IN A PROSPECTIVE GLOBAL ROUND AND TO CONSIDER HOW BEST TO SECURE ATTENTION TO THOSE INTERESTS. PARTICULAR ATTENTION COULD BE GIVEN TO TRADE ISSUES WHICH ARE OF COMMON CONCERN, WILL ATTRACT A MEASURE OF REGIONAL SUPPORT AND FOR WHICH THERE IS A PARTICULAR REGIONAL PERSPECTIVE.

AUSTRALIA SEES SUCH A PROCESS AS BEING CRITICAL TO ENSURING THAT THE AGENDA FOR ANY NEW ROUND OF GLOBAL NEGOTIATIONS IS CONSISTENT WITH THE NEEDS OF OUR REGION'S CONTINUED ECONOMIC GROWTH.

THE APPROACH (UNDERLINED)

THERE ARE BROAD PRIMA FACIE REASONS WHICH SUGGEST THAT THE COUNTRIES OF THE REGION WOULD SHARE AN INTEREST IN THIS APPROACH:

- COMMITMENT TO STRONG SUSTAINED NON-INFLATIONARY GROWTH
- A PREDISPOSITION TO TRADE LIBERALISATION
- THE FACT THAT THE REGION HAS GENERALLY SENSED THAT

.../2

IT HAS BEEN DISADVANTAGED VIS A VIS THE MAJORS IN TRADE NEGOTIATIONS

- SOME COMMONALITY OF INTEREST IN SUCH AREAS AS NON-TARIFF MEASURES, EMERGENCY PROTECTION ARRANGEMENTS AND TROPICAL AND OTHER AGRICULTURAL ISSUES
- A GROWING AWARENESS OF THE BENEFITS TO BE DERIVED FROM A BETTER CO-ORDINATED APPROACH BY COUNTRIES OF THE REGION ON MATTERS OF MUTUAL INTEREST

THE AGENDA (UNDERLINED)

AUSTRALIA IS OF THE VIEW THAT THE AGENDA FOR THE BALI MEETING SHOULD COMPRISE:

- (1) A REVIEW OF THE GATT WORK PROGRAMME
- (2) A DISCUSSION OF ISSUES WHICH MIGHT BE INCLUDED IN A GLOBAL ROUND
- (3) TIMING AND TACTICS IN RELATION TO SUCH A ROUND
- (4) FUTURE ACTION

TAKING THESE ITEMS SERIATIM THE FOLLOWING ARE OUR COMMENTS.

- (1) THE GATT WORK PROGRAMME (UNDERLINED)

THE PRINCIPAL ELEMENTS OF THE GATT WORK PROGRAMME INCLUDES:

- NON-TARIFF MEASURES/SAFEGUARDS (EMERGENCY IMPORT RELIEF)
- GATT RULES AND ACTIVITIES RELATING TO DEVELOPING COUNTRIES
- TRADE IN AGRICULTURE INCLUDING SUBSIDIES
- TROPICAL PRODUCTS
- TARIFFS ESPECIALLY TARIFF ESCALATION
- STRUCTURAL ADJUSTMENT
- TRADE IN COUNTERFEIT GOODS
- MTN AGREEMENTS AND ARRANGEMENTS
- EXPORT OF DOMESTICALLY PROHIBITED GOODS

- TEXTILES AND CLOTHING
- PROBLEMS OF TRADE IN CERTAIN NATURAL RESOURCES PRODUCTS (NON-FERROUS METAL AND MINERALS, FORESTRY PRODUCTS AND FISH AND FISHERIES PRODUCTS)
- DUAL PRICING AND RULES OF ORIGIN
- SERVICES

AUSTRALIA WOULD OFFER THE FOLLOWING ASSESSMENT OF PROGRESS TO DATE:

- (I) COMMITTEE ON TRADE AND AGRICULTURE: (UNDERLINED) THE CHAIRMAN'S REPORT DEVELOPS A FRAMEWORK FOR DISCUSSION WHICH COULD LEAD TO NEGOTIABLE OPTIONS BY NOVEMBER
- (II) WORKING PARTY ON STRUCTURAL ADJUSTMENT: (UNDERLINED) A USEFUL REPORT WAS PREPARED IN 1983 AND THERE IS GENERAL ACCEPTANCE OF THE NEED TO CARRY THE WORK FORWARD
- (III) SECRETARIAT HAS PREPARED SOME STUDIES ON METALS AND MINERALS, FORESTRY AND FISHERIES BUT FURTHER WORK NEEDED ON TRADE RESTRICTING ASPECTS AND MORE IMPORTANTLY RECOMMENDED SOLUTIONS
- (IV) THERE HAS BEEN A REAFFIRMATION OF EXISTING UNDERSTANDING ON DISPUTE SETTLEMENTS - THAT IS, AND UNSATISFACTORY CONTINUATION OF THE STATUS QUO
- (V) GROUP ON QR'S/NTM'S: SOME ANALYSIS COMPLETED ON THE EXTENT OF QUANTITATIVE RESTRICTIONS (QR'S) INCLUDING 'GREY MATTER-- MEASURES BUT PROGRESS FALLING BEHIND OTHER AREAS OF WORK PROGRAMME AND THERE IS A NEED TO CLEARLY REFOCUS THE GROUP'S WORK BACK ON TO ITS MINISTERIAL MANDATE
- (VI) DEFINITIONAL AND STATISTICAL PROBLEMS ON SERVICES HAVE BEEN ISOLATED - OTHERWISE LITTLE PROGRESS
- (VII) THERE IS AGREEMENT THAT SECRETARIAT PREPARES STUDIES ON COUNTERFEIT PROBLEMS TO EXAMINE WHETHER THERE IS A GATT ROLE IN THIS AREA
- (VIII) NO AGREEMENT ON SAFEGUARDS
- (IX) CONTINUING DISCUSSION ON HOW TO ADVANCE WORK IN THE AREA

