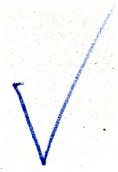


VISIT OF
JOHN GORTON
PRIME MINISTER OF AUSTRALIA
MAY 6-7, 1969



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THE SECRETARY OF STATE
WASHINGTON

S/S-6643

April 29, 1969

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MEMORANDUM FOR THE PRESIDENT

Subject: Your Meeting with the Prime Minister
of Australia

Summary

The Points to Stress

1. Our intention to maintain a continued firm posture in Asia.
2. Our continued firm adherence to ANZUS and SEATO.
3. The importance we attach to Australia's contribution to Southeast Asian regional affairs, including its commitment to the defense of Malaysia/Singapore.
4. Our hope that Australia will continue to play a leading role in the region.
5. Our appreciation for Australia's Viet-Nam support.
6. Our desire for continued close consultations with Australia on Viet-Nam and other regional security matters.

The Points to Avoid

1. Pressuring Gorton to sign the NPT.
2. Asking for more Australian troops for Viet-Nam.

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and declassification

The big question mark in Gorton's mind is the continued firmness of U. S. Asia policy under your administration. This underlies the three main subjects he will want to discuss.

These are:

- Malaysia/Singapore defense.
- Viet-Nam.
- Post-Vietnam Southeast Asia.

A. Malaysia/Singapore Defense

On February 25, Gorton announced that Australia will maintain forces, including ground troops, in Malaysia/Singapore after the British pull out in 1971. This announcement put an end to a year-long, meandering, public foreign-policy debate on "forward defense" versus "fortress Australia." Forward defense has won, and Australia is headed in the direction of increasing involvement in regional affairs -- a development which is in our interest as well as Australia's.

The fact that Gorton made his announcement before his visit to Washington has simplified our task. Previously, he seemed likely to seek a specific U. S. guarantee of the safety of his ground forces before committing them. Now, it is clear we will not be asked to pay this price for an Australian ground-force presence in Malaysia/Singapore.

On the other hand, the announcement has also put us on a spot, challenging us to be as firm and forthright as Australia has been. Gorton can now say that Australia has met our requirement to do all it can; now what will we do to support its commitment?

In this connection Gorton may still ask for specific assurances of U. S. support for his forces. At the very

least, he will wish to assess the general posture your administration will assume in Southeast Asia. It must be assumed that the impressions he receives from you on this question may affect the confidence and vigor with which Australia assumes its heightened role in regional affairs.

Gorton will:

-- try to get a feel for how much help he can expect from the United States if his forces run into a situation they cannot handle;

-- possibly ask you directly what we would do if the peninsula were invaded by Communist China or North Viet-Nam, or if an externally supported insurgency got out of control;

-- possibly ask you whether the ANZUS Treaty will apply to Australian forces stationed in Malaysia/Singapore after 1971.

You should:

-- say that (as you told him in a personal message) you welcome the Australian decision as a valuable contribution to the stability and security of Southeast Asia;

-- say that Australia's decision makes it easier for us to go on making our own contribution, which consists mainly of our forces deployed elsewhere in the Western Pacific area as a deterrent to Communist expansion;

-- add that in this connection we were heartened by Gorton's recent assurance to our Ambassador that Australian forces would fight beside ours in Thailand if the need arose;

-- stress that although we are not a party, we are keenly interested in the Five-Power (Australia, U.K.,

New Zealand, Malaysia, Singapore) consultations on new defense arrangements for Malaysia/Singapore;

-- add that we would like to encourage this development in any way we can, such as through the possible joint use of a Singapore naval facility (which our two navies are now discussing);

-- assure Gorton we fully understand that (as he said in his speech) a situation could conceivably arise with which Australia and her allies could not cope, and that Australia would then have to look for support to "allies outside the region" and decide what to do "in the light of circumstances then prevailing;"

-- assure him that, as Australia's principal ally in the Pacific, we would of course stand ready to consult fully and promptly on what support we might give;

-- tell him we agree with his view (in his speech) that we cannot now know what those circumstances might be and, therefore, cannot now make precise decisions.

With respect to the ANZUS Treaty, you should:

-- avoid raising the question of the specific applicability of ANZUS to Australian forces in Malaysia/Singapore;

-- (if Gorton raises it) say that we recognize Malaysia and Singapore are within the treaty area, that the continuing presence of Australian forces there serves the interests of both of us, and that questions concerning our obligations under the treaty may someday arise;

-- stress that we would want, therefore, to maintain close consultation about future Australian commitments to Malaysia and Singapore and future deployments of Australian forces;

-- (if Gorton presses you for details on how ANZUS applies) say you doubt that it is necessary or desirable to speculate on theoretical applications of the Treaty;

-- note that Gorton has said he would prefer "general understandings" to "specific treaty obligations" in Australia's future defense relations with Malaysia and Singapore;

-- say that, similarly, we feel that maintenance of the general understanding represented by the ANZUS Treaty is better than trying to delimit specific treaty obligations in hypothetical contingencies.

(For more precise language in responding on this subject, see Background-Position Paper.)

B. Viet-Nam

The Australians have contributed 8000 troops. Gorton has announced that that is the limit. Public support for the war, over 60 per cent eighteen months ago, has now slipped to below 50 per cent. Gorton is sensitive about being fully consulted as an ally. He is also worried about our possibly agreeing to a weak settlement that would lead to a deterioration in Southeast Asia.

Gorton will:

-- ask your assessment of the current situation in Viet-Nam;

-- ask about the outlook for the Paris talks.

You should:

-- solicit his views;

-- give him the picture as you see it;

-- give him the feeling that you are taking him fully and frankly into your confidence;

-- tell him how highly we value Australia's contribution, in both military and non-military assistance;

-- not ask for more Australian troops.

C. Post-Vietnam Southeast Asia

Gorton, like many Australians, is nervous about a possible U. S. withdrawal from Asia after Viet-Nam. You should reassure him.

Gorton will:

-- probe your intentions on maintaining a U. S. presence in the area;

-- be interested in your thoughts on future trends, including Japan's role in the area.

You should:

-- assure him that our interest in the security and economic development of Southeast Asia will continue after Viet-Nam;

-- stress the importance we will continue to attach to ANZUS and SEATO;

-- outline your thinking on post-Vietnam Asia, highlighting the leading role we foresee Australia playing in Southeast Asia, and the increasing contribution we hope to see Japan make.

-- ask Gorton's views on the future of his part of the world; the problems he foresees; how he envisions Australia's role and those of the United States and Japan.

These are the high points. Additional talking points, and Background on the Visit, are enclosed.



William P. Rogers

Enclosures:

1. Additional Talking Points.
2. Background on the Visit.

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Additional Talking Points

Other possible topics which Gorton may raise include:

- U. S. trade restrictions.
- offset military purchases.
- nuclear excavation study.
- Non-proliferation Treaty.
- Defense Space Communications Facility.
- your visiting Australia.

Topics you may wish to raise:

- EC-121 incident.
- scientific cooperation.

Topics Gorton may raise

1. U. S. Import Restrictions

(For the record, Gorton may mention various standing Australian complaints against U. S. import restrictions. While we do have restraints on Australia's principal exports to us, we are still its third best customer, taking about 14 per cent of total exports. Australia's economic situation today is excellent. You should listen sympathetically, but avoid promising more liberal treatment.)

Gorton may:

-- complain about U. S. restraints on -- or protectionist moves against -- meat, dairy products, wool, woolen textiles, lead, zinc or steel, asserting that

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such restrictions are inconsistent with our professed devotion to free trade and that Australia should enjoy freer access to the U. S. market;

-- point out that the bilateral balance of trade runs 2 to 1 in favor of the U. S.;

-- allege that our voluntary restraint program on meat imports (in which Australia is cooperating under protest) is unfair because it restricts Australia to less than its historical share of the U. S. market;

-- thank you for relaxing (at his request) the May 1 deadline for Australian compliance with sanitary provisions of our meat inspection law.

You should:

-- not raise the subject;

-- (if Gorton raises it) say we will give the most sympathetic possible consideration to Australia's position on trade questions, consistent with our own balance of payments problem and the difficulties of some American industries;

-- note that Australia's overall balance of payments is currently healthy;

-- state your position on trade policy, declaring that you intend to resist protectionist moves in the U.S.;

-- stress that to head them off, you will need the cooperation of other countries. Australia's agreement to the voluntary restraint program on meat was most helpful in this regard.

-- (if Gorton says the meat program is unfair) point out that giving Australia its historical share of the market would have meant imposing cutbacks on other suppliers, who would have refused to cooperate in the voluntary program;

-- point out that this would have necessitated the imposition of country quotas, which both we and the Australians wish to avoid;

-- point out that it would be very difficult for us to force cutbacks on the small, poor Central American countries, developing nations whose meat industries we have assisted;

-- note that under the voluntary restraint program, Australia will still be able to sell us $4\frac{1}{2}$ per cent more meat in 1969 than in 1968 -- more than in any previous year except one.

2. Offset Military Purchases

(Australia is a major purchaser of U. S. military equipment. To offset their expenditures partially, we try to do as much DOD purchasing as possible in Australia. The problem is that the Australians are not competitive in most lines. We have taken a few special measures to assist them, which have lessened the gap slightly.)

Gorton may:

-- press for increased Department of Defense procurement in Australia, as a further offset to their large purchases of military equipment from us.

You should:

-- not raise the subject;

-- (if Gorton raises it) reply that we want to be as helpful as we can;

-- note that discussions are taking place regularly on the subject between the Department of Defense and the Australian Embassy;

-- suggest that Gorton explore this in depth with Secretary Laird.

3. Nuclear Excavation Study

(A detailed study of the feasibility of constructing a harbor with nuclear explosions at Cape Keraudren fell through when the mining company involved declined to contribute financially. In developing the agreement for this study, Gorton had reacted indignantly to what he took as an indication that we intended to use the project to "pressure" him into signing the NPT. The Australian and American Atomic Energy Commissions have just agreed to undertake a preliminary feasibility survey of potential sites on the west coast of Australia to determine their general suitability for a nuclear excavation project. This agreement is expressly not a commitment on the part of either Government to proceed to a detailed survey of a specific site, as was planned at Cape Keraudren.)

Gorton may:

-- hope the current survey of potential harbor sites will ultimately lead to a nuclear excavation project;

-- possibly ask you point-blank whether there would be a relationship between our willingness to perform such a project and Australia's signing the NPT.

You should:

-- not raise the subject;

-- if Gorton raises it, be pleased that the two Atomic Energy Commissions are able to continue their studies of possible nuclear explosion projects in Australia, since a useful project -- if it proved technically and economically feasible and did not violate the Limited Test Ban Treaty -- could be a major advance in the peaceful utilization of nuclear energy;

-- stress that prospects for international acceptance of such projects will be enhanced if the parties seek to gain international approval as the study proceeds. We can dispel suspicions by conducting the study openly, recognizing the interest of other countries and the International Atomic Energy Agency;

-- assure Gorton once again that we would have no thought of using such a project to "pressure" him into signing the NPT;

-- note, however, that we cannot avoid the fact that performing the first international PNE project for a non-signatory country would create problems with potential NPT adherents. This point was brought out during Senate hearings on the NPT.

4. Non-Proliferation Treaty

(Because of fears of industrial espionage by IAEA safeguards inspectors and lurking doubts of the effectiveness of our nuclear umbrella, Australia has not yet signed the NPT. Gorton will probably sign it sooner or later -- sooner if no one pushes him.)

Gorton may:

-- bring up Australia's doubts about the NPT.

You should:

-- if Gorton does not raise the subject, mention that you hope he will discuss it with the Secretary of State;

-- if Gorton does bring it up, say the NPT is an important foreign policy objective of ours; we believe in the long run it will be equally important to Australia; and we hope Australia will sign in the not too distant future;

-- reassure Gorton that (as we have specifically confirmed to the GOA) the ANZUS and SEATO treaties place Australia under the nuclear protection of the United States;

-- assure him that we are convinced that IAEA safeguards will not be a cover for industrial espionage nor otherwise impair progress in peaceful uses of nuclear energy. We are willing to place our nuclear facilities under such safeguards, except those with national security significance;

-- invite him to discuss his reservations about the NPT further with the Secretary of State, and offer further consultation between U. S. and Australian technical experts if desired.

5. Defense Space Communications Facility

See Background Paper.

6. Your visiting Australia

Gorton will:

-- probably invite you to pay a return visit to Australia.

You should:

-- say you would like very much to do so, but cannot fix a date at this time.

Topics you may wish to raise

1. EC-121 Incident

You should:

-- take Gorton fully into your confidence, outlining the reasons for our restrained response.

2. Scientific Cooperation

You should:

-- tell Gorton how much we appreciate Australia's wholehearted cooperation with us in science, space and military research;

-- say we are pleased with the agreement on scientific cooperation concluded last fall when a team of U. S. scientists visited Australia;

-- add that we would welcome a return visit by Australian scientists this year.

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Background on the Visit

What Gorton is Like

Gorton is a distinctively Australian Prime Minister. In this he contrasts with Menzies, who said he was "British to his boot-heels," and Holt, who said he would go "all the way with LBJ." Much more than they, Gorton personifies -- and manipulates -- his countrymen's feelings of nationalism and egalitarianism. Specifically:

-- in personality, he projects an image of the "typical Australian" -- masculine, direct, tough, down-to-earth, "the casual knockabout bloke next door." (The image is accurate but incomplete: he is also an Oxford honors graduate in history.)

-- in policy, he appeals to nationalist and populist sentiments, criticizing foreign investment, flirting with a more independent foreign policy, moving toward the left on social welfare. (His policy changes have been more rhetorical than real, but they have contributed to his image.)

Gorton is a popular Prime Minister. Erratic, abrasive and high-handed behavior during his first year has made him many enemies among newspapermen, politicians and bureaucrats, but polls show the people like him. Sixty-two per cent approve of the way he is handling his job, the same percentage as six months ago. Despite a recent furor over his public attentions to young women, he is currently favored to win his first general election (which must be held by November this year) by an impressive margin.

Gorton is such a strong Prime Minister that he has been accused of "Americanizing" Australian politics and trying to smuggle in the Presidential system. He has been compared to Andrew Jackson because he:

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-- has rural origins, a glamorous war record and an earthy political style which irks the establishment.

-- is strong-willed and hot tempered.

-- is blunt and direct.

-- prizes action over reflection.

-- runs the government as a one-man show with an iron hand and a "kitchen cabinet."

-- gives jobs to his supporters ("spoils system").

