



Sir Antony Acland KCMG KCVO  
Permanent Under-Secretary of State

Prime Minister *Wm 21/9*  
Foreign and Commonwealth Office

London SW1A 2AH

21 September 1983

Sir Robert Armstrong GCB CVO  
CABINET OFFICE

*My dear Robert,*

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

... 1. I enclose draft Game Plans for the Prime Minister's visit to Canada and the United States in preparation for the briefing meeting at No 10 on 22 September. Under the revised arrangements for major Summits, the Game Plans will be finalised immediately after the meeting by the Cabinet Office in consultation with the FCO.

... 2. I enclose copies of Ottawa and Washington's scene setting telegrams which form an annex to the respective Game Plans. Also enclosed is the latest version of the Prime Minister's programme in both countries since this may not be familiar to all those attending the briefing meeting.

... 3. A copy of this letter goes to the Permanent Secretaries of the other Departments who, I understand, have been invited to take part in the briefing meeting, and to Lord Moran.

*Yours ever*  
*Antony*

Antony Acland

cc: Sir Clive Whitmore KCB CVO, MOD  
P E Middleton Esq, HM Treasury  
Sir Brian Hayes KCB, DTI  
A D S Goodall Esq CMG, Cabinet Office  
A J Coles Esq, No 10 Downing Street ✓  
The Lord Moran KCMG

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Meeting with Cabinet Ministers and Working Lunch

4. There is no agreed agenda for the working session with other Canadian Ministers present. The Canadian side will be briefed on a wide range of topics. Our particular interest is to raise:-

- (a) East/West relations and arms control questions. It would be particularly useful to expose members of the Canadian Cabinet to an alternative to Mr Trudeau's idiosyncratic views;
- (b) Other international issues such as Belize, Central America and the Falkland Islands. Possibly also Lebanon, depending on developments;
- (c) International economic questions, including prospects for the global economy as well as for the UK and Canada. The Canadians may also raise developing country issues;
- (d) Bilateral relations. No need to go into depth but in the context of trade and economic relations mention, in low key, our concern about some Canadian protectionist policies. At this point the Canadians will almost certainly wish to raise EC/Canada relations.

Leader of the Opposition

5. This will be the Prime Minister's first meeting with Mr Mulroney, who may well be the next Prime Minister of Canada.

Meetings with the Premiers of Ontario and Alberta

6. The UK has significant commercial interests in both provinces. In her conversations, the Prime Minister might underline our interest in strengthening trade and investment links. Both Premiers also have an interest in world affairs and both will welcome briefing on the future of Hong Kong. In Alberta there may also be interest in North Sea Oil pricing policy.

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Prime Minister's Visit to Canada and the United States:  
25-30 September 1983

GAME PLAN: WASHINGTON (29 September)

----- Washington telegrams 2659, 2660 and 2661 attached, set the scene for the Prime Minister's visit.

MEETING WITH PRESIDENT REAGAN

2. The Prime Minister will have a one hour tete-a-tete with the President.

3. In this part of the meeting the main subjects to be covered are:

- (a) A substantial session on East/West relations, including Arms Control issues, INF and START;
- (b) Summits: Williamsburg follow-up, particularly the United States performance; handling of 1984 Economic Summit. The Prime Minister could also mention her intention to go to New York for meetings with Mrs Gandhi and the United Nations Secretary General.
- (c) Belize/Central America/Falklands, seeking to establish implicit linkage between the retention of the garrison (if decided) and the United States role in finding a long-term solution to the problems of Belize. In the same context raise United States support for Argentina.
- (d) Lebanon and the Middle East, to underline the risks inherent in the increasing United States and European involvement in the Lebanon; and to stress the importance of not undermining Jordan and of pressing ahead with efforts to bring about a peaceful settlement of the Arab/Israel dispute.

E/W. 1) Keep alive nature of regime

but

2) Must talk in groups  
as well as in international  
forum.

3) Steady programme of contacts,  
3) Computable on handling - Geneva talks must  
follow - off-course. -

Disarmament - British French Interests,

INF. - Objective 1) Quasi-resolution

2) Continue after 1985

Super-power parity?

Argument - Define positive  
regime details  
for each member when  
Joint Attch. Part.

Chemical weapons

Belize ② - 18 months - must talk in near future

① Give him as much public support as  
possible

Falklands / Argentina - Ambivalence for arms? No

U.N. resolution - Don't go round canvassing  
other people. Don't start playing  
to "improve" list.

(e) Bilateral Issues, making the general point that disagreements over the use of the Export Administration Act, unitary taxation, and the use of anti-trust laws in the Laker case (as well as some EC/United States disagreements) seriously affect United Kingdom interests and are not in the interests of the Alliance. Suggest further high-level discussion on the implications for United Kingdom/United States relations. Spell out our specific concerns on individual subjects, particularly the Export Administration Act and unitary taxation. An important objective here is to strengthen our hand in the follow-up with United States officials. Reassure the President that we share his determination to make our control of technology transfer more effective.

4. One objective of the visit is to give the Americans a high-level briefing on our negotiations with the Chinese over Hong Kong. The Prime Minister could speak to the President if time allowed. On its merits, however, it might be preferable for her to cover this subject with the Vice-President in view of his previous involvement with it. But Mrs Thatcher's meeting with Mr Bush will be in part a social occasion and may not provide an opportunity to deal frankly with such a delicate subject. If Sir O Wright advises that this is likely to be the case, the Foreign and Commonwealth Secretary could brief Mr Shultz.

5. If time permits, to draw attention to the problems of Southern Africa, including Namibia.

6. While the Prime Minister is talking to the President, the Foreign and Commonwealth Secretary and Mr Shultz will hold a parallel meeting with officials present. This will tackle aspects of East/West and disarmament subjects not covered in depth in the Prime Minister's talks, as well as other major international issues such as the situation in Lebanon and Namibia. It would also be appropriate to reiterate the main British concerns in bilateral subjects.

Hong-Kong

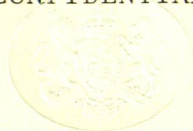


Middle List

Alana- (don't go  
open route)  
MNF . de-erichini

Order -

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## WORKING LUNCH

7. Over lunch, to be attended by eight from each side, the Prime Minister and President Reagan might go over some of the ground covered in their tete-a-tete - (this has the advantage of ensuring that other members of the Administration know what is in the President's mind).

## MEETINGS WITH MR VOLCKER AND MR REGAN

8. The Prime Minister will be accompanied by the Ambassador, Sir Robert Armstrong and Mr Butler. Economic subjects, particularly the prospects for the United States and world economies will predominate. Unitary taxation should be raised with Mr Regan.

## MEETINGS WITH VICE-PRESIDENT BUSH

9. This will be an informal meeting over tea at the Vice-President's residence with Mrs Bush, Sir Oliver and Lady Wright present. Talks should cover the same ground as with the President and might possibly include Hong Kong (see paragraph 4 above).

## BREAKFAST WITH MEMBERS OF THE SENATE

10. The Prime Minister will be asked to speak to members of the Senate Foreign Relations Committee for 10 minutes, followed by questions and answers. Raise East/West relations, defence including United States and United Kingdom roles in NATO and the two-way street. Mention United Kingdom concerns about the Export Administration Act and Unitary Taxation. Possibly also brief on Northern Ireland.

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FM OTTAWA 011515Z SEPT 83  
TO PRIORITY FCO  
TELEGRAM NUMBER 398 OF 01 SEPTEMBER  
INFO ROUTINE TO WASHINGTON  
INFO SAVING TO UKMIS:NEW YORK UKDEL NATO AND NATO POSTS

## PRIME MINISTER'S VISIT TO CANADA

1. BILATERAL VISITS TO CANADA BY BRITISH PRIME MINISTERS ARE RARE. THE LAST WAS SIX YEARS AGO. MRS THATCHER'S VISIT GIVES US A UNIQUE OPPORTUNITY TO REVITALISE OUR RELATIONSHIP AND TO ADVANCE BRITISH INTERESTS, POLITICAL, ECONOMIC AND MILITARY.