OF TROPICAL PRODUCTS

AT THE CG18 MEETING IN GENEVA 4-5 APRIL, AUSTRALIA TOOK A STRONG POSITION ON THE LACK OF PROGRESS ON THE WORK PROGRAMME. THIS VIEW WAS ECHOED IN OTHER INTERVENTIONS. IN PARTICULAR THE DEVELOPING COUNTRIES EMPHASISED THE NEED TO COMPLETE THE WORK PROGRAMME.

SINCE IT IS SIGNIFICANT FOR THE COURSE OF FUTURE NEGOTIATIONS AUSTRALIA BELIEVES IT WOULD BE TIMELY FOR REGIONAL OFFICIALS TO EXPRESS THEIR SERIOUS CONCERN AT THE LACK OF PROGRESS AND TO CONVEY THEIR VIEW TO THE DIRECTOR-GENERAL OF THE GATT POSSIBLY WITH SUGGESTIONS AS TO HOW WORK COULD BE ACCELERATED.

PROPOSED NEW GLOBAL ROUND (UNDERLINED)

THE AUSTRALIAN PRIME MINISTER, MR HAWKE, HAS SUGGESTED THAT ANY NEW GLOBAL ROUND SHOULD ONLY BE SUPPORTED BY COUNTRIES OF THE ASIA/PACIFIC REGION IF THEY ARE SATISFIED THAT THEIR PARTICULAR INTERESTS WILL BE ADDRESSED SATISFACTORILY. IN AUSTRALIA'S VIEW IT FOLLOWS THAT ANY NEW GLOBAL ROUND SHOULD HAVE A BROAD AGENDA SO THAT IT IS NOT LIMITED TO SUBJECTS OF INTEREST ONLY TO THE MAJOR INDUSTRIALISED COUNTRIES.

IT IS OUR VIEW THAT REGIONAL COUNTRIES SHOULD PLACE CONSIDERABLE EMPHASIS AT THIS STAGE ON TRYING TO INFLUENCE THE AGENDA, RATHER THAN SIMPLY ADOPTING POSITIONS ON WHETHER OR NOT THEY ARE PREPARED AT THE PRESENT TIME TO SUPPORT SUCH A ROUND.

A DELIBERATE, WELL CO-ORDINATED APPROACH BY COUNTRIES OF THE REGION TO THE QUESTION OF THE CONTENT OF THE AGENDA WOULD REINFORCE THE PROSPECTS OF MAJOR REGIONAL INTERESTS NOT BEING IGNORED OR PUT ASIDE.

FOR AUSTRALIA'S PART, WE HAVE A STRONG INTEREST IN SEEKING THAT ANY GLOBAL ROUND EFFECTIVELY ADDRESSES A WIDE RANGE OF ISSUES.

SUCH ISSUES MIGHT INCLUDE:

- NON TARIFF MEASURES/SAFEGUARDS
- GATT RULES AND ACTIVITIES RELATING TO DEVELOPING COUNTRIES
- TRADE IN AGRICULTURE INCLUDING TROPICAL PRODUCTS AND SUBSIDIES
- TARIFFS, ESPECIALLY TARIFF ESCALATION ON PROCESSED PRODUCTS

- TEXTILES AND CLOTHING

WE RECOGNISE THAT OTHER COUNTRIES IN THE REGION WILL SHARE SOME INTERESTS WITH AUSTRALIA AND HAVE OTHER INTERESTS AS WELL.

IN THE EVENT THAT THE MEETING IS ABLE TO AGREE ON THE FRAMEWORK FOR AN AGENDA FOR THE GLOBAL ROUND WE BELIEVE THAT THIS SHOULD BE CONVEYED TO FUTURE MEETINGS AT WHICH SUCH A GLOBAL ROUND WILL BE CONSIDERED.

FUTURE ACTION AND TIMING AND TACTICS FOR A GLOBAL ROUND (UNDERLINED

AUSTRALIA BELIEVES IT IMPORTANT FOR THIS REGIONAL MEETING, SHOULD IT ACHIEVE THE OBJECTIVES OUTLINED EARLIER TO REGISTER THE VIEWS OF THE REGION AS CLEARLY AS POSSIBLE PRIOR TO FORTHCOMING MAJOR INTERNATIONAL DISCUSSIONS ON TRADE QUESTIONS.

