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Request for calls on the PM by The
Premiers of Ontario, and Saskatchewan
and Alberta Canadian Provinces

CANADA

August 1979

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 February 1992

Dear Christopher,

CALL ON THE PRIME MINISTER BY THE PREMIER OF QUEBEC,
FRIDAY 7 FEBRUARY

Thank you for your letter of 6 February with briefing for Mr Bourassa's call on the Prime Minister. The call took place this morning.

Mr Bourassa described the situation as tense. Meech Lake had not solved the problem. The Prime Minister said that we had more than a passing interest in constitutional development in Canada. The issue was of some importance bilaterally and in Commonwealth terms. It had dragged on for a long time and had a devastating effect. Mr Bourassa said that there would have to be a referendum in Quebec on sovereignty in November if no acceptable offers had been made in the meantime. The Constitution had been repatriated with no consultation in 1982. The 1990 solution had been rejected. Mr Bourassa was hopeful that the Federal Government would come with a credible offer. He believed that economic integration would lead to political integration rather on the EC model (which he cited a number of times). The present problem was compounded by the Federal Government's credibility problems with parts of public opinion. They would have more credibility if they could come up with a solution which was supported by the main opposition party and the Social Democrats. Mr Mulroney was doing everything he could to achieve that.

The Prime Minister asked whether, with the opinion polls as they were, the opposition would rally round the Government or simply try to embarrass them. Mr Bourassa said that the latter would be a very short-sighted course since any Government that took power on that basis would be governing over a Pakistanised Canada. The line he was taking was that Quebec needed to be part of an economic union in Canada. They could not otherwise maintain the second highest standard of living in the world. He added that the separatists in Quebec maintained a consistent level of support of 35-40 per cent. That also meant that there was a strong 60 per cent who wanted more powers for Quebec without dismantling Canada. He himself was trying to persuade people in Quebec that they should not go for an archaic pure form of sovereignty. Canada should stay together. Monnet was his political idol so the Prime Minister could easily see the drift of his thought. The best outcome would be an acceptable offer from the Canadian Government. He believed they would come up with significant offers that he could support credibly. The level of tolerance for all this in English speaking Canada was not high. English speaking Canadians tended to point to the fact

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that Trudeau and Mulroney both came from Quebec so what was the Quebec complaint about? But the fact was that strong centrifugal forces were at work in Canada, as elsewhere. If Quebec split from the rest of Canada then British Columbia would start to question why they should subsidise the Canadian east coast. Either acceptable proposals were put forward or Canada risked break-up. He again drew an analogy between his perception of the future of Canada and the development of the European Community. The Prime Minister said that the analogies were not precise. Mr Bourassa was trying to keep together what had already existed. We were building up what had never before been. Mr Bourassa agreed but thought the mechanisms were similar. It was not a question of diluted sovereignty but of practicalities i.e. how to run a political system to match a common currency? Monetary integration required political integration.

GATT

The Prime Minister asked whether the GATT round was much of an issue in Quebec. Mr Bourassa said that it was. The separatists claimed that they would be much better placed to negotiate a deal for their farmers if they were independent. Mr Bourassa himself was arguing that it was not realistic to think that Quebec would be better placed as a negotiator than Canada. The Prime Minister commented that one or two of the smaller Cairns group countries might also be able to point out the realities to the separatists. Our own view was that an agreement by the end of April was essential. Mr Bourassa said that Delors had told him the previous day that, for an agreement to be reached, the Americans would have to make substantial concessions. The Prime Minister responded, with some vehemence, that Delors would have to make concessions too. It was no use the Europeans bleating about the Americans. Both sides must make concessions. The damage that would be done in the absence of agreement would be intense. Delors misjudged the situation if he thought that Britain and Germany would allow free trade to be damaged in that way. There would be an agreement. Mr Bourassa questioned whether the French Government would accept a deal. The Prime Minister said that France could not hold back the rest of the world. Failure to agree in the GATT round would be to risk a slump of monstrous proportions. Mr Bourassa said that he agreed with the Prime Minister's analysis but he wondered how the French Government would behave with their back to the wall.

At the end of the meeting the Prime Minister said that Mr Bourassa could be sure that we would do everything possible to help keep Canada strong and united.

I am copying this letter to Martin Stanley (Department of Trade and Industry).


J.S. Wall

Christopher Prentice Esq
Foreign and Commonwealth Office



cfpc
B-yp

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6 February 1992

Foreign &
Commonwealth
Office

London SW1A 2AH

Dear Stephen,

Prime Minister

CALL ON THE PRIME MINISTER BY THE PREMIER OF QUEBEC,
MR ROBERT BOURASSA - FRIDAY 7 FEBRUARY, 12 NOON

This will be the Prime Minister's first meeting with Mr Bourassa (CV enclosed). He previously called on Mrs Thatcher (in 1989 and 1980) as well as on Messrs Callaghan and Wilson. He will be accompanied by the Canadian High Commissioner.

Mr Bourassa will be here for one day on his way home from the International Economic Forum in Davos, mainly for talks on trade and investment. Our objectives for the call at No.10 are to:

- hear Mr Bourassa's views on the Canadian Constitutional debate;
- express the hope that Canada will be able to resolve its internal difficulties and remain a strong and united voice in international affairs;
- exchange views on GATT and other trade issues, as well as on developments in the EC.

Canada Internal

Mr Mulroney's Progressive Conservative Party is at an all-time low in the polls with 12%. The Liberals (Centre-Left) lead with 39%, the New Democratic Party (Socialist) has 24% and the Reform Party (Right) 15%. Mr Mulroney's replacement of his Chief of Staff last month has fuelled speculation that a general election (not due until autumn 1993) could be held this year.

Quebec and the Canadian Constitutional Debate

// I enclose Ottawa telnos 28 and 29 on Quebec and the constitutional debate. The failure of the "Meech Lake" Accord in 1990 (designed to enable the Quebec Government to sign the Canadian constitution which had been patriated in 1982 over its objections) was followed by something of a phoney war, with the ten provinces pursuing their own

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constitutional interests in preparation for the present negotiations, in which 28 proposals put forward last September by the Federal Government are now before a Joint Parliamentary Committee. The final package to be put to Canadians (the method for doing this is also under debate) is likely to focus on a "distinct society" clause for Quebec, a "Canada clause" (defining what it means to be a Canadian), and on Senate reform, aboriginal rights and economic union. The views of the Joint Parliamentary Committee should be known by 28 February and the final Government proposals are due in April.

Mr Bourassa's role in the debate will be crucial. He is an avowed federalist. The opposition to Bourassa's Liberal Party is the avowedly separatist Parti Quebecois. Quebec is reluctantly committed to holding a referendum on separation by this October. Mr Bourassa could avoid this by changing the law or calling a general election (unlikely). His contention that Quebec's demands should be dealt with ahead of other provinces rankles with the rest of Canada. IX

The Prime Minister might ask Mr Bourassa:

- what are likely to be the key constitutional developments during the next few months?
- what are the prospects for a solution acceptable to Quebec?
- what if the solution is not acceptable to Quebec?
- have demands for separation in Quebec peaked since the demise of Meech Lake in 1990?
- have those advocating separatism/independence thought through the full implications for Quebec (economic, financial, legal, boundaries)?
- what is Bourassa's view of the US position? How concerned are they?

If asked about our position, the Prime Minister could say:

- The Canadian constitutional debate is an internal matter in which the UK would not wish to interfere; but it nevertheless has an international dimension.

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- Canada is a long-standing friend and ally; we cannot be indifferent to its future. We hope that present constitutional differences can be resolved, and that Canada will be able to speak with a strong and united voice in international affairs while meeting the aspirations of all her citizens.

Trade Relations

Canada is the thirteenth largest export market for the UK. As Quebec's largest trading partner after the USA, we ran a substantial trade surplus in 1990, mainly through exports of crude oil. UK machinery, chemicals and pharmaceuticals are exchanged mostly for primary products (copper, timber, newsprint and precious metals).

Both the UK and Quebec export aero engines and parts. Among major Quebec investors in UK are Seagram and Bombardier, who recently purchased Shorts.

North American Free Trade Agreement

The US, Canada and Mexico are negotiating a North American Free Trade Agreement (NAFTA). They have been at pains to stress that fears of a "Fortress NAFTA" are groundless, but we are watching closely developments on issues of interest to third countries, such as rules of origin. DTI economists consider that new export and investment opportunities should outweigh any relative disadvantage suffered by non-parties.

There has been speculation that, were Quebec to split from Canada, it would need to renegotiate separate membership of NAFTA and could be at a considerable negotiating disadvantage in so doing. X

The Prime Minister might say:

- What is the perception of NAFTA in Quebec?
- Hope to see British exporters and investors benefitting from the Agreement, both in Quebec and more widely in Canada. Your views on prospects, and NAFTA's relationship with European Single Market?

GATT Uruguay Round

Quebec opposition parties have condemned the restrictions on industrial subsidies proposed in the Dunkel paper. The Canadian Federal government is still considering

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the implications of Dunkel's agriculture text: reform of their highly regulated dairy sector would probably be needed.

The Prime Minister might say:

- UK remains committed to early conclusion of Uruguay Round: no doubt about its importance for global prosperity. Must avoid resurgence of protectionist practices, which damage us all.

(If necessary)

- Welcome readiness of Cairns group members (including Canada) to support agreement based on Dunkel paper. UK working hard within Community to secure constructive approach to final stage of negotiations.

EC/Canada

The political relationship has thickened since the November 1990 EC/Canada declaration. On the economic side there are a few trade policy irritants, although most trade is trouble-free. The most important issue, in the Canadians' eyes, is fisheries. They believe that EC (especially Spanish and Portuguese) overfishing in international waters just outside the Canadian zone has led to a drop in stocks, and hence contributed to the decline of the Canadian fishing industry. Negotiations are under way within the North-West Atlantic Fisheries Organisation (NAFO) where the Commission represent the Community.

If raised, the Prime Minister might say:

- Aware of your concerns on fisheries. Hope the continuing negotiations within NAFO can improve enforcement and address the problem of overfishing.

*Yours ever,
Christopher Prentice*

(C N R Prentice)
Private Secretary

J S Wall Esq
10 Downing Street

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BOURASSA, THE HON ROBERT, MNA MA

Premier of Quebec (Liberal) since December 1985

Born in Montreal, July 1933

Educated at Jean de Brébeuf College and University of Montreal. He was a Rhodes Scholar in Economics at Oxford in 1959 and also studied at Harvard.

A lawyer and economist, Mr Bourassa was a Fiscal Adviser in the Federal National Revenue Department in 1960. From 1963-65 he was Secretary and Research Director for the Bélanger Commission on Taxation in Quebec. He taught at Ottawa University.

He was first elected to the Quebec National Assembly in 1966. He became Financial (Opposition) Critic. He was chosen Leader of the Quebec Liberal Party in January 1970 and sworn in as Premier of Quebec in May 1970. He held the Portfolios of Finance (1970) and Intergovernmental Affairs (1971-72). In 1976 he lost the Quebec provincial election and resigned the Liberal leadership. He went to Europe and the US to study for several years.

In October 1983 he was elected Leader of the Quebec Liberal Party for a second time and by an overwhelming majority. Bourassa led his party to a landslide victory over the Parti Québécois in December 1985 and again with a slightly reduced majority in September 1990.