2. CANADA IS DOMINATED COMMERCIALY AND CULTURALLY BY THE UNITED STATES, BUT IS INCLINED TO RESENT THIS. THOUGH SUPPORT FOR THE MONARCHY REMAINS STRONG (EXCEPT IN QUEBEC) CANADA'S HISTORIC TIES WITH THE UK HAVE GRADUALLY ERODED. IN PARTICULAR TRADE IN BOTH DIRECTIONS HAS DECLINED DRAMATICALLY OVER THE PAST 25 YEARS, BEING REPLACED TO SOME EXTENT BY INVESTMENT. THE ORDINARY CANADIAN TENDS TO THINK THAT BRITAIN HAS TURNED HER BACK ON CANADA AND IS NOW ONLY INTERESTED IN EUROPE. THIS BELIEF IS STRENGTHENED BY THE SWITCH IN BRITISH TRADE AWAY FROM CANADA AND TOWARDS WESTERN EUROPE, THE DISAPPEARANCE OF BRITISH CARS, ONCE NUMEROUS IN CANADA, THE NOTICES AT BRITISH AIRPORTS INDICATING THAT COMMUNITY PASSPORT HOLDERS ARE NOW TREATED AS FAMILY WHILE CANADIANS ARE NOT, THE DECLINE IN THE NUMBER OF CANADIAN STUDENTS IN BRITAIN, THE ABSENCE OF ANY BBC OR BRITISH NEWSPAPER STAFF CORRESPONDENT IN CANADA, AND THE MARKED REDUCTION IN THE SIZE OF THIS HIGH COMMISSION.

3. THERE IS NEVERTHELESS ENORMOUS INTEREST IN THE UNITED KINGDOM, REFLECTED IN THE MEDIA, AND GREAT AFFECTION TOO, STRICKINGLY MANIFESTED DURING THE FALKLANDS WAR, WHEN CANADIAN SUPPORT FOR BRITAIN WAS OVERWHELMING. ABOUT 40 PER CENT OF THE CANADIAN POPULATION IS OF BRITISH ORIGIN AND THERE ARE INNUMERABLE FAMILY TIES BETWEEN THE TWO PEOPLES, AS IS SHOWN BY THE TOURISM FIGURES FOR LAST YEAR. 409,000 CANADIANS CAME TO BRITAIN AND 329,000 BRITONS TO CANADA. IN PROPORTION TO POPULATION THIS IS OVER DOUBLE THE UNITED STATES RATE.

4. AGAINST THIS BACKGROUND THE KEY IMPORTANCE OF THE PRIME MINISTER'S VISIT WILL, IN MY VIEW, BE ITS PUBLIC RELATIONS ASPECT, NOTABLY HER TWO SPEECHES, WHICH WILL AROUSE GREAT EXPECTATIONS (MY TELNO 359) AND HER TELEVISION INTERVIEWS. THESE ALL GIVE US AN UNREPEATABLE OPPORTUNITY TO PERSUADE CANADIANS THAT WE DO MIND ABOUT THEM, DO VALUE OUR RELATIONSHIP WITH THEM AND HAVE NOT TURNED OUR BACKS ON THEM.

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5. THE PRIME MINISTER'S TALKS WITH MR TRUDEAU'S GOVERNMENT SHOULD NOT PRESENT PROBLEMS. THERE ARE AT PRESENT NO MAJOR BILATERAL POINTS OF CONTENTION. MR TRUDEAU'S COMPLEX PERSONALITY (MY DESPATCH OF 3 FEBRUARY) AND HIS UNSOUND PERSONAL VIEWS ON EAST/WEST, PROBLEMS AND THE STRATEGIC BALANCE (THE WILLIAMSBURG DISCUSSIONS AND MORE RECENTLY WESTON'S LETTER OF 8 JULY AND MY LETTER OF 18 AUGUST TO WESTON) WILL BE FAMILIAR TO THE PRIME MINISTER. BUT IT WILL BE WORTH PUTTING OUR VIEWS TO HIM IN FRONT OF HIS SENIOR COLLEAGUES WHOM WE CAN HOPE TO INFLUENCE. NOTWITHSTANDING HIS WOBLINGS THE CANADIAN GOVERNMENT HAS AGREED TO THE TESTING OF UNARMED CRUISE MISSILES IN CANADA, DESPITE A MASSIVE PUBLIC CAMPAIGN AGAINST THIS. CANADIAN MINISTERS AND OFFICIALS ARE CRITICAL OF AMERICAN POLICIES, BOTH ECONOMIC (THE ENORMOUS DEFICIT AND HIGH INTEREST RATES) AND POLITICAL (ESPECIALLY CENTRAL AMERICA).

6. MR TRUDEAU MAY WELL RETIRE THIS YEAR. THE STANDING OF THE LIBERALS IS NOW SO LOW (27 PER CENT OF PUBLIC SUPPORT AGAINST 55 PER CENT FOR THE CONSERVATIVES) THAT THE PARTY IS BECOMING DESPERATE AND THERE IS INCREASING AND NOW OPEN PARTY PRESSURE ON HIM TO STEP DOWN. AN ELECTION MUST BE HELD BEFORE FEBRUARY 1985. THE CONSERVATIVES, UNDER THEIR NEW, UNTRIED LEADER, BRIAN MULRONEY, WHO HAS JUST BEEN ELECTED TO PARLIAMENT AND WHOM MRS THATCHER WILL MEET, ARE FIRM FAVOURITES TO WIN. THERE ARE NO GREAT IDEOLOGICAL RIFTS BETWEEN THE PARTIES. THE LIBERALS PUT MORE EMPHASIS ON SOCIAL WELFARE AND STATE INTERVENTION, THE CONSERVATIVES ON FREE ENTERPRISE AND COLLECTIVE SECURITY.

7. THE FEDERAL GOVERNMENT HAS BAD RELATIONS WITH NEARLY ALL THE PROVINCIAL GOVERNMENTS. AS MR TRUDEAU WANTS TO ACCOMPANY MRS THATCHER THROUGHOUT HER VISIT, THIS WILL AFFECT THE NATURE OF THE VISITS TO TORONTO AND ESPECIALLY EDMONTON. BOTH ONTARIO AND ALBERTA HAVE CONSERVATIVE GOVERNMENTS - ONTARIO UNDER A LEFT WING PRAGMATIC CONSERVATIVE, BILL DAVIS, ALBERTA UNDER PETER LOUGHEED, WHO IS MORE TO THE RIGHT, AND LIKE MOST WESTERNERS SUSPICIOUS OF EVERYTHING COMING FROM EASTERN CANADA. BOTH ARE MAJOR POLITICAL FIGURES AND EITHER MIGHT BY NOW HAVE BEEN LEADER OF THE FEDERAL CONSERVATIVES HAD THEY NOT CANCELLED EACH OTHER OUT. TORONTO IS NOW THE MAIN FINANCIAL AND BUSINESS CENTRE AND A THRUSTING AND VIGOROUS CITY, HIGHLY DEPENDANT ON OIL AND GAS. ALBERTA HAS HAD SENSATIONAL GROWTH, HAS BEEN HARD HIT BY THE RECESSION BUT WILL RECOVER BEFORE LONG. MORGAN GRENFELL AND WARBURGS ARE INVOLVED IN THE MANAGEMENT OF THE 13 BILLION DOLLAR ALBERTA HERITAGE FUND.