IN PARTICULAR, WE CONSIDER THAT PARTICIPANTS AT THE LONDON ECONOMIC SUMMIT AND BEFORE THAT, AT THE BROCK CONVENED MEETING IN WASHINGTON IN MAY, ARE MADE AWARE OF THESE REGIONAL VIEWS. THE POSITIONS OF OTHER REGIONAL COUNTRIES NOT REPRESENTED AT THIS BALI MEETING SHOULD ALSO BE TAKEN INTO ACCOUNT IN THE DEVELOPMENT OF FUTURE POSITIONS.

WE BELIEVE THAT IT IS UNLIKELY THAT ANY SIGNIFICANT STEPS TOWARD A GLOBAL ROUND CAN PRECEDE THE US PRESIDENTIAL ELECTION IN NOVEMBER. WHILE THE ECONOMIC SUMMIT MIGHT DETERMINE TO PROCEED WITH SUCH A ROUND, THE POSSIBILITY OF PREPARATORY WORK

GETTING UNDERWAY BEFORE MARCH 1985 IS MOST UNLIKELY. INDEED IT IS UNLIKELY THE AMERICANS WILL BE ABLE TO PARTICIPATE IN SUBSTANTIVE NEGOTIATIONS BEFORE 1986.

REGIONAL POSITIONS SHOULD BE PRESENTED TO THE US GOVERNMENT IN TIMELY AND INFLUENTIAL WAY, TAKING FULL ACCOUNT OF THE SCHEDULING POSSIBILITIES.

IN THE EVENT THAT THERE ARE PROSPECTS FOR A GLOBAL ROUND, WHICH IS INCLUSIVE OF MATTERS OF INTEREST TO THE REGION THEN CONSIDERATION WILL ALSO HAVE TO BE GIVEN TO INFLUENCING NON REGIONAL COUNTRIES TO SUPPORT SUCH A ROUND.

IN THE LONGER TERM (UNDERLINED)

THE DEVELOPMENT OF REGIONAL COUNTRIES' THINKING ON MULTILATERAL TRADE ISSUES CAN BE EXPECTED TO EVOLVE OVER TIME. AUSTRALIA THEREFORE HAS IN MIND THAT THERE SHOULD BE A SERIES OF REGIONAL MEETINGS WHICH WOULD ENABLE US TO DEVELOP A GREATER AWARENESS OF INDIVIDUAL COUNTRY'S POSITIONS, AND TO REFINE APPROACHES

6-

MOST LIKELY TO HAVE EFFECT IN RELEVANT NEGOTIATING FORA.

IN OUR VIEW THESE MEETINGS OF REGIONAL COUNTRIES SHOULD BE AT REGULAR INTERVALS BUT CLOSE TO AND PRIOR TO IMPORTANT MULTILATERAL MEETINGS. FROM THIS POINT OF VIEW THE NEXT MEETING COULD BE PRIOR TO THE NOVEMBER MEETING OF THE GATT CONTRACTING PARTIES.

IN THE MEANTIME, THE GENEVA AMBASSADORS OF OUR RESPECTIVE COUNTRIES SHOULD BE INFORMED OF THE VIEWS EXPRESSED AT THIS MEETING SO THAT THEY CAN CONTINUE CONSULTATIONS IN THE CONTEXT OF ON-GOING GATT WORK.

...TEXT ENDS



SECRET

CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER FOR FOREIGN AFFAIRS, ON THE PRIME MINISTER, 14 MAY AT 4.00 PM

FUTURE OF HONG KONG

POINTS TO MAKE

1. Continuing to keep your Government regularly informed at high level both here and in Canberra. Understand Sir G Howe has sent you a personal account of his Peking and Hong Kong visits.
2. Sir G Howe's visit has confirmed our view that Chinese genuinely seeking agreement with us. Still some major difficulties. But definite progress was made, eg on timetable for an agreement and on its possible form and content. Shall continue to argue for balanced and binding obligations and sufficient detail. These necessary if agreement is to be acceptable to Hong Kong and Parliament and if confidence is to be sustained.
3. Predictable reactions to Sir G Howe's "unveiling" statement in Hong Kong. General acceptance of realities of situation but underlying anxieties remain. This shown by UMELCO delegation's visit to London for House of Common's debate and by their manifesto which has been published and sent to MPs. This initiative entirely their own: has already caused us some difficulties with Chinese but will naturally continue to take their concerns into account in the negotiations and do all we can to alleviate them.
4. Chinese media reported statement factually and without comment. Chinese appeared to have concluded that preparation of Hong Kong opinion as much in their interest as in ours.

SECRET

/5. Still



SECRET

5. Still considering best method for assessing Hong Kong reactions when draft agreement is published. Only terms acceptable to Hong Kong could honourably be commended to Parliament. Continuing to work for best attainable deal for Hong Kong.

6. Grateful for anything allies can do to impress on Chinese that an agreement on Hong Kong must be capable of sustaining confidence among investors, trading partners and the Hong Kong people.

Hong Kong Department
May 1984

SECRET

SECRET

CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER
FOR FOREIGN AFFAIRS, ON THE PRIME MINISTER, 14 MAY AT 4.00 PM

FUTURE OF HONG KONG

ESSENTIAL FACTS

Future of Hong Kong

1. The Prime Minister is aware of the background.
2. A delegation of Unofficial Members of the Executive and Legislative Councils is currently in London. The leader of the delegation Sir S Y Chung, the Senior Unofficial Member of EXCO, has said that the purpose of the visit is to meet with a wide spectrum of Parliamentarians in order to reflect views and wishes of Hong Kong people before Parliament debates future of Hong Kong on 16 May. In preparation of their visit, UMELCO have drawn up a manifesto reflecting their concerns. It has been published and sent to MPs. It has received considerable press coverage. The Government was not informed of the preparation of this document, and Sir S Y Chung declined to accept our suggestion that it should be made only as background briefing material. The Secretary of State dealt with a number of points in his statement in Hong Kong on 20 April.