In his dealings with us, Gorton has shown himself to be:

-- sensitive about being taken for granted. He wants his and Australia's views to be fully considered.

-- angered by any suggestion of pressure or arm-twisting.

-- resistant to persuasion. He tends to come around if left alone, but digs his heels in if he feels he is being pushed.

-- contemptuous of what he construes as flattery or eagerness to please.

Why He is Coming to Washington

Gorton's purpose is to get better acquainted with you and senior officials of your administration and to explore in greater depth subjects he raised during his visit at the time of the Eisenhower funeral. Embassy Canberra reports he is quite relaxed about the visit and seemingly anticipates friendly discussions on a range of subjects rather than hard bargaining or attempts to find solutions to specific problems.

However, he will be extremely interested in East Asian security matters, and will certainly probe your intentions with respect to future U. S. policies in Southeast Asia.

Suggestions on Handling Gorton

Gorton is a prickly, aggressive man who can be extremely charming but also extremely difficult to handle. Foreign relations for him are primarily a matter of personal relationships between leaders. In general, with Gorton you should be especially careful to:

-- make him feel he is an equal partner; ask his opinions.

-- be as frank as you can.

-- avoid appearing eager to please.

-- avoid pushing him but don't let him push you (he respects toughness).

You are starting with an advantage in that he wound up rather jaundiced about the Johnson administration, but reportedly has a high opinion of you. Also, he is under some pressure to get along with you because it is widely believed in Australia that he did not make a good impression on President Johnson. He was accordingly on his best behavior when he met you in April, and was effusive in his praise of you when he returned to Australia ("I like the guy.").

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APR 30 1968

MEMORANDUM

6766

TO: The Secretary
THROUGH: S/S *flw*
FROM: EA - Marshall Green *WA*
SUBJECT: Your Meeting with Prime Minister Gorton
of Australia -- BRIEFING MEMORANDUM

1. You have an appointment to see Prime Minister John Gorton of Australia in your office at 3:00 P.M. May 6. Prime Minister Gorton will be accompanied by Australian Ambassador Sir Keith Waller, C.L.S. Hewitt (Secretary of the Prime Minister's Department) and Sir James Plimsoll (Secretary of the Department of External Affairs). Robert Moore (Country Director for Australia) and I will also attend.
2. This is Gorton's second official visit to the United States since he became Prime Minister in January 1968. The first was in May, 1968.
3. Originally scheduled for April 1, the present visit had to be postponed because of the death of General Eisenhower. Gorton came anyway to represent Australia at the funeral and to have such substantive discussions as could be fitted in. He saw the President, you, Secretaries Laird and Kennedy, and Dr. Kissinger. On this trip, he is scheduled to see the President, you, Secretary Laird and Senator Fulbright.
4. Attached at Tab B of the briefing book is a copy of the memorandum prepared for the President's meetings with Gorton. The same topics may come up in your own discussion.

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Group 1

Excluded from automatic
downgrading and declassification

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BY S/S: CMS

5. Gorton raised with you in April the subject of Australia's doubts about the NPT, saying that he would like to go into this in detail when he returned in May. You should seek to impress him with the importance we attach to the NPT and Australia's eventual adherence to it. Special Talking Points are attached. (See also the Background Paper, and the briefer talking points in the Memorandum for the President.)

6. Other possible topics include:

a. Meat Inspection. You may wish to express satisfaction that, in discussions with the GOA initiated in response to Gorton's April request, it has been possible to reach agreement on a later target date (August) for Australian compliance with certain sanitary provisions of our Meat Inspection Law.

b. Non-Aggression Pacts. Gorton may again mention his idea for non-aggression pacts among Southeast Asian countries, and seek your reaction. If he does, you might respond along the following lines:

-- we would be interested in hearing a fuller exposition of what the Prime Minister has in mind;

-- we share Australia's concern that intra-regional disputes and suspicions impede development and the growth of regional cooperation; we welcome creative thinking on this subject by Australia and recognize that non-aggression agreements might be one way to dampen disputes, create a greater sense of security and foster greater willingness to cooperate;

-- prospects for a formal, multilateral non-aggression pact are not encouraging; there is little apparent sentiment in the region for such an agreement, which might, moreover, raise the unwelcome question of the possible need for an external guarantor;

-- may not specific, sometimes quite informal, bilateral arrangements (such as those which Malaysia has with Thailand and Indonesia covering cooperation in border security) represent a more practicable and promising - if slower - approach to the problem?

-- we appreciate the GOA's imaginative approach and would be pleased to consult with them on the question at any time.

7. A supplementary memorandum with a talking point on the next ANZUS Council meeting will be sent to you when your July travel plans become firm.

Attachments:

1. Copy of Memorandum for the President.
2. Talking Points - NPT

EA/ANZ:^CCBrower:jab 4/29/69

Concurrences:

EA/ANZ - Mr. Moore⁶⁴
EA/RA - Mr. Donald⁶⁶
ACDA - Mr. Neidle⁶⁶
E/ORF - Mr. Erickson⁶⁶
EA - Amb. Brown⁶⁶ →

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TALKING POINTS

NPT

BACKGROUND

Discussions with PM Gorton concerning the NPT should have the following aims: (1) Convince Gorton that the USG is committed to the success of the NPT, and that we consider Australian adherence important to that success; (2) Ascertain what the GOA's true concerns are concerning the Treaty; (3) Provide frank answers to any questions Gorton may have regarding the Treaty; and (4) Leave the door open for further NPT discussions, if necessary, in Washington or Canberra.

DISCUSSION

- Say that every country makes its own decisions on important matters, and that the USG fully appreciates the fact that Australia wants to look very closely at the NPT before becoming a party.
- Say that the US is very serious about its commitment to the NPT.
 - Four US Presidents have considered non-proliferation central to our security.
 - We consider a successful NPT a necessary precondition to further meaningful steps to control presently-held nuclear arms.
 - We view with great concern the large amounts of fissionable material which will be readily available in a few years in many countries if such material is not brought under effective international control. Since this material could be used to produce tens of thousands of nuclear weapons, the risk of nuclear war would greatly increase without the NPT.

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AUTOMATICALLY DECLASSIFIED

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- Add that in view of Australia's important position in Asia, and the close relationship between our two countries, the US considers eventual adherence to the NPT by Australia especially important to the success of the Treaty.

Security

- Say that the USG recognizes at this time that the governments of East Asia must carefully evaluate their future security; the USG appreciates that it is important for the GOA to assure itself that the NPT will neither impair its present security nor prejudice its security in the future.
 - Point out the continuing validity of our Aide Memoire of May 1968, in which we tried to show that nuclear activities of interest to Australia were not prohibited by the NPT.
 - Mention also the availability of the withdrawal article which permits each party to determine for itself when the provisions of the article justify withdrawal.
 - Reiterate the US commitment to the defense of Australia. Should Gorton raise the Security Assurances given in connection with the NPT, stress that these were given for the benefit of non-aligned countries and do not effect in any way our specific mutual security arrangements with Australia.

Safeguards

- Remind Gorton that last year we also answered several GOA questions about IAEA safeguards under the NPT.
 - Our Aide Memoire of May 1968 made it clear that safeguards have as their sole purpose the verification that no diversion of nuclear energy from peaceful purposes is taking place.

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- Point out that Australia's membership on the IAEA Board of Governors will allow the GOA to make its own contribution to IAEA safeguards policy.
- Say that we would be happy to answer any detailed questions which Australia might still have regarding safeguards.

Peaceful Uses

- Emphasize that we believe that NPT safeguards will facilitate, rather than impede, international peaceful nuclear commerce by providing nations with greater assurance that nuclear materials being transferred to other countries are not being used in the manufacture of nuclear weapons.
 - Mention that this is in keeping with the spirit of the peaceful uses provisions of the Treaty, which are designed to facilitate the flow of the benefits of nuclear energy to all parties to the NPT.
 - If Gorton wishes to discuss a project such as Cape Keraudren, state that the US would cooperate in any technical studies. However, we could not commit ourselves to go forward with the actual provision of nuclear explosion services in connection with such studies. This would have to be considered in light of the results of the studies and of existing treaty obligations, specifically the Limited Test Ban Treaty and the NPT. Regarding the NPT, our decision on the provision of PNE services would have to take into consideration, among other things, whether and to what extent this would effect international support for the Treaty.

Other Considerations

- If Gorton inquires about the current NPT thinking of either Japan or Germany
 - Say we think there is a reasonable chance that

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Japan will sign the Treaty by mid-summer.

- Say that we feel confident that Germany will adhere; however, their signature has been delayed by a unique set of circumstances.
- If Gorton raises the matter of signature implying speedy ratification, say that the US would not read such an implication into the Australian signature. We ourselves will have had a considerable lapse of time between our signature and the deposit of our ratification instrument.
- Stress that Australian signature, of itself, would have a helpful effect on the progress of the NPT.

VISIT OF JOHN GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

SCOPE PAPER

I. The Setting

Prime Minister Gorton's visit comes at a turning point in the history of Australian foreign policy. On February 25, Gorton announced his Government's decision to maintain Australian forces -- including ground forces -- in Malaysia/Singapore after the British withdrawal in 1971. This is perhaps the most important step Australia has taken since its entrance as an independent actor on the world stage in the 1940's. Gorton's main purpose in coming is to plumb United States attitudes and intentions regarding East Asia as they bear on the Australian decision. The impressions he receives can be expected to affect the vigor with which Australia assumes its new, heightened role in Southeast Asia.

The Australian Government's historic decision resulted from the interplay of several factors. These included anticipated changes in British and U. S. deployments in Southeast Asia; the accession of a strong-minded, nationalistic Prime Minister with heterodox foreign policy leanings; the approach of a general election; and the stirrings of a new nationalism in Australia.

"Forward Defense" or "Fortress Australia"?

Since World War II, Australia has increasingly sought to develop closer relations with Southeast Asian countries. While this course has been carried out through economic aid, diplomacy and participation in regional organizations, it has also had an important military component -- the policy of "forward defense." Based on the idea of stopping the enemy as far as possible from Australian shores, forward defense has justified Australian participation in regional

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Downgraded at 12-year intervals;
not automatically declassified

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security efforts including Korea, SEATO and Viet-Nam and, since 1955, its support of British undertakings to defend Malaysia and Singapore. Conscious of its relative weakness, however, and feeling isolated and vulnerable in its corner of Asia, Australia has been careful to risk its limited forces only in close association with one or both of its "great and powerful friends", Britain and the United States.

In 1968, two developments combined to thrust Australia into a dilemma. The first was Britain's decision, made public in January, to accelerate withdrawal of its forces from Malaysia/Singapore and complete the pull-out by the end of 1971. The second was President Johnson's announcement on March 31, 1968 of a unilateral halt in the bombing of North Viet-Nam and his own retirement from politics. This surprising and dramatic development, and the subsequent change of leadership in a United States which as seen from Australia has seemed increasingly preoccupied with internal problems, have created uncertainty and anxiety in Australian minds about the future course of America's Asia policy. One of Australia's "powerful friends", the U.K., was preparing to leave the scene. Would the other, the U. S., also drift away? In view of this possibility, was forward defense still a wise policy?

Debate on this question could not remain theoretical, since Australia was faced with a pressing practical decision. It now has ground, air and naval forces in Malaysia/Singapore alongside the British. Should it keep its forces there after the British leave (as Malaysia and Singapore have requested), or should it pull them out? Keeping them there would be a historic and possibly dangerous departure from the traditional policy of stationing Australian forces overseas only alongside a major power -- the British or the Americans. Pulling them out would imply abandonment of forward defense, and perhaps a fundamental reorientation of Australia's Southeast Asia policy. The decision could not be long deferred, since the five Commonwealth powers concerned (Malaysia, Singapore, Australia, New Zealand and the U.K.) have begun consultations looking toward a new arrangement for the defense of the area post-1971. Australian participation is the key to the emergence of any such new arrangement which promises

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to be effective, and Australian indecision has already seriously hampered the five-power consultations.

In the debate in Australia, the traditional forward defense policy has had powerful advocates, including the Ministers of External Affairs and Defense, the top civil servants in these departments, and the military services. The alternative strategy, dubbed "fortress Australia" by the press, calls for less involvement in Southeast Asia and increased concentration upon internal economic development, military preparedness and continental and immediate offshore defense, focusing on the mainland and Papua/New Guinea. In an extreme, isolationist form it has been espoused by Jim Cairns, spokesman for the powerful left-wing faction in the Australian Labor Party (ALP) and a good bet to become Leader of the Opposition in 1970. A still more important figure who early disclosed strong leanings toward "fortress Australia" -- although his position was often contradictory and unclear -- was the complex, controversial man who became Prime Minister in January 1968, John Grey Gorton.

Gorton's Indecision

Gorton at various times has given numerous indications of doubts about forward defense and a predisposition towards its opposite. At his first press conference as Prime Minister, he made a startling off-the-cuff announcement that no more Australian troops would be sent to Viet-Nam. A strong nationalist, he has charted a course assertive of distinctively Australian interests and has shown that in his thinking domestic economic development enjoys first claim on national resources. Seeming to split sharply with his Ministers of External Affairs and Defense over Southeast Asia policy and the Malaysia/Singapore question, he brought no advisers and requested no briefing papers from their departments when he visited Washington in May 1968. He repeatedly expressed skepticism as to the wisdom or desirability of stationing Australian forces, especially ground forces, in Malaysia/Singapore after 1971 -- at least without being sure of being able to get them out if they got into serious trouble. This attitude reflects his personal experience; as a fighter pilot in action over

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Singapore in 1942, he saw an entire Australian division -- one fourth of his country's combat infantry -- trapped and forced to surrender to the Japanese. As Prime Minister, he is understandably determined not to be responsible for a repetition of this debacle.

With Britain's decision to withdraw from Malaysia/Singapore by 1971 apparently irrevocable, Gorton's concern appeared to focus sharply on the course of U. S. Asia policy under President Johnson's successor. After Johnson's March 31, 1968 speech, Gorton told the Liberal Party caucus and the press that he was convinced there would be a major U. S. retrenchment in Asia -- possibly amounting to a return to pre-World War II isolationism -- under the next U. S. administration, and that this might well necessitate abandonment of "the Menzies concept of forward defense" in favor of "an Israeli-type defense scheme." Although this topic dominated his discussions in Washington in May 1968 almost to the exclusion of all others, he left unconvinced by the Johnson administration's protestations of continued U. S. firmness in East Asia. He subsequently reiterated in public that no decision would be made on the commitment of Australian ground forces until certain "imponderables" -- meaning primarily U. S. Asia policy under the new administration -- became clear to him. At the Commonwealth Prime Ministers' Conference in mid-January, he privately took the position with the British that he could not run the risk of involvement, particularly of his ground forces, in Malaysia/Singapore until he knew in advance who would "back him up". He therefore planned to make no decision on post-1971 deployment of ground forces, he said, until he had talked to President Nixon.