8. I TOLD THE PRIME MINISTER LAST OCTOBER THAT WHEN THE UPTURN CAME, THE CANADIAN ECONOMY WOULD BOUNCE BACK. IT IS INDEED NOW PULLING ROUND AFTER A VERY SEVERE SET-BACK. GROWTH IN THE FIRST HALF OF THIS YEAR WAS AT AN ANNUAL RATE OF 7.2 PER CENT. BUT UNEMPLOYMENT IS HIGH - MUCH THE SAME AS OURS. BRITISH EXPORTS ARE DEPRESSED (NOW ONLY 2.2 PER CENT OF THE MARKET) BUT BRITISH INVESTMENT IS SECOND ONLY TO THAT OF THE UNITED STATES. THE

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LIBERAL GOVERNMENT'S ECONOMIC NATIONALISM, UNDERSTANDABLE TO SOME EXTENT BECAUSE SO MUCH OF THE ECONOMY IS AMERICAN OWNED, AND MANIFESTED IN THE FOREIGN INVESTMENT REVIEW AGENCY (FIRA), AND THE NATIONAL ENERGY POLICY (NEP) WAS TONED DOWN WITH THE TURN DOWN IN THE ECONOMY. BUT THE BRITISH OIL COMPANY ULTRAMAR HAS RECENTLY RUN INTO DIFFICULTIES WITH FIRA, WITH WHICH I AM TRYING TO HELP THEM, AND THERE ARE STILL RESTRICTIONS ON FOREIGN (INCLUDING BRITISH) BANKS, AND PROTECTIONIST TRADE MEASURES AND POLICIES, FEDERAL AND PROVINCIAL, WHICH HURT OUR INTERESTS.

9. THROUGH A COMPREHENSIVE SYSTEM OF EXCHANGE PERSONNEL, REGIMENTAL AFFILIATIONS, USE OF TRAINING FACILITIES AND LONG HISTORICAL ASSOCIATION, THERE REMAINS AN EXCELLENT RELATIONSHIP BETWEEN THE BRITISH AND CANADIAN ARMED SERVICES. THIS HAS BEEN SOURED SOMEWHAT IN RECENT TIMES THROUGH WHAT THE CANADIANS SEE AS EXCESSIVE CHARGES FOR TRAINING COURSES AND OTHER RELATED ITEMS. MUCH OF THE ACRIMONY HAS, HAPPILY, BEEN REMOVED FROM THIS ISSUE BY A SERIES OF CAREFULLY NEGOTIATED MEMORANDA OF UNDERSTANDING WHICH EASE THE FINANCIAL BURDEN BUT THE CANADIANS STILL REGARD OUR CHARGES AS TOO HIGH. OVER A PERIOD THIS MAY REDUCE THE EXTENT OF CANADIAN TRAINING IN THE UK AND THEREBY OUR INFLUENCE BUT MIGHT ALSO RESULT IN INCREASED CHARGES FOR THE EXCELLENT TRAINING FACILITIES THAT WE ENJOY IN CANADA - MOSTLY IN ALBERTA. ALREADY CANADA BUYS LITTLE OF ITS MILITARY HARDWARE FROM BRITAIN. THERE ARE SOME SALES POSSIBILITIES, SUCH AS SUBMARINES, RAPIER AND MAYBE SEA WOLF, BUT THE BEST PROSPECTS ARE FOR COMPONENTS RATHER THAN COMPLETE SYSTEMS AND EVEN THEN INDUSTRIAL OFFSETS WILL REMAIN A PROBLEM. THE CANADIAN DEFENCE EFFORT IS MINIMAL, BUT THIS WILL NOT CHANGE AS LONG AS MR TRUDEAU IS PRIME MINISTER.

10. I HAVE SUGGESTED SEPARATELY (MY TELELETTER OF 4 AUGUST TO MACGREGOR, PLANNING STAFF, AND MY TELNO 359) LINES FOR THE PRIME MINISTER'S TWO SPEECHES AND WE ARE SENDING YOU A LIST OF LIKELY QUESTIONS WHICH MAY BE PUT TO THE PRIME MINISTER BY TELEVISION AND PRESS INTERVIEWERS. I THINK THAT SHE CAN, IF SHE WISHES, SPEAK CRITICALLY ABOUT SUCH MATTERS AS THE INADEQUATE CANADIAN DEFENCE EFFORT, RESTRICTIONS ON BRITISH BANKS (THERE ARE, OF COURSE, NONE ON CANADIAN BANKS IN LONDON) AND PROTECTIONIST TRADE BARRIERS

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( 'BUY CANADIAN' PROVISIONS, FIRA, QUOTA RESTRICTIONS, ANTI-DUMPING MEASURES, THE DISCRIMINATORY AND RETROACTIVE PROVISIONS OF THE NEP, ETC) PROVIDED THAT THAT IS NOT DONE IN TOO BLUNT A WAY (CANADIANS ARE INORDINATELY SENSITIVE) AND IS BALANCED BY POSITIVE POINTS, ABOVE ALL CANADIAN HELP DURING THE FALKLANDS, AND A REALISATION THAT CANADIANS HAVE THEIR COMPLAINTS TOO (THE NOTICES AT PORTS OF ENTRY, THE DESTRUCTION BY THE COMMUNITY OF THE TRADE IN SEALKINS, THE FISHING AGREEMENT WITH THE COMMUNITY, THE THREAT TO NEWSPRINT EXPORTS).

11. WE ARE ALL GREATLY LOOKING FORWARD TO SEEING THE PRIME MINISTER HERE.

FCO PLEASE PASS SAVING TO ALL

MORAN .

[REPEATED AS REQUESTED]

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TO IMMEDIATE FCO

TELEGRAM NUMBER 461 OF 19 SEPTEMBER

INFO SAVING WASHINGTON

OUR TELNO 398

PRIME MINISTER'S VISIT TO CANADA

1. SINCE TUR WAS SENT ON 1 SEPTEMBER TWO EVENTS HAVE SLIGHTLY ALTERED THE CLIMATE FOR MRS THATCHER'S VISIT, AND INCREASED THE INTEREST WITH WHICH IT WILL BE FOLLOWED HERE.
2. THE SHOOTING DOWN OF THE KOREAN AIRLINER WITH THE LOSS OF CANADIAN LIVES HAS REMINDED CANADIANS OF THE EXISTENCE OF THE USSR, AND THE NATURE OF ITS REGIME. THOSE OPPONENTS OF THE CRUISE MISSILE WHO LIKE TO REPRESENT THE SOVIETS AND THE AMERICANS AS EQUAL THREATS TO PEACE ARE FINDING IT HARDER TO SELL THEIR MESSAGE. AND MANY CANADIANS WHO HAVE GROWN USED TO A LOW LEVEL OF DEFENCE SPENDING MAY BE READIER TO THINK AGAIN. THE HALF-LIFE OF SUCH SHOCKS IS SURPRISINGLY SHORT, BUT SOME EFFECTS WILL STILL BE PRESENT DURING THE VISIT.
3. THE NEW LEADER OF THE OPPOSITION, MR MULRONEY, HAS TAKEN HIS SEAT IN PARLIAMENT AS AN MP FOR THE FIRST TIME, AND HAS BEGUN TO DO BATTLE WITH THE GOVERNMENT. THIS HAS RAISED THE POLITICAL TEMPERATURE, AND REMINDED PEOPLE THAT A GENERAL ELECTION IS DUE BY FEBRUARY 1985 AT THE LATEST. NO ONE IS LIKELY TO CONFUSE MRS THATCHER WITH MR MULRONEY, BUT A SUCCESSFUL CONSERVATIVE PRIME MINISTER IS CURRENTLY AN OBJECT OF PARTICULAR LOCAL INTEREST.
4. THE CANADIANS ARE A PEOPLE OF THE EXTREME CENTRE. THEY HAVE NOT BEEN AVERSE TO THE QUIET LIFE OFFERED BY TRUDEAU, NOR KEEN TO SPEND MORE MONEY ON DEFENCE OR EFFORT ABROAD. THEY HAVE BEEN READY TO BELIEVE THAT THEY CAN RIDE OUT THE RECESSION AND BENEFIT FROM A SUBSEQUENT RECOVERY WITHOUT TIGHTENING THEIR BELTS. BUT THE POLLS SHOW THAT THEY ARE NOW TIRED OF TRUDEAU.
5. BOTH GOVERNMENT (WHETHER TRUDEAU OR A SUCCESSOR) AND OPPOSITION WILL BE SEEKING, IN THE MONTHS AHEAD, TO MATCH THE COUNTRY'S MOOD AND COIN THE CLICHES THAT WILL DOMINATE THE POLITICAL SCENE HERE FOR THE NEXT TWO YEARS. IT WOULD BE WRONG TO OVERSTATE THE EXTENT TO WHICH MRS THATCHER'S VISIT IS LIKELY TO AFFECT THIS PROCESS: THE FACTORS THAT TEMPT, AND ALLOW, CANADA TO TAKE A BACK SEAT WILL STILL BE AT WORK. BUT THERE IS DEBATE IN THE AIR, AND THE MOMENT IS UNUSUALLY PROPITIOUS TO INFLUENCE THAT DEBATE IN OUR INTERESTS, AND AT LEAST FOR ATTENTIVE RECEPTION OF MRS THATCHER'S VIEWS ON DEFENCE AND ECONOMIC POLICY. (ON THE LATTER MANY CANADIANS PROBABLY CONSIDER THE JURY IS STILL OUT ON THE EXACT MIX OF OUR POLICIES, ESPECIALLY IN THE LIGHT OF UNEMPLOYMENT LEVELS, BUT THERE IS WIDESPREAD ADMIRATION FOR HMG'S RESOLUTION).