Briefing the Australians

3. We brief the Australian Government regularly and at a high level about developments in the talks. Mr Hayden was in Hong Kong on 18 and 19 April, during the Secretary of State's own visit. The Secretary of State's heavy schedule precluded a meeting with Mr Hayden, but he subsequently sent him a personal account of his visit to Peking. A copy of this is attached.

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SECRET

DESKBY 212300Z
FM HONG KONG 211135Z APR 84
TO IMMEDIATE CANBERRA
TELEGRAM NUMBER 13 OF 21 APRIL
INFO IMMEDIATE FCO AND PEKING

HK/KO40/6

(66)

FCO TELEGRAM TO YOU NO. (61) 224: FUTURE OF HONG KONG:
BRIEFING THE AUSTRALIANS

2 CH27/4

1. PLEASE PASS FOLLOWING PERSONAL MESSAGE FROM THE SECRETARY
OF STATE TO MR HAYDEN:
BEGINS:

I AM SORRY THAT MY VERY INTENSIVE PROGRAMME IN HONG KONG MEANT
THAT THERE WAS NO TIME FOR US TO SEE EACH OTHER AS I WOULD HAVE
LIKED. I THOUGHT YOU WOULD LIKE TO HAVE MY PERSONAL IMPRESSIONS
OF MY VISIT TO PEKING TO SUPPLEMENT THE ACCOUNT WHICH WE WILL BE
PASSING TO YOUR SENIOR OFFICIALS IN THE USUAL WAY.

IN ADDITION TO THE CHINESE FOREIGN MINISTER, I HAD MEETINGS
WITH JI PENGFEI, THE HEAD OF THE HONG KONG AND MACAU OFFICE OF THE
STATE COUNCIL, WITH PREMIER ZHAO ZIYANG AND, ON THE LAST MORNING,
WITH DENG XIAOPING. IN ALL WE SPENT SOME 9 HOURS ON THE HONG KONG
ISSUE. THE ATMOSPHERE THROUGHOUT WAS BUSINESSLIKE AND FRIENDLY.
THERE WAS NO ATTEMPT BY THE CHINESE AT CONFRONTATION ALTHOUGH
SOME OF THE ISSUES WE WERE DEALING WITH WERE PARTICULARLY
SENSITIVE FOR THEM. THE CHINESE LEADERS HAD BEEN WELL BRIEFED
AND IT WAS CLEAR THAT THEY WERE TAKING A CLOSE PERSONAL INTEREST
IN THE SUBJECT. THOUGH SHOWING HIS YEARS, DEN XIAOPING WAS AS
ALERT AS EVER AND VERY CLEARLY IN CHARGE.

MY IMPRESSION IS THAT THE CHINESE ARE GENUINELY SEEKING
AGREEMENT WITH US ON HONG KONG. OF COURSE THEY WANT TO GET
AS NEAR AS POSSIBLE ON THEIR OWN TERMS. THERE ARE SOME
MAJOR DIFFICULTIES IN THE NEGOTIATIONS WHICH STILL HAVE TO BE
OVERCOME. ONE OF THEM IS THE FACT THAT THE CHINESE CONTINUE
TO SEE ARRANGEMENTS AFTER 1997 AS ENTIRELY A MATTER FOR THEM,
AND NOT SOMETHING TO BE AGREED WITH THE BRITISH GOVERNMENT.
ANOTHER IS THEIR WISH TO CONCENTRATE ON BROAD PRINCIPLES AND TO
AVOID GETTING PINNED DOWN ON DETAIL. FROM OUR POINT OF VIEW,
IT IS ESSENTIAL THAT ANY AGREEMENT SHOULD SET OUT THE ARRANGEMENTS
POST-1997 CLEARLY AND IN CONSIDERABLE DETAIL, THAT OBLIGATIONS
UNDERTAKEN BY HMG SHOULD BE MATCHED BY OBLIGATIONS ON THE CHINESE
SIDE AND THAT THE AGREEMENT SHOULD BE BINDING ON BOTH SIDES.
IT WILL ALSO BE MOST IMPORTANT THAT HONG KONG SHOULD CONTINUE
TO MANAGE ITS OWN EXTERNAL ECONOMIC RELATIONS, INCLUDING
MEMBERSHIP OF ORGANISATIONS SUCH AS GATT AND THE ADB, AND ITS
OWN INDEPENDENT FREELY CONVERTIBLE CURRENCY.