More of a technocrat than a politician by nature, Mr Bourassa lacks charisma and has made himself into a politician by application. He is a good political tactician, but is respected rather than loved. Following surgery for skin cancer in 1990, he underwent a protracted convalescence during which he was unable to exercise full control over his Government. He is now back in full command but gives his Ministers a greater share of the limelight. His general approach to difficult political questions is still to look for ways of finding an acceptable compromise rather than to risk confronting one or other party to a dispute. His heart lies in promoting the economic advancement of Quebec; the key project in his first period of government was Phase 1 of the James Bay hydro-electric project. The second phase of the project, due to begin in 1991, has been delayed, much to his frustration, by lobbying for full environmental impact studies before work begins.

He is intelligent, well informed and follows events in the UK with a keen and sympathetic interest. He is a "media junkie". He is very ambitious and has no consuming interests outside work.

Married to Andrée Simard of the wealthy Quebec shipbuilding family. Two children and one grandson on whom he dotes.

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PREMIER BOURASSA'S CALL ON THE PRIME MINISTER

SUMMARY

1. AN UP-DATE ON THE POLITICAL SITUATION IN QUEBEC AND THE CONSTITUTION BEFORE BOURASSA CALLS ON THE PRIME MINISTER ON 7 FEBRUARY.

DETAIL

2. BOURASSA KNOWS THE CONSTITUTIONAL FILE IF ANYTHING TOO WELL. THE PRIME MINISTER MAY WISH TO ENCOURAGE HIM TO USE THE BROAD BRUSH: WHAT ARE LIKELY TO BE THE KEY CONSTITUTIONAL DEVELOPMENTS DURING THE NEXT FEW MONTHS: WHAT ARE THE PROSPECTS FOR A SOLUTION ACCEPTABLE TO QUEBEC: HOW DOES BOURASSA PROPOSE TO APPROACH THE ISSUE OF A QUEBEC REFERENDUM, WHICH IS NOW DUE TO BE HELD ON 27 OCTOBER? IN RETURN, BOURASSA'S ADVISERS HAVE TOLD US THAT THE PREMIER (ALTHOUGH HE MAY CHOOSE NOT TO SIGNAL THE FACT TOO OBVIOUSLY) WILL BE LOOKING DURING HIS TALKS IN EUROPE FOR POINTS WHICH COULD USEFULLY BE DEPLOYED IN THE CONTINUING DEBATE WITH HIS SEPARATIST OPPONENTS IN QUEBEC.

QUEBEC POLITICS

3. FOR A GOVERNMENT HALF-WAY THROUGH ITS SECOND MANDATE, SADDLED WITH THE ECONOMIC BURDENS OF RECESSION IN ADDITION TO TRADITIONAL MID-TERM VOTER DISENCHANTMENT, BOURASSA'S LIBERALS ARE IN FAIRLY GOOD SHAPE. DESPITE TWO RECENT BY-ELECTION LOSSES (IN THE LATEST OF WHICH THEY NEVERTHELESS OBTAINED 45 PERCENT OF THE VOTE) THEY HAVE A COMFORTABLE AND AT PRESENT COHESIVE MAJORITY. BOURASSA, DESPITE THE UNDERLYING TENSIONS BETWEEN THE FEDERALIST AND SOVEREIGNIST WINGS OF HIS PARTY ON CONSTITUTIONAL MATTERS, IS IN CLEAR COMMAND OF HIS TROOPS ON THE ECONOMIC AND SOCIAL ISSUES WHERE THE OPPOSITION PARTI QUEBECOIS, WITH THEIR VAGUE PROMISES OF GREATER WELL-BEING IN AN INDEPENDENT QUEBEC, LOOK LIKE INCREASINGLY LOOSE CANNONS. THE GOVERNMENT TRAILS BY ONLY A FEW PERCENTAGE POINTS IN THE POLLS AND BOURASSA CONTINUES TO LEAD PQ LEADER PARIZEAU IN PERSONAL POPULARITY.

4. THAT SAID, BOURASSA IS MOST UNLIKELY TO RISK AN EARLY ELECTION UNLESS HE FEELS THAT THE CONSTITUTIONAL ISSUE GIVES HIM NO OPTION (REFERENDUM CONSIDERATIONS APART, HIS TERM EXTENDS INTO 1994). BUT HIS HEALTH IS ANOTHER FACTOR WHICH MAY PROVE RELEVANT: HIS RECENT BOUT WITH SKIN CANCER WAS A MAJOR ONE, AND THERE ARE SIGNS THAT HIS APPETITE FOR POLITICS HAS DIMINISHED.

THE ECONOMY AND THE CONSTITUTION

5. BOURASSA'S OVERRIDING PREOCCUPATION AT PRESENT IS THE ECONOMY. THE PROVINCE IS SUFFERING OVER 12 PERCENT UNEMPLOYMENT, WITH METROPOLITAN MONTREAL'S ECONOMIC PROBLEMS EXACERBATED BY INNER-CITY INDUSTRIAL DECLINE. BOURASSA WILL BE WORKING HARD DURING HIS EUROPEAN TOUR TO DRUM UP NEW INVESTMENT, AND WILL BE VERY MUCH ON THE ALERT FOR SIGNS THAT POLITICAL UNCERTAINTY IS MAKING THIS HARDER TO ACHIEVE. THIS WILL BE PARTICULARLY THE CASE DURING HIS VISIT TO LONDON: THE UK IS QUEBEC'S SECOND LARGEST FOREIGN PARTNER (AFTER THE US) IN TRADE AND INVESTMENT TERMS, AND ANYTHING LIKELY TO INFLUENCE INVESTMENT DECISIONS BY UK COMPANIES WILL THEREFORE HAVE SOME IMPACT.

6. THE SEPARATISTS, WHO KNOW THIS TOO, ARGUE THEIR CASE BY CHALLENGING THEIR OPPONENTS TO CITE CHAPTER AND VERSE ON COMPANIES WHO HAVE SAID THAT THEY WILL NOT INVEST AT ALL OR AS MUCH IN QUEBEC BECAUSE OF THE RISK OF SEPARATION. IN THE REAL WORLD, FEW IF ANY FOREIGN COMPANIES WOULD BE SILLY ENOUGH TO SAY ANYTHING OF THE SORT: THEY WILL FOR THE MOST PART HAVE EXISTING INVESTMENTS, OR SUPPLIERS AND CUSTOMERS, IN QUEBEC THAT THEY WILL BE HOPING NOT TO ANTAGONISE. BUT WE KNOW, PRIVATELY, THAT AT LEAST ONE OR TWO UK COMPANIES ARE HESITATING ABOUT NEW INVESTMENTS, AND IT IS A FACT OF MODERN BUSINESS LIFE THAT QUEBEC'S ATTRACTIVENESS AS A DESTINATION FOR BRITISH AND OTHER FOREIGN INVESTMENT IS PREDICATED ON THE PROSPECTS FOR SERVING PROFITABLY NOT ONLY THE QUEBEC OR EVEN THE CANADIAN MARKET, BUT THE WIDER NORTH AMERICAN MARKET. UNCERTAINTY OVER WHETHER THESE TWO LARGER MARKETS WILL REMAIN AS FREELY OPEN TO GOODS AND SERVICES FROM A SOVEREIGN QUEBEC AS THEY ARE NOW CANNOT BUT WEAKEN QUEBEC'S COMPETITIVE POSITION AS AN INWARD INVESTMENT DESTINATION.

FOREIGN AND TRADE POLICY

7. THE SEPARATISTS PAINT A ROSY PICTURE OF AN INDEPENDENT QUEBEC

TRADING WITH (AND BORROWING FROM) THE UNITED STATES AT LEAST AS FREELY AS IT DOES NOW, AND BENEFITTING MATERIALLY FROM SOME LOOSELY DEFINED CLOSER RELATIONSHIP WITH FRANCE. THE REALITY IS LIKELY TO BE MUCH HARsher: THE US WILL HAVE NO REASON NOT TO BARGAIN TOUGHLY ON TRADE AGREEMENTS AND ON DEBT, AND I WOULD PREDICT MORE SOFT WORDS THAN HARD CASH OUT OF THE FRENCH. BOURASSA KNOWS THIS AND, ALTHOUGH SOMETIMES EQUIVOCAL ABOUT THE POLITICAL ASPECTS OF SOVEREIGNTY, SEEMS GENUINELY DETERMINED TO DO EVERYTHING HE CAN TO PRESERVE AN ECONOMIC UNION WITH THE REST OF CANADA. THIS MIGHT BE AN APPROPRIATE CONTEXT IN WHICH TO REMIND HIM THAT THE POLITICS AND THE ECONOMICS GO HAND IN HAND (THE EXAMPLE OF THE EUROPEAN COMMUNITY, IN WHICH BOURASSA HAS MAINTAINED A CLOSE INTEREST SINCE HIS PERIOD IN BRUSSELS IN THE LATE '70S AND EARLY '80S, IS RELEVANT AND PERSUASIVE) AND THAT A WEAKER CANADIAN VOICE IN INTERNATIONAL AFFAIRS WOULD INVOLVE LOSSES FOR QUEBEC AS WELL AS FOR THE REST OF CANADA.

8. PLEASE SEE MIFT FOR FURTHER DETAIL ON THE CONSTITUTION.

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MIPT - PREMIER BOURASSA'S CALL ON THE PRIME MINISTER: THE
CONSTITUTION

1. A BAD MOMENT FOR SNAP-SHOTS, AS THE TARGET IS MOVING MORE RAPIDLY THAN FOR SOME TIME. THE FEDERAL GOVERNMENT'S PROPOSALS OF 24 SEPTEMBER (A GREEN PAPER IN ALL BUT NAME) ARE BEING EXAMINED BY A SPECIAL JOINT PARLIAMENTARY COMMITTEE AND AT A SERIES OF NATION-WIDE CONFERENCES INVOLVING LAWYERS, ACADEMICS, INTEREST GROUPS AND 'ORDINARY CANADIANS'. IT IS NOT CLEAR WHAT WILL EMERGE OR HOW THE GOVERNMENT WILL DECIDE TO HANDLE THE PARLIAMENTARY COMMITTEE'S REPORT EVEN IF (AS IS CURRENTLY EXPECTED) IT HAS THE SUPPORT OF THE THREE MAJOR PARTIES IN THE FEDERAL PARLIAMENT.
2. THE QUEBEC NATIONAL ASSEMBLY HAS MEANWHILE (I) ESTABLISHED TWO COMMITTEES (ONE TO EXPLORE THE ECONOMIC IMPLICATIONS OF QUEBEC SOVEREIGNTY AND THE OTHER TO CONSIDER THE PROPOSALS FOR CONSTITUTIONAL REFORM WHICH IT EXPECTS TO BE MADE BY THE REST OF CANADA): AND (II) PASSED LEGISLATION CALLING FOR A REFERENDUM ON QUEBEC'S POSITION WITHIN CONFEDERATION, WHICH WILL TAKE PLACE ON 27 OCTOBER UNLESS SOME WAY IS FOUND OF STOPPING OR RESETTING THE CLOCK. THE IDEA THAT IT IS NOW UP TO 'ENGLISH CANADA' TO COME UP WITH AN OFFER HAS BEEN FIRMLY EMBEDDED IN THE QUEBEC POLITICAL PSYCHE SINCE THE FAILURE OF MEECH LAKE, AND THERE ARE THEREFORE LIMITS TO HOW FAR BOURASSA CAN AT THIS STAGE APPEAR TO BE DOING ANYTHING MUCH MORE THAN WAITING FOR THE MOUNTAIN TO COME TO MOHAMMED.
3. THE MOUNTAIN CURRENTLY ENVISAGED IS LIKELY TO BE LESS COMPLEX THAN THE GREEN PAPER PACKAGE, BUT IT WILL NEVERTHELESS HAVE TO DEAL WITH A NUMBER OF VERY DIFFICULT ISSUES (SENATE REFORM, ABORIGINAL SELF GOVERNMENT, THE DIVISION OF POWERS BETWEEN THE FEDERAL AND PROVINCIAL GOVERNMENTS AND THE ACKNOWLEDGEMENT OF QUEBEC AS A DISTINCT SOCIETY) IF IT IS TO HAVE ANY CHANCE OF ACHIEVING CONSENSUS. THE RELATED PROCEDURAL QUESTIONS ARE SCARCELY LESS DIFFICULT THAN THOSE OF SUBSTANCE: HOW WOULD THE

PROVINCIAL GOVERNMENTS BE BROUGHT ON BOARD (BOURASSA'S POSITION REMAINS THAT HE WILL NOT PARTICIPATE IN FIRST MINISTERS' CONFERENCES OF THE TRADITIONAL KIND), AND WILL THERE HAVE TO BE SOME FURTHER TEST OF PUBLIC OPINION (A PLEBISCITE MIGHT BE POPULAR IN MUCH OF CANADA, BUT QUEBEC WILL BE SUSPICIOUS OF ANY ATTEMPT TO OUTVOTE IT, AND INCLINED TO ARGUE THAT ONLY A QUEBEC REFERENDUM CAN DETERMINE THE POSITION OF QUEBEC)?