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6. YOUR DEPARTMENT OFTEN COMPLAINS OF THE CANADIANS' SENSITIVITY WHEN TOLD WHAT WE WOULD LIKE THEM TO DO. THAT SENSITIVITY IS A FACT OF LIFE, WITH ORIGINS GOING BACK TO THE COLONIAL PAST AND KEPT ALIVE BY THEIR VAST AND OFTEN HAM-FISTED NEIGHBOUR TO THE SOUTH. THE RESULT IS THAT OUR VIEWS ON WHAT CANADA SHOULD DO CAN OFTEN BE MOST EFFECTIVELY PUT ACROSS IN TERMS OF HOW WE SEE THE WORLD, WHAT WE ARE DOING AND WHY.

7. ON THE POSSIBILITY OF DEMONSTRATIONS BY SUPPORTERS OF THE IRA, OPONENTS OF CRUISE AND OTHERS, PLEASE SEE MIFT.

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TELEGRAM NUMBER 2659 OF 19 SEPTEMBER

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YOUR TELNO 1485: THE PRIME MINISTER'S VISIT TO WASHINGTON:  
US ECONOMY

1. IN THE FIRST HALF OF THE YEAR THE US ECONOMY SHOWED GROWTH AT A RATE (5.5 PERCENT) WHICH, TOGETHER WITH RAPID GROWTH IN THE MONEY SUPPLY, PRODUCED FEARS AMONG THE TOP FINANCIAL MANAGERS IN THE ADMINISTRATION OF A SERIOUS RISK OF OVER-HEATING. WITH A TIGHTENING OF THE MONEY SUPPLY BY THE FED SINCE MAY, THE RATE OF GROWTH APPEARS TO BE MODERATING. THE ADMINISTRATION EXPECTS GNP TO GROW BY ABOUT 3 PERCENT FOR 1983 AS A WHOLE.

2. INDUSTRIAL PRODUCTION IS 10 PERCENT UP ON THE NOVEMBER 1982 LOW. UNEMPLOYMENT HAS FALLEN BY ABOUT 1 MILLION (FROM 10.8 TO 9.5 PERCENT). INFLATION PROBABLY WILL BE HELD DOWN TO ABOUT 4.5 PERCENT THIS YEAR. THE TRADE DEFICIT IS EXPECTED TO BE DLRS 60-70 BILLION, RISING TO DLRS 100 BILLION IN 1984. INTEREST RATES HAVE EDGED UP AS THE FED TIGHTENED CREDIT. THREE-MONTH TREASURY BILL YIELDS ARE JUST OVER 9 PERCENT AND LONG RATES ON TREASURY BONDS 11.6 PER CENT. SHORT TERM RATES COULD FALL SLIGHTLY NOW THAT THE MONETARY AGGREGATES, INCLUDING M1, HAVE MOVED WITHIN THEIR TARGET RANGES. BUT MONETARY POLICY CONTINUES TO CARRY TOO MUCH STRAIN BECAUSE OF FISCAL POLICY. THE BUDGET DEFICIT FOR FY84 IS PROJECTED AT DLRS 200 BILLION OR 5 PER CENT OF GNP.

3. REGAN (TREASURY SECRETARY) WHO HAS CONSISTANTLY HELD THAT SO FAR FROM OVERHEATING THE ECONOMY WAS ONLY JUST WARMING UP HAS JUST CLAIMED ONCE AGAIN THAT THERE IS NO CAUSAL CONNECTION BETWEEN HIGH DEFICITS AND INTEREST RATES - ONLY TO BE CONTRADICTED PUBLICLY BY FELDSTEIN (CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS), TO SAY NOTHING OF PAUL VOLCKER. THE ADMINISTRATION HAS NO INTENTION, IF IT CAN AVOID IT, OF TACKLING THE BUDGET DEFICIT BEFORE THE 1984 ELECTIONS AND CERTAINLY WILL NOT SEEK ANY LARGE TAX INCREASES. THE CONGRESS, HOWEVER, SEEMS TO BE PROPOSING FURTHER MODEST TAX INCREASES OVER THE NEXT 3 YEARS. UPWARD PRESSURE ON INTEREST RATES MAY NEVERTHELESS RECUR NEXT YEAR IF THE PRIVATE SECTOR DEMAND FOR CREDIT RISES TO AUGMENT THAT OF THE PUBLIC SECTOR. CURRENT MORTGAGE RATES ARE AT ABOUT 13 PER CENT AND THIS IS SLOWING DOWN THE INCIPIENT BOOM IN HOUSING CONSTRUCTION.

4. WHILE THERE HAS BEEN QUITE SHARP EXPANSION NOTWITHSTANDING HIGH INTEREST RATES SO FAR, THE QUESTION TO WHICH NO-ONE HERE HAS AN ANSWER IS THE EXTENT TO WHICH THIS CAN BE SUSTAINED THROUGH 1984.

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THE PRIME MINISTER'S DINNER ON 28 SEPTEMBER WILL PRODUCE AN INTERESTING DISCUSSION, BUT A FAIR DEGREE OF CONFUSION ABOUT THE PROSPECTS. WHAT IS CERTAIN IS THAT FOR WHATEVER REASON THE US ECONOMY TODAY IS PERFORMING BETTER, GROWING FASTER AND WITH MARKEDLY LESS INFLATION THAN WHEN PRESIDENT REAGAN CAME INTO OFFICE: AND THE PRESIDENT, IN THE POLLS, IS GETTING QUITE HIGH MARKS FOR HIS HANDLING OF THE ECONOMY. NO-ONE QUITE KNOWS IF THIS WILL LAST. BUT AS HE IS FOND OF SAYING ON THE STUMP THESE DAYS: QUOTE NOW THAT IT IS WORKING, HOW COME THEY DON'T CALL IT REAGANOMICS ANY MORE?  
UNQUOTE