WE DISCUSSED THE FUTURE TIMETABLE FOR THE NEGOTIATIONS.
I EXPLAINED THE CONSTRAINTS IMPOSED BY BRITISH PARLIAMENTARY
PROCEDURES AND REQUIREMENTS AND PERSUADED THE CHINESE THAT IT
WAS ESSENTIAL TO TAKE ACCOUNT OF THEM. THE CHINESE HAD BEEN
THREATENING TO DECLARE THEIR OWN INTENTIONS FOR THE FUTURE,
UNILATERALLY UNLESS A FINAL AGREEMENT HAD BEEN ENTERED INTO BY
SEPTEMBER. AT ONE STAGE THEY WERE EVEN TALKING ABOUT EARLIER

/DEADLINES

DEADLINES. DURING MY VISIT WE AGREED TO WORK TO A PROGRAMME WHICH WOULD MEET CHINESE WISHES FOR AN ANNOUNCEMENT IN SEPTEMBER AND ALL OUR OWN REQUIREMENTS IN TERMS OF PARLIAMENT AND THE NEED TO GIVE PEOPLE IN HONG KONG TIME TO EXPRESS THEIR VIEWS. PROVIDED THAT WE CAN GET A SUITABLE AGREEMENT, WE WOULD AIM TO SIGN IT BY THE END OF THE YEAR.

THE CHINESE SHOWED A GOOD DEAL OF INTEREST IN PRE-1997 ARRANGEMENTS. THEY CLEARLY NEED TO IMPROVE THEIR KNOWLEDGE OF HOW HONG KONG WORKS, AND WE HAVE A STRONG INTEREST IN EDUCATING THEM. WE ARE THINKING FURTHER ABOUT HOW THIS CAN BEST BE ACHIEVED: WE SHALL NEED TO MAKE ABSOLUTELY SURE THAT ANY ARRANGEMENTS AGREED BETWEEN US WILL NOT UNDERMINE OUR ABILITY TO ADMINISTER HONG KONG EFFECTIVELY IN THE PERIOD BEFORE 1997.

AS YOU MAY HAVE SEEN FROM THE PRESS, I THOUGHT IT RIGHT TO MAKE A FAIRLY SUBSTANTIVE PUBLIC STATEMENT DURING MY VISIT TO HONG KONG. I THOUGHT THAT THE TIME HAD COME TO TELL PEOPLE CLEARLY THAT IT IS NOT POSSIBLE TO SECURE AN AGREEMENT ALLOWING FOR CONTINUING BRITISH ADMINISTRATION AFTER 1997. I ALSO WANTED TO GIVE THEM SOME INDICATION OF THE KIND OF ARRANGEMENTS FOR THE FUTURE WHICH ARE LIKELY TO EMERGE AT THE END OF THE DAY. I MADE CLEAR THAT THE PROCESS OF CLOSE CONSULTATION WITH HONG KONG WILL CONTINUE AND THAT WE WILL OF COURSE BE SEEKING THE VIEWS OF THE PEOPLE OF HONG KONG ON AN EVENTUAL DRAFT AGREEMENT.

IN SHORT, I THINK THAT WE MADE SOME PROGRESS DURING MY VISIT TO CHINA. BUT THERE ARE SOME VERY DIFFICULT ISSUES STILL TO BE RESOLVED. THE PROCESS OF EDUCATING THE CHINESE ABOUT THE REALITIES OF HONG KONG WILL NOT (NOT) BE AN EASY ONE. IT MUST BE PRIMARILY FOR US TO DO. THE CHINESE ARE OF COURSE VERY SENSITIVE ABOUT ATTEMPTS TO INTERNATIONALISE THE HONG KONG ISSUE. BUT IF THEY RAISE THE SUBJECT WITH YOU AT ANY POINT IT WOULD BE MOST HELPFUL IF SPEAKING AS A COUNTRY WITH AN INTEREST IN THE ECONOMIC STABILITY OF THE AREA, YOU WERE ABLE TO UNDERLINE FOR THEM THAT THE CONFIDENCE OF INVESTORS AND BUSINESSMEN WILL ONLY BE SECURED IF THERE ARE PRECISE ASSURANCES IN A BINDING INTERNATIONAL AGREEMENT WITH BRITAIN ABOUT THE CONTINUITY OF EXISTING SYSTEMS AFTER 1997.

I WILL MAKE SURE THAT YOU ARE KEPT CLOSELY IN TOUCH WITH DEVELOPMENTS. I NEED HARDLY ADD THAT CONFIDENTIALITY REMAINS CRUCIAL TO THE SUCCESS OF THE NEGOTIATIONS, AND THAT MUCH OF WHAT I HAVE SAID HERE IS, THEREFORE, PARTICULARLY SENSITIVE. I KNOW YOU WILL TREAT IT ON THAT BASIS.