4. IT IS WIDELY BELIEVED THAT BOURASSA WOULD LIKE TO POSTPONE OR CANCEL THE QUEBEC REFERENDUM, AND THAT HIS MAIN HOPE NOW IS THAT THE REST OF CANADA WILL COME UP WITH 'AN OFFER' SUFFICIENT TO ALLOW HIM TO ARGUE THAT THERE IS A NEW BALL GAME. BUT IT SEEMED CLEAR WHEN I SAW HIM THE OTHER DAY THAT HE ALSO HAS OTHER OPTIONS IN MIND, AND SOME WOULD SAY THAT THEY INCLUDE THAT OF STEALING THE OPPOSITION'S CLOTHES BY LEADING A REFERENDUM CAMPAIGN AGAINST 'INADEQUATE' FEDERAL PROPOSALS AND CALLING AN ELECTION TO SEEK A MANDATE TO NEGOTIATE THE NEW MODUS VIVENDI WHICH WOULD THEN BE NECESSARY. SUCH SPECULATIONS ARE OF LITTLE VALUE IN THEMSELVES, THOUGH THEY LEAD TO WHAT I BELIEVE TO BE ONE SENSIBLE CONCLUSION: THAT BOURASSA DOES NOT AT PRESENT HAVE A DETAILED GAME PLAN - HE PROBABLY HAS HALF A DOZEN OF THEM.

5. THE PREVAILING ATMOSPHERE IS MORE POSITIVE THAN IT HAS BEEN FOR SOME TIME - BUT IT IS FRAGILE, AND THE HARD BARGAINING HAS YET TO BEGIN.

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Stephen J

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Foreign &
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Office

5 February 1992

London SW1A 2AH

Dear Stephen,

**CALL ON THE PRIME MINISTER BY MR ROBERT BOURASSA,
PREMIER OF QUEBEC: FRIDAY 7 FEBRUARY AT 1200**

Quebec House have told us that they plan to deliver a gift from Premier Bourassa to the Prime Minister on Thursday afternoon, 6 February, before M. Bourassa's meeting with the Prime Minister the next day. We gather it is a two foot by one and a half foot engraving, by a Quebec artist, in a leather case.

Yours ever,
Christopher Prentice.

(C N R Prentice)
Private Secretary

Stephen Wall Esq
10 Downing Street

POKABD

MR WALL

PREMIER OF QUEBEC

The Premier of Quebec will be sending the Prime Minister a gift on Thursday afternoon. It will be a 2ft x 1.5 ft engraving by a Quebec artist. It will be in a leather case. A FCO Private Secretary letter will be coming across.

(Mark Turner Canada Desk 270 2666.)

Sue

4 February 1992



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alc

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 January 1992

Dear Christopher

CALL ON THE PRIME MINISTER BY
MR ROBERT BOURASSA, PREMIER OF QUEBEC

Thank you for your letter of 14 January about Mr Bourassa's visit.

The Prime Minister is prepared to see Mr Bourassa at 1200 on Friday 7 February.

Jam,

Jasper

J S WALL

Christopher Prentice Esq
Foreign and Commonwealth Office

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MY TELNO 6 : VISIT TO LONDON OF QUEBEC PREMIER BOURASSA :
7 FEBRUARY

1. I HAVE BEEN TRYING TO ARRANGE A FAREWELL CALL ON BOURASSA. HIS OFFICE HAVE NOW OFFERED 1500 (LOCAL TIME) ON 20 JANUARY, WHEN I AM IN MONTREAL. I HAVE NATURALLY ACCEPTED. GRATEFUL TO KNOW BY 201700Z WHETHER THERE IS ANYTHING I CAN SAY ABOUT HIS REQUEST FOR A CALL ON THE PRIME MINISTER.
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Stephen

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Fri 7 Feb at
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*1/7 the th agrees to
my minute, call ja
at deary for how
re Bourasse. Thank*

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[Signature]
87:

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MACDONALD HOUSE,
1 GROSVENOR SQUARE,
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C/PC

CANADIAN HIGH COMMISSION,
MACDONALD HOUSE,
1 GROSVENOR SQUARE,
LONDON, W1X 0AB.

Telephone: (071) 629 9492

January 14, 1992

Mr. Stephen Wall
10 Downing Street
London

Dear Mr. Wall,

As you may know, the Honourable Robert Bourassa, Premier of Quebec, will be visiting the United Kingdom in the period 6th to 8th of February arriving late in the afternoon of the 6th and departing the morning of the 8th. I am writing to enquire whether it would be possible to arrange a meeting between Mr. Bourassa and Prime Minister Major during Mr. Bourassa's visit.

Premier Bourassa, as Head of Government of the Province of Quebec, has an important role to play in UK-Canada relations. He has been Premier for a total of 12 years, from 1970 to 1976 and from December 1985 to the present. He met Mrs. Thatcher in London in 1989, and, on previous occasions, met Prime Ministers Callaghan and Wilson.

I think it would be mutually useful if Premier Bourassa could meet Prime Minister Major. I hope, therefore, that, it might be possible for you to find some time for him, preferably on February 7th or late on the 6th, in the Prime Minister's very busy timetable.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "J.T. Boehm".

J.T. Boehm
Minister
Political Affairs

FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE
WASHINGTON, D. C. 20535

MAIL ROOM
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[Faint handwritten signature]



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Stephen

~~Sasha~~

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like Stolpe,
not busy (extract
below)
I suppose he would
manage 1830 on
6 Feb if absolutely
necessary.

But with Yvonne
Construction Conference
on Sat 8 Feb,
PM may prefer to
keep empty for as well
as whole of 7 Feb.
S 15/1

010

D



ccpk

Foreign &
Commonwealth
Office

14 January 1992

London SW1A 2AH

Dear Stephen,

Call on the Prime Minister by Mr Robert Bourassa,
Premier of Quebec

/ Ottawa telno 6 (copy attached) makes a strong case for a call on the Prime Minister by Mr Bourassa during his visit on 7 February. The Foreign Secretary agrees with the High Commissioner's recommendation and hopes that the Prime Minister can find time for a meeting with Mr Bourassa (either on 7 February, or late on 6 February).

/ Mr Bourassa (CV enclosed) is a key figure in the Canadian constitutional debate. His instincts are essentially federalist rather than separatist. It is in our own interests to bolster these.

Mr Bourassa saw Mrs Thatcher in January 1989 and in 1990, and had previously called at No 10 on Messrs Callaghan and Wilson.

Yours ever,
Christopher Prentice.

(C N R Prentice)
Private Secretary

J S Wall Esq
10 Downing Street

BOURASSA, THE HON ROBERT, MNA MA

Premier of Quebec (Liberal) since December 1985.

Born in Montreal, July 1933.

Educated at Jean de Brébeuf College and University of Montreal. He was a Rhodes Scholar in Economics at Oxford in 1959 and also studied at Harvard.

A lawyer and economist, Bourassa was a Fiscal Adviser in the Federal National Revenue Department in 1960. From 1963-65 he was Secretary and Research Director for the Bélanger Commission on Taxation in Quebec. He taught at Ottawa University.

He was first elected to the Quebec National Assembly in 1966. He became Financial (Opposition) Critic. He was chosen Leader of the Quebec Liberal Party in January 1970 and sworn in as Premier of Quebec in May 1970. He held the Portfolios of Finance (1970) and Intergovernmental Affairs (1971-72). In 1976 he lost the Liberal leadership and the Quebec provincial election. He went to Europe and the US to study for several years. In October 1983 he was elected Leader of the Quebec Liberal Party for a second time and by an overwhelming majority.

Bourassa led his party to a landslide victory over the Parti Québécois in December 1985.

Mr Bourassa lacks charisma and became notably unpopular before his defeat in 1976. His draft legislation to promote the use of French satisfied no-one. English speakers thought it went too far; many francophones regarded it as not going far enough. Mr Bourassa and his government were also widely accused of corruption.

More of a technocrat than a politician by nature, he has made himself into a politician by application. He is now a good political tactician, but is respected rather than loved. His performance since 1985 demonstrates that he has learned a lot. He is very much the master of his Government but now gives his Ministers a greater share of the limelight and is careful not to put himself in a position where he will attract unfavourable publicity. His general approach to difficult political questions is still to look for ways of finding an acceptable compromise rather than to risk confronting one or other party to a dispute. His heart lies in promoting the economic advancement of Quebec and he played a key role in the Seventies in authorising work on the James Bay hydro-electric project.

He is intelligent, well informed, and follows events in the UK with a keen and sympathetic interest. Visited the UK in February 1980 (as part of a European tour) and called on Mrs Thatcher). He is very ambitious and has no consuming interests outside work.

Married to Andrée Simard of the wealthy Quebec shipbuilding family. Two children.

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TELECON TURNER (NAD)/SCRAFTON: VISIT TO LONDON OF QUEBEC PREMIER
BOURASSA: 7 FEBRUARY

1. AS THE DEPARTMENT ARE AWARE, IT HAS NEVER BEEN OUR PRACTICE WHEN SEEKING CALLS FOR CANADIAN PREMIERS ON SENIOR MINISTERS TO ARGUE THAT THEY ARE ALL EQUAL. THOSE OBVIOUSLY MORE EQUAL THAN OTHERS ARE BOURASSA AND HIS ONTARIO COLLEAGUE RAE, WITH HARCOURT OF BRITISH COLUMBIA (WHO PROMISES TO BECOME INCREASINGLY IMPORTANT IN DOMESTIC AND CONSTITUTIONAL TERMS) A CLOSE THIRD.