With characteristic directness and persistence, Gorton successfully sought an early meeting with the new President. On February 7, "Len" Hewitt, Secretary of the Prime Minister's Department and Gorton's closest adviser, told our Ambassador that Gorton had only one thing on his mind in coming to Washington other than getting acquainted with the President, and that was to learn exactly what was the U. S. position on the stationing of Australian troops in Malaysia/Singapore. Gorton would make it clear that if Australian troops were stationed there, they would never get involved in local conflicts or hostilities with Indonesia or the Philippines. However, he would want to

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know from President Nixon what the United States would do if Australian troops became involved in countering aggression by Red China or North Viet-Nam. Gorton himself reiterated this to our Ambassador the next day, adding that if the need arose he would commit troops to fight with us in Thailand.

The Election and Gorton's Decision

Meanwhile -- with a general election coming up in November 1969 at the latest -- there were signs that the Australian public was making up its mind on the foreign policy debate. The fact that British withdrawal implied increased Australian responsibility, while it had its alarming aspect, appealed at the same time to Australia's growing national pride. Australia -- economically the third most powerful nation in Asia and technologically second only to Japan -- was being called upon to play a new, more independent role. Surely it would not be too timid to rise to the challenge? "Fortress Australia", from this point of view, could easily be depicted as un-Australian. Gorton's Christmas message to Australian troops in Viet-Nam, written in ringing "forward-defense" tones, met with a warm response. The Liberal Party organization began advising him that a strong defense policy was his election winner. This advice was reinforced by the press, most of which favored staying on after 1971, and by the views of the Liberal Party's two election allies, the Country Party and the hawkish Democratic Labor Party.

The uncertainty created by Gorton's previous, conflicting statements helped build up suspense for his promised announcement of a new defense policy when Parliament reconvened on February 25. Most observers expected him to announce a decision to maintain air and naval forces in Malaysia/Singapore after 1971, but to postpone a decision on ground forces because of "imponderables". The moderate leader of the Opposition (ALP), Gough Whitlam, evidently anticipated such a position and tried to pre-empt it by adopting in advance a very similar one. Whitlam came out for air and naval deployments but rejected the commitment of ground forces, in favor of maintaining a "mobile striking force" in Australia which could be sent if needed -- an idea originally advanced by Gorton.

Gorton made one quiet, preparatory move -- he announced the resignation of Paul Hasluck as Minister for External

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Affairs and his elevation to Governor General. With Hasluck thus out of the way, Gorton had the spotlight entirely to himself when he made his surprise announcement on February 25 that Australia would go all the way with the policy of which Hasluck had been the leading advocate -- forward defense including a commitment of ground forces to Malaysia/Singapore after 1971.

Gorton's speech was his finest hour and a political masterstroke. Lucid, forthright, statesmanlike, it won warm applause both at home and abroad. (Prime Minister Holyoake of New Zealand, who had been urging this course on Gorton all along, made a simultaneous and similar announcement.) The Australian press was unanimously laudatory. Whitlam, neatly outmaneuvered, was obliged to attack the commitment of ground forces, thus making this the only foreign policy issue in an election which the bitterly divided ALP seems sure to lose. Gorton, on the other hand, seems likely to emerge from the election with increased stature, firmer control, and an enhanced image as a truly Australian Prime Minister leading his country into a new era of its nationhood.

Significance for the Visit

Gorton's decision to announce a commitment of ground forces to Malaysia/Singapore in advance of his visit to Washington has simplified our task. Previously, he seemed likely to seek a specific U. S. guarantee of the safety of his forces as a precondition for committing them. Obviously it would have been difficult to give such a guarantee, especially in a form which would have been politically useful to Gorton. The February 25 speech has made it clear that the U. S. will not have to pay this price in order to get an Australian ground-force presence in Malaysia/Singapore.

On the other hand, the speech has also in a sense put us on a spot, challenging the U. S. to be as firm and forthcoming as Australia has been. Gorton can now say that Australia is meeting the American requirement to do all it can; now what will Washington do to support that commitment?

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His speech made it clear that contingencies were conceivable with which Australian forces could not cope, and that "if such a situation should arise we would have to look to the support of allies outside the region". In this connection Gorton may still ask for specific assurances of U. S. support. At the very least, he will seek to sound out the temper of the new administration and the general posture it will take in Southeast Asia. The answers and impressions he receives will have a bearing on the confidence and vigor with which Australia pursues the new path in regional affairs on which it is taking the first step.

II. The Visitor

Personally, Prime Minister Gorton is conservative, with a brusque and flamboyant style. He is quick on his feet and tends to say what comes first into his mind. Prickly and sensitive, he refuses to be pressured or taken for granted. (For example, he reacted angrily and resentfully when he felt President Johnson had not consulted sufficiently with the GOA before announcing the partial bombing halt on March 31, 1968.) He can be extremely charming, but is instinctively aggressive with a streak of toughness and possibly nastiness just below the surface. He is inclined to be impetuous, abrasive and cocksure, restricts his advisers to a small inner circle, and has at times seemed lackadaisical in his approach to his work. These qualities have earned him a bad press and poor personal relations in the Government, but this has not seemed to bother him. He projects a charismatic toughness which Australians like, and his standing with the man in the street is high. Recently, both his performance and his press have improved.

Australia's top political journalist provides a vivid sketch bringing out Gorton's political appeal: "Oxford educated, a Victorian orchardist, he had been when young a very good-looking man, but in World War II, as a fighter pilot, he drove his face into the instrument panel of his bullet-damaged Hurricane in landing on the Singapore aerodrome as an RAAF-Japanese dogfight proceeded overhead. His rebuilt features are attractively ugly, mobile, conveying on TV screens a pleasant impression of battered strength and homely charm. His later war service has about it some of the romantic charm that surrounded that of the

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late John F. KennedyBack on active service, a crumpled-faced veteran, he crashlanded on an island in the Timor Sea and lived for days on turtles' eggs and fish before being rescued. Lean, wiry, six feet one inch tall, a careless dresser with hair that succumbs only temporarily to the discipline of comb and brush, laconic, direct and irreverent, addicted to swimming and tennis, an easy mixer who is impatient with formality, protocol, the establishment, and 'longhaired' intellectuals, Gorton represents what Australians have chosen to believe is the traditional Australian, both in his masculinity and derisive distaste for those who parade pretentiously intellectual accomplishments or academic qualifications."

Gorton has been married since 1935 to an American citizen, nee Bettina Brown of Bangor, Maine. Mrs. Gorton is a shy, intelligent, gray-haired woman who has some competence in Indonesian studies. She is reportedly embittered by her husband's reputation as a lady-killer.

III. Australian Aims

The new administration's strategy in Southeast Asia, as it relates to Australia's involvement in the defense of the region, will be uppermost in the Prime Minister's mind.

He will:

- assess the firmness of the new administration's posture in Southeast Asia;
- ask to what extent the U. S. is prepared to back up Australian forces committed to Malaysia/Singapore after 1971;
- ask the President's thoughts on strategy and prospects for the Viet-Nam war and negotiations;
- be interested in the President's thinking on post-Vietnam Asia;
- argue for better treatment from the United States in the economic field;

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-- size up the President.

IV. United States Aims

Our aim is to secure continued strong Australian leadership in Southeast Asia. We should try:

-- without increasing our commitments, to give Gorton sufficient reassurance to encourage him to make a whole-hearted contribution to regional security;

-- to consult fully and frankly with him on the Viet-Nam war and negotiations;

-- fully to share our thoughts - and elicit his - on post-Vietnam Asia;

-- to establish a good personal relationship between the President and Gorton;

-- to reassure Gorton and, through him, the Australian people that the United States is and will remain a close, steadfast and special friend which can be relied upon to play a leading role in checking Communist expansion in Asia.

Drafted by: EA/ANZ:CCBrower
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EA - Amb. Brown
EA - Amb. Godley
S/S-S - Mr. Shepard
Approved by: The Secretary

SECRET

March 10, 1969

VISIT OF JOHN GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

Suggestions on Approaching Australians and
Conversational Topics

Australians are outgoing and straightforward, and mix exceptionally well with Americans. In fact, they have a special fondness for us, not untinged with envy at our greater affluence. Similarities in culture and outlook are great, and there are very few special sensitivities to beware of. Australia was first settled as a penal colony, and many of its citizens today are descended from convicts; this is a joking matter with most but a few may be touchy about it. Also, Australia today has a developed, dynamic economy and a sophisticated and predominantly urban culture. There is a growing sense of nationalistic pride. Australians sometimes resent questions which imply a rural stereotype (sheep, kangaroos and boomerangs) in the mind of the questioner.

Australia has no racial problems. The indigenous aborigines have a status similar to that of American Indians, and the "White Australia" immigration policy, while no longer officially referred to as such and slightly liberalized, remains substantially in effect. It enjoys solid public support, reinforced recently by our well-publicized racial troubles and those of Great Britain. Before he became Prime Minister, John Gorton firmly advocated the continued exclusion of colored immigrants, and expressed sympathy for the racial policies of Rhodesia and South Africa.

Conversational Topics

Australians are keenly competitive, a trait which is reflected in their excellence in several sports. Since World War II they have produced a number of great swimmers, including Dawn Frazer, Murray Rose and Mike Wenden (who

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won two gold medals at Mexico City). Milers John Landy and Herb Elliott have a place in history, as do tennis stars Lew Hoad, Ken Rosewall and Rod Laver. The Davis Cup in tennis has been completely dominated by the U. S. and Australia during the 23 years since World War II (15 wins for Australia vs. 8 for the U. S.). In 1968 at Adelaide, a U. S. team headed by Arthur Ashe and Clark Graebner recaptured the cup after a long string of Australian victories. President Nixon received the team on February 11, 1969 to congratulate them and view the cup; he was presented with a team necktie.

In recent years Australia and the U. S. have begun to vie in the America's Cup in yachting. This cup was first awarded at the London Exposition of 1851 after a race around the Isle of Wight open to all comers; it was named the America's Cup after the winning U. S. entry. The U. S. has defended the cup twenty times since and won every time. Australia has challenged twice, in 1962 with the Gretel and in 1967 with the Dame Pattie (named for the wife of former Prime Minister Menzies). The skipper of the victorious U. S. yachts in both encounters (Weatherly in 1962 and Intrepid in 1967) was Emil "Bus" Mosbacher Jr., now Chief of Protocol of the United States.

On the more serious side, Australia has been experiencing a remarkable boom in the discovery and exploration of mineral resources, including iron, nickel, bauxite and petroleum. This is often a good subject for conversation with Australian men.

Conversing with Gorton

Gorton is a complex personality who combines the shrewd, homespun quality of a man of the land with the sophistication of an honors graduate in history at Brasenose College, Oxford. While he has a typical Australian's rough contempt for intellectual pretensions, he has also (as Minister for Education and Science) come into intimate contact with the problems of the intellectual community and technology in a rapidly evolving modern society. His conversational range is broad. Topics for light conversation may be suggested by his student days, his marriage, his war experiences, or his recreational interests.

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Gorton's father owned a fruit farm in Victoria and, though the family could afford to send him to Melbourne's fashionable Geelong Grammar School, young John also had to work on the family property to help pay his way. When he finished at Oxford he went to Spain for a holiday and there met an American girl, Bettina Brown, of Bangor, Maine, a student at the Sorbonne who was vacationing in Spain. They were married in 1935 in the chapel at Brasenose College. Mrs. Gorton has retained her American citizenship to this day, although since her husband became Prime Minister she has traveled on an Australian diplomatic passport.

The couple returned to Australia and Gorton was making a big success of running his father's farm when the war broke out. He joined the Royal Australian Air Force as a fighter pilot and was shot down over Singapore. As he puts it, "My face got rather mixed up with the instrument panel." He was left with amiably crumpled features which today make him look rather like an aging former prize fighter. Swathed in bandages, he was evacuated from Singapore aboard a ship which was torpedoed and sunk. He spent 24 hours aboard a life raft in the Java Sea before being rescued by an Australian destroyer. Returning to active duty, he was shot down again in 1944 and lived for days on turtle eggs and fish on an island in the Timor Sea.

Although Gorton no longer farms actively, he still spends much time outdoors at tennis and swimming. He likes bridge and "mucking around in the garden." He reads avidly -- anything from spy fiction to scientific reports -- but describes his taste in entertainment as somewhat philistine. "I was brought up as a kid on a diet of flying arrows in Nottingham Forest and books where Buffalo Bill Cody harried redskins on every page," he told an interviewer. "Give me Laramie, not Lohengrin. I'm not a boor, but I'm no culture-vulture either."

However, Gorton and his wife share an interest in the theater which is not "philistine." On their visit to the United States in May last year, they reserved an evening in New York to see Rosencrantz and Guildenstern Are Dead.

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DRAFTED BY:

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DEPARTMENT OF STATE

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CAUTION - FUTURE RELEASE

FOR RELEASE AT MID-NIGHT, MONDAY, APRIL 28, 1969. NOT TO BE
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OFFICIAL VISIT TO WASHINGTON, D.C. OF THE RIGHT HONORABLE JOHN
G. GORTON, M.P., PRIME MINISTER OF AUSTRALIA, AND MRS. GORTON

May 1 - 8, 1969

Members of the Official Australian Party

The Right Honorable John G. Gorton, M.P.
Prime Minister of Australia

Mrs. Gorton

His Excellency Sir Keith Waller, C.B.E.
Ambassador of Australia

Lady Waller

Mr. C. L. S. Hewitt
Secretary, Prime Minister's Department

Sir James Plimsoll, C.B.E.
Secretary, Department of External Affairs

Mr. A. T. Griffith
Assistant Secretary, External Relations and Defense Branch
Prime Minister's Department

Miss Ainsley Gotto
Private Secretary to the Prime Minister

Mr. Anthony Eggleton
Press Secretary to the Prime Minister

Miss Jean Lester
Private Secretary to Mrs. Gorton

THURSDAY, MAY 1

7:55 a.m. HST The Right Honorable John G. Gorton, M.P.
Prime Minister of Australia, and Mrs.
Gorton and their party will arrive at
Honolulu International Airport, Honolulu,
Hawaii, aboard QANTAS Airlines Flight 596.