ENDS
Yours

FUTURE OF HONG KONG

ED/ED

ED/ED

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

RES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

SIR W HARDING

MR WILSON

MR WRIGHT

SIR C NICKELL

COPIES TO:

BUCKINGHAM PALACE

PS/LORD PRESIDENT OF THE COUNCIL

PS/HOME SECRETARY

PS/CHANCELLOR OF THE EXCHEQUER

PS/LORD PRIVY SEAL

PS/SECRETARY FOR TRADE & INDUSTRY

COPIES TO: (VIA ADR)

MR ROBERTS NEWS D

MR BURROWS LEGAL ADVS

MR COLES NO 10 DOWNING ST

MR MARTIN ASSESSMENT STAFF CABINET OFFICE

MR GOODALL CABINET OFFICE

MR BRENNAN CABINET OFFICE

PS/S OF S FOR DEFENCE D

PS/ATTORNEY GENERAL

SIR P CRADOCK EM K195

SIR P CRADOCK NO 10 DOWNING STREET

SECRET

CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER FOR FOREIGN AFFAIRS, ON MR RICHARD LUCE, MINISTER OF STATE, 14 MAY at 11 am

EAST/WEST RELATIONS, AFGHANISTAN AND SOVIET MILITARY BUILD UP IN THE PACIFIC


POINTS TO MAKE

East/West Relations

1. Tone from Moscow now consistently hostile to US. Strained superpower relations attributed by Russians to INF deployment and to alleged anti-Sovietism of Reagan Administration. Onus placed on US to make first move.
2. Transparent Soviet aim to worry Western (especially European) opinion; encourage fissures in Alliance; put pressure on US to make concessions in arms talks; show that INF deployment has not "driven them" to nuclear negotiating table. Little likelihood of Russians making early change in this position.
3. But Russians conscious of being caught by contradictions between actions and propaganda: "peace-loving" image dented by leaving Geneva talks. In longer term, Soviet leadership needs and wants more substantial superpower relationship and negotiations on arms control, particularly on strategic nuclear weapons and in space. Implicit in their approach to private contacts both with US and Europeans. Would not exclude possibility of progress in 1985.
4. In face of this, Western cohesion, consistency, patience essential. Important to keep talking with Russians and East Europeans and to widen agenda so arms control does not bear full weight of East/West relations. UK playing full part in this; Kornienko here in March; Sir Geoffrey Howe to Moscow in July.
5. Your visit to Soviet Union? Specific political issues for discussion? Trade relations; any expected increase in grain exports this year?

/Afghanistan

CONFIDENTIAL



Afghanistan

6. Deeply concerned by reports of high-altitude bombing in seventh Soviet offensive against Panjshir. Have proposed condemnatory statement to EC partners. Brutal Soviet tactics deplored in recent House of Lords Debate on Afghanistan.

7. No sign Russians mean to withdraw. But need to keep up international pressure. Secretary-General talking of modest progress, but clear no break-through following Cordovez's latest tour.

Soviet withdrawal from Olympics (if raised)

8. Naturally regret apparent decision by Soviet National Olympic Committee not to participate in Olympics. Hope they will reconsider it.

9. Soviet statement was directed primarily at International Olympic Committee, Los Angeles Olympic Organising Committee and US authorities. It is for them to respond on detailed problems involved and to explore ways of resolving them.

Soviet Military build up in the Pacific

10. Steady growth of Soviet Pacific fleet in recent years reflection of increasing Soviet naval capability world-wide.

11. Developments of naval/air bases at Cam Ranh Bay (Vietnam) of particular concern, especially recent addition of maritime air capability. Deployment of strike aircraft still relatively small; but could threaten shipping throughout South China Sea. Did this weigh with you in recent decision to retain RAAF presence in Malaysia?

Soviet Department

May 1984

CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER FOR FOREIGN AFFAIRS, ON MR RICHARD LUCE, MINISTER OF STATE, 14 MAY at 11 am

ESSENTIAL FACTS

East/West Political

1. Despite hints of flexibility in early Chernenko speeches, Soviet leadership seem to have decided to sit 1984 out at least on key issues of nuclear arms control and superpower relations. Have disavowed indications of willingness to consider formulae other than complete withdrawal of Cruise and Pershings in return for resumption of Geneva talks floated by Soviet academics in March. Unwilling to "help" Reagan in US election year. Action over Los Angeles Olympics consistent with this.
2. However, Russians privately keeping some contact with US alive through Ambassador/Foreign Minister talks and limited technical talks. Reflects basic Soviet need for relationship with US, and keeping open possibility of doing business with Reagan if re-elected.
3. Soviet criticism of Europeans relatively muted, though taking strong (and inflexible) line on US and INF in contacts with Europeans eg Kornienko - Rifkind talks in March and during Andreotti's visit to Moscow (22-24 April).

Australian/Soviet Relations

4. Since coming to power, Mr Hawke's Government has taken a "pragmatic" approach to relations with the Soviet Union. He expelled a Russian diplomat (Ivanov) in April 1983 and lifted restrictions in June 1983 on activities (cultural, sporting, scientific and academic) with Russia imposed after Afghanistan. Invitation to Mr Hayden to visit Moscow (27-28 May) follows rejection of earlier Australian overtures. Russians dislike firm stand which Australians have continued to take over Afghanistan.
5. Australian exports of grain to Soviet Union fell by 20 per cent in 1983 to 404 million roubles largely because of shortfall in production as result of drought. Likely that sales will rise this
/year



year. Australian imports from Soviet Union negligible:- 12 million roubles in 1983.

6. Mr Hayden may comment on recent improvement in New Zealand/Soviet relations. Exchange of Ambassadors planned later this year.

Afghanistan

7. Now up to 115,000 Soviet troops in Afghanistan. On about 20 April Soviet/Karmal regime troops launched seventh offensive against resistance in strategically important Panjshir Valley. Attack included high-altitude bombing by medium (TU-16) bombers, first time such aircraft used in Afghanistan. On 2 May President Reagan made statement deploring latest Soviet offensive. We have suggested to Presidency that Ten should issue joint statement of protest, at Foreign Affairs Council on 14-15 May.