2. WE DID NOT PRESS FOR RAE TO BE GIVEN AN APPOINTMENT WITH THE PRIME MINISTER DURING HIS LATEST VISIT AT A TIME OF HEAVY DEMANDS ON THE PRIME MINISTER'S TIME, BECAUSE THE RELATIVELY INEXPERIENCED RAE HAS TOO MUCH ON HIS PROVINCIAL PLATE AT THE MOMENT TO CARRY THE WEIGHT IN NATIONAL AFFAIRS THAT ONE WOULD USUALLY EXPECT OF A PREMIER OF ONTARIO. BOURASSA, ON THE OTHER HAND, IS A NATIONAL AS WELL AS A PROVINCIAL FIGURE. THERE ARE FEW QUESTIONS ABOUT CANADA MORE IMPORTANT THAN WHETHER QUEBEC WILL GO FOR INDEPENDENCE AND, ON THAT, BOURASSA IS VERY MUCH THE HORSE'S MOUTH. ASSUMING HIS HEALTH HOLDS OUT, HIS PART IN THE END GAME OF THIS ROUND OF CONSTITUTION MAKING WILL BE CRUCIAL. HIS INSTINCTS ARE LARGELY FEDERALIST, AND A CALL ON THE PRIME MINISTER COULD HELP TO REINFORCE THEM. CONVERSELY, NOT TO RECEIVE BOURASSA AT THAT LEVEL IF IT WERE POSSIBLE TO DO SO WOULD RISK GIVING THE SEPARATISTS ANOTHER OCCASION TO TROT OUT THEIR TIRESOME LINE THAT QUEBEC WILL ONLY BE TAKEN SERIOUSLY IN THE INTERNATIONAL COMMUNITY IF IT GOES INDEPENDENT.

3. IN SHORT, IF THE PRIME MINISTER COULD POSSIBLY FIT BOURASSA IN, I WOULD STRONGLY RECOMMEND THAT HE DO SO.

4. FCO PLEASE PASS ADVANCE COPY TO PS 10 DOWNING STREET.

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PAGE 2
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10 DOWNING STREET

3 January 1985

From the Private Secretary

Visit to the United Kingdom by the Premier of Saskatchewan

Thank you for your letter of 13 December conveying a request from the Premier of Saskatchewan to call on the Prime Minister during his visit to London at the end of January.

I should be grateful if Mr. Devine could be informed that the Prime Minister much regrets that her other engagements make it impossible for her to see him during his visit.

C. D. POWELL

Len Appleyard, Esq.,
Foreign and Commonwealth Office

PRIME MINISTER

PREMIER OF SASKATCHEWAN

You agreed via Charles Powell to see the Premier of Saskatchewan. Charles is not pushing this one and I would be grateful if you could think again. The diary is full of far too many inconsequential meetings which make your life almost impossible when we arrive at the date.

Agree not to see the Premier?

CR → Must!

CR ^{not}
Haorah!

14 December 1984

CR.
12/12

Sup R



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree not to see Mr. Devine?

13 December 1984

CDP 13/12

We had letter re him not.

Dear Charles,

Visit to UK by the Premier of Saskatchewan

The Premier of Saskatchewan, Mr Grant Devine, will be in London from 29-30 January. He will address the Canada/UK Chamber of Commerce on 30 January, and have discussions about trade between Britain and Saskatchewan and about energy matters. Calls on Mr Channon at the Department of Trade and Industry and on Mr Buchanan-Smith at the Department of Energy have been arranged.

The Canadian High Commission have asked on Mr Devine's behalf whether a call on the Prime Minister would be possible. The Canadian Provincial Premiers have no right of access to the British Government, and the Federal government is insistent that this convention is borne in mind. As a courtesy, however, in the past the Prime Minister, and also Foreign Office Ministers, have seen Provincial Premiers when their standing merited it or when they had matters of substance to discuss. For example, the Prime Minister received Premier Lougheed of Alberta and Premier Davis of Ontario in February 1984, both Premiers of importance in Canada, and whom she had met when she visited their provinces in September 1983.

I enclose a personality note on Mr Devine. He is thought to be a rising star in Canada, but he certainly does not have the stature of Premiers Lougheed or Davis and he has no matters of substance to raise with the Prime Minister. The Foreign Secretary therefore sees no need for the Prime Minister to see Mr Devine unless she wishes to do so.

*Yours ever,
Len Appleyard*

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street



DEVINE, THE HON GRANT, PhD

Premier (Progressive Conservative) of Saskatchewan since April 1982

Born in Regina in 1944. Brought up on a farm at Lake View, near Moose Jaw.

Educated at University of Saskatchewan and University of Alberta (Agriculture and business administration).

Employed by the Federal Government in Ottawa as a Marketing Specialist and in other posts connected with agricultural commodities. Subsequently attended Ohio State University, where he received a doctorate in 1976.

Taught agricultural economics at the University of Saskatchewan from 1976-79. Entered provincial politics and in 1978 stood unsuccessfully, for the Nutana legislature seat against a NDP Minister.

Elected PC provincial leader in 1979. In 1980 stood for the legislature constituency of Estevan in what was considered a safe seat, but was defeated. His failure to get into the legislature led to attacks on his leadership from within his party but, by constant constituency work, succeeded in building up a populist image of himself and his party. He was elected to the legislature in April 1982 when the Progressive Conservative Party won a landslide victory, ousting the socialist New Democratic Party which had been in power for all but seven of the post war years. It was the first time that the Conservatives had won a general election in Saskatchewan since 1905. Mr Devine had campaigned on a platform of lower interest rates, a cut in petrol prices, and lower taxes. He also promised to lighten the burden of

/ government



government in a province where welfare legislation has progressed further than anywhere else in North America.

Forceful and impressive by Saskatchewan standards.

Married (Chantal). Four young children.

3 DEC 1984



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Boj

10 DOWNING STREET

THE PRIME MINISTER

5 March, 1984

My dear Premier,

It was a great pleasure to see you the other day. I much enjoyed our talk even if part of it has already been overtaken by events.

But I am really writing to thank you for the most attractive sculpture and the book on Ontario which were delivered to No. 10 on Friday. How nice it would be if I could really come to Ontario for a few days, as you suggested. But I do not suppose that my diary will let me for a good while yet.

My very best wishes for what will be an exciting year in Canada.

Yours sincerely
Margaret Thatcher

The Hon. William G. Davis, Q.C.

(2)

E. R.

3.

PRIME MINISTER

Mr. Davis (Prime Minister of Ontario) has asked whether you would be prepared to autograph the attached two copies of Penny Junor's book.

A. J. C.

2 March 1984

FILE
NUTJ

SUBJECT
re Davis



10 DOWNING STREET

From the Private Secretary

29 February 1984

Dear Peter,

Call on the Prime Minister by the Premier
of Ontario

Mr. Davis called on the Prime Minister at noon today and stayed for about forty minutes. He was accompanied by the Canadian High Commissioner, the Agent General for Ontario and Mr. Stewart, the Deputy Secretary of the Ontario Cabinet.

The conversation was very general in nature and I am therefore not producing a detailed record. Mr. Davis said that the Progressive Conservatives were doing well nationally. As to the possible timing of elections in Canada, he believed that Mr. Trudeau had not yet made up his mind on whether to resign. Election timing depended on his eventual decision.

The one point of substance which he wished to raise with the Prime Minister was the bid for the London Docklands Railway with which the Ontario based Urban Transport Development Corporation was associated. The bid made by DART met all the criteria - the companies concerned could do the project cheaply and could deliver it on time. He recalled that when the Prime Minister had visited Canada she had stressed that the competition would be open. The Prime Minister repeated the Government's determination that there should be full and fair competition and said that she had noted the interest expressed by Mr. Davis.

/The rest of the

dar

The rest of the conversation consisted of a general discussion of the Canadian economic situation, the prospects for the US elections and the situation in the Lebanon.

I am copying this letter to Callum McCarthy (Department of Trade and Industry).

Yours ever,

Bob Cole.

Peter Ricketts Esq
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

27 February 1984

Dear John,

Call on the Prime Minister by the Premier of Ontario:
29 February

I enclose briefs on the following subjects for Mr Davis's call on the Prime Minister at noon on Wednesday 29 February:

- (a) Canadian internal scene;
- (b) a copy of the background brief on Ontario prepared for the Prime Minister's visit to Canada last September;
- (c) the London Docklands Project;
- (d) EC/Canada: Newsprint and Provincial Liquor Boards;
- (e) the 200th anniversary of Ontario and the 150th anniversary of Toronto;
- (f) Hong Kong (Ontario has significant interests in the Colony);
- (g) a personality note.

It is possible that Mr Davis may raise any of the above. In addition, his Office have told the British High Commission in Ottawa that he might wish to review the prospects for the world economy with the Prime Minister. He is also interested in the control of local government spending on which the Ontario government have similar problems to that in Britain.

Mr Davis proposes to be accompanied by the Canadian High Commissioner only on his call on the Prime Minister.

Mr Davis is calling on Mr Peter Rees and Mr Norman Tebbit on 28 February.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

A.

CALL ON THE PRIME MINISTER BY PREMIER OF ONTARIO:
29 FEBRUARY 1984

CANADA INTERNAL

Points to Make

1. Latest political developments in Canada? Mr Trudeau's future plans? How is Mr Mulroney getting on?
2. State of Canadian economy generally and Ontario economy in particular? What effect is US recovery having?
3. Note that federal budget introduced on 15 February anticipated continued high budget deficits (7% of GNP next year). Do you believe that these can be sustained without threatening interest rates, exchange rates and recovery? Would a reassessment of US fiscal policy force a change in Canada too?
4. UK economic prospects.

Background

5. There is now intense speculation that Mr Trudeau will resign the leadership of the Liberal Party and that general elections will be held this year.
6. Mr John Turner, a lawyer from Toronto and former Minister of Finance, and Energy Secretary Jean Chretien are the most likely contenders for the Liberal leadership.
7. The Progressive Conservatives are currently standing at 50% in the opinion polls as against the Liberals at 30%.
8. Mr Mulroney had to cancel plans to visit Europe (including

/a call



a call on the Prime Minister on 17 February) when the federal government announced they would introduce their budget on 15 February.

CANADIAN ECONOMY

9. 1983 saw a significant recovery in the Canadian economy, mainly due to the improvement in the US economy, with which it is closely linked. Inflation has been reduced to just over 4% but unemployment remains high at 11.1%.

10. The Finance Minister, Mr Marc Lalonde, introduced his second budget on 15 February (see telegrams attached). The policy stance is broadly the same as that set out in last April's budget, with no new measures to help reduce the budget deficit announced. The deficit is expected to fall only from 8% of GNP this fiscal year to 7% next and 6% the following year. The budget economic projections foresee steady growth and decreasing unemployment, and assume declining interest rates in the immediate term.

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THE CANADIAN BUDGET

1. THE MINISTER OF FINANCE, MR LALONDE, INTRODUCED HIS SECOND BUDGET YESTERDAY. HE SAID THAT HIS BUDGET WAS DEDICATED TO BUILDING A STRONG AND GROWING ECONOMY WHICH WILL GENERATE "LASTING, MEANINGFUL JOBS." HE STRESSED THE IMPROVEMENTS IN THE DOMESTIC AND INTERNATIONAL ECONOMIC ENVIRONMENTS, AND SAID THAT HIS BUDGET STRATEGY WAS JOB CREATION THROUGH PARTNERSHIP WITH THE PRIVATE SECTOR.

2. MR LALONDE GAVE A GENERALLY ENCOURAGING PICTURE OF THE ECONOMIC OUTLOOK FOR CANADA. THE GOVERNMENT EXPECTS REAL GNP TO GROW BY 4.9 PER CENT IN 1984 AND AN AVERAGE OF 3.8 PER CENT PER ANNUM FROM 1985 TO 1988. CONSUMER EXPENDITURE IS EXPECTED TO GROW BY 3.7 PER CENT IN 1984 AND BUSINESS INVESTMENT TO SHOW THE BEGINNINGS OF A RECOVERY - MACHINERY AND EQUIPMENT SPENDING TO GROW BY 7 PER CENT AND NON-RESIDENTIAL BY 6.9 PER CENT.