9:00 a.m. HST Departure from Honolulu, Hawaii, aboard
QANTAS Airlines Flight 596.

THURSDAY (Cont'd.)

THURSDAY, MAY 1 (Continued)

4:50 p.m. PDT Arrival at San Francisco International Airport, San Francisco, California.

5:20 p.m. PDT Departure from San Francisco, California, aboard a United States Air Force special flight. (Flying time: 4 hours and 50 minutes; 3 hours change in time.)

FRIDAY, MAY 2

1:10 a.m. EDT Arrival at Langley Air Force Base, Virginia.

1:20 a.m. Departure from Langley Air Force Base by limousine.

2:05 a.m. Arrival at Williamsburg, Virginia.

SATURDAY, MAY 3

At Williamsburg.

SUNDAY, MAY 4

At Williamsburg.

MONDAY, MAY 5

2:25 p.m. Arrival at the Williamsburg Inn Golf Course.

2:30 p.m. EDT Departure from Williamsburg, Virginia, aboard a United States Marine Corps special helicopter flight. (Flying time: 1 hour)

3:30 p.m. EDT Arrival at the Pentagon Heliport, Washington, D.C. The Prime Minister and Mrs. Gorton will be greeted by the Honorable Emil Mosbacher, Jr., Chief of Protocol of the United States, and Mrs. Mosbacher.

3:35 p.m. Departure from the Pentagon Heliport.

3:45 p.m. Arrival at Blair House.

7:50 p.m. Prime Minister and Mrs. Gorton will depart from Blair House.

MONDAY, MAY 5 (Continued)

8:00 p.m. His Excellency Sir Keith Waller, C.B.E., Ambassador of Australia, and Lady Waller will give a dinner in honor of Prime Minister and Mrs. Gorton at the Embassy of Australia, 3120 Cleveland Avenue, Northwest.

Dress: Black tie.

TUESDAY, MAY 6

10:25 a.m. Prime Minister Gorton will depart from Blair House.

10:30 a.m. Prime Minister Gorton will arrive at the White House where he will be greeted by the Honorable Richard Nixon, President of the United States.

Prime Minister Gorton will meet with President Nixon at the White House.

Following the meeting, Prime Minister Gorton, accompanied by Ambassador Mosbacher, will return to Blair House.

Prime Minister and Mrs. Gorton will have luncheon privately at Blair House.

2:55 p.m. Prime Minister Gorton will depart from Blair House.

3:00 p.m. Prime Minister Gorton will meet with the Honorable William P. Rogers, Secretary of State, at the Department of State.

2:40 p.m. Mrs. Gorton, accompanied by Mrs. Mosbacher, will depart from Blair House.

2:50 p.m. Mrs. Gorton will visit L'Enfant Plaza.

3:45 p.m. Mrs. Gorton will depart from L'Enfant Plaza and return to Blair House.

8:00 p.m. President and Mrs. Nixon will give a dinner in honor of Prime Minister and Mrs. Gorton at the White House.

Dress: White tie.

WEDNESDAY

WEDNESDAY, MAY 7

- 10:30 a.m. Mrs. Gorton, accompanied by Mrs. Mosbacher, will depart from Blair House.
- 10:40 a.m. Mrs. Gorton will visit Dumbarton Oaks.
- 11:25 a.m. Mrs. Gorton will depart from Dumbarton Oaks and return to Blair House.
- 11:55 a.m. Prime Minister Gorton will depart from Blair House.
- 12:00 noon Prime Minister Gorton will meet with President Nixon at the White House.
- 12:15 p.m. Mrs. Gorton, accompanied by Mrs. Mosbacher, will depart from Blair House.
- 1:00 p.m. Mrs. Rogers will give a luncheon in honor of Mrs. Gorton at the Naval Academy Alumni House, Annapolis, Maryland.
- Following the luncheon, Mrs. Gorton will return to Blair House.
- 1:00 p.m. Secretary Rogers will give a luncheon in honor of Prime Minister Gorton in the James Madison Room, Department of State.
- Following the luncheon, Prime Minister Gorton will depart from the Department of State and return to Blair House.
- 3:50 p.m. Prime Minister Gorton will depart from Blair House.
- 4:00 p.m. Prime Minister Gorton will meet with the Honorable Melvin R. Laird, Secretary of Defense, at the Department of Defense.
- 5:00 p.m. Departure from the Department of Defense and return to Blair House.
- Private evening.

THURSDAY

THURSDAY, MAY 8

- 12:20 p.m. Mrs. Gorton will depart from Blair House.
- 12:30 p.m. Lady Waller will give a luncheon in honor of Mrs. Gorton at the Embassy of Australia, 3120 Cleveland Avenue, Northwest.
- 12:50 p.m. Prime Minister Gorton will depart from Blair House.
- 1:00 p.m. The Honorable J. W. Fullbright, Chairman of the Senate Foreign Relations Committee, will give a luncheon in honor of Prime Minister Gorton in the Foreign Relations Committee Room (Room S-116) at the Capitol.
- 2:00 p.m. Mrs. Gorton will depart from the Embassy of Australia and return to Blair House.
- 2:30 p.m. Prime Minister Gorton will depart from the Capitol and return to Blair House.

Prime Minister and Mrs. Gorton will depart from Washington, D.C. on their journey to Australia.

* * *



COMMONWEALTH OF AUSTRALIA

BACKGROUND NOTES

Population: 12 million (1968 est.)
 Capital: Canberra (Australian Capital Territory)

Australia is the smallest continent and the largest island in the world. Its area, including the State of Tasmania, is 2,974,581 square miles, or just under that of the continental United States (3,026,789 square miles). By sea, Fremantle, on the west coast, is approximately 9,500 miles from London, 4,500 miles from Cape Town, and 3,000 miles from Colombo. Sydney, on the east coast, is 6,500 miles from San Francisco and 1,200 miles from New Zealand.

The whole continent is, roughly speaking, a low, irregular plateau. Its center is flat, barren, and arid, much of it resembling the Sahara Desert. The mountain chains, for the most part, lie close to the coast. The southeastern quarter of the continent is a great expanse of fertile plain, 500,000 square miles in extent. Average elevation above sea level is little more than 900 feet. The long coastline of more than 12,000 miles is singularly free from deep indentation, the most remarkable exceptions being the Gulf of Carpentaria in the north and the Great Australian Bight in the south. The Great Barrier Reef, the longest coral reef in the world, stretches for 1,200 miles off the coast of Queensland.

The mountain masses lie mainly along and roughly parallel to the east coast, in the center of the continent, and in Western Australia. Chief of the eastern group is the Great Dividing Range, which runs from north to south almost the length of the coast, and the Australia Alps, extending as a continuation for about 300 miles through New South Wales and Victoria. The highest point in the country, 7,314 feet, is the summit of Mt. Kosciusko in the southeast corner of the continent.

In general, the coastal region is well watered by the rivers, although many are short, swift, and unfit for navigation. The greatest of the rivers is the Murray (1,609 miles), which forms the major part of the boundary between New South Wales and Victoria before entering the sea in South Australia to the southeast of Adelaide. Its chief tributaries are the Darling (1,150 miles), the Murrumbidgee (1,050 miles), and the Lachlan (850 miles). There are many other rivers, but a number of them dry up to mere trickles in the dry season. Availability of water is the dominant factor in settlement, one-third of Australia being desert and another third consisting of marginal grazing areas.

Because of its size Australia experiences wide variations in climate, but its insular position and

the absence of striking physical features make it less subject to extremes of weather than other similar areas. The seasons are opposite those of the Northern Hemisphere. Much of southern Australia has warm summers and long hours of sunshine. Snow is unusual outside the mountain regions. Of the total area of Australia, nearly 40 percent lies within the tropics. The nation suffers intermittently from disastrous droughts and floods.

Australia lies within the zones of prevailing westerly winds and the southeast trades, both of which condition the rainfall. On the coast rainfall generally is plentiful, but a great part of the interior has less than 10 inches of rain per year. Parts of the tropical north have been compared with the monsoon area of India, with a rainfall of from 60 to more than 100 inches annually. But between the parts affected by these extremes of aridity and heavy rainfall are extensive areas, especially in the southeast and southwest, which enjoy adequate and gentle rains of about 40 inches a year.

The Australian flag depicts the red, white, and blue Union Jack of the British Commonwealth in the top left corner. A large white star directly beneath symbolizes federation. The right half of the banner carries five smaller white stars, representing the Southern Cross Constellation. The flag's background is blue.

THE PEOPLE

The population of Australia, estimated to have reached 12 million in April 1968, is predominantly Anglo-Saxon and of British origin, although its complexion is changing slowly with the continued influx of migrants from continental Europe. It is estimated that there are only about 40,000 full-blooded aboriginal natives (the indigenous people). Of the nonindigenous population, an estimated 10 percent of those born in Australia are of non-British origin, and two-thirds of the overseas-born were British subjects.

A key element in Australia's economic development is the Government's ambitious immigration program. Since 1945 more than 2.7 million immigrants have been admitted, mostly from Britain, Italy, and the Netherlands. About 1,350,000 of these immigrants, including 250,000 refugees, have received financial assistance for their passage. The current target is 125,000 immigrants per year.

Two-thirds of the population is concentrated in the States of New South Wales and Victoria,



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with one-third living in the two cities of Sydney and Melbourne. Substantially all of Australia's population and industry are found in the area corresponding geographically to our southern States.

More than half of Australia's population is located in her State capitals. Following are the populations of the capital cities as of June 1967.

Capital City	Population
Sydney, New South Wales	2,591,720
Melbourne, Victoria	2,277,000
Brisbane, Queensland	795,400
Adelaide, South Australia	784,100
Perth, Western Australia	579,500
Hobart, Tasmania	143,279
Canberra, Australian Capital Territory	114,930
Darwin, Northern Territory	21,065

There is no state church in Australia. The distribution of churchgoers is approximately as follows:

Anglican	35%
Catholic	25%
Methodist	10%
Presbyterian	9%
Baptist	1.5%
Other	19.5%

Australia's literacy rate is estimated to be 98.5 percent.

HISTORY

Little is known of Australia before its discovery by Dutch explorers in the 17th century. It was not until 1770 that Captain Cook explored the east coast and annexed it for Great Britain. On January 26 (Australia Day), 1788, the Colony of New South Wales was founded by Captain Phillip and formal proclamation on the site of Sydney followed on February 7. Many, but by no means all, of the first settlers were convicts, a number of them condemned for offenses which today would be thought trivial. Around the middle of the 19th century, a policy of emancipation of the convicts and assisted immigration of free men emerged. The discovery of gold led to increased population, wealth, and trade.

The dates of the creation of the six colonies which now comprise the States of the Commonwealth are: New South Wales, 1823; Tasmania, 1825; Western Australia, 1838; South Australia, 1842; Victoria, 1851; Queensland, 1859. Settlement had preceded these dates in most cases. Desire for a close union resulted, after discussions between Australian representatives and the British Government, in the Commonwealth of Australia Constitution Act of 1900.

The first Federal Parliament was opened in Melbourne in May 1901 by King George V, then Duke of York. In May 1927 the seat of government was transferred to Canberra, and the first session of Parliament was opened by King George VI, then Duke of York. Australia passed the Statute

of Westminster Adoption Act on October 9, 1942. This officially established Australia's complete autonomy in both internal and external affairs, although its passage merely formalized a situation which had existed for years.

GOVERNMENT

The Commonwealth of Australia consists of six federated States: New South Wales, South Australia, Western Australia, Tasmania, Victoria, and Queensland. The Australian Capital Territory has a status similar to that of the District of Columbia; the Northern Territory and Papua resemble the former territorial status of Alaska and the Hawaiian Islands; and New Guinea is under a U.N. trusteeship.

The Commonwealth Government was created with a written constitution patterned in part on the U. S. model. In the distribution of powers between the Commonwealth and the State Governments, those of the former are specifically defined, the residual powers remaining with the States (as in the United States).

Australia is a fully independent nation within the British Commonwealth. The Queen of England is the sovereign, represented throughout Australia by the Governor-General and in each State by a Governor. The Prime Minister and his Cabinet wield actual power and are responsible to the Federal Parliament, to which they must be elected members. Each of the States has its own elected legislature, the prime ministers of which are called Premiers to distinguish them from the Commonwealth Prime Minister.

The Federal Parliament is bicameral, consisting of a Senate and a House of Representatives. There are 60 Senators, 10 from each State, elected for 6-year terms, with half coming up for election every 3 years. The House consists of 123 members elected every 3 years (plus one member representing the Northern Territory, who may vote only on certain motions). In ordinary legislation the two chambers have coordinate powers, but all proposals for appropriating revenue or imposing taxation must be introduced in the House of Representatives.

Elections normally are held every 3 years. The last general election was on November 26, 1966.

POLITICAL PARTIES

Essentially, Australia has a three-party system, consisting of the Australian Labor Party, which draws its strength from the trade unions; the Liberal Party, representing business interests; and the Country Party, representing agricultural interests. The Country Party, however, is relatively small and traditionally has maintained a close alliance with the Liberals against Labor. In the November 1966 election the Liberal-Country Party coalition increased its

substantial majority in the House of Representatives. The present distribution of seats in the House is: Liberal-Country Party coalition, 81 (Liberals, 60; Country Party, 21); Australian Labor Party, 41; Independent, one. The division in the Senate is: Liberal-Country Party coalition, 28; Democratic Labor Party, four (see below); Australian Labor Party, 27; and Independent, one.

Robert Gordon Menzies, leader of the Liberal Party, was Prime Minister for 17 years (1949-66), longer than anyone before him. Harold Holt replaced Menzies upon his retirement in January 1966. While swimming in heavy surf in December 1967, Holt disappeared and was presumed drowned; his body was swept out to sea and not recovered. John G. Gorton succeeded Holt as Prime Minister and Leader of the Liberal Party in January 1968.

The voting strength of the Australian Communist Party is negligible; it has never won a seat in the Federal Government. The Communists have managed, however, to gain considerable influence in several important Australian trade unions. Dramatic progress in ousting Communists from trade union positions was made in 1951-53. The technique of accomplishing this, in which the Catholic wing of the labor movement played a conspicuous part, led to a serious split in the Australian Labor Party. In 1957 rightwing elements in the party broke away to form the Democratic Labor Party, which, although it has been unable to win any seats in the House, holds the balance of power in the Senate and has effectively harassed and handicapped its parent party. In early 1960 Dr. Herbert Evatt resigned as parliamentary leader of the Australian Labor Party, a position he had held since 1951. The leader of the Labor Party, and Leader of the Opposition from 1960 until 1967, was Arthur A. Calwell. E. G. Whitlam became Leader of the Opposition in 1967.