8. Secretary-General's personal representative Cordovez visited area in April to revive mediation effort. Perez de Cuellar told Prime Minister of 16 April that Cordovez had made 'modest progress'. However, he secured no undertaking from Afghans on crucial issue of timetable for Soviet troop withdrawal. Pravda of 26 April published message from Soviet leadership to Karmal assuring continued Soviet support.

9. Australia has voted for all five UNGA resolutions on Afghanistan and supported European Council proposals of 30 June 1981 for international conference on Afghanistan.

Soviet withdrawal from Olympic Games

10. Remains to be seen how far Russians have been motivated by technical sporting issues involved, or whether they intend their decision to have repercussions in a wider East/West context. Parallel action by Bulgaria suggests wider political purpose than is strictly case from terms of Soviet note.

Soviet Military build up in the Pacific

11. See Annex A.

CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER FOR FOREIGN AFFAIRS, ON MR RICHARD LUCE, MINISTER OF STATE, 14 MAY at 11 am

POINTS TO MAKE

SOUTH EAST ASIAN AFFAIRS

GENERAL

1. UK's broad objective in the region is to see the prosperity and harmony of ASEAN maintained.

PARTICULAR

VIETNAM/CAMBODIA

Co Thach's Visit to Canberra

2. Followed with interest reports of Co Thach's recent visit to Canberra, Jakarta and Bangkok. Are there really "new elements" in Vietnamese foreign policy? As Mr Luce indicated in February we are sceptical of Vietnamese intentions. This reinforced by Vietnamese military activity on the Thai/Cambodian border.

Sino/Vietnamese Relations

3. These clearly now bad. But border attacks seem limited and linked to Cambodian situation. Could they improve when offensive ceases?

Visit of Son Sann to London

4. Received Son Sann on 1 May. Considerable sympathy with his aims. Are providing Son Sann (and Sihanoukists) with more humanitarian aid.

Aid

5. Our view remains West should continue to exert economic and political pressure on Vietnam to withdraw from Cambodia by denying

/development

development aid. We will not contribute food aid to Vietnam (or Cambodia or Laos) unless we are convinced that there is a real need which cannot be met by bloc countries.

Refugees

6. Grateful for your acceptance of Vietnamese refugees from Hong Kong. Hope you will consider taking more.

IRIAN JAYA/PAPUA NEW GUINEA

7. Recent Irian Jaya/Papua New Guinea (PNG) border incident not as grave as press reports indicated, but cause for concern. Hope situation will now settle down. Can you exert any helpful influence?

EAST TIMOR

8. Report last year of Australian parliamentarians after visit to East Timor was favourable to Indonesia. Has current military activity affected Australian Government's attitude?

PRIME MINISTER'S VISIT TO MALAYSIA (IF RAISED)

9. Relations now much improved. Hope Prime Minister's visit in September will set seal on reconciliation. No decision has yet been taken on remainder of itinerary but it would make sense for her to visit other countries en route between London and Malaysia.

PHILIPPINES

10. Parliamentary elections will no doubt result in a victory for Marcos.

11. A greater opposition success in the elections than expected and the findings of the Agrava Commission could make Marcos' position more difficult. Economic stringency to meet IMF wishes may also cause political problems for Marcos.

12. Longer-term political outlook worrying.

South-East Asian Department

May 1984

CALL BY MR WILLIAM ("BILL") HAYDEN, AUSTRALIAN MINISTER FOR FOREIGN AFFAIRS, ON MR RICHARD LUCE, MINISTER OF STATE, 14 MAY at 11 am

SOUTH EAST ASIAN AFFAIRS

ESSENTIAL FACTS

VIETNAM/CAMBODIA

1. In March and April Vietnamese forces attacked resistance camps on the Thai/Cambodian border, although the level of activity has now fallen off, partly due to the onset of the rainy season. Up to 100,000 civilian Khmers sought refuge in Thailand. On 17 April we issued a statement deploring the Vietnamese activity (and incursions into Thailand). Almost simultaneously the Chinese instigated a series of incidents on the Sino/Vietnamese border giving rise to rival claims of border incursions. Hostilities are continuing but at a low level. Although Mr Hawke in January warned the Vietnamese against launching a dry season offensive, the Australian Government have confined themselves to deploring offensive action by any group (ie without singling out Vietnamese).

2. During March Co Thach, the Vietnamese Foreign Minister, visited Canberra, Jakarta and Bangkok. In the wake of these visits there was speculation that his statements represented a new flexibility in Hanoi's policy towards Cambodia. Co Thach's main target was probably the Australians who had already shown themselves critical of ASEAN policy by failing to co-sponsor the ASEAN Resolution on Cambodia at last year's UN General Assembly. Australian claims that Co Thach's statements represented "new elements" do not seem convincing. Mr Hayden interpreted his statements as meaning that the Vietnamese were prepared to regard Cambodia and related problems as the priority issue in regional security discussions, leaving other matters, such as US bases in the Philippines, for a later stage. Although this may be the first time the Vietnamese have shown themselves prepared to discuss Cambodia on its own (if that is what Co Thach meant), a July 1983 communique issued by the Indo-Chinese States renewed an earlier proposal to open a dialogue

/between

between Indo-China and ASEAN 'without pre-conditions'. Co Thach made great play in Australia with the need to remove Pol Pot as a political and military force. This was probably a tactical move designed to encourage divisions in ASEAN. ASEAN have closed ranks and protested against the Vietnamese offensive. But the Indonesians still seem to harbour hopes for an "initiative" of their own involving a Vietnamese partial withdrawal with Vietnamese, DK and Heng Samrin participation in a peace-keeping force.

