

cc. Master Set  
● Subject on:  
CANADA  
Re: P.E.S

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10 DOWNING STREET

From the Private Secretary

14 March 1985

Dear Len,

PRIME MINISTER'S MEETING WITH MR. MULRONEY

I enclose a record of the Prime Minister's meeting with Mr. Mulroney while in Moscow for President Chernenko's funeral.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours sincerely,

C.D. POWELL

L.V. Appleyard, Esq.,  
Foreign and Commonwealth Office.

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE  
PRIME MINISTER OF OF CANADA, MR