5. FCO PLEASE PASS TO NO 10 DOWNING STREET.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 2660 OF 19 SEPTEMBER

MIPT: THE PRIME MINISTER'S VISIT TO WASHINGTON: PRESIDENTIAL PROSPECTS

1. THE PRESIDENT HAS RETURNED FROM HIS SUMMER BREAK IN CALIFORNIA STILL NOT DECLARING HIS INTENTIONS, BUT WITH THE ENTIRE POLITICAL ESTABLISHMENT HERE EXPECTING HIM TO RUN AGAIN. HE HAS BEEN MAKING ALL THE NECESSARY DISPOSITIONS TO DO SO, HAVING SPENT THE LAST WEEK ASSIDUOUSLY CULTIVATING THE HISPANIC COMMUNITY. BUT THERE IS STILL A RESIDUAL DOUBT AMONG ONE OR TWO OF HIS ASSOCIATES ABOUT HIS REAL APPETITE FOR A SECOND TERM. THE HILLS OF SANTA BARBARA MUST SEEM AT TIMES A MORE INVITING PROSPECT THAN THE CONSTANT HASSLES WITH CONGRESS, WHICH ARE LIKEY TO GET WORSE NOT BETTER. THE PRESIDENT HAS BEEN DRAWING THE ATTENTION OF SENATOR LUGAR, CHAIRMAN OF THE REPUBLICAN SENATE CAMPAIGN COMMITTEE, TO THE RISK THAT THE REPUBLICANS IN 1984 MIGHT LOSE CONTROL OF THE SENATE AS WELL AS THE HOUSE. THE EXPECTATION, NEVERTHELESS, IS THAT THE PRESIDENT WILL RUN, THOUGH HE WILL DELAY HIS ANNOUNCEMENT AS LONG AS POSSIBLE AND JUST MIGHT RE-CONSIDER IF HE BEGAN TO SENSE THAT THE TIDE WAS TURNING AGAINST HIM. HE WILL BE UNDER INTENSE PRESSURE FROM HIS PARTY TO STAND. GEORGE BUSH MIGHT MADE A GOOD PRESIDENT, BUT WOULD NOT BE UNCONTESTED AS THE REPUBLICAN NOMINEE AND DOES NOT HAVE REAGAN'S POPULIST APPEAL. IF REAGAN DECIDED NOT TO STAND THERE WOULD AT ONCE BE ALMOST AS MANY REPUBLICAN CANDIDATES AS THERE ARE DEMOCRATES (SIX) - BUSH, BAKER, DOLE AND KEMP FOR STARTERS.
2. THE PRESIDENT WILL ALLOW A RE-ELECTION COMMITTEE TO BE ESTABLISHED SOME TIME IN OCTOBER. THEREAFTER, WITHIN FIFTEEN DAYS, UNDER THE FEDERAL ELECTION LAW, HE WILL HAVE TO ASSOCIATE HIMSELF WITH OR DISASSOCIATE HIMSELF FROM IT, TO ALLOW IT TO RECEIVE FUNDS IN HIS NAME. BUT HE IS EXPECTED TO DEFER A FORMAL ANNOUNCEMENT OF HIS CANDIDACY UNTIL AFTER HIS RETURN FROM THE FAR EAST IN MID-NOVEMBER.
3. AMONG HIS OPPONENTS, MONDALE REPRESENTS THE LEFT OF CENTRE AND GLENN RIGHT OF CENTRE TENDENCIES WITHIN THE DEMOCRATIC PARTY. NEITHER INSPIRES GREAT ENTHUSIASM, BUT THE POLLS PERIODICALLY SHOW BOTH, AND ESPECIALLY GLENN, LEADING THE PRESIDENT. THIS IS BECAUSE OF THE PRESIDENT'S LACK OF POPULARITY AMONG THE MINORITIES, WITH THE BLACK VOTE TURNING SOLIDLY AGAINST HIM; AND HIS RELATIVELY POOR SHOWING, VERY WORRYING TO THE WHITE HOUSE POLLSTERS, AMONG WOMEN. MONDALE HAS STARTED EARLIER, IS FAR BETTER ORGANISED, HAS A BETTER HOLD ON THE DEMOCRATIC PARTY MACHINE AND MORE APPEAL TO DEMOCRATIC PARTY ACTIVISTS. HE IS DUE SHORTLY TO BE ENDORSED BY THE AFL/CIO AND THE NATIONAL EDUCATIONAL ASSOCIATION. IMPROVING AS AN ORATOR, THERE IS STILL A LACK OF REAL CONTENT TO MUCH OF WHAT HE HAS TO SAY AND ALTHOUGH AT PRESENT CAPITALISING ON FASHIONABLE

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ISSUES LIKE THE NUCLEAR "FREEZE", DEFENCE AND NATIONAL SECURITY ISSUES COULD HURT HIM IN A PRESIDENTIAL CAMPAIGN. HE HAD TENDED TO OPPOSE MOST MAJOR NEW DEFENCE PROGRAMMES AND, WHEN CONFRONTED WITH QUESTIONS ABOUT SUCH ISSUES AS THE KOREAN AIRLINER, TO SUGGEST THAT THE SOLUTION IS TO RING UP ANDROPOV.

4. GLENN IS THE CANDIDATE MANY REPUBLICANS FEAR. UNINSPIRING AND LATE IS STARTING, HIS CAMPAIGN HAS NOT YET REALLY TAKEN OFF. BUT THE APPEARANCE OF A MOTION PICTURE LATER THIS YEAR (ENTITLED "THE RIGHT STUFF") ABOUT THE EXPLOITS OF THE ASTRONAUTS IS GOING TO SHOW HIM IN A FAVOURABLE LIGHT AND INCREASE HIS ALREADY WIDE NAME RECOGNITION. HE MAY HAVE A HARD STRUGGLE TO GET THE DEMOCRATIC NOMINATION: BUT THERE ARE A GOOD MANY IN THE PARTY WHO BELIEVE THAT HE WOULD DO BETTER THAN MONDALE IN A CAMPAIGN AGAINST REAGAN. GLENN HAS OPPOSED THE MX, BUT CANNOT BE ACCUSED OF FEEBLENESS ON DEFENCE ISSUES GENERALLY AND HAS TAKEN A CLEAR-EYED VIEW OF THE RUSSIANS. THE DEMOCRATIC NOMINATION LOOKS INCREASINGLY LIKE A TWO-HORSE RACE WHICH, BECAUSE OF A SERIES OF PRIMARY ELECTIONS IN THE MIDDLE OF THAT MONTH, IS EXPECTED TO BE DECIDED BY THE END OF MARCH.

5. THE CONVENTIONAL WISDOM BEFORE THE SUMMER THAT IF THE PRESIDENT RUNS AGAIN, HE IS BOUND TO WIN, IS FAR FROM BEING QUITE AS PREVALENT NOW. IF ELECTED, HE WOULD BE ENTERING HIS SECOND TERM AT SEVENTY-THREE: AGE WILL BE AN ISSUE IN THE CAMPAIGN. REAGAN WON IN 1979 BY A 10 PER CENT MARGIN IN THE POPULAR VOTE, BUT IT WAS A VOTE AGAINST CARTER BY TRADITIONAL DEMOCRATS THAT TURNED THE TRICK. THE QUESTION NOW IS HOW MANY OF THOSE VOTES WILL STAY WITH REAGAN. HIS OPPONENTS LACK CHARISMA, BUT THE REPUBLICANS' PROBLEM IS THAT THERE IS A NATURAL DEMOCRATIC MAJORITY IN THE COUNTRY. FOREIGN POLICY ISSUES WILL FIGURE IN THE CAMPAIGN. PARTICULARLY THE HANDLING OF RELATIONS WITH THE SOVIET UNION. THE AIRLINER INCIDENT HAS SINGED THE FEATHERS OF THE DOVES. BUT THE PRESIDENT WILL NEED TO GO ON DEMONSTRATING SERIOUS EFFORTS IN ARMS CONTROL. THERE ARE CONTINUING WORRIES AMONG THE PUBLIC GENERALLY ABOUT ENTANGLEMENTS IN THE MIDDLE EAST AND CENTRAL AMERICA. BUT IT IS ON THE ECONOMY THAT THE PRESIDENT'S PROSPECTS ARE GOING TO TURN. THOUGH THE POLLS SHOW HIM RUNNING NECK AND NECK WITH HIS OPPONENTS, HE IS ENTERING THE AUTUMN BY NO MEANS IN BAD SHAPE.