ECONOMY

Australia is a land rich in basic natural resources and capable, with the application of modern technology and large amounts of capital, of supporting a population many times its present 12 million. Its standard of living, with a per capita output of approximately \$2,260 in fiscal year 1968, is among the highest in the world.

Although mineral exports are rising rapidly, agriculture continues to be the principal source of Australia's essential overseas income. Australian agriculture resembles that of the United States in being largely mechanized and highly efficient, but differs in being based largely on pastures and winter grains, with a limited acreage of row crops. Both Australia and the United States are exporters of grains, dairy products, fruit, and certain livestock products, and the marketing of these commodities is therefore a matter of common concern. Also a matter of concern is the potential economic impact on Australia of the proposed United Kingdom entry into the European Common Market, which would disturb present marketing arrangements under the system of Commonwealth preference.

Mineral resources are very great, including coal reserves estimated at 15 billion tons, vast iron ore reserves, and substantial amounts of gold, lead, zinc, copper, nickel, tungsten, tin, manganese, and antimony, all of which are exploited commercially. A major deposit of bauxite, estimated at 1 billion tons, was discovered in northern Queensland and is being developed jointly by British, Australian, and U.S. capital. Petroleum has recently been found in substantial quantities, believed sufficient to supply more than a half of Australia's needs by the early 1970's.

ANNUAL STATISTICAL DATA

	1967-68	1966-67	1965-66	1964-65	1963-64
	(millions of U.S. dollars)				
Gross National Product	27, 128	25, 516	22, 850	21, 920	20, 056
Defense	1, 250	1, 120	830	669	580
Exports					
Total	3, 411	3, 387	3, 053	2, 631	2, 762
to United Kingdom	471	454	532	516	511
to Japan	720	656	529	440	487
to United States	451	403	372	280	264
Imports					
Total	3, 661	3, 411	3, 291	2, 904	2, 372
from United Kingdom	810	811	840	761	659
from United States	941	875	787	692	542
from Japan	384	332	313	258	162
Capital Inflow	1,272	601	1,063	538	556

NOTE: The unit of currency is the Australian dollar, equivalent to U.S. \$1.12.

Power Project

In the mountainous area of New South Wales, the Australian Government is pushing through one of the world's greatest engineering projects, the Snowy Mountains hydroelectric power scheme. When completed in about 1975, this vast complex of dams, tunnels, and power stations will have cost more than \$1 billion; will produce annually 3 million kilowatts of power; and will divert 2 million acre-feet of water per year from the fertile valleys east of the mountains, where there is ample rainfall, to the arid plains on the west, where it will be used for irrigation. Parts of the scheme have been completed and already are in operation. The U. S. Bureau of Reclamation in Denver has assisted the project actively, and U. S. firms have played an important part in it. The American group of Kaiser, Walsh, Perrini, and Raymond built the Eucumbene Dam, the second-highest earth- and rock-filled dam in the world, in 2 years.

Manufacturing

While Australia continues to be dependent primarily on agricultural products for its export income, the outstanding feature of the Australian scene in the past decade has been the rapid growth of manufacturing. More than 25 percent of the total work force is now employed by manufacturing, as against 21 percent in the United States. While originally Australian manufacturing was directed primarily toward supplying internal markets, it now accounts for an increasing proportion of exports. The greatest recent expansion in manufacturing has been in heavy industry; for example, steel-producing capacity has more than quadrupled to more than 6 million tons, and further major expansion is underway. Australia's industrial expansion has been made possible by a high rate of domestic investment and by extensive private investment from overseas.

Investment in Australia

The Australian Federal Government, as well as the State Governments, have traditionally followed a policy of welcoming private investment from overseas. They have recognized that an inflow of capital is necessary if Australia is to develop as rapidly as it might. Foreign-owned firms have suffered little if any discriminatory treatment with regard to their operations. (Australia has since World War II refused to allow the establishment of foreign banks, however.) Although exchange control formalities are maintained, there has been no barrier to repatriation of earnings and capital. With a stable political climate and good growth prospects, Australia has been regarded as a favorable area for U.S. investors.

Of the total of U.S. \$6.3 billion invested in Australia from abroad as of June 1967, about 38

percent (\$2.4 billion) came from the United States and about 49 percent came from the United Kingdom. In recent years U.S. investment has become relatively more important and U.K. investment less so.

Currently there are about 400 U.S. companies with subsidiaries or joint ventures in Australia. Another 1,100 firms have licensing arrangements or other agreements with Australian companies. U. S. investment has been primarily in manufacturing, but this is now being overtaken by investment in minerals exploration and in the development of recent discoveries of iron ore, bauxite, coal, petroleum, etc. U.S. investments in petroleum refining and marketing are estimated to be about \$700 million, in automobile production about \$575 million, and in exploration and production of petroleum and minerals about \$500 million. Among the more prominent U.S. firms active in Australia are General Motors, International Harvester, Mobil Oil, Goodyear, Monsanto Chemical, Armco, International Business Machines, Ford, and Chrysler.

Trade

Overseas trade plays a relatively large role in Australia's economy, export earnings accounting for about 13 percent of gross national product (as against 5 percent in the United States), and imports representing about 15 percent of total goods available for sale (as against 4 percent in the United States). Historically, Australia has been dependent on wool and other farm crops for most of its overseas income, and this pattern continues. Wool, wheat, meat, sugar, dairy products, and fruits accounted for 54 percent of exports in 1968. The United Kingdom, Japan, and the United States are Australia's principal partners. In 1967 Japan replaced the United Kingdom as Australia's biggest customer, and the United States replaced the United Kingdom as its biggest supplier. Communist China is the principal market for exports of Australian wheat.

Current economic conditions are prosperous. Diversification of the economy and of exports, especially in the minerals field, helped Australia to stand firm in the face of sterling devaluation in the fall of 1967. Devaluation together with severe drought in 1967 created problems, particularly in the agricultural sector, but the long-term outlook was for continued dynamic growth and a healthy balance of payments after 1970, when the minerals boom should begin to be fully reflected in exports.

DEFENSE

In March 1957 the Australian Government announced a new defense program which would place emphasis on "mobility, hitting power, and modern equipment." It included the decision to make Australian land and air weapons compatible with

U.S. equipment, a marked departure from Australia's traditional military connections with the United Kingdom. In November 1959 a further plan was announced, the main features of which were suspension of compulsory military training, coupled with a 35 percent increase in the strength of the Regular Army; disbandment in 1963 of the Fleet Air Arm; and reorganization of army operational units on the pattern of the U.S. Army's pentomic division.

Arrangements were completed in June 1961 for the construction of two new destroyers in the United States, the vessels to be equipped with the most modern offensive and defensive equipment. Agreement on construction of a third destroyer was reached in 1963. In the same year Prime Minister Menzies announced a 15 percent increase in defense expenditures over the next 5 years. In 1964 a further large increase in defense spending was announced, and Australia contracted to buy 24 F-111 aircraft. Defense expenditures have continued at a high level—\$1.4 billion in 1968-69, about 19 percent of the total federal budget. The only sizable U.S. military installation in Australia is U.S. Naval Communication Station Harold E. Holt, at Northwest Cape in Western Australia.

FOREIGN RELATIONS

Australia has pursued its principal objective, the security of its own underpopulated island continent, through support of U.N. collective security measures (sending ground, air, and naval forces to Korea); through defense treaties [Southeast Asia Treaty Organization (SEATO) and Australia-New Zealand-United States (ANZUS)]; through a good-neighbor policy and technical assistance program (the Colombo Plan) with South and Southeast Asia; and by an ambitious program of immigration from Britain and Europe. Australia's traditional dependence on the protection of the Royal Navy ended with the fall of Singapore in 1942, and since then the country has looked more and more toward the United States. Although still interested in the security of the Middle East, where its troops fought in both World Wars, Australia is more concerned with the closer threat of Communist expansion in Southeast Asia. Australia is a signatory of SEATO and in 1955 assumed Commonwealth defense obligations in Malaya. It has also contributed an 8,000-man combat contingent to the defense of South Viet-Nam.

To meet the Communist threat in South and Southeast Asia, Australia has provided military and economic assistance to the underdeveloped countries of the region. Australia played a leading role in setting up the Colombo Plan and has since contributed more than \$216 million in economic and technical aid through the Plan. Australia is also a charter member of the Asian Development Bank. Thousands of Asian students have been trained in Australian institutions of higher learning or technical institutions. Australian Government figures

show expenditures of more than \$1.3 billion in external aid since World War II. (This figure includes aid to the Territory of Papua and New Guinea.)

U. S. -AUSTRALIAN RELATIONS

On most international issues Australians and Americans are in broad agreement and cooperate closely in pursuit of mutual objectives.

Both the Government and the Labor Party fully realize that Australia's security depends on firm ties with the United States. The ANZUS Treaty and SEATO have had, in effect, bipartisan support.

From the inception of the United Nations, Australia has been a firm supporter of the organization and, whether under Labor or Liberal governments, has sided with the United States on major controversies in the United Nations. Australia was one of the first countries to respond to the U.N. appeal for aid to Korea.

U.S. relations with Australia, because of the World War II experience as well as similarities in culture and historical background, are exceptionally close and friendly. Minor frictions sometimes arise in trade relations, and the Australians in recent years have protested against what they consider U.S. protectionist barriers against their exports such as wool, meat, dairy products, or lead and zinc. They have also been perturbed at U.S. balance-of-payments measures curbing investment in Australia, and have expressed apprehension that U.S. disposals of agricultural surpluses abroad would injure their position in world markets.

Expressive of the friendship Australians feel for Americans is the warm welcome they have extended to U.S. servicemen on rest and recuperation leave from Viet-Nam, a program initiated in October 1967. About 6,800 servicemen now visit Australia each month on such leave. The 100,000th is expected in April 1969.

Cooperation in Scientific Activities

Australia is the locus of an increasing number of U.S. scientific activities because of its geographical position, large landmass, advanced technology, the well-developed Woomera Range, and, above all, the ready cooperation of its Government and scientists.

NASA maintains its largest and most important overseas program in Australia, including a number of tracking facilities which are vital to our space program. An agreement concluded in 1968 promises to broaden existing scientific cooperation in arid zone research, oceanography, and other fields.

PRINCIPAL GOVERNMENT OFFICIALS

Prime Minister—John G. Gorton
Minister for Trade and Deputy Prime Minister—
John McEwen

Treasurer—William McMahon
Minister of External Affairs—Gordon Freeth
Minister for Defense—Allen Fairhall
Leader of the Australian Labor Party—Edward
G. Whitlam
Deputy Leader, Australian Labor Party—Lance
Barnard
Governor-General of Australia—Lord Casey

Australia maintains an Embassy in the United States at 1700 Massachusetts Avenue, N.W., Washington, D. C. 20036.

PRINCIPAL U. S. OFFICIALS

Ambassador—William H. Crook
Deputy Chief of Mission—Edwin M. Cronk
Political Counselor—James V. Martin
Economic Counselor—Albert V. Nyren

The United States maintains an Embassy in Australia at Warra Lumla, Canberra.

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Office of Media Services

Bureau of Public Affairs

NOTE: This special revision of the Background Notes on the Commonwealth of Australia, prepared for official use in connection with the visit of Prime Minister Gorton to the United States, is not for sale by the Superintendent of Documents, U.S. Government Printing Office. The most recent edition available for general distribution (see reverse for how to order) is dated May 1968; it is scheduled for revision and sale early next year.

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VISIT OF JOHN GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

Background Paper

SITUATION IN AUSTRALIA

Summary

For the past year the Australian political skies have been dominated by the acrobatics of ex-fighter pilot John Gorton, Prime Minister since January 1968. After a series of dizzy maneuvers and near-crashes, which fascinated the public and confused his opponents, Gorton has emerged in a good position to shoot the opposition down in flames in the 1969 general election. A "typical Australian," he personifies and skillfully manipulates his countrymen's egalitarianism and growing national pride. However, rumors about his private life may have somewhat clouded his political future.

Main points are:

Conservative Dominance. When John Gorton succeeded the drowned Harold Holt as Prime Minister and Leader of the Liberal Party in January 1968, he inherited a generally secure political situation. The Liberal-Country Party coalition currently holds the largest majority in the history of the House of Representatives (81 seats out of 123), and the Liberals by themselves are only three seats short of a majority. The coalition lacks a majority in the Senate, but in view of the limited powers of the upper body this is not a serious inconvenience. In Holt's last months there had been signs that the Government's popularity was slipping, but the slate was wiped clean by Gorton's accession and the disposition of the public to give the new man "a fair go."

Opposition Disarray. Gorton's task has been simplified by the disorder in the ranks of the opposition. In April,

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the moderate leader of the Australian Labor Party (ALP), Gough Whitlam, was badly hurt politically in a spectacular showdown with left-wing opponents in his battle to oust them from control of the party machine. The rift is deep and bitter, and the divided party is given almost no chance to take power in the general election which must be held by November, 1969. Anti-Whitlam elements, in fact, are reportedly counting on an election defeat to give them a chance to topple Whitlam and install the leftist Jim Cairns in his place.

Gorton's Controversial Personality. Gorton's early course was notably erratic. He made a number of rash, off-the-cuff public statements on which he was obliged to backtrack. Impetuous, abrasive and cocksure, sloppy in Parliamentary debate, restricting his advisers to a tiny "kitchen cabinet," he quickly earned a bad press and poor personal relations in the Government. He shrugged off criticism, however, and concentrated on gaining maximum public exposure -- in person and on television -- for his charismatic personality, which has been described as that of "an off-duty fighter pilot" or "the casual, knockabout bloke next door." This exposure has paid off. His masculine, "typically Australian," irreverent ruggedness has strong appeal, and his standing with the public has remained high. His somewhat uncontrolled behavior in the company of women, however, has given rise to rumors and public criticism which could be damaging.

Gorton's Policies and the Election Outlook. Like his public image, Gorton's policies appear to have been shrewdly tailored to Australian egalitarianism and growing nationalism. Without really changing the Government's traditional policy of welcoming needed foreign capital almost without restriction, he has made a number of statements and moves which appeal to the widespread feeling that there should be greater Australian participation in foreign business ventures in Australia. In so doing he has, at least rhetorically, moved close to the traditional ALP position. He has also moved to the left -- and stolen the opposition's thunder -- on social welfare questions including social security and medical benefits.