3. INFLATION IS EXPECTED TO AVERAGE 5.2 PER CENT IN 1984, 5.3 PER CENT IN 1985 AND THEN STAY BELOW 5 PER CENT FOR THE NEXT THREE YEARS. MR LALONDE SAID THAT HE DID NOT EXPECT RENEWED INFLATIONARY PRESSURES FROM WAGE AND PRICE RISES THIS YEAR. THE UNEMPLOYMENT RATE IS EXPECTED TO AVERAGE 10.9 PER CENT IN 1984 AND 10.1 PER CENT IN 1985, DECLINING TO 7.7 PER CENT IN 1988.

4. MR LALONDE PREDICTED A BUDGETARY DEFICIT OF DOLLARS 31,450 MILLION, OR 8.1 PER CENT OF GNP, FOR THE FISCAL YEAR 1983/84. THIS IS SLIGHTLY HIGHER THAN HE FORECAST IN HIS APRIL 1983 BUDGET. HE EXPECTS THE DEFICIT TO DECLINE TO DOLLARS 29.600 MILLION OR 6.9 PER CENT OF GNP, IN 1984/85 AND DOLLARS 26,150 MILLION OR 4.7 PER CENT OF GNP IN 1987/88.

5. MAIN MEASURES AS FOLLOWS:

A) A FURTHER DOLLARS 150 MILLION FOR YOUTH EMPLOYMENT:

B) MANDATORY WAGE CONTROLS IN PUBLIC SECTOR (THE 6 AND 5 PROGRAMME) TO END IN JUNE 1984. COLLECTIVE BARGAINING TO BE RESUMED BUT NO CATCHUP ALLOWED. PARLIAMENT TO LEGISLATE SETTLEMENTS IF NECESSARY

C) INCREASES IN PRICES SET OR REGULATED BY FEDERAL GOVERNMENT TO BE LIMITED TO 4 PER CENT IN 1984:

D) ESTABLISHMENT OF AID-TRADE FUND TO ASSIST CANADIAN FIRMS IN COMPETING FOR CONTRACTS FOR WHICH DEVELOPMENT ASSISTANCE FINANCING IS REQUIRED:

(E)

- E) TAX ASSISTANCE FOR EMPLOYEE PROFIT SHARING AND STOCK OPTION PLANS:
- F) PROPOSED SIMPLIFICATION OF INCOME TAX SYSTEM FOR SMALL BUSINESSES - TO RESULT IN A TAX REDUCTION OF ABOUT DOLLARS 150 MILLION PER YEAR:
- G) ADMINISTRATIVE CHANGES TO TAX SYSTEM:
- H) MANUFACTURERS SALES TAX WILL NOT BE SHIFTED TO WHOLESALE LEVEL, WITH EXCEPTION OF MOTOR VEHICLES WHERE CHANGE IS EFFECTIVE 1 MARCH 1984:
- I) SUNDRY OTHER TAX CHANGES, INCLUDING AMENDMENTS TO INCOME TAX ACT, CUSTOMS TARIFF AND EXCISE ACT, FURTHER ASSISTANCE TO FARMERS AND DEFERRAL OF INCREMENTAL OIL REVENUE TAX FOR A FURTHER ONE YEAR:
- J) A SERIES OF IMPROVEMENTS TO GOVERNMENT AND PRIVATE PENSION PLANS:
- K) INTRODUCTION OF MORTGAGE RATE PROTECTION PLAN:
- L) REINDEXATION OF PENSIONS AND INCOME TAX BRACKETS.
6. COMMENT MIFT 114
7. FCO PLEASE PASS TO BOTTRILL (HM TREASURY), BESTON (OT2,DT1) AND STRACHAN (BANK OF ENGLAND).
- FCO PSE PASS SAVING UKDEL OECCD

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4 MIPT: THE CANADIAN BUDGET.

1. MR LALONDE'S BUDGET HAS RECEIVED A MIXED RECEPTION. THE PROPOSALS ON PENSIONS, MORTGAGE SECURITY, PROFIT SHARING AND INCOME TAX REFORM HAVE BEEN WELCOMED, BUT AT THE MACROECONOMIC LEVEL IT IS SEEN AS AN EXERCISE IN TREADING WATER. THE GOVERNMENT'S FISCAL STANCE IS UNCHANGED.

2. THE EXTRA MONEY ALLOCATED FOR YOUTH EMPLOYMENT IS RELATIVELY INSIGNIFICANT. THIS WAS SOMEWHAT SURPRISING, PARTICULARLY AS JOB CREATION WAS A CENTRAL THEME OF BUDGET SPEECH. THERE IS DISAPPOINTMENT AT MR LALONDE'S FAILURE TO TACKLE THE BUDGET DEFICIT PROBLEM. THERE IS NO ATTEMPT TO RESTRICT GOVERNMENT SPENDING, AND THE SLIGHT INCREASE IN THE 1983/84 DEFICIT, DESPITE STRONGER THAN EXPECTED GROWTH, HAS SERVED TO EMPHASISE ITS STRUCTURAL NATURE. THE CONSERVATIVE OPPOSITION HAS BEEN QUICK TO POINT OUT THAT THE CANADIAN DEFICIT IS IN RELATIVE TERMS, MUCH LARGER THAN THE US DEFICIT.

3. IN HIS APRIL 1983 BUDGET, MR LALONDE ANNOUNCED A SERIES OF TAXATION MEASURES TO COUNTERBALANCE HIS SPECIAL RECOVERY PROGRAMME, WHICH TAKE EFFECT THIS YEAR. EVEN ALLOWING FOR THE SMALL CONCESSIONS IN THIS BUDGET, THERE WILL STILL BE A NET WITHDRAWAL FROM THE ECONOMY OF ABOUT DOLLARS 600 MILLION IN FISCAL YEAR 1984/5 THROUGH TAX CHANGES. THIS HAS ALREADY LED SOME COMMENTATORS TO QUESTION HIS GROWTH FORECASTS, PARTICULARLY FOR CONSUMER EXPENDITURE. SIMILARLY HIS MEDIUM TERM PROJECTION ASSUMES 'MODERATE SUSTAINED DECLINES IN INTEREST RATES' WHICH SEEMS A LARGE PRESUMPTION IN CURRENT CIRCUMSTANCES.

4. FROM A POLITICAL VIEWPOINT, THE BUDGET HAS DONE THE LIBERALS NO HARM. MR LALONDE WAS ABLE TO MAKE RELATIVELY INEXPENSIVE GESTURES TOWARDS SIGNIFICANT SECTORS OF THE VOTING POPULATION. AT THE SAME TIME HE WAS NOT ABLIGED TO MENTION ANY TAX INCREASES AS THEY

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ARE ALREADY IN THE PIPELINE. HOWEVER, THERE IS ALREADY A FEELING THAT GOVERNMENT MAY TRY TO SLIP IN A FURTHER "GIVEAWAY" BUDGET BEFORE THE GENERAL ELECTION. THIS WILL LARGELY DEPEND UPON WHETHER AND WHEN MR TRUDEUA DECIDES TO STEP DOWN FROM THE LEADERSHIP OF THE LIBERAL PARTY.

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PRIME MINISTER'S VISIT TO CANADA AND THE UNITED STATES
25-30 SEPTEMBER 1983

CANADIAN SCENE: ONTARIO

Brief by Foreign & Commonwealth Office

UK Objective

To encourage the interest of the Ontario Government in improving trade with UK. To advertise the UK's economic success.

Background

Economy

1. Ontario has one third of Canada's population and is responsible for nearly 40% of its GDP. It produces more than half the country's manufactured goods, and 80% of its steel. It is a major producer of minerals and has large agricultural and forestry sectors. It has been slightly less badly affected by the recession than most provinces with unemployment around 11%, compared with the national average of 12% and there have been some indications of returning confidence.

Political

2. Ontario has had a Progressive Conservative (PC) government for 40 years and Mr Bill Davis has been Premier for 12 years. Although the party supports free enterprise and freedom of choice for the individual, Mr Davis has also introduced social welfare programming and this had gained him support at the expense

of the centre-left opposition. In the federal parliament, however, the representation of the province is predominantly Liberal.


3. As the industrial and financial heartland of Canada, Ontario has been a firm supporter of federal government policies aimed at restricting foreign, particularly American, economic domination, through controls on inward investment and protection for local industries. The Province has also supported the National Energy Policy, which provides it with Albertan oil and gas at prices below world levels.

British Interests

4. Almost half the population of Ontario is of British extraction and there is considerable goodwill towards the United Kingdom. About half of Britain's non-oil exports to Canada are to Ontario. The major sales are industrial equipment (£180m in 1982), consumer goods (£117m) and electrical/high technology items (£37m). Many British firms have subsidiaries in Ontario; ten of them are among Canada's top 200 firms. There are more than 200 British-owned concerns in the province including subsidiaries of leading British engineering, chemical and electrical manufacturing firms. Marks and Spencer, Boots and W H Smith and six British banks operate there.

5. The provincial government have shown an interest in promoting cooperation between Ontario and British firms. Officially organised seminars and trade missions have identified possible opportunities for joint ventures in the off-shore oil and gas construction industry, pharmaceuticals, high technology and, very tentatively, defence equipment for export to the United States.

9 September 1983



VISIT OF THE PREMIER OF ONTARIO

LONDON DOCKLANDS RAILWAY

Brief by Department of Transport

Points to Make if Raised

- i. Responsibility. London Docklands Development Corporation and GLC are the sponsors, with London Transport as their Agents. It is for them to assess the most suitable system, giving value-for-money on time.
- ii. Government Role. Government direct interest because of strategy for revitalising Docklands and because of public sector resources involved. Has set strict timetable (completion by 1987) and cash limit (£77m); and will need to approve final system chosen. But that point not reached as yet.
- iii. State of Play. Parliamentary powers are currently being sought by London Transport. Election caused delay in this process and thus in calls for tender. But I understand timing still on path. Envisage final decisions about the system this summer.
- iv. Options Being Considered. Government have made clear that there must be full and fair competition. Invitations to tender /by London Understand UTDC and their UK associates are keeping in close touch Transport with the sponsors and LT and are aware how the project is being moved forward.
- v. Detailed versus Turnkey Bids. Responsibility for tendering arrangements rests with the sponsors. Appreciate that the UTDC and their UK associates prefer a turnkey basis and have made a preliminary bid accordingly. Understand that the tender invitations envisage several contracts for the project but that turnkey bids will be given equal consideration.

Background

The £77m light railway approved by the Government in October 1982 for completion in 1987 will link the Isle of Dogs with the City and Stratford. It is being funded equally by the London Docklands Development Corporation (LDDC) with a 100% DOE grant; and the GLC, assisted by Department of Transport Transport Supplementary Grant. London Transport have been appointed by LDDC and the GLC as their agent and are currently seeking Parliamentary powers for construction. Once the LRT Bill is enacted the new LRT will take over the GLC role. It is for future consideration who will eventually own and operate the line.

Government approval was given for the project as a major plank in regenerating Docklands. It is considered the system must operate with maximum reliability ie that equipment including rolling stock will embody well-proven technology to meet the timing, reliability and expenditure constraints. But within this, the railway should be novel and exciting; make a favourable impact on potential developers; and provide a showcase for British railway equipment exporters.

Several consortia involving British and overseas interests have been formed to bid for the business and are lobbying behind the scenes. One of these is DART, consisting of the Ontario-based Urban Transport Development Corporation (UTDC), Metro Cammell and Hawker Siddeley. UTDC was established by the Ontario government in 1973 to design develop and market new transit equipment and systems.

LT as agents for the project are assessing alternative systems. DART is a serious contender. But in recent weeks the two clients LDDC and GLC have fallen out over the contract arrangements and the basic type of railway needed. GLC favour a multi-contract approach (separate contracts to meet detailed specifications for civil engineering, mechanical elements, electrical equipment etc) whereas the LDDC prefer a turnkey arrangement. DART favours the latter approach and has already made a preliminary bid on that basis.

The Secretary of State for Transport will have no direct locus till the LRT Bill is enacted but has indicated to the LDDC that



the Government's general approach would be:

- a. momentum on the project must be maintained;
- b. tenders should be sought on the basis of clear performance specifications rather than preconceived solutions;
- c. the project seems more suitable for a package turnkey arrangement than a piecemeal approach;
- d. bids should be sought on a fully open and fair basis.

Although invitations to tender on a multi contract basis were issued on 1st February with LDDC reluctant acquiescence, these do not rule out the possibility of bringing separate components together within a turnkey contract. But it remains to be seen whether LDDC and GLC can reach an accommodation about approach; or there will be a breakdown of relations that means final decisions are delayed until the LRT take over; or the GLC decide for political reasons to break right out of the present partnership, either blaming the Government for "interfering" or LDDC for intransigence or even deliberate manoeuvring to give private developers a killing.

Overseas firms and their Governments who are lobbying hard behind scenes for the business will no doubt seek to exploit the situation to their advantage. A French consortium for example are lobbying through the House of Lords and other channels on the grounds that LT are being "unfair", and the sponsors over-cautious.



D

CALL ON THE PRIME MINISTER BY PREMIER OF ONTARIO:

29 FEBRUARY 1984

NEWSPRINT

Points to Make

1. Understand your concern over continuing lack of agreement on duty-free quotas from 1 January 1984.

2. Agree we must have duty-free quota arrangements which fully meet needs of Community users and Canada's legitimate interests.

3. Meanwhile, have made it clear that Community's interim quota of 500,000 tonnes not enough. Shall continue to press Commission for proposals for adequate supplementary quota.

Essential Facts

1. Community's annual GATT-bound newsprint quota of 1.5 million tonnes for Canada and EFTA must be revised downwards now that newsprint from EFTA countries enters duty and quota free as from 1 January 1984. Agreement with Canada on new quota level is proving difficult; Community has therefore opened an interim quota of 500,000 tonnes. This amount insufficient for UK and other member states' needs, but in the face of Italian opposition to any higher figure, had to be accepted to prevent UK publishers from paying duty from 1 January 1984 if no quota level had been agreed. Interim quota unacceptable to Canada, which is pressing for a settlement in the region of 700,000 tonnes, and has therefore referred problem to GATT to resolve.



CALL ON THE PRIME MINISTER BY PREMIER OF ONTARIO:29 FEBRUARY 1984
PROVINCIAL LIQUOR BOARDS

Points to Make

1. Concerned that the provincial liquor boards still applying discriminatory markups to imported alcoholic beverages.
2. Disappointed with slow progress in phaseing out such discriminatory practices in accordance with 1979 Letter of Intent.



Essential Facts

1. Canadian provincial liquor boards have a monopoly on distribution and sale of alcoholic beverages. Scotch Whisky Association have expressed their concern that in all but three provinces, imported spirits are 'marked up' for sale at higher rates of duty than equivalent domestic product. Differential in favour of Canadian product ranges from 1% to 13%.

2. In 1979, provincial governments signed a Letter of Intent to eliminate discriminatory 'mark ups' on spirits over an eight year period, except where a differential reflected 'normal commercial considerations'. A considerable amount of Community trade is affected, chiefly French wine and Scotch Whisky (£21.2 million in 1982).

3. In view of fundamental divergence of view on status of Letter of Intent, EC considering an approach to GATT for a definitive interpretation.

E

CALL ON THE PRIME MINISTER BY THE PREMIER OF ONTARIO:
29 FEBRUARY

ONTARIO AND TORONTO ANNIVERSARIES 1984

Points to Make [If Raised]

1. Agree that this is an event of importance in the life of the province. Understand that a British contribution to the arts side of the festival has already been arranged and that talks are taking place between the Consulate-General and the Ontario authorities about other possible contributions to the celebrations.

Background

2. Nineteen-eighty-four is the 200th anniversary of the first major settlement in the region that is now Ontario by the United Empire Loyalists from the United States, and the 150th anniversary of the incorporation of the city of Toronto.

3. Britain will be represented at the international festival in Toronto in June by John Williams (guitar), the Froncysyllte Male Voice Choir from North Wales, Sheila Armstrong (soprano) and possibly the Cambridge Buskers. The Foreign and Commonwealth Office is lending some historic photographs of Toronto for a major exhibition. Special copies of these photographs are being made for presentation by the British Government to Toronto City Council.

4. The Consulate-General in Toronto and the Ontario authorities are exploring the possibility of arranging a reciprocal trade mission, possibly using Concorde. There are various other ideas which are under consideration but support from local British

/firms



-2-

firms is limited because many of them which have subsidiaries in Ontario are anxious to identify themselves more as Canadian than as British companies. Black and White Whisky and Marks & Spencer are however planning combined celebrations of their own centenaries with the provincial anniversary.

5. Within the Province, the celebrations will be mainly at community level. The British connection is being emphasised by a number of links between towns and schools in the United Kingdom and their counterparts in Ontario.

6. The Queen will visit Ontario in July for the celebrations. The Pope is also visiting Ontario in September.

F

CALL ON THE PRIME MINISTER BY THE PREMIER OF ONTARIO: 29 FEBRUARY
1984

FUTURE OF HONG KONG

POINTS TO MAKE (DEFENSIVE)

1. Interested to know what impressions you gained when you visited Hong Kong last Autumn.
2. Now nine rounds in second phase of talks. Latest 22/23 February. Useful and constructive. Next 16/17 March.
3. Atmosphere good. Content confidential. Detailed discussion on key aspects of Hong Kong's structures. Aiming to see ways in which stability and prosperity might be preserved. Receptive to any proposals for arrangements which would do this and be acceptable to Parliament, China and Hong Kong people.
4. No overall timetable for talks. Right solution more important. We believe stability/prosperity could best be assured by:
 - (a) continuity of systems;
 - (b) minimal interference, as now.
5. Good grounds for confidence in satisfactory conclusion. Common aim. In no-one's interest to see collapse of Hong Kong. We and Chinese seek negotiated settlement.

[FOR DEFENSIVE USE]

PRESS SPECULATION

6. Much of this on course of talks, nature and likely timing of agreement. Inappropriate to comment publicly. Getting on with talks as quickly as we can. Commonsense dictates early agreement

desirable but wrong to rush. No set timetable. Chinese mention September 1984. But this does not rule out a continuation of talks thereafter.

CONSULTATION WITH HONG KONG

7. In continuing close touch with Governor and EXCO. Governor and EXCO Unofficials again in London 13-17 January. Comprehensive review of talks. Close identity of views.

In touch with Hong Kong opinion generally, through many channels.

INTEREST IN RESETTLEMENT

8. Much speculation on this. In 1983 more Hong Kong people than in 1982 left for permanent residence in main countries of resettlement. But many explanations: eg relaxation of immigration criteria (eg Australia). Moreover, Hong Kong people frequently leave for professional/educational reasons. Many ultimately return to Hong Kong. We are seeking settlement to ensure continuing stability/prosperity for all who live and work there.

HONG KONG ECONOMY

9. In excellent shape. Export led recovery. In 1983, exports 26% and imports 23% up on 1982 levels. 5½%-6% growth rate expected in current financial year.

ESSENTIAL FACTS

A. FUTURE OF HONG KONG

1. The Prime Minister is aware of the background to the future of Hong Kong.

B. BRIEFING THE CANADIANS

2. We keep the Canadian Government regularly up-to-date at a high level about developments in the talks. Nevertheless, it would not be appropriate to take the Premier of Ontario into our confidence to the extent that we do Mr Trudeau and Senior Officials of the Canadian Department of External Affairs. The "Points to Make" with Premier Davis thus reflect the more general tone of those provided for the Prime Minister's use with him during her visit to Canada last September (copy attached).

Hong Kong Department
February 1984

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVA(83) 11(b)

COPY No 6

12 September 1983

PRIME MINISTER'S VISIT TO CANADA AND THE UNITED STATES
25-30 SEPTEMBER 1983

FUTURE OF HONG KONG

Brief by Foreign and Commonwealth Office

UK Objective

To take the Canadians, at a high level, into our confidence on the general position in our talks with the Chinese on the future of Hong Kong.

Points to Make

1. (a) With Mr Trudeau
 - (i) Appreciate your interest in this sensitive subject. Helpful to give you, on confidential basis, resumé of talks to date.
 - (ii) Talks through diplomatic channels agreed last September, with common aim of maintaining Hong Kong's stability and prosperity.
 - (iii) Progress initially slow because Chinese insisted we first recognise their sovereignty over whole of Hong Kong. Matters greatly improved by exchange of letters between me and Premier Zhao in March/April.
 - (iv) I explained sovereignty not in my gift. Parliament alone could decide. I stressed need for finding workable

arrangements acceptable to Britain, China and people of Hong Kong.

- (v) Second, more detailed, phase of talks began July. Next session 22/23 September. Chinese delegation led by Vice Foreign Minister Yao Guang, British delegation by HMA Peking. Governor of Hong Kong participating as appropriate on British side.
- (vi) Content of talks confidential. Atmosphere generally friendly though Chinese line tough on substance. We have given nothing away.
- (vii) We aim to seek settlement acceptable to Britain, China and people of Hong Kong. Their views taken fully into account. Made known to us through many channels. We are in close consultation through the Governor with Hong Kong's Executive Council. Mr Luce visiting Hong Kong 24-28 September.
- (viii) Chinese propaganda has floated idea of Hong Kong coming within the Chinese State but with considerable autonomy and functioning essentially as it does now. In the talks with us they have taken a similar line. Their main points are:
 - (a) Hong Kong would become a Special Administrative Region of China under Article 31 of the Constitution.
 - (b) The Government would be drawn from the local people of Hong Kong.
 - (c) The economy and basic freedoms would be "protected" and the laws would be "basically unchanged". There would be an independent convertible currency and "existing external relations in the economic and cultural fields" would be maintained.
- (ix) Most people in Hong Kong sceptical of this SAR idea. It is superficially attractive but lacks key ingredient for confidence, an insulator against Chinese interference in Hong Kong. At present this is provided by

British administration. Evidence suggests Chinese have not thought through most detailed issues involved. They appear to assert that by saying Hong Kong will continue to be financial/commercial centre or that currency will continue to be internationally tradeable, this will just happen.