3. The Australian position on Cambodia, which Mr Hayden explained at some length to Mr Luce when they met in Brunei in February, is based on the Labor Government's commitment to play a "facilitating" role. In particular the Australians regard Vietnamese occupation of Cambodia as virtually irreversible and believe that ASEAN should concentrate on the longer term objective of reducing Vietnamese dependence on the Soviet Union.

Visit of Son Sann

4. The Secretary of State received Son Sann, President of the Khmer People's National Liberation Front (KPNLF) and "Prime Minister" of the Coalition Government of Democratic Kampuchea (CGDK) on 1 May. We hope that the non-communist elements of the coalition can eventually become as effective militarily as the Khmer Rouge, who continue to provide the main fighting forces. The Australians regard this as unlikely. We have agreed to provide a further £100,000 of bilateral humanitarian aid to the KPNLF and Sihanoukists.

Aid

5. Despite a Labour party commitment, the Australian Government have for the moment shelved plans to provide developmental aid to Vietnam. Like us they contribute to refugee relief on the Thai/Cambodian border through the UN Border Relief Operation. Recently they have pledged funds for emergency agricultural and medical requirements within Cambodia. It would be interesting to know whether Australia plans to give food aid to Cambodia in response to the recent reports of malnutrition. We are not convinced that the case for such aid has been established.

/Refugees

Refugees

6. There are still over 12,000 Vietnamese refugees in Hong Kong. whose resettlement prospects are very poor. The Australians have so far taken about 4,000 but may be unwilling to do much more unless others, like the UK, take more too. Although resettlement in this country has been far from successful (some 80% of adult Vietnamese remain unemployed), the UK continues to take family reunion cases and refugees rescued by British ships. We still await a Home Office decision on whether we can take an additional number from Hong Kong.

IRIAN JAYA/PAPUA NEW GUINEA (PNG)

7. There have been long-standing difficulties in Indonesian/PNG relations with regular periods of friction. PNG fear possible Indonesian plans to absorb them like Irian Jaya although the present Indonesian regime has shown no interest in this and strongly denies any such plans. A recent incident on the PNG/Irian Jaya border, involving a possible Indonesian air incursion, has once more inflamed relations. Both Indonesia and PNG seem to have recognised that it was desirable to avoid making a major issue out of the incident. A meeting between the two foreign ministers ended disappointingly, but the way has been prepared for a review at official level of the workings of the border agreement. The Australians have told us that they have made low level interventions in both Port Moresby and Jakarta urging restraint.

EAST TIMOR

8. An all-party group of Australian parliamentarians visited East Timor last year and produced a report favourable to Indonesia (though one senator dissented). The attitude of the present Australian Government is broadly sympathetic to Indonesia (although there is a strong critical Labor lobby). In August 1983 an incident in which 15 Indonesians were killed by FRETILIN guerillas, was followed by reprisals and an influx of 10-12,000 Indonesian troops. Sporadic fighting continues and shows no sign of abating.

/PRIME

PRIME MINISTER'S VISIT TO MALAYSIA

9. Mrs Thatcher has accepted an invitation from Dr Mahathir to pay an official visit to Malaysia from 17-19 September. Relations are much improved following Dr Mahathir's private visit to the UK in March 1983 and the ending of the "but British last" policy. The timing of the visit has not been announced and the rest of the itinerary has still to be decided.

PHILIPPINES

Political

10. The Australians, like us, turned down an invitation from the Speaker of the Philippine Parliament to send Parliamentary observers to the 14 May Parliamentary elections. Only the Americans seem likely to attend. The Australian refusal may be connected with the imprisonment in the Philippines of a missionary, Father Brian Gore, on a murder charge.

11. The elections will probably result in a victory of the official Government party (KBL) but the margin will be important. A substantial opposition showing would give fresh heart to the various anti-Marcos factions. Hitherto the moderate opposition has been unable to coordinate its campaign. Marcos may anyway face a more difficult time after the election (the Agrava Commission into the murder of Aquino is due to report in June and the IMF are likely to insist on stringent economic measures later in the year).

12. Marcos is not in improved health. But the succession remains as uncertain as ever. The military may come to play a more important role.

Economic

13. The Philippine economy remains in a critical state. Total foreign debt exceeds \$25 billion. The IMF stand-by loan has still not been agreed. This is a pre-requisite to the opening of Paris Club talks on renegotiation of the official debt.

South-East Asian Department

May 1984 .



10 DOWNING STREET

Tessa,

See top letter!

Sue

4-7-88

~~Walter. The Charges~~
≡ RMB.324100.

This had already been
changed to 25th July but
not noted on file. Sorry.

Ta. 4/7