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With Viet-Nam fading as an issue, Gorton moving to the left, and the ALP under Whitlam striving to present a more middle-of-the-road image, the election was shaping up as an issue-less, Tweedledum-Tweedledee affair. On February 25, however -- after a year of backing and filling -- Gorton came out with a ringing speech proclaiming a strong defense policy, including a commitment of ground troops to Malaysia/Singapore after 1971. The ALP was stuck with a weaker policy opposing the ground troop commitment in favor of a "mobile striking force" in Australia -- a position which Gorton himself had originally advanced a year before. There seems little doubt that Gorton has correctly gauged the public mood and wound up on the more popular side of the issue. The Government's victory in the election is all but assured. Its magnitude may depend in part on voter reaction to a recent furor brought on by the Prime Minister's public attentions to young women.

Prosperity Helps the "Ins". The Government's election prospects are brightened by the prosperous economic situation. Strong expansion in activity and demand are continuing. Industrial production in most sectors is running well ahead of a year ago. Agricultural production for FY 1969 will run about 23% over FY 1968 (a year affected by drought). Consumer spending is buoyant and is expected to remain strong under conditions of almost full employment and a six to seven per cent increase in average weekly earnings resulting from 1968 Arbitration Commission wage decisions. Growth in 1969 is expected to be seven percent in real terms, high even for Australia (which has been averaging 5.5 per cent for the past five years.) There has been upward pressure on prices and wages, but otherwise there are few signs of strain.

Capital inflow has continued strong, exports are surging ahead, and foreign exchange reserves increased during 1968. The outlook is bright for 1970 and after, when the dynamic growth in minerals exports will begin to make a substantial impression in the balance of payments.

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VISIT OF JOHN G. GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

Background-Position Paper

U.S. INTEREST IN AUSTRALIAN COMMITMENT TO FIVE-POWER
ARRANGEMENT FOR THE DEFENSE OF SINGAPORE AND MALAYSIA

BACKGROUND

On January 16, 1968, Britain announced it would withdraw all its military forces from the Malaysia/Singapore area by the end of 1971 (instead of by the "mid" 1970's as previously announced), and that the United Kingdom intended to revise its defense agreement with Malaysia, under which British, Australian and New Zealand forces are stationed in the area.

Britain's four Commonwealth partners thereupon began to consider how they would adjust to the British decision. Finding a strong desire on the part of Singapore and Malaysia for continued Australian military presence, the GOA announced that although it could not fill the gap left by the British, it would "be prepared to discuss the size and role of an Australian contribution to combined defense arrangements which embrace a joint Singapore/Malaysia defense effort."

Ministers of the Five Powers, meeting in June 1968, agreed that they had a continuing interest in the stability of the area and that the defense of Malaysia and Singapore was indivisible. The British promised to help ease the transition, but made clear their determination to proceed with the scheduled withdrawal. The groundwork for prompt

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development of Commonwealth defense arrangements seemed to have been laid. Five-Power Advisory Working Groups were set up to do detailed planning on air, army and naval matters, and a second ministerial conference was planned for the first half of 1969 (now scheduled for June).

However, progress was soon halted by a change in the attitude of Australia. Signs of this change had begun to appear even before the initial Five-Power Conference. Following President Johnson's March 31, 1968 announcement of the bombing halt, Prime Minister Gorton publicly expressed doubts about Australia's tentative decision to station forces in Malaysia and Singapore after 1971. His uncertainty regarding the firmness of United States' intentions in East Asia was reflected among other Asian leaders, who tend to believe that Australia's cultural affinity and close relationship with the United States give Australia a special insight. Talks with President Johnson and others during his visit here in May 1968 did not fully reassure Prime Minister Gorton. The GOA avoided committing itself on the post-1971 question pending the outcome of a prolonged fundamental defense policy review.

Finally, on February 25, 1969, Prime Minister Gorton issued a defense policy statement which announced Australia's intention, along with New Zealand, to commit ground as well as naval and air units to Malaysia and Singapore in the post-1971 period, thus paving the way for a renewal of Five-Power defense planning.

The defense policy statement outlines a course of action essentially fulfilling U.S. objectives. Mr. Gorton committed Australia to deploy small but symbolically important elements of the Australian Army, Navy and Air Force in Malaysia and Singapore after 1971 without a specific terminal date. Their mission will be to contribute to the internal stability of the region, to build up indigenous defense capacity, and to be available "for use against externally promoted and inspired Communist infiltration and subversion." Mr. Gorton pledged continued military and economic assistance to Malaysia and Singapore. He identified Australian interests with those of the region

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in a manner well calculated to reassure Malaysia and Singapore. The way has thus been opened to further close coordination among the Five Powers which can lead to a workable Five-Power defense arrangement.

Prime Minister Gorton took care to keep Australia's options open and to avoid commitments to automatic response. The availability of Australian forces for use in insurgency situations is "subject to the usual requirement for the Australian Government's prior consent," and the scale of Australian effort should the threat exceed Australian resources alone "would...have to be decided in the light of all circumstances prevailing at the time." Should the Anglo-Malaysian Defense Agreement (which by association is the basis for Australian presence in the area) become inoperative, Mr. Gorton said, "we would wish general understandings rather than specific treaty obligations to be worked out..."

Prime Minister Gorton stressed that Australia could not fully substitute for a major power in the region, and "the potential military protection of great nations outside the region will be needed" to ensure stability. He pointed out that a situation could conceivably arise in which the scale of subversion and infiltration from outside, or some other organized threat to the region, might be such that Australian resources alone would not be sufficient to support successfully the forces of Malaysia and Singapore. "If such a situation should arise," he said, "we would have to look to the support of allies outside the region and the scale of Australia's continued effort would in that case have to be decided in the light of all the circumstances prevailing at the time. What they would be we cannot now know and we cannot therefore make, now, precise decisions."

These references underline Australia's determination to maintain its freedom of action in the Malaysia/Singapore area, and consequently the importance which Australia will continue to attach to the American attitude in determining the degree of Australian commitment and the vigor with which it is pursued.

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United States' Objectives

Principal U.S. objectives with regard to Australian policy and the security of the Malaysia/Singapore area are:

1. To sustain Australia in an active, outwardly-directed policy which will increasingly involve it in the affairs of East Asia and thus contribute to our efforts to maintain the security of the area.
2. To see created a military alternative in the wake of the British withdrawal which will:
 - a. Contribute to the stability of Malaysia and Singapore so they can play a constructive role in an increasingly close-knit community of Southeast Asian states;
 - b. Cause Malaysia and Singapore to cooperate rather than compete militarily;
 - c. Be capable of helping Malaysia and Singapore cope with externally supported insurgency;
 - d. Provide insurance against the possibility of renewed Indonesian confrontation; and
 - e. Assist in the defense of Malaysia and Singapore against overt Communist attack.
3. To provide for the continued availability of support facilities in Singapore for use by Commonwealth and United States military forces.
4. To provide for the continued access by the United States and other states to the international waters and air space of the subregion.
5. To see created a regional defense arrangement which, useful under present circumstances, might stimulate emergence of a larger Southeast Asian security arrangement.

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6. To accomplish the foregoing without increasing our current commitments abroad.

Existing Obligations and Commitments

The United States has no defense commitments to Malaysia or Singapore. Under the ANZUS Treaty, we are committed to act if Australian (or New Zealand) forces in Malaysia/Singapore are attacked (Article V of the Treaty defines an armed attack on any of the parties as including an attack "on its armed forces, public vessels or aircraft in the Pacific"). In 1963 we reached a secret understanding with Australia (Kennedy-Barwick Memorandum) spelling out at some length the circumstances under which we would regard the Treaty as applicable and the types of actions we might take if Australian forces in Malaysia/Singapore were attacked by Indonesia. This understanding established four main points:

1. The United States acknowledged that Malaysia and Singapore are in the Pacific area to which the Treaty applies;
2. The United States recognized an obligation to act should Australian forces be overtly attacked by Indonesian armed forces, but not in the case of subversive acts or guerrilla attacks;
3. The United States would expect to be consulted prior to any redeployment of Australian forces in Malaysia/Singapore; and
4. Use of armed forces, particularly ground forces, would depend upon requirements and could not be assured.

In October 1967, the Australians raised the question of the applicability of ANZUS to Australian forces which might remain in Malaysia/Singapore after British withdrawal, and asked whether further understandings might be necessary. Our reply (Berger-Waller letter January 17, 1968) was guarded, stating that we recognized the continuing

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presence of Australian forces in the peninsula "might some day give rise to questions concerning the application of the Treaty" and would want, therefore, to maintain close consultations. The Australians did not press the Johnson Administration for further assurances.

What Does Prime Minister Gorton Seek in Washington?

We do not have an altogether clear idea of what Prime Minister Gorton will seek in Washington -- but, very probably, neither does he. He is a changeable, impulsive, unpredictable man, and has given us varying indications as his thinking on Malaysia/Singapore defense has evolved.

Until his speech of February 25, it seemed likely that Gorton would seek some specific guarantee of the safety of his ground forces before committing them. His speech made clear that this was not the case, but nevertheless reflected concern with the possible need for U.S. support in case his forces encountered a situation which they could not handle. He has not spelled out just what support he is looking for, or what threat most concerns him. Before his February 25 speech, he informally indicated to our Ambassador that the principal purpose of his meeting with the President would be to inquire what the United States would do if Australian troops in Malaysia/Singapore became involved in countering an attack by Red China or North Viet-Nam. The speech itself, on the other hand, made only oblique reference to overt aggression and concentrated on the possibility of externally promoted Communist infiltration and subversion.

When he came to Washington for the Eisenhower funeral, the main topic Gorton opened up in his discussions with USG leaders was the extent of U.S. interest in Southeast Asia generally and Malaysia/Singapore specifically after the war ends in Viet-Nam, with particular reference to the support Australia might expect if her forces became involved in a situation which got out of control. He raised

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this only in the broadest terms, however, and it was agreed that discussions in depth should be postponed until he returned in May.

It is likely that several considerations are at work in Gorton's mind, including:

1. A vague need for psychological reassurance, growing out of Australia's relatively limited national power, its feeling of isolation and its traditional reliance upon powerful friends in pursuing its forward defense policy. This need for reassurance has been accentuated by Britain's announced withdrawal and uncertainty as to the future course of U.S. Asia policy. On this point Gorton reflects the feelings of his countrymen.

2. A specific concern with the safety of the Australian forces which will be in Malaysia/Singapore after 1971, especially the ground forces. This is reinforced by Gorton's experience as a World War II fighter pilot, when he saw an entire Australian division trapped at Singapore and forced to surrender to the Japanese.

3. A realization that Malaysia/Singapore defense must be viewed in the total context of Southeast Asia security. A key concern, therefore, is the continued firmness of the U.S. posture in areas to the north of Malaysia, especially Thailand and Laos, and the avoidance of an outcome in Viet-Nam which would lead to Communist advances in other Southeast Asian countries.

4. A desire for straight talk. Gorton is a blunt, direct man who respects frankness and dislikes evasiveness.

5. A realization that the new administration is engaged in a foreign policy reassessment and cannot be expected to have all the answers at this early stage. Coupled with this is a natural desire -- even the right, as a close, loyal ally -- to talk the problems over with us and share in our thinking process.

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6. A desire to elicit some public expression of U.S. support of his foreign policy initiative in Malaysia/Singapore which will be politically useful to him. Gorton faces his first general election later this year, and the commitment of ground troops to Malaysia/Singapore, which has been attacked by the opposition, is shaping up as a major election issue.

The precise line Gorton follows when he talks to the President will depend upon which of the foregoing considerations are uppermost in his mind at the time. All it is possible to predict is that he will (1) undoubtedly probe our intentions, with respect to both Southeast Asian security generally and Malaysia/Singapore in particular; and (2) probably seek expressions of support on Malaysia/Singapore, both private and public.

The Alternatives

In private, the President could make one of four replies to a Gorton request for U.S. assurances in support of Australia's military commitment to Malaysia/Singapore:

- a. give an unqualified pledge of support.
- b. give a qualified pledge of support, based on confirmation of the specific application of ANZUS.
- c. decline to pledge support.
- d. give generalized reassurance.

The advantages and disadvantages of each of these are briefly discussed below.

A. Unqualified pledge of support. The President would assure Gorton that the U.S. will give full military support to Australian forces in Malaysia/Singapore in any contingency in which they may be attacked.

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Advantages:

1. would provide maximum reassurance to Australia.
2. would give strongest possible indication to Australia (and other nations which learned of it) of a continued firm U.S. posture in Southeast Asia.

Disadvantages:

1. would maximize risk of U.S. military involvement.
2. goes beyond our obligation under ANZUS; would expose the administration to charges of enlarging U.S. overseas commitments in unconstitutionally establishing a back-door commitment to defend Malaysia.
3. goes beyond Gorton's needs and reasonable expectations.

B. Qualified pledge of support. The President would confirm to Gorton that ANZUS applies to Australian forces in Malaysia/Singapore and that we would honor our commitment in the event Australian forces there were attacked. He would have to make clear, however, that our commitment is limited to situations in which Australian troops are attacked, as distinct from situations in which Australian troops enter into combat on their own initiative to assist Malaysia or Singapore.

Advantages:

1. should provide sufficient reassurance to encourage Australia to participate whole-heartedly in Malaysia/Singapore defense.
2. would signal (though less clearly than A) continued firmness of the U.S. posture in Southeast Asia.
3. simply acknowledges an obligation which we already have.

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4. is straightforward, and is an advance over the Johnson administration position.

5. retains all the flexibility of response built into the Treaty, which provides for a broad range of possible actions of which the use of military force is only one extreme.

6. a precedent exists (Kennedy-Barwick Memorandum) for clearly delineating and in effect narrowing our responsibilities in the event that a specific threat arises.

Disadvantages:

1. creates a slight additional risk of involvement, since in the Berger-Waller letter we avoided a direct acknowledgement that ANZUS applies, thus retaining some freedom to back away from the commitment if this should later prove expedient.

2. could be attacked (although without sound justification) as executive enlargement of our overseas commitments.

3. unless very carefully explained, a simple statement that the ANZUS Treaty applies to Australian forces in Malaysia or Singapore could be misleading and the explanation could cast doubt on the adequacy of the assurance from the Australian point of view. Australia could well interpret a general statement of ANZUS Treaty applicability to their forces in Malaysia and Singapore as meaning that the U.S. would come to their aid if they sent their forces into combat pursuant to their defense commitment to Malaysia or Singapore.