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TELEGRAM NUMBER 2661 OF 19 SEPTEMBER

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MIPT: PRIME MINISTER'S VISIT TO WASHINGTON: FOREIGN POLICY ISSUES  
EAST/WEST RELATIONS

1. PRESIDENT REAGAN'S INSTINCTIVE VIEWS ABOUT THE NATURE OF THE SOVIET UNION AND THE COMMUNIST SYSTEM HAVE BEEN STRONGLY REINFORCED BY THE SHOOTING DOWN OF THE KOREAN AIRLINER ON 1 SEPTEMBER. THIS HAS BEEN CLEARLY REFLECTED IN HIS OWN RHETORIC BUT HE HAS LEARNED SOME IMPORTANT LESSONS ABOUT THE MANAGEMENT OF EAST/WEST RELATIONS SINCE TAKING OFFICE AND IN THE LIGHT OF THESE, HIS ACTIONS TAKEN IN RESPONSE TO THE AIRLINER INCIDENT HAVE BEEN MEASURED AND JUDICIOUS. THE PRESIDENT HAS RESISTED PRESSURE FROM HIS OWN RIGHT WING TO SUSPEND THE ARMS CONTROL NEGOTIATIONS, TO REIMPOSE THE GRAIN EMBARGO OR TO WITHDRAW THE US AMBASSADOR FROM MOSCOW, RECOGNISING THAT SUCH STEPS AS THESE WOULD HAVE LOST HIM THE SUPPORT OF MANY OF HIS ALLIES AND IMPOSED UNACCEPTABLE COSTS IN FOREIGN OR DOMESTIC POLITICAL TERMS. INSTEAD HIS RESPONSES HAVE BEEN CAREFULLY TAILORED TO GENERATE THE MAXIMUM INTERNATIONAL CRITICISM OF THE SOVIET ACTION AND TO BRING HOME TO WORLD OPINION THE CALLOUSNESS AND INHUMANITY OF ITS VALUES.

2. THE ADMINISTRATION MOUNTED THIS EXERCISE QUICKLY AND EFFECTIVELY AND WITH AN ENCOURAGINGLY SURE TOUCH. IN DOING SO, IT WAS CAREFUL NOT TO LOSE SIGHT OF THE LONGER TERM NEED TO CONTINUE FEELING ITS WAY TOWARDS A LESS TENSE AND MORE CONSTRUCTIVE RELATIONSHIP WITH THE SOVIET UNION. ITS BASIC UNDERLYING OBJECTIVE REMAINS TO RESTORE THE US TO A POSITION OF GREATER MILITARY STRENGTH VIS-A-VIS THE SOVIET UNION, BOTH TO CORRECT THE PERCEIVED WEAKNESS WHICH HAD BEEN ALLOWED TO DEVELOP IN AMERICA'S DEFENCES, AND TO PROVIDE A MORE PROPITIOUS STARTING POINT FROM WHICH TO RESUME NEGOTIATIONS FOR MUTUALLY VERIFIABLE ARMS REDUCTION AGREEMENTS. THE KOREAN AIRLINE INCIDENT HAS HELPED THE PRESIDENT TO GET CONGRESSIONAL APPROVAL FOR A FURTHER FIVE PER CENT INCREASE IN REAL TERMS IN DEFENCE SPENDING. HE WILL ALSO HOPE THAT REACTIONS TO THE INCIDENT IN THE INF BASING COUNTRIES WILL HELP THEIR GOVERNMENTS TO OVERCOME POLITICAL OPPOSITION TO THE DEPLOYMENT OF CRUISE AND PERSHING MISSILES THIS AUTUMN.

3. BUT THE DOOR IS BEING LEFT CAREFULLY OPEN FOR CAUTIOUS EXPLORATION OF POSSIBLE AREAS FOR PROGRESS WHICH HAS BEEN QUIETLY TAKING PLACE SINCE THE MIDDLE OF THIS YEAR. THE TURNING POINT WAS MARKED BY SHULTZ'S STATEMENT OF 15 JUNE WHICH HERALDED A CHANGE OF EMPHASIS FROM CONFRONTATION TO DIALOGUE. SHULTZ'S FROSTY MEETING WITH GROMYKO IN MADRID HAS PREDICTABLY CHILLED THE ATMOSPHERE BUT IT HAS NOT CLOSED IMPORTANT DOORS ON THE US SIDE. FOR EMAMPLE, THE AMERICANS HAVE SOUGHT THE VIEW OF THEIR ALLIES ABOUT

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THE DESIRABILITY OF MAKING SOME NEW MOVES IN THE PRESENT ROUND OF INF NEGOTIATIONS AS A MEANS OF MAKING IT CLEAR TO WESTERN PUBLIC OPINION THAT THE ALLIES ARE MAKING EVERY EFFORT TO ACHIEVE AGREEMENT. THEY HAVE ALSO STUCK BY THE EARLIER ALLIANCE DECISION IN PRINCIPLE TO TRY TO MOVE TOWARDS A RESCHEDULING OF POLISH DEBTS.

4. FROM THE STANDPOINT OF UK INTERESTS, AMERICAN POLICY HAS BEEN MOVING IN THE RIGHT DIRECTION OVER THE PAST SIX MONTHS. THE PRESIDENT HAS SO FAR HELD HIS COURSE THROUGH THE AIRLINER INCIDENT AND THE SIGNS ARE THAT HE WILL CONTINUE TO DO SO. THE PRIME MINISTER'S VISIT WILL PROVIDE AN OPPORTUNITY FOR ENCOURAGING THIS. BUT SHULTZ WAS FAR FROM KEEN ON ANOTHER ROUND WITH GROMYKO AT THIS STAGE, EVEN IF HE HAD COME TO NEW YORK. IT SEEMS UNLIKELY NOW THAT EVENTS COULD MOVE FAST ENOUGH TO PROVIDE AN ADEQUATE BASIS FOR A MEETING BETWEEN THE PRESIDENT AND ANDROPOV BEFORE THE APPROACH OF THE NEXT PRESIDENTIAL ELECTIONS.

5. IT IS THE RUSSIANS NOW WHO ARE ON THE DEFENSIVE AND WHOSE RESPONSES ARE GOING TO SET THE PACE, PARTICULARLY WHEN THE TIME COMES FOR DEPLOYMENT OF US INF WEAPONS IN EUROPE THIS AUTUMN. THE AMERICANS SEE LITTLE PROSPECT OF AN INF AGREEMENT BEING WORKED OUT BEFORE THE END OF THE YEAR, GIVEN THE RUSSIAN REFUSAL TO BUDGE FROM THEIR NON-NEGOTIABLE DEMANDS THAT THERE MUST BE NO WESTERN DEPLOYMENT AND FOR THE INCLUSION OF BRITISH AND FRENCH SYSTEMS. THEY EXPECT US TO HAVE TO FACE A COLD WINTER, WITH THE RUSSIANS MAKING MUCH OF THE COUNTER-DEPLOYMENTS THEY HAVE LONG BEEN PLANNING ANYWAY. AN INF AGREEMENT OR A NEW VLADIVOSTOK-TYPE START FRAMEWORK AGREEMENT WOULD BE AN ENORMOUS ELECTORAL BOOST FOR THE PRESIDENT NEXT YEAR. THE AMERICANS HAVE BEEN SIGNALLING FLEXIBILITY IN START AND THE RUSSIANS HAVE BEEN SHOWING INTEREST IN A NEW SALT III TYPE AGREEMENT. BUT IT WILL OF COURSE BE OPEN TO THEM TO TRY TO SIT OUT THIS ADMINISTRATION AND HOPE FOR A DEMOCRATIC PRESIDENT FROM WHOM THEY MIGHT HOPE FOR SOMEWHAT BETTER TERMS.

#### MIDDLE EAST

6. IT SEEMS IRONIC THAT AS LITTLE AS A YEAR AGO, ATTENTION WAS FOCUSED ON PRESIDENT REAGAN'S PROPOSALS FOR A FRAMEWORK FOR SOLVING THE PALESTINIAN PROBLEM AND BRINGING PEACE TO THE MIDDLE EAST. THIS IS FURTHER THAN EVER FROM ANY HOPE OF REALISATION. SO LONG AS THE PLO MAINTAIN THEIR PRESENT REFUSAL TO PERMIT KING HUSSEIN TO JOIN IN NEGOTIATIONS ON THE WEST BANK, THE AMERICANS CAN SEE NO WAY OF PROCEEDING WITH THE REAGAN PLAN. UNTIL THEY CAN FIND ARAB LEADERS WILLING TO NEGOTIATE ON THE ISSUES WITH ISRAEL, NEITHER THIS NOR I SUSPECT ANY OTHER US ADMINISTRATION WILL BE PREPARED TO FACE TO THE UNPALATABLE PROSPECT OF SEEKING TO PUT REAL PRESSURE ON ISRAEL - AND LEAST OF ALL IN AN ELECTION YEAR, WITH THE DEMOCRATIC CHALLENGERS ADOPTING ALMOST UNCONDITIONALLY PRO-ISRAELI POSITIONS. THE AMERICANS WILL NOT GIVE UP ENTIRELY, THEY ARE CONCERNED ABOUT THE HEALTH OF THEIR RELATIONS WITH THE MAJOR PRO-WESTERN ARAB REGIMES, PARTICULARLY THE EGYPTIANS, SAUDIS AND JORDANIANS. SHULTZ WOULD LIKE TO TRY TO DO SOMETHING PRACTICAL TO HELP ALLEVIATE THE SUFFERINGS OF THE PALESTINIANS. BUT THE PREOCCUPATION OVER THE NEXT FEW MONTHS WILL CONTINUE TO BE WITH THE LEBANON.