- (x) We have sought to educate Chinese about basis for confidence and importance of continuity of current systems. We have concentrated on Hong Kong's position as a financial/commercial centre, on the Hong Kong dollar and on the importance of a stable legal system.
- (xi) Under no illusions about toughness of Chinese line but aim to hammer home importance of confidence factor. Their propaganda is directed to pressurising us. We do not accept any deadline for talks (though obviously confidence in Hong Kong will not hold up indefinitely against uncertainty).
- (xii) Have reiterated to Chinese that British Government obtains no revenue from Hong Kong other than that of normal trading partner, contrary to what Chinese seem to think.
- (xiii) Important nothing said or done to damage confidence in Hong Kong. Grateful for your understanding.
- (b) With Premiers of Ontario/Alberta
 - (i) Talks through diplomatic channels between Britain and China agreed last September. Meetings held in Peking with common aim of maintaining Hong Kong's stability and prosperity.
 - (ii) Second, more detailed, phase of talks began in July. Reconvened 22-23 September after 7-week recess. Chinese delegation led by Vice Foreign Minister Yao Guang, British delegation by HMA Peking. Governor of Hong Kong participating as appropriate on British side.

- (iii) Content of talks confidential.
- (iv) Our aim is to seek a settlement acceptable to Britain, China and people of Hong Kong. Their views made known to us and Governor through many channels. We are in close consultation, through the Governor, with Hong Kong's Executive Council. Mr Luce visiting Hong Kong 24-28 September.
- (v) Central issue is to devise package in which Hong Kong people will have confidence. Must therefore agree arrangements which will reassure them. Given joint Sino-British aim, confident such an arrangement can be worked out.
- (vi) Meanwhile important nothing said or done to damage confidence in Hong Kong. Grateful your understanding.
- (vii) British Government obtains no revenue from Hong Kong other than that of normal trading partner, contrary to what Chinese seem to think.
- (viii) Chinese propaganda has floated idea of Hong Kong as Special Administrative Region (SAR) under Chinese constitution, with considerable autonomy and functioning essentially as it does now.
- (ix) Most people in Hong Kong sceptical of SAR idea. Evidence suggests Chinese have not thought through detailed issues involved. They seem to assume by saying Hong Kong will continue to be financial/commercial centre or that currency will continue to be internationally tradable, this will just happen. Hong Kong people and investors need proof of effective guarantees against Chinese

interference, at present provided by British administrative link.

- (x) On sovereignty, Chinese and British positions well-known. We fully realise importance of sovereignty issue to China. We are not inflexible. Are willing to consider any solution acceptable to Britain, China and Hong Kong.

Background. NOT FOR USE

2. The Prime Minister is aware of the background to the Future of Hong Kong.
3. Unlike the Americans, the Canadians have not been kept regularly abreast of developments in our talks with the Chinese. However the Prime Minister has now agreed that they should be taken more fully into our confidence at a high level. Her meeting with Mr Trudeau provides an opportunity for a further briefing.
4. The Chinese Foreign Minister will be visiting Canada early in October and this may provide an occasion for the Canadians to make some helpful points. The Canadians have been showing greater interest in Hong Kong's future and have passed us some useful material of their own. During her stay in Canada, the Prime Minister will meet Mr Lougheed, the Premier of Alberta who will recently have returned from visiting China and Hong Kong. The Canadian Department of External Affairs have included 'Hong Kong's future' in their briefing for Mr Trudeau.

Foreign and Commonwealth Office
14 September 1983



9

DAVIS, THE HON WILLIAM G, PC MPP QC

Premier (Progressive Conservative) of Ontario since 1971.

Born in 1929 in Brampton, Ontario, which he now represents in the provincial Parliament.

Educated at University of Toronto and Osgoode Hall Law School. Practiced law and was Assistant Crown Attorney of Peel County. Elected to Ontario Legislature 1959. Provincial Minister of Education 1962-71 and also Minister of University Affairs 1964-71. He presided over a dramatic expansion and reshaping of the province's education system, and is the author of several publications on education.

A tough, able and very astute politician with great determination. Essentially a moderate, left-of-centre Tory. Rather more concerned with popularity than with principles and a great constituency man. He is a strong monarchist, and is mildly nationalist; has a good many links with US.

Believes that the federal bond is very important and although politically he is at variance with the present Liberal Government in Ottawa, he supports it in measures designed to enhance or preserve the unity of the country. He played an important part in helping the federal government to reach an agreement with the Provinces (other than Quebec) over the patriation of the constitution (1981-82). After twelve years in office and with nobody in opposition who can match him in debate, he can afford to tread a wide political path, pragmatically veering from the

/right



right to the left of the spectrum. His Progressive Conservative Party has been in power for forty years.

It was widely rumoured that he had aspirations for the leadership of the federal Conservative Party and many expected him to be a candidate for the 1983 PC leadership contest. He decided not to run, apparently unsure of sufficient support in the West and in Quebec. He speaks no French.

He is an addict of most North American sporting activities, particularly North American football and ice hockey.

His quiet retiring wife is American. Five children.

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FILE
da

cc MASTER SET



10 DOWNING STREET

From the Private Secretary

15 February 1984

Premier of Alberta

Mr. Lougheed called on the Prime Minister this morning. The discussion, which lasted for some 30 minutes, was largely of a general nature and I do not propose to record it.

But it may be of interest that both Mr. Lougheed and the Canadian High Commissioner who was present took the view that Mr. Trudeau was likely to announce before the end of March that he would not be standing for re-election. The likely course of events thereafter was that the Liberal Party would hold its Convention in June and that a general election would be held before the end of the year. Mr. Lougheed thought November the likeliest month for an election.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

14 February 1984

John Smith

Call on the Prime Minister by the Premier of Alberta: 15 February

I enclose briefing for Mr Lougheed's call on the Prime Minister at noon on Wednesday 15 February.

We understand from the Canadians that Mr Lougheed has no issues of substance to raise with the Prime Minister; we have therefore prepared a general brief which gives some background to the current Canadian political scene and Alberta in particular.

/FLAG A

I also enclose a brief on energy matters, prepared by the Department of Energy. Mr Lougheed called on the Secretary of State for Energy on 13 February. Mr Walker's office have been asked to let you know of significant points arising.

Mr Lougheed is visiting London on his way back from the Winter Olympics in Sarajevo (the 1988 Winter Olympics will be held in Calgary). While in London he will also have talks with the Province's bankers and expects to attend a lunch on 15 February at which, we understand, some Conservative MPs, including Mr Edward du Cann will be present.

A copy of this letter goes to Michael Ridey at the Department of Energy.

[Handwritten signature]
[Handwritten signature]

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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CALL ON THE PRIME MINISTER BY PREMIER OF ALBERTA: 15 FEBRUARY 1983

CANADA INTERNAL AND UK/ALBERTA RELATIONS

Points to Make

1. Latest political developments in Canada? Mr Trudeau's future plans? How is Mr Mulroney getting on?
2. State of Canadian economy generally and Alberta economy in particular? What effect is US recovery having? [Canadian federal budget introduced on 15 February].
3. UK economic prospects

Background

4. There is now intense speculation that Mr Trudeau will resign the leadership of the Liberal Party and that general elections will be held this year.
5. Mr John Turner, a lawyer from Toronto and former Minister of Finance, and Energy Secretary Jean Chretien are the most likely contenders for the Liberal leadership.
6. The Progressive Conservatives are currently standing at 50% in the opinion polls as against the Liberals at 30%.
7. Mr Mulroney had to cancel plans to visit Europe (including a call on the Prime Minister on 17 February) when the federal government announced they would introduce their budget on 15 February.

CANADIAN ECONOMY

8. 1983 saw a significant recovery in the Canadian economy,

/mainly

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mainly due to the improvement in the US economy, with which it is closely linked. Inflation has been reduced to just over 4%, but employment remains high at 11.1%.

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ALBERTA : BACKGROUND NOTE

1. Alberta, with a population of two and a quarter million, is, per capita, the richest province in Canada. Originally entirely dependent on agriculture, it is now the major oil and gas producer in Canada and also has extensive coal deposits. The province has been harder hit by the recession than the rest of the country, a growth rate of over 8% in 1981 having given place rapidly to a decline in output of nearly 4% in 1982 and virtual stagnation in 1983, largely as a result of the fall in demand for coal and gas. There have, however, been signs of a modest recovery recently. A number of 'mega-projects' for the production of oil from tar sands which were abandoned because of falling oil prices are now being revived on a smaller scale, among them the BP/Petro Canada and Shell tar sands developments at Wolf Lake and Peace River respectively. Prospects for a return to more rapid economic growth depend upon a revival of the United States natural gas market and a fiscal regime in Ottawa more encouraging towards oil and gas exploration in the Provinces.

2. Mr Lougheed and his Progressive Conservative (PC) government first came to power in 1971 and now hold 75 of the 79 seats in the legislature. Albertans in general share Mr Lougheed's distrust of the Eastern Canadian establishment (in which category they include the federal government, the Liberal Party, the Toronto financial world and Quebec and the French Canadians). Alberta returns no Liberals to the federal - or provincial - Parliament and Ottawa is frequently seen as favouring central Canada at the expense of the West and lacking the solid Western virtues of self-reliance and hard work.



3. Although the province is responsible for the development of its own energy resources, the prices of energy supplied to other provinces and for export are set by the federal authorities - normally after consultation with the producing provinces. The National Energy Programme (NEP) first introduced in 1980, was resisted by Alberta because it sought to keep the price of oil and gas sold to the rest of Canada well below world prices (75%). The NEP has proved unsustainable in a falling world oil market. The revised pricing agreement signed by the federal government in June last year provides for a closer approach to world oil prices.

RELATIONS WITH BRITAIN

4. Alberta was founded by settlers of predominantly British stock. The connection with the Crown is still greatly valued and links with Britain are close and varied. The Prince and Princess of Wales attended the World Student Games in Edmonton in July 1983. A number of British companies - British Petroleum, British Steel, Wimpey - and British banks are active in Alberta. Part of Alberta's Heritage Fund (currently C\$13 billion) set up by the Provincial Government to invest the revenue from the energy industry for the future benefit of the province is handled by Merchant banks in London.

5. There are no published figures for UK/Alberta trade because international trade is recorded by port of entry/export (usually Montreal). Britain's commercial interest in Alberta is in oil development mega-projects (worth around C\$24 billion). Alberta is also trying to diversify into small, high-value, high-technology industries, although without much success so far except in medical products.



6. Premier Lougheed would like more British companies to take an interest in Alberta. However, since a successful coal mining trade mission in 1980 the Alberta economy has been particularly hard hit by the world recession. Nevertheless, UK industry has continued to recognise the potential of the market and Albertan companies were invited to participate in inward missions in autumn 1982 and summer 1983 sponsored by the Association of British Mining Equipment Companies and the BOTB; and in September 1983 the Committee on Invisible Exports (now the British Invisible Exports Committee) held a successful and well-attended City of London seminar in Edmonton.

Foreign and Commonwealth Office

13 February 1984



A

PRIME MINISTER'S MEETING WITH PETER LOUGHEED, PREMIER OF ALBERTA:

15 FEBRUARY 1984

WORLD ENERGY

Points to Make

WORLD OIL MARKET

1. The market is currently fairly firm, increased demand as a result of the colder weather, particularly in the US, has caused some firming of spot prices. Continued stability will depend very much on market confidence in OPEC's determination to maintain agreed prices and production quotas. Falling seasonal demand in the next few months may cause problems.

IRAN/IRAQ

2. The UK is watching developments closely but it is impossible to predict how the war will develop. It is however prudent to prepare for the possibility of escalation of hostilities which could lead to a major interruption in oil supplies. The UK would wish to concert action to preserve oil supplies with its International Energy Agency partners.

