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Prime Minister

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PRIME MINISTER

I have just completed an interesting and successful visit to Australia and New Zealand. I thought I would write to you with a thumbnail sketch of my impressions.

AUSTRALIA

1. Political

Bob Hawke continues to dominate the political scene. I had quite a long meeting with him during which he made clear he is looking forward to his visit to the UK with his team of senior Ministers. He is glad that more British Ministers are taking a closer interest in Australian affairs.

One is very much aware of the presence of major British industrial and commercial interests in Australia. I think British companies handle nearly a quarter of all Australian exports.

I spoke to Bob Hawke on the day when both the Leaders of the National Party and the Liberal Party were deposed by their Backbenchers. Howard gave way to Peacock in the Liberal Party and, Sinclair to Blunt in the National Party. Hawke has already defeated Peacock in an election and I think he relishes the prospect of fighting him again. His comment to me on Peacock was that a Leader of a Party could be lazy and he could also have a third-rate mind but he should not be both!

Hawke gave me the impression that there was not going to be an early election for he wants to let the Australian public see Peacock in action.

2. Economy

The Australian economy has some of the problems we are facing: high inflation, their mortgage rates are 17.5%, and a growing trade deficit. They have, however, compounded their difficulties by recently introducing a tax-cutting budget as they were concerned that the real wages of many of their supporters has fallen over the last two years. This may provide some opportunities for the Opposition.

3. Science

Hawke has now turned very 'green'. Both Australia and New Zealand are affected by the hole in the ozone layer.

We have set up an arrangement whereby Australian, New Zealand and British scientists will meet later this year to talk about how they can cooperate on global environmental research. As you know we have a large commitment in the Southern hemisphere including the British Antarctic Survey. The Australians undertake research themselves and we could do things together.

We have also offered five fellowships to Australian post-graduate scientists to be administered by our Royal Society. The Australians will come to work in Britain for a period of two years. We will call these 'Endeavour Scholarships'. They were very much welcomed by Bob Hawke and you can announce them when he comes here.

4. Education

I visited several schools and colleges. They have introduced a charge for tuition fees at universities: representing about 20% of the cost. This will be repaid by all students through a graduate tax which is repayable over a long period. No benefit directly accrues to the student as a result of this and needless to say it is proving to be very unpopular in Australia.

We have about 170 teachers exchanging with Australians each year, both ways. I met about 20 British teachers in Sydney. They are not over-impressed by the Australian education system. They think there is a lot of 'chalk and talk' and not much practical work. They find the children much more difficult to handle than British children.

One of the overwhelming impressions, not only in education but in the whole of Australia, is the very powerful position the unions have. This is something which the Hawke Government has not attempted to tackle. Indeed, as the Labour Party they can't. But the position certainly takes its toll in terms of the general efficiency of the country and the education system.

NEW ZEALAND

1. Political

The Opposition, lead by Jim Bolger, is 33 points ahead in the opinion polls. Even so, he didn't come across as particularly confident!

2. Economy

This is going through the phase we passed some four or five years ago: very high levels of unemployment which are likely to get worse, stagnant investment rates, and generally a low level of activity.

Roger Douglas, the former Finance Minister, applied a form of supply-side economics but not too thoroughly. He has been sacked by Lange and there seems to be no chance of him coming back.

There is a good deal of disenchantment amongst the Labour Ministers I met. There is a lot of speculation that Lange may not survive as leader and that some time over the next two months there could be a spill motion similar to what happened in

Australia. On the other hand, Lange is still a vivid personality and there doesn't seem to be anybody who could topple him.

On the Opposition side there is a younger figure coming up called Winston Peters. He is half-Maori and people were talking very highly of him. Unfortunately he was in London during my visit.

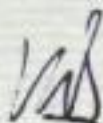
3. Science

We can do some work with the New Zealanders on environmental matters, particularly on oceanography. We are prepared to offer one fellowship alongside the Australian fellowships. This means a post-graduate New Zealander coming to the UK.

4. Education

Lange has adopted and developed our ideas. Schools are to have delegated budgets from October 1st. The Department of Education, which runs all the schools i.e. their LEA, is to be abolished and each school is in effect to become grant-maintained. This sounds quite dramatic but in fact they are not going to have as much delegated power as our schools with delegated budgets or, our GM schools. The costs of staffing are not to be delegated owing to a concession to the unions. Even so, there is a large mass of reform going through which is very much along our lines.

Needless to say the British are still very popular and welcome in New Zealand.



23 May 1989