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7. HAVING COMMITTED THE US CONTINGENT OF THE PEACE KEEPING FORCE THE AMERICANS, AS SHULTZ PUT IT, ARE NOT NOW GOING TO TURN TAIL AND RUN. THEY SEE WIDER DAMAGE TO WESTERN INTERESTS AND TO THE STABILITY OF THE AREA RESULTING FROM ANY SUCCESSFUL ATTEMPT BY THE SYRIANS IN EFFECT TO DISLODGE THE MULTI-NATIONAL FORCE (PLEASE SEE MY TELNOS 2548 AND 2611). THEY REALISE THAT WE ARE FACED WITH A DE FACTO PARTITION OF LEBANON. THEY ARE CONSCIOUS OF THE COUNTRY'S ALMOST INSUPERABLE PROBELMS AND THE DANGERS OF GETTING SUCKED INTO THE CONFESSIONAL FIGHTING. THEIR AIM IS TO AVOID A COLLAPSE, GIVE THE LEBANESE ARMY SUFFICIENT SUPPORT TO GIVE THE SYRIANS AND THEIR ALLIES SOME INCENTIVE TO AGREE TO A CEASE-FIRE AND BUY TIME FOR GEMAYEL TO REACH SOME AGREEMENT WITH HIS POLITICAL OPPONENTS. THEY ARE AT A LOSS TO KNOW WHAT MORE THEY CAN DO TO INFLUENCE THE SYRIANS, BUT ARE ENCOURAGED THAT THE SAUDIS AND EGYPTIANS HAVE BEEN CONTINUING TO SUPPORT US EFFORTS. CONGRESS IS INSISTING THAT THE US MARINES SHOULD BE BROUGHT UNDER THE WAR POWERS ACT. THE DEMOCRAT LEADERS ARE NOT SUGGESTING THAT THEY SHOULD BE BROUGHT HOME. THIS COULD CHANGE IF, OVER TIME, THE US CONTINGENT TOOK A LOT OF CASUALTIES WITHOUT BEING ABLE TO DO MUCH ABOUT IT OR US FORCES GO ON GETTING DRAWN MORE DIRECTLY INTO THE FIGHTING. THE PRESIDENT AND SHULTZ, HOWEVER, ARE DETERMINED TO DO WHAT THEY CAN TO STABILISE THE SITUATION AND ACHIEVE A CEASE-FIRE AND ATTACH GREAT IMPORTANCE TO OUR CONTRIBUTION AND THAT OF THE OTHER MEMBERS OF THE MULTI-NATIONAL FORCE.

#### CENTRAL AMERICA

8. ANOTHER MAJOR HEADACHE FOR THE WHITE HOUSE. THE ADMINISTRATION HAS BEEN ENCOURAGED BY THE IMPROVED PERFORMANCE OF THE SALVADOREAN ARMY IN THE LAST FEW MONTHS IN DEALING WITH THE GUERRILLAS. THEY ARE INCREASING US ASSISTANCE TO HONDURAS AND THE TRAINING OF SALVADOREAN FORCES THERE. THEY BELIEVE THAT THEY HAVE GOT EFFECTIVE SUPPORT AND UNDERSTANDING FOR THEIR POLICY FROM THE OTHER SMALLER CENTRAL AMERICAN COUNTRIES, THEMSELVES THREATENED BY THE SPREAD OF CUBAN INFLUCENCE. THE SUPPORT THE ADMINISTRATION HAS BEEN GIVING TO COUNTER-INSURGENTS IN NICARAGUA IS HIGHLY CONTROVERSIAL IN CONGRESS WHICH, HOWEVER, HAS NOT BEEN ABLE TO CUT OFF FUNDING FOR IT. THE WHITE HOUSE VIEW IS THAT SO LONG AS THE SANDINISTAS CONTINUE TRYING TO OVERTHROW PRO-US REGIMES IN THE NEIGHBOURING COUNTRIES, THEY MUST EXPECT TO HAVE TO FACE A FEW HEADACHES OF THEIR OWN. THE POLLS, HOWEVER, CONSISTENTLY SHOW THE LACK OF THE DESIRE OF THE US PEOPLE GENERALLY TO GET TOO DEEPLY EMBROILED IN CENTRAL AMERICA. ON THE OTHER HAND, DEMOCRATIC OPPOSITION HAS BEEN MUTED SOMEWHAT BY FEARS THAT THE ADMINISTRATION WOULD PIN ON THEM RESPONSIBILITY FOR THE LOSS OF EL SALVADOR, IF US AID WERE CUT OFF. IN THIS DIFFICULT SITUATION, THE AMERICANS ATTACH GREAT VALUE TO THE CONTINUANCE FOR SOME TIME AT LEAST OF OUR PRESENCE IN BELIZE.

9. MR HESELTINE MADE CLEAR THE IMPORTANCE WE ATTACH TO THE AMERICANS NOT RESUMING ARMS SUPPLIES TO ARGENTINA, PARTICULARLY AS THEY HAVE STILL GIVEN NO UNDERTAKING ABOUT THE ENDING OF HOSTILITIES. SHULTZ WAS NON-COMMITTAL. IF THE ARGENTINIANS HOLD REASONABLY SUCCESSFUL ELECTIONS LATER THIS YEAR AND A CIVILIAN GOVERNMENT EMERGES, THE US DISPOSITION WILL BE TO RESUME SUPPLIES. THIS WILL NEED TO BE RAISED DURING THE PRIME MINISTER'S VISIT.

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10. WITH THE ADMINISTRATION PROFESSING OPTIMISM ABOUT THE PROSPECTS FOR THE US ECONOMY, THE AMERICANS REGARD GROWTH IN THE WORLD ECONOMY GENERALLY AS THE REAL SOLUTION TO THE DEBT PROBLEM. THEY REMAIN VERY CONCERNED ABOUT THE PREDICAMENT OF COUNTRIES LIKE MEXICO AND BRAZIL, BUT BELIEVE THAT IF SUFFICIENT FINANCE CONTINUES TO BE MADE AVAILABLE BY GOVERNMENTS, THE PRIVATE BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS, THERE IS A HOPE OF TIDING OVER THE PRESENT DIFFICULTIES UNTIL THE EFFECTS OF GROWTH BENEFIT THE MORE ADVANCED LDCS. THE ADMINISTRATION BILL TO INCREASE FUNDING FOR THE IMF HAS BEEN PASSED, WITH VARIOUS QUALIFICATIONS, BY BOTH HOUSE AND SENATE INDIVIDUALLY. IT NOW FACES A DIFFICULT HOUSE/SENATE CONFERENCE WITH THE ADMINISTRATION PROFESSING CONFIDENCE IN A TOLERABLE OUTCOME: BUT THERE REMAINS QUITE STRONG CONGRESSIONAL RESISTANCE TO INCREASING THE FINANCIAL BURDEN ON THE US. THE TIME IS LONG PAST WHEN THE AMERICAN ELECTRATE HAD ANY ENTHUSIASM FOR HELPING THE THIRD WORLD.