C. Decline to pledge support. The President could explain frankly that in the prevailing climate of U.S. opinion, he is not in a position to undertake anything which might be depicted as a new overseas commitment.

Advantages:

1. minimizes risk of involvement.

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2. avoids any risk of criticism for allegedly enlarging our commitments.

Disadvantages:

1. conducive to half-hearted Australian participation in Malaysia/Singapore defense.

2. conducive to a more inward-looking Australian foreign policy and a less positive contribution to the security and development of Southeast Asia.

3. likely to weaken the ANZUS alliance through lessened confidence in our reliability and firmness of purpose as an ally.

4. in governmental circles in Australia and New Zealand, conducive to a feeling we are renegeing on our ANZUS commitment -- which we acknowledged in 1963 was applicable to Australian forces in Malaysia.

5. might signal to other countries that a U. S. retreat from our Asian responsibilities is in the offing.

D. Generalized reassurance. The President could assure Gorton in general terms of our determination to stand by our commitments in Asia, not going beyond the "Berger-Waller" position with respect to the applicability of ANZUS to Australia's forces in Malaysia/Singapore.

Advantages:

1. would provide sufficient reassurance to encourage a positive Australian contribution to regional security.

2. would preserve maximum flexibility.

3. is probably all Gorton really expects.

4. avoids criticism for allegedly enlarging our commitments.

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5. avoids any increased risk of involvement.

Disadvantages:

1. is no advance over the Johnson administration position.
2. is somewhat evasive on the specific question of the applicability of ANZUS.

Public Response

The foregoing alternatives are suggested private responses. Our public response should probably be the same in any case -- an affirmation of the continuing importance we attach to ANZUS and our other commitments in the area, together with an expression of understanding and support for the Australian commitment to Malaysia/Singapore. A possible alternative would be publicly to affirm the applicability of ANZUS to Australian forces in Malaysia/Singapore (assuming we decided upon this private response). Such a public statement, however, would go beyond Gorton's apparent political needs, draw undue public attention to the question in the United States, and invite criticism for alleged executive enlargement of our overseas commitments.

Recommended Response to Gorton

Response "D" (generalized reassurance) is recommended for the following reasons:

1. The benefits to the United States of a whole-hearted execution of a forward policy by Australia are such that it is desirable to reassure Gorton to the maximum extent possible without enlarging our existing commitments under the treaties we already have in the area.

2. Among these existing commitments is a commitment under ANZUS to act if Australian forces in Malaysia/Singapore are attacked. However, under certain conditions this could become difficult to distinguish in practical

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terms from a commitment to defend Malaysia or Singapore. President Kennedy's caution in interpreting it was well-founded, and the Kennedy-Barwick memorandum is a sound precedent for situations in which a specific threat arises. It appears prudent to continue to avoid flat statements that ANZUS applies to Australian forces in third countries; to insist on prior consultation about such Australian deployments; and to carefully delineate what is to be expected of the United States in each specific situation of a threat to such forces.

3. A threat which might activate our ANZUS commitment to Australian forces in Malaysia/Singapore is unlikely to develop unless there is a serious deterioration in the region to the north. Probably the most important reassurance we can give Gorton on Malaysia/Singapore, therefore, is a convincing expression of our determination to prevent such a deterioration from occurring.

4. The indication by Mr. Gorton that he may be interested only in a reassurance from the President regarding United States' support in the unlikely contingency of a North Vietnamese or Chinese attack, and his initiative in committing Australia to a forward defense position in advance of his meeting with the President, suggest that he may be content with a broad reassurance from the new administration regarding the firmness of its East Asian policy and approval of the Australian commitment to Malaysia/Singapore, rather than some new, explicit understanding under the ANZUS Treaty. It is difficult to imagine the contingency of a Communist Chinese or North Vietnamese attack on Australian forces in Malaysia/Singapore arising except in a situation of general war in East Asia or of a Communist Chinese or North Vietnamese invasion of Thailand. Should this occur, the United States would be, if not already involved in hostilities against the Communist enemies, consulting urgently with Thailand and other SEATO allies under Article IV of the SEATO Treaty to determine what action should be taken. Mr. Gorton's flat statement when posing this question that "if something goes wrong in Thailand, he would commit troops to fight with us to help the Thais" suggests his realization of this fact.

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5. Embassy Canberra confirms that, while Gorton has a particular concern with our backup of his commitment to Malaysia/Singapore, the main thrust of his interest will be in much broader regional terms. The Embassy believes that he will be satisfied, at least for the time being, with general rather than specific assurances.

A response along the following lines should meet what we believe to be Gorton's key concerns:

"We welcome the Australian defense policy decision vis-a-vis Malaysia/Singapore as a responsible, constructive statesmanlike move which will make a valuable contribution to the stability and security of Southeast Asia. We are aware that it represents a historic departure for Australia. Prime Minister Gorton is to be congratulated on his wisdom and initiative. (FYI. At this point, the President might also wish to state that we were heartened by Gorton's assurance recently to our Ambassador in Canberra that Australian forces would fight with ours in support of Thailand if "something should go wrong there." END FYI.)

"We fully understand the interdependence of all elements of security in the region. For our part, we contribute to regional security primarily through our forces deployed elsewhere in the Western Pacific area as a deterrent to Communist expansion. We intend to maintain this deterrent and stand by our commitments in the region.

"At the same time, we continue to be keenly interested in the progress of the Five-Power consultations looking toward consolidation of new defense arrangements for Malaysia/Singapore. We are aware, as Prime Minister Gorton pointed out in his speech, that Australia cannot fully substitute for the British presence, and that a situation could conceivably arise in which the resources of Australia would be insufficient to support successfully the forces of Malaysia and Singapore. We understand that in such a

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situation, Australia would feel the need to consult allies outside the region, such as Britain and the United States, and decide what to do in the light of circumstances then prevailing. As one of Australia's close allies and a party to the ANZUS Treaty, we would, of course, stand ready to consult fully and promptly. We agree that we cannot now know what these circumstances might be and, therefore, cannot now make precise decisions.

"With respect to the application of the ANZUS Treaty to Australian forces in Malaysia/Singapore, we recognize that Malaysia and Singapore are within the Treaty Area, that the continuing presence of Australian forces there serves our mutual interests, and that questions concerning our obligations under the Treaty may some day arise. We would want, therefore, to maintain closest consultation with the Australian Government regarding commitments it might make to the Governments of Malaysia and Singapore, and concerning future deployment of Australian forces. Should a threat to Australian forces in Malaysia/Singapore arise, our two governments would have to consider together very carefully what actions might be expected of the United States under the Treaty. "

In the unlikely event that Prime Minister Gorton presses for a detailed understanding as to how the ANZUS Treaty applies to Australian forces in Malaysia/Singapore, it could be pointed out to him that it is not only unnecessary but in our view undesirable thus to speculate on theoretical applications of the Treaty. An attempt precisely to set forth the circumstances in which the Treaty should apply, and how, might exclude the very contingency which, when it occurs, we might well decide is covered by the Treaty. In words parallel to those of Prime Minister Gorton, himself, (when referring in his defense policy statement to Australia's relationship with Malaysia/Singapore), maintenance of the general understanding represented by the ANZUS Treaty is preferable to and more meaningful than trying to define and delimit specific treaty obligations in hypothetical contingencies.

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VISIT OF JOHN GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

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Background Paper

SINGAPORE NAVAL SHIP FACILITY

In planning for the conditions which will follow the British withdrawal from Malaysia and Singapore, the Australian Navy after consultations with representatives of the other Five Powers approached the United States Navy regarding the desirability of preserving in Singapore a limited naval facility with a capability for expansion. The Australian Navy indicated that without assistance it would be unable to maintain such a facility. In view of the possible utility of assuring continuing access to such a facility by the United States Navy, the latter undertook a feasibility and cost study jointly with the Royal Australian Navy. The joint team prepared a variety of options for joint operation which vary in scope and appear to be within reasonable cost limits. The details of cost prorating have not been determined.

The United States Navy survey team's preliminary report indicates that it is desirable and feasible to proceed with plans for the facility. The United States Navy has not yet presented its final views since the cost factors have not been analyzed to the point where a choice of possible options can be made. Consequently, there is as yet no United States Government position on this matter. Secretary Laird indicated to Prime Minister Gorton during his last visit that we favor the idea in general.

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We should tell Mr. Gorton that we are encouraged by the feasibility study and have a continuing interest. While we are not yet able to make a decision we wish to proceed with the examination of the options so that an early and mutually satisfactory decision can be made.

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VISIT OF JOHN GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

Background Paper

AUSTRALIA AND VIET-NAM

Summary

The Australian Government supports the allied effort in South Viet-Nam both with an 8000-man troop contribution and with economic assistance. The Government's position enjoys strong public support which has, however, been subject to steady erosion in the past eighteen months. Prime Minister Gorton is sensitive about being fully consulted on U. S. Viet-Nam policy, and the GOA is uneasy about our future posture on Viet-Nam.

Main points are -

Troop Contribution. Australia now maintains in Viet-Nam approximately 8000 troops. These include a combat brigade and support, a jungle warfare advisory unit, a Canberra bomber squadron, an air transport unit and a guided missile destroyer. The first Australian contingent was sent in early 1965 by Prime Minister Menzies. Harold Holt as Prime Minister announced two increases --from 1500 to 6300 troops in January 1966, and from 6300 to 8000 in October 1967. However, his successor, John Gorton, declared immediately after assuming office in January 1968 that there would be no further troop increases, barring some major change in the situation.

Economic Aid. Australia has given South Viet-Nam more than \$10.5 million in economic aid since 1964. Goods and materials furnished have included textbooks in Vietnamese, corrugated roofing, community windmills, a radio broadcasting station, hand tools, radios, blankets and food. About fifty Australian civilian technicians

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are serving in Viet-Nam, including surgical teams, civil engineers and agricultural experts. About 130 Vietnamese students are studying in Australia.

Public Support. The Government's stand on Viet-Nam enjoys strong but slowly diminishing public support. The last general election, in November 1966, was fought largely on the Viet-Nam issue, with the opposition Australian Labor Party arguing against military involvement in the conflict. The election returns gave the Government the biggest parliamentary majority in Australian history, and the ALP's new and more flexible leader, Gough Whitlam, subsequently moderated the party's line on Viet-Nam. Gallup polls during the past eighteen months have reflected steady erosion in Viet-Nam support, with those favoring continuing the war falling from a high of 62% (May 1967) to 49% in December 1968. (The breakdown in the December 1968 poll was "continue the war," 49%; "bring back our forces," 37%; undecided 14%.)

Consultation. Prime Minister Gorton was indignant when President Johnson on March 31, 1968 announced limitation of U. S. bombing of North Viet-Nam with only 24 hours' prior notice to him and what he felt was insufficient consultation. The GOA was embarrassed because less than a week previously Minister for External Affairs Hasluck and Minister for Defense Fairhall had told Parliament that the bombing pressure must be kept up until North Viet-Nam was willing to make a reciprocal reduction in the level of hostilities.

There has been a full flow of information about the Paris talks to the Australian Government through briefings in Paris of Ambassador Anderson (the Australian liaison officer there) by our negotiators, through briefings of Ambassador Waller in Washington, and through transmission of texts and reports by our Embassy in Canberra. However, the Australian Government is uneasy about the future posture of the United States with respect to Viet-Nam and Asia generally.

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THIS PAPER WILL BE PROVIDED AT A LATER DATE

VISIT OF JOHN GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

Background Paper

MEAT

Summary of the Problem:

In order to avoid the imposition of quotas on meat under the Meat Import Act we asked all meat exporting countries to cooperate in a voluntary program to restrain their exports of meat to the US in 1969. While reluctantly agreeing to participate, Australia objected that the restraint program gave it an allocation of only 49% of the US market, whereas it has historically supplied about 52% of our meat imports. Since the US is Australia's most important market for meat (exports exceeded \$200 million in 1968), Australia has always been concerned over our meat import policy. While this concern has usually been centered on the avoidance of formal limitations on market access, our meat inspection regulations have also caused periodic problems for the Australians. To date these problems have been resolved through discussions between American and Australian meat inspection authorities.

Discussion:

1. As a result of sharp increases in estimated imports of meat, largely from Australia and New Zealand, it became necessary in September 1968 to request the major meat exporting countries to participate in a voluntary program of export restraint in order to avoid the triggering of quotas under the Meat Import Act. Under this program Australia agreed to limit exports of meat to the US market in 1968 to 483 million lbs. At that time the Australians noted that although 483 million lbs. was less than what they considered to be their fair share of the US market, they would nevertheless cooperate in the interest of avoiding quotas and with the understanding that their cooperation in 1968 would not prejudice their interests in any future allocation of market shares.

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2. Since the Department of Agriculture estimated that meat imports in 1969, in the absence of restraints, would again exceed the amount requiring quotas, all supplying countries were asked to participate in a continuation of the restraint program in 1969. Under the new program all countries have agreed to limit their shipments to the US to an amount 4.5% above last year's commitment level. Australia's complaint is that the new program freezes the 1968 trade pattern, thus holding Australia for the second consecutive year to a level below its historical market share.

3. We have told the Australians that while we recognize the validity of their complaint, a freezing of 1968 trade patterns was the only way in which a voluntary restraint program could be worked out. Any readjustment of market shares in 1969 would have meant that the small suppliers would have had to reduce the level of their exports to the US. These countries would not have concurred in a voluntary program, and thus quotas would have been the only alternative. However, by freezing market shares at the 1968 level, all countries including Australia, are able to increase the absolute level of their meat shipments to the US market; Australia's allotment, for example, was increased by 22 million lbs. over the 1968 level. In addition, Australia will receive about one-half of any shortfall in exports by other countries. We have also pointed out to the Australians that the other major suppliers of meat to the US market -- New Zealand, Mexico and Ireland -- also received market shares under the restraint programs which were less than their historic market shares.

4. As a matter of general trade policy we have sought to avoid import quotas whenever possible. In addition one of the major reasons for undertaking the voluntary restraint program on meat was to avoid the sizeable cut in exports which the Central American and Caribbean countries, whose efforts at diversification we have encouraged and assisted, would suffer were quotas necessary. In 1968 the five Central American countries exported 110 million lbs. of meat to the US, equal to only about 10% of total US meat imports. Under quotas meat imports from CA would probably be limited to under 80 million lbs.

