

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telephone Conversation with Robert Hawke, Prime Minister of Australia (U)

PARTICIPANTS: The President
Robert Hawke, Prime Minister of Australia
Notetaker: Ralph Sigler
Stenographer: Susan Bunch

DATE, TIME July 5, 1989, 6:35 - 6:50 pm EDT
AND PLACE: The Residence

The President returned the Prime Minister's call and asked how was his trip to Hungary. (U)

Prime Minister Hawke replied that it was a tremendous trip. He had a good meeting with Chancellor Helmut Kohl in Bonn, but thought the President would like to hear about Hungary. The first thing to say is obviously it is unbelievable, exciting, and real. The Prime Minister had the opportunity to talk with Hungary's four leaders, and several others and afterwards with Pozsgay, who is the most popular and will be designated to become President after elections, and Nyers and Grosz together. Grosz is the one who is regarded as more conservative, Nyers has the economic position. In addition to the four, the Prime Minister had long talks with 20 - 25 members of the opposition. At the dinner they gave on Friday in the Parliament House, the first time they had a dinner for a foreign state representative in the Parliament House, the opposition was invited to dinner and Nemeth went out of his way to make sure the Prime Minister met leaders of the opposition. On Saturday morning July 1, he arranged a meeting at the Australian Embassy with a whole range of oppositionists with no hindrance, entirely unfettered. (Ø)

The President responded that this is fascinating. (U)

Prime Minister Hawke then offered to talk about opposition people first, then government people. He said that what the opposition represents are the following things: First, there was absolute unanimity among them about complete integrity and commitment of the government to establish a democratic process. None of them questions the government's intention to do that. Second, the opposition said they are not equipped to fight an election campaign, but Nemeth told the Prime Minister that he planned to provide them with actual physical facilities such as buildings and telephones to make the task of fighting an election easier.

(Ø)

Prime Minister Hawke continued that they were all appropriately cautious about wanting to have a platform of withdrawing from the Warsaw Pact, referring back to what happened in 1956. One problem was that they jumped too dramatically. And all took the view that they want to have a much different society and would over time be developing a society which was not a Warsaw Pact type society. With an appropriate degree of caution, they would move in a way that would not unduly create problems with their neighbors. Overall, the Prime Minister said, meeting these people pressed home a commitment for the government to establish free party elections. (Ø)

With respect to the government people, Prime Minister Hawke said: First, the Prime Minister was a very impressive, young man and the Prime Minister liked him very much, as he knows the President will. He had integrity and confidence and honesty. It was a long session in which the Prime Minister questioned him unmercifully, almost cross-examined and he was totally graceful and accepted the notion that the party could finish in opposition. He accepted fully the logical outcome of what they were doing. The opposition has doubts about socialism because the life of socialism in the Warsaw Pact makes socialism a dirty word. But what Nemeth seemed to hope for was to get agreement or consensus about the concept of a democratic socialist society. This is theoretically nice -- but that word suggests post-war regimes under Stalin and Brezhnev. The government hopes in regard to elections to get agreement and conceive a democratic socialist society. The Prime Minister's view is the best he will get on that is some formal sort of acknowledgement from the opposition but they do not accept socialism as it has emerged in post-war Europe. Nemeth believes they will go ahead with fully free elections, win outright, or win in a coalition situation, but he also accepts that the Party may end up in opposition. (Ø)

Prime Minister Hawke said that the talks with Nyers were interesting in that he accepted the fundamental economic problems Hungary has. They want to establish a mixed economy, with the government fully committed to the process of selling off public sectors, legally creating a framework in which private operatives are welcome to come in and buy their enterprises and operate fully as private sector enterprises and look to people to come in and help economic development. And they are much further down the road on price reform than the Soviet Union. They want to see themselves fully integrated with the world economy. Down the track they see integration with the European Community as a real possibility. The Prime Minister envisioned problems with that. He said to the President that he could go on a lot longer, but in the final analysis the West would be crazy if it does not do everything to assist them. (Ø)

The President replied that he wants to assist but it is a lot of money. He said he looks forward to visiting and offering Hungary and Poland continued support. Poland presents a tougher

situation than Hungary because Hungary is ahead of Poland in sound economic progress. (Ø)

Prime Minister Hawke said he thinks whatever the West is going to do involves not only money. They are in a situation where considerable credit is provided by Japan, 50 percent. The Prime Minister said he thinks it is essential that the West get the essential money but it is also important to encourage United States enterprises to go in and develop joint ventures, helping them with expertise, experience and so on, any assistance of that kind as well as financial, and a total commitment to an economic society that would sell their government. (Ø)

The President said he was grateful to get the Prime Minister's report. He added that he had enjoyed the Prime Minister's visit to Washington. (U)

Prime Minister Hawke added that he could not express enough his thanks, not only for the President's time, but for the spirit of the meetings. (U)

The President and Prime Minister Hawke concluded with an exchange of pleasantries and the President's promise to call the Prime Minister after returning from Poland and Hungary. (U)