## OTHER ISSUES

11. THE IMPROVEMENT IN THE US ECONOMY IN THE COURSE OF THE YEAR HAS MUTED SOMEWHAT PROTECTIONIST PRESSURES IN CONGRESS BUT DID NOT PREVENT THE ADMINISTRATION TAKING ACTION IN RESPONSE TO SECTIONAL PRESSURES AGAINST THE IMPORT OF SPECIALTY STEELS, CONTRARY TO OUR INTERESTS AND THE COMMITMENTS AT WILLIAMSBURG. THE AMERICANS HAVE BEEN MADE VERY MUCH AWARE OF THE STRENGTH OF OUR VIEWS ON UNITARY TAXATION (MY TELNO 2616), BUT WILL EXPECT THIS TO COME UP IN THE TALKS AT THE WHITE HOUSE. MY SUGGESTIONS FOR THE HANDLING OF THE QUESTION ON OUR LONG STANDING DIFFERENCES ON EXTRA-TERRITORIALITY WERE SET OUT IN MY TELNO 2563. THE AMERICANS FOR THEIR PART ARE LIKELY TO GO ON REMINDING US OF THE NEED TO DO MORE TO RESTRICT THE FLOW OF MILITARILY APPLICABLE TECHNOLOGY TO THE SOVIET BLOC. THEY ARE STILL NOT SATISFIED THAT THE WEST GENERALLY IS BEING SUFFICIENTLY RIGOROUS EITHER IN PROCESSING THE COCOM APPLICATIONS OR, ESPECIALLY, ENFORCING THE COCOM RULES.

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THE PRIME MINISTER'S VISIT TO CANADA 25-28 SEPTEMBER 1983

Sunday 25 September - Ottawa

- 18.00 Arrive Canadian Forces Base South (Uplands)  
Greeted by: a Federal Minister, probably  
Gerald Regan, (Minister of State, International  
Trade).  
Mrs Thatcher will inspect the Guard of Honour.  
The Federal Minister will make a two minute speech  
of welcome to which Mrs Thatcher will reply briefly.
- 18.20 Leave for High Commissioner's residence (Earnscliffe).
- 18.40 Arrive Earnscliffe.  
Quiet supper and evening in order to work on  
speech.

Monday 26 September

- 07.30 Canada AM (CTV) interview at Earnscliffe.
- 08.00-09.05 Breakfast and work on speech.
- 09.10 Leave Earnscliffe.
- 09.20 Arrive British High Commission.  
Meet staff (UK-based staff and wives and locally-  
engaged staff).
- 09.50 Leave for Parliament Hill.
- 10.00 Arrive on Parliament Hill.
- 10.05 Meeting with Mr Trudeau.
- 10.45 Meeting with Mr Trudeau and Ministers, Cabinet Room,  
Centre Block.
- 12.00 for
- 12.30 Luncheon given by Mr Trudeau, 24 Sussex Drive.
- 14.00 approx Return to Earnscliffe.
- 14.05 Meeting with Mr Mulroney at Earnscliffe.

14.50-15.45 Work on speech.  
15.45 Leave Earnscliffe for Parliament Hill.  
16.00 Ceremonial arrival on Parliament Hill.  
Address to Parliament.  
16.45 Leave for National Press Club.  
16.50 Press conference.  
17.20 Leave for airport.  
17.50 Departure for Toronto from Canadian Forces Base South (Uplands).

Monday 26 September - Toronto

18.50 Arrive in Toronto.  
To be met by a Federal Minister and a Provincial representative, but with no ceremony.  
19.30 Arrive Royal York Hotel.  
20.00 (or Leave Royal York for the Toronto Hilton,  
slightly later) Harbour Castle.  
20.05 for  
20.30 Dinner given by Mr Trudeau.

Tuesday 27 September

07.30 Meeting with the Premier of Ontario, Mr Bill Davis, at Ontario Government Offices, Queen's Park.  
08.00 Breakfast hosted by Mr Davis, Lieutenant-Governor's Suite, Queen's Park.  
09.00 Return to the Royal York to work on speech.  
10.00 Meeting with Canadian businessmen at the Royal York.  
10.45 Meeting with British businessmen at the Royal York.  
11.30-12.30 Work on speech at the Royal York.  
12.05 Leave for the Sheraton Centre.  
12.15 Arrive Sheraton Centre. Met by the President and other prominent members of the Empire and Canadian Clubs.

12.30 Luncheon and address to the Empire and Canadian Clubs  
14.00 Leave for the Royal York.  
14.10 TV interview with "The Journal" (CBC TV) at the  
Royal York.  
14.30 Interview with Maclean's Magazine at the Royal York.  
15.10 Leave for airport.  
16.00 Depart for Edmonton from Toronto International  
Airport.

Edmonton, Tuesday 27 September

18.00 Arrive Edmonton.  
(Canadian Forces Base Edmonton (NAMA)).  
Proceed to the Four Seasons Hotel.  
18.20 Arrive Four Seasons Hotel.  
19.25 Leave for Westin Hotel.  
19.30 Dinner given by Mr Trudeau at the Westin Hotel.

Wednesday, 28 September

07.30 Call on the Premier of Alberta, Mr Peter Lougheed,  
at Government House.  
08.00 Breakfast hosted by Mr Lougheed, Government House.  
09.00 Press conference for western media, Government House.  
Press conference for British press, Government House.  
09.30 Leave for airport.  
10.00 Depart for Washington.  
Ceremony - quarter guard (walk through two lines  
of soldiers without inspection).

## PRIME MINISTER'S VISIT TO WASHINGTON: 28-30 SEPTEMBER 1983

WEDNESDAY 28 SEPTEMBER.

- 1625 hrs Arrive Andrews Air Force Base: met by Chief of Protocol (Ambassador (Mrs) Roosevelt), US Ambassador in London and Mrs Louis, the Base Commander, probably three State Dept. officials, HM Ambassador and Lady Wright.
- 1645 hrs Arrive by helicopter at reflecting pool. Met by Mr Dam, Deputy Secretary of State, who will accompany Prime Minister to the residence.
- 1700 hrs Arrive by car at residence.
- 1745 hrs Hair appointment.
- 2000 hrs Dinner for leading figures in US economy at the residence.

THURSDAY 29 SEPTEMBER.

- 0700 - Live interviews with US breakfast TV (at the residence).
- 0800 hrs
- 0830 hrs Breakfast meetings with Senate Foreign Relations Committee/Senate Leadership: accompanied by Ambassador, Sir R Armstrong, Sir A Acland, Mr Coles, Mr Ingham, Mr Pellew.
- 1000 hrs Call on Mr Volcker (Chairman, FRS): accompanied by Ambassador, Sir R Armstrong, Mr Butler.
- 1045 hrs Call on Mr Regan (Secretary of The Treasury): accompanied by Ambassador, Sir R Armstrong, Mr Butler.
- 1130 hrs Meeting with President Reagan: accompanied by note-taker.

/1230 hrs

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1230 hrs Working lunch with President Reagan: (eight aside)  
1330 hrs Departure statement at White House.  
1415 hrs Interviews with British radio and TV representatives  
(at the Embassy).  
1500 hrs Press Conference for UK and US media (in the Embassy  
Rotunda).  
1600 hrs Tea with Vice President and Mrs Bush(at their  
residence): accompanied by Ambassador and Lady Wright.  
1800 hrs Hair appointment.  
2000 hrs Churchill Award Dinner (at the residence).

FRIDAY 30 SEPTEMBER .

0700 - (possible) Further live interviews with US  
0800 hrs breakfast TV.  
am Depart from Washington: Arrangements will mirror those  
on arrival.

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PROGRAMME FOR MR DENNIS THATCHER ON 29 SEPTEMBER

- 0900 Hrs Depart by Rockwell aircraft from Washington National Airport. (Accompanied by a member of the Embassy. Mr Hime, Consul-General Cleveland will also join the party)
- 1030 Hrs Arrive Columbus, Ohio. Visit Rockwell's North American Aircraft Operations Facility: The Rockwell staff principally involved will be: Mr R Anderson (Chairman), Mr James A McDivitt (Former Astronaut, Senior Vice President, Research And Technology), and Mr A Smith (Vice President and General Manager in Columbus).
- 1215 Hrs Lunch at the Columbus Country Club, followed by discussion of US and world business prospects.
- 1500 Hrs Depart Columbus for Washington.
- 1630 Hrs Arrive Washington.

21 SEP 1983