UKCS PRICING POLICY AND BNOG

3. The Government cannot control prices. BNOG has to negotiate with customers and suppliers; this inevitably means paying the market price. Within this restricted freedom of manoeuvre, BNOG acts as best it can not to destabilise the market. BNOG's proposals to leave its prices unchanged in the first quarter of 1984 reflected the Corporation's confidence in continuing market stability following OPEC's re-affirmation of its prices and production agreements in December. BNOG have been successful in negotiating acceptance of its proposals with nearly all its

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customers and suppliers.

Department of Energy

February 1984

500



Foreign and Commonwealth Office

Prime Minister.

London SW1A 2AH

30 January 1984

A.J.C. 31/1.

John Doe.

Call on the Prime Minister by Leader of Canadian
Opposition

You will have seen Ottawa telegram No 57 (copy attached) reporting the canellation of Mr Mulroney's trip to Europe next month.

The High Commissioner in Ottawa and the Canadian High Commissioner here have been asked by Mr Mulroney to convey to the Prime Minister his deep regret at having to cancel their meeting next month. Mr Mulroney hopes that it will be possible to reinstate the visit in the not too distant future.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

Duty Officer
no 10 DS.

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FM OTTAWA 251735Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 57 OF 25 JANUARY

AND TO SAVING PARIS, UKDEL NATO, HOLY SEE

LEADER OF THE OPPOSITION'S VISIT TO LONDON

1. THE MINISTER OF FINANCE, MR LALONDE, ANNOUNCED YESTERDAY THAT HE WOULD^D INTRODUCE HIS BUDGET ON 15 FEBRUARY. THIS WAS ON THE FACE OF IT AN EXTRAORDINARY DISCOURTESY TO THE LEADER OF THE OPPOSITION, FOR IT HAS BEEN KNOWN PUBLICLY FOR SOME TIME THAT HE PLANNED TO BE AWAY FROM CANADA BETWEEN 10 AND 18 FEBRUARY SEEING MRS THATCHER (ON 17 FEBRAURY), THE POPE, PRESIDENT MITTERAND AND NATO LEADERS. HE CLAIMS TO HAVE TOLD MR TRUDEAU OF THESE DATES ON 16 JANUARY.

2. MR MULRONEY'S INITIAL REACTION WAS TO SAY THAT HE WOULD CARRY ON WITH HIS TRIP, BUT HE HAS NOW HAD SECOND THOUGHTS AND HIS OFFICE INFORMED ME THIS MORNING (AND HAVE NOW CONFIRMED IN WRITING) THAT HE HAS RELUCTANTLY DECIDED TO POSTPONE HIS TRIP AND TRY TO ARRANGE IT AT A LATER, SO FAR UNSPECIFIED, DATE.

3. MR MULRONEY TOLD ME ONLY LAST WEEK THAT HE WAS VERY MUCH LOOKING FORWARD TO SEEING MRS THATCHER AND I AM SURE THAT HE GREATLY REGRETS THE NEED TO POSTPONE HIS VISIT.

4. PLEASE PASS TO NO.10 DOWNING STREET.

FCO PLEASE PASS SAVING TO ALL

MORAN

LIMITED

(ADVANCED AS REQUESTED)

NAD

(REPEATED AS REQUESTED)

NEWS D

PS

PS/LADY YOUNG

PS/MR WHITNEY

PS/PUS

SIR W HARDING

MR D THOMAS

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30 10 1984



HL

MR. ALISON

You wrote to Lord Fanshawe on 15 November saying that the Prime Minister would be glad to see Mr. Mulroney, Leader of the Federal Opposition in Canada, at 1200 on 17 February for talks.

The Prime Minister has since said that she would like to give a small working lunch for Mr. Mulroney. This will be in the small dining room and involve no more than about ten people (guest list to be discussed).

I do not think there is any point in the Prime Minister both holding talks and having a working lunch with Mr. Mulroney. I therefore suggest that you ask Lord Fanshawe to contact Mulroney again and say that on reflection, the Prime Minister would like to entertain Mr. Mulroney while he is here and suggests that the previous proposal for talks be replaced by one for a working lunch on Friday 17 February - at 1.00 for 1.15.

Although this will be largely a party political event, I should be grateful if we could keep in touch. There will be considerable interest in Canada in the fact that this meeting is taking place - and Mr. Trudeau will have an eye on it.

JC

3 January 1984

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Foreign and Commonwealth Office

London SW1A 2AH

30 December, 1983

for David,

Canadian Visitors

John Coles wrote to me on 22 December about calls on the Prime Minister by the Premiers of Alberta and Ontario and by the Leader of the Opposition during the month of February.

We have consulted the High Commissioner, Lord Moran, and think that no embarrassment would be caused by singling out Mr Mulroney for special treatment in the form of a lunch.

Mr Mulroney is the Leader of the federal Opposition and, on the basis of current opinion polls, may be the next Prime Minister of Canada. He and the Prime Minister will no doubt wish to discuss a number of international issues. By contrast, the calls by Mr Lougheed and Mr Davis result from personal contact during the Prime Minister's recent visit to Canada. We have in the past been guided by the principle that normally the Prime Minister should see provincial Premiers only when they have matters of substance to discuss or their standing merits it. Both Mr Lougheed and Mr Davis are senior figures in the Progressive Conservative Party but we do not see that either can be in a position to complain if their leader at national level is given special treatment by the Prime Minister.

[Handwritten signature]

(R B Bone)
Private Secretary

David Barclay Esq
10 Downing Street

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Canada: Request for Calls on the 1m. Aug 79

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10 DOWNING STREET

From the Private Secretary

22 December 1983

Canadian Visitors

As you know, the Prime Minister has agreed to have talks with Mr. Lougheed on 15 February and Mr. Davies on 29 February.

But I do not think you know that the Prime Minister has agreed, following a request through Party channels, to see Mr. Mulroney on Friday 17 February. Mrs Thatcher has indicated that she would like to give him a small working lunch.

Before we finally confirm these arrangements I should be grateful for your advice on whether there is likely to be any embarrassment if the Prime Minister singles out Mr. Mulroney for special treatment in the form of a lunch. We certainly cannot end up with three meals, since the Prime Minister's diary simply would not permit that. I should be grateful for your views by 4 January.

B
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B
B

AK

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

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bcc Caroline

10 DOWNING STREET

From the Private Secretary

21 December 1983

Call on the Prime Minister by the Premiers of
Alberta and Ontario

Thank you for your letter of 16 December. The Prime Minister has agreed to receive Premier Lougheed on 15 February and Premier Davis on 29 February for talks. Perhaps the precise times could be fixed by the two diary secretaries. We should probably allow an hour in each case.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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SL



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

16 December 1983

Yes Mr

Agree to 1 hour talks
with Mr. Lougheed and Mr. Davis
on 15 and 29 February?

You could give them each a small lunch
but that would run counter to our

John T. M. efforts to keep your foreign affairs
engagements more reasonable next year.
I think they will be well satisfied with a good talk.

Possible Calls on the Prime Minister by the
Premiers of Alberta and Ontario

A-FC 20/12

You will recall that when the Prime Minister wrote to Premier Lougheed of Alberta and Premier Davis of Ontario following her visits to Edmonton and Toronto in September (copies of letters attached), she indicated that she would like to see them when they visited London.

The Canadian High Commission have informed us that both Premiers are coming to London on provincial business in February and have asked to pay a courtesy call on Mrs Thatcher. Premier Lougheed will be here on 15 February and Premier Davis on 29 February.

I should be grateful if you would let me know whether the Prime Minister wishes to see them, and, if so, whether you can yet say what time would be convenient.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

1502



10 DOWNING STREET

THE PRIME MINISTER

Am 026/2		3 October 1983
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	@	@6/10

My dear Premier,

It was marvellous to be able to visit Edmonton during my visit to Canada, and I am only sorry that I could not have stayed longer. I was greatly impressed by all that I saw of the city, and I was so glad to have the opportunity of meeting and talking with you again. Thank you for your hospitality at breakfast in your impressive and beautiful residence.

Denis joins me in thanking you for your very appropriate gifts, which will be a happy reminder of my first visit to Western Canada.

I trust you will let me know when you are visiting London.

Warm regards,

Yours sincerely

Nargant Shaker

The Honourable Peter Lougheed, PC, MP.



504

10 DOWNING STREET

THE PRIME MINISTER

Am 026/2

3 October 1983

My dear Premier,

I was so glad to have the opportunity of meeting with you in Toronto and of having our talk together. I greatly valued also the chance for a discussion with such a distinguished and influential group of guests at the working breakfast which you arranged, and Denis and I both send you our thanks for your hospitality.

Thank you also for the beautiful vase which you gave me and for the cuff links which you gave to Denis. They will act as mementoes of a most enjoyable visit to Toronto, and I send you my warm congratulations on all that has been, and continues to be, achieved there.

I shall hope to see you when you visit London.

Every good wish

The Honourable William G. Davis, P.C., M.P., Q.C.

Yours sincerely

Raymond Stelter



16 DEC 1983

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Canada
Mr. [unclear]

M. Alexander



I told Spencer
Le Marchant "No go"
25/7

Foreign and Commonwealth Office

London SW1A 2AH

25 July 1980

Dear Michael,

Possible Call by Premier Davis of Ontario on the Prime Minister

I am sorry there has been a delay in responding to your request for advice in response to Mr Spencer Le Marchant's approach to the Prime Minister suggesting that she should receive the Premier of Ontario, the Honourable William G Davis, for a courtesy call. I think you mentioned 20 September; the Agent-General for Ontario has subsequently told us that the Premier would be free on any day between 16 and 19 September.

We have now consulted our High Commission and been in touch with the Canadian High Commission in London. We believe that the Prime Minister has not so far received any Canadian provincial premiers. Under other circumstances, this might have been the occasion to break this pattern. But the present constitutional discussions between the Canadian Federal Government and the provinces seem likely to be at a delicate stage by mid-September. If the Prime Minister saw Mr Davis, it might be difficult to avoid the implication that Britain wanted to interfere in the process of constitutional transition in Canada - something which she made it clear to Mr Trudeau that we did not wish to do.

We therefore recommend that Mr Le Marchant should be told that the Prime Minister will unfortunately not be available to see Mr Davis at this time.

Yours [unclear]

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

RESTRICTED

25 JUL 1980



UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

File ①

21 July 1980

I believe the Foreign Office is kindly going to let us have some advice as to whether or not the Prime Minister should meet with the Premier of Ontario. As this advice has now been outstanding for a week, I would be grateful if we could have it as soon as possible. Apparently Mr. David is coming in September.

CAROLINE STEPHENS

David Neillands, Esq.

Canada



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Regret?

6 August 1979

Dear Sir,

BSW
7/8

Regret only

FCO informed
BSW
7/8/79

Request by the Premiers of Ontario and Saskatchewan for calls on the Prime Minister

The Canadian High Commission have asked whether the Prime Minister would be able to receive the New Democrat Premier of Saskatchewan, the Honourable Allan Blakeney, for a call on 10 or 11 September and the Progressive Conservative Premier of Ontario, the Honourable William G Davis, on either 26 or 27 September.

Mr Davis is a more significant political figure in Canada than Mr Blakeney and Ontario is, of course, one of the major Canadian provinces. However, the Foreign and Commonwealth Secretary does not consider it necessary for the Prime Minister to receive either Premier. If you agree, we will arrange for them to be seen by other Ministers as appropriate.

Jans eve,
Steph

(J S Wall)
Private Secretary

Bryan G Cartledge Esq
10 Downing Street
LONDON

Grey Scale #13



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