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5. While avoidance of rigid limitations on access to the US market has been Australia's principal worry, our Wholesome Meat Act, which requires that foreign meat products exported to the US must be prepared under sanitary conditions equivalent to those applied to US meat products, has also presented periodic difficulties for the Australians. In this regard officials of Australia and the United States concluded discussions on April 14 concerning certain deficiencies in the GOA meat inspection system. As a result of the discussions the Department of Agriculture agreed to lift a May 1 deadline for delisting of Australian meat plants lacking sufficient veterinary supervision of slaughter operations. (Prime Minister Gorton had complained that this deadline did not allow sufficient time.) The Australians indicated that the requisite supervision would be provided by August 1.

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VISIT OF JOHN GORTON
PRIME MINISTER OF AUSTRALIA

May 6-7, 1969

Background Paper

Wool Textiles

Summary of the Problem

The U. S. is preparing for approaches to principal trading countries to secure agreement on restraint of exports to the U. S. of wool textiles. Australia is not a principal supplier of wool textiles overall (about 5 percent of current imports), but may be affected by controls since it is a major supplier of wool tops. (This is raw wool that has been cleaned and combed.) More importantly, however, an international arrangement on wool textile trade might affect Australia's exports of raw wool to countries like Japan and the United Kingdom which produce and export fabric and apparel from imported wool.

It is not likely that the Prime Minister will raise the subject. If he does, however, the President might wish to comment on his support for an overall trade policy of freer trade, but add that the textile and apparel industries involve special problems. He might wish to add that imports make up approximately 25 percent of the U. S. market for wool textiles. This is of great concern to the Congress and to the industry, and failing the conclusion of voluntary arrangements, the possibility of legislated quotas is very real.

Since Australia is a minor supplier of wool textiles, there is little reason for the President to take the initiative to raise this subject with the Prime Minister.

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VISIT OF JOHN GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

Background Paper

U.S. INVESTMENT IN AUSTRALIA

Summary of the Problem:

As a rapidly developing country Australia utilizes capital inflows to help finance economic growth. U.S. private direct investment has greatly expanded in recent years, especially in natural resource industries. Despite initial fears the Foreign Direct Investment Program (FDIP) in 1968 does not appear to have hampered American investment in Australia. Extensive foreign control of Australian industry and resources has led to increasing criticism of foreign ownership during the past year and demands for Australian participation. Present uncertainties as to the Australian government's attitude may lead to some contraction of U.S. investment in 1969 but the long range outlook is for continuing expansion.

The Interest Equalization Tax (IET) has restricted U.S. lending activities to Australia. The Australian government, however, has been able to borrow extensively in Europe and other arrangements have mitigated the program's effects on Australia. Despite the recent reduction on the effective IET rate, high interest costs in the U.S. relative to Switzerland and Germany continue to make raising of funds prohibitive in the U.S. market.

Major Issues Are:

Direct Investments - Since 1959 U.S. direct private investment in Australia has grown by 218 percent to a total of \$2.4 billion at the end of 1967 (the last year for which complete data is available). Although investments in the manufacturing sector remain the largest (\$1.3 billion) single area of direct investment, the greatest growth in recent years has been in the mining industry (1085 percent since 1959). Recent discoveries of tremendous reserves of iron ore and large deposits of nickel, oil, gas, bauxite and phosphate have

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led to a minerals boom. British direct investment remains the largest (about 49 percent); but U.S. investment has now grown to almost 40 percent of the total outstanding foreign direct investment.

The announcement of the U.S. Balance of Payments Program in January 1968, especially restrictions on direct investment, was initially met with concern by Australian officials. While it appears capital outflows from the U.S. declined substantially from the extraordinarily large amount of \$324 million in 1967 to an estimated \$160 million in 1968, the latter represents a more normal increase in U.S. capital outflows in line with past flows (\$136 million in 1965 and \$147 million in 1966). The continuation of large capital inflows together with an unexpected strengthening of exports at the end of 1968 has muted fears of the effects of the FDIP. Contrary to expectations expressed in early 1968, Australian reserves of gold and foreign exchange actually increased in 1968 by \$64 million to \$1,288 million.

In general Australians have welcomed foreign capital to assist the country's development as Australia has been faced with static or declining world demand for her traditional agricultural commodity exports. Since the end of World War II foreign private capital has made a larger contribution to capital formation in Australia than any other developed country except Canada. According to an Australian study of a few years ago about one-quarter of the assets of all Australian corporations at that time was financed by foreign investment, including reinvested earnings and depreciation. Direct foreign investment has been concentrated in the automotive, chemical, petroleum, and metals and mining industries.

During the past year criticism of large scale foreign direct investment, and especially takeovers of Australian companies, has increased. The opposition has charged foreign investment "systematically milks" Australia of her resources. The Government is preparing legislation to regulate more effectively foreign takeovers and is expected to announce in the near future that it will prevent foreign acquisitions of any "sensitive" industry. The Federal Treasurer, while noting Australia has not changed its policy of welcoming foreign investment, stated in October the government's increased desire for "Australian participation in both the management and equity ownership of foreign enterprises." Such sentiments have been also expressed on various occasions by the Prime Minister which has led some local observers to describe him as an "economic nationalist." The Prime Minister has stated, however, his opposition to proposals to compel foreign investors to permit more local participation. Although recent government statements have been restrained, restrictive actions and various statements have introduced

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a feeling of uncertainty as to the present Australian government's policy toward foreign investment within the business community.

In many respects - although not all, since the U.S. is not the dominant investor - the situation is similar to that in Canada where extensive foreign control of industry and resources has led to increasing criticisms and minor restrictions without dampening the long run enthusiasm of foreign investors. Australia, like Canada, does not produce the domestic savings needed to finance the investment required to maintain the desired rapid rate of growth; and despite nationalist frustrations, there remain few viable alternatives to present policies of promoting foreign investment. The present uncertainty as to the government's attitude might cause a leveling off or decline in U.S. direct investment in 1969. (The American Chamber of Commerce in Australia reported in February an expected drop of \$45 million in capital expenditures by existing U.S. firms in Australia). Because of its newly found mineral wealth, however, the current boom marks only the beginning of a new era in Australia's economic development which should involve a substantial amount of foreign investment.

Interest Equalization Tax - The IET has restricted the new issue market in the U.S. for Australia. The Commonwealth Government has turned to European markets, including the Eurodollar market, for long term financing. In 1968 \$75 million was raised in Germany and a public loan of \$15 million was floated in Switzerland. On several occasions the Australian government has asked for exemption from the IET on borrowings in the U.S. capital market for the amount of \$25-40 million, presumably on an annual base. The USG has noted that Australia does not meet the conditions under IET legislation allowing administrative determination of exemption: (a) threat to stability of the international monetary system or (b) status as a developing nation. To assist Australia, however, a special arrangement was agreed upon in 1967 permitting Australia to borrow limited amounts from the Export-Import Bank with the understanding that the loan paper would then be resold in private markets. A \$25 million loan was so arranged in late 1967 and a further \$50 million (in two \$25 million tranches) in 1968. This first tranche was drawn in December 1968 (the arrangements made with the GOA assure that this facility does not adversely affect the U.S. balance of payments).

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VISIT OF JOHN G. GORTON
PRIME MINISTER OF AUSTRALIA
May 6-7, 1969

Background Paper

DEFENSE PURCHASES/OFFSET PROCUREMENT

SUMMARY OF THE PROBLEM

Australia purchases most of the military hardware she buys overseas from the U.S., and at the same time traditionally experiences deficits with the U.S. both in the military account and for merchandise trade. Recognizing that U.S. defense procurement is subject to some degree of policy direction by the government, Mr. Gorton may press further for increased U.S. expenditures in Australia, particularly subcontracts, associated with Australian defense procurements from the U.S. Since we desire the Australians to continue buying equipment from us, we should buy enough from them to maintain good relations but without losing sight of our own balance of payments difficulties.

BACKGROUND

Defense-related transactions have not accounted for a major part of Australia trade in recent years, making up less than 10% of the dollar value of Australian exports and imports with the U.S. and only about 1-2% of Australia's trade with all countries. Australian purchases of U.S. military equipment have risen sharply in recent years, however, as it is either unique or competitive in price and meets Australia's needs. Since these purchases are subject to control by the Australian Government, it is in a good position to stress the need for more U.S. defense-related expenditures in Australia to help offset their military procurement in the U.S.

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Downgraded at 3 year intervals;
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Defense-related transactions with Australia, over the ten-year period, 1964-1973, will have provided the U.S. with an estimated net gain which averages about \$55 million per year. Australian use of U.S. military hardware, moreover, is favorable to our interests and relations with Australia for a variety of reasons. At this time, we have no formal agreement with Australia to offset their defense expenditures with equivalent purchases; we have stated, however, we would cooperate and work closely with the Australians in defense procurement. This has been difficult to do; high transportation costs and high labor rates compared to other suppliers in the Western Pacific area make Australia basically noncompetitive in many commodity areas. On balance, we should do what we can to retain their defense business and maintain good relations, with due regard for our own overall balance of payments problem.

Both Mr. Gorton and Defence Minister Fairhall have made recent public statements emphasizing the Australian policy to relate large military orders abroad with opportunities for Australian industry to obtain offset orders. This presents two distinct advantages to the Australians: (1) It minimizes the foreign exchange costs of military equipment purchases from overseas; (2) It maximizes the technological fallout for local manufacturers and enhances their developing industries. It would appear that Australia's future thrust will stress a steadily increasing role for Australian industry in the manufacture of components and assemblies of U.S.-origin military equipment purchased from the U.S. The Prime Minister also indicated that, although direct U.S. purchases are welcomed, their primary concern is with increasing the amount of subcontracting for Australian firms.

DISCUSSION

Past Accomplishments

Australian purchases of supplies and equipment from the U.S. for support of their forces in Viet-Nam average about \$12 million annually; these have been, in effect, fully compensated for by U.S. purchases of sugar (\$6.1 million) and 105 mm ammunition (\$6.4 million). We have also increased our Rest and Recuperation (R&R) program in Australia to a current annual rate of \$22-25 million. In addition, at Australia's request, we recently authorized an exception to current "Buy American" policies

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for \$3 million of potential orders for sheet steel, which will give Australia a good opportunity to compete for the business and could result in some cost savings to the U.S. Another exception recently granted involved a subcontract for helicopter spare parts; this could result in procurement of approximately \$400,000 - \$500,000 annually. Notwithstanding these significant expenditures in the Australian economy, these actions probably will not satisfy the Australians and additional exceptions will have to be considered on a case-by-case basis, based on specific Australian requests.

Current Actions

In essence, the present approach used by the Defense Department is that we have agreed to work closely with the Australians for the purpose of identifying opportunities for Australian suppliers to participate more effectively in competition for U.S. defense procurement. In consonance with this policy, the following measures are being taken:

1. List of Australian Suppliers - To facilitate solicitation of Australian bids by Defense procurement offices, the Australians prepared a brochure identifying the name of the Australian firm, their major products, the number of employees and if there is a U.S. affiliate. These brochures were recently disseminated to the Services and Defense Supply Agency for use by contracting officers.

2. U.S. /Australian Liaison Meeting - At the request of Minister of Defence Fairhall in his meeting with Secretary of Defense Clifford last August, we established a liaison group to consider procurement matters of mutual interest. The initial meeting, held last October, was devoted to an elaboration and clarification of selected problem areas. Policy and procedural guidance were issued to both the U.S. Military Services procurement offices and Australian governmental and industrial activities. Preliminary planning is underway for the second of these liaison meetings during the week of 19 May 1969.

3. Commercial Counselor - Defence Supply - The Australians have established a new position in their Washington Embassy, a Commercial Counselor - Defence Supply, which provides a focal point to work with the Office of the Assistant Secretary of Defense

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(Installations & Logistics). Efforts are directed toward consideration of selected commodity items (e. g., the sheet steel and helicopter spares cited above) to be identified and justified on a specific case basis.

4. Australian Aero Industry - Under the day-to-day liaison arrangement between Defense Department and the Australian Embassy, a conference was held recently to discuss the capabilities and capacities of the Australian aero industry. Australian Government and commercial representatives described their aircraft overhaul and maintenance capability and the Military Services are presently evaluating their FY 1970 requirements in the Western Pacific area. In the event any subsequent Australian bids are low, this could result in some work for this key Australian industry for aircraft overhaul and rework which is now performed offshore elsewhere (Japan, Taiwan, Philippines, Thailand and Viet-Nam).

5. Loan of a U.S. Logistician - Australian defense officials have requested the loan of a senior U.S. logistician to assist Australia in strengthening their logistic organization. Secretary Clifford and General Wheeler both agreed this was a good idea. The Australians wanted to assign the American to a very senior decision-making position directly in the line of authority, and proposed a three-year contract under which Australia will fully reimburse the U.S. for all costs incurred in the assignment.

The U.S. consensus is that we should cooperate with Australia by supplying a senior logistician as agreed, but that we should insist that he serve in an advisory or consulting capacity. (This would avoid any political or legal complications.) On 16 April 1969, the Secretary of Defense approved the recommendation to furnish a logistician in an advisory capacity, not in the line of authority. Defense Department officials are currently discussing details of this arrangement with the Australians.

6. U.S. /DoD Procurement Information Office (PIO), Australia - Active operation of this office, which was established in November 1966, is continuing. The officer-in-charge serves as a catalyst between Australian industry and military procurement offices in the Western Pacific area.

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7. Subcontracting F-111 Wing Tanks - The General Dynamics Corp. has isolated the 600 gallon external wing tank for the F-111 aircraft as a possible production item for subcontracting from Australia. General Dynamics is presently evaluating potential cost savings of proposals submitted by two Australian candidates, and a decision may be forthcoming prior to Mr. Gorton's visit. The initial order quantity is about 480 units with an estimated value of \$2.3 million. (May be updated.)

8. Subcontracting to Australian Firms - The Buy American Act and the 50% bid evaluation factor does not apply in cases where U.S. prime contractors subcontract with Australian firms as long as the end item has less than 50% foreign components. There has been some Australian concern that use of customs duties might cause their prices to be higher than those of U.S. competitors. To assist in this respect, DoD agreed to help inform U.S. contractors that duty-free entry certificates can be easily obtained for this purpose where appropriate. U.S. Customs regulations facilitate easy passage of DoD destined materiel through customs, but it is incumbent upon the sender to properly address the items as destined for the appropriate U.S. Military Service consigned to the U.S. contractor's plant. Further efforts are planned to identify those cases where subcontracting would be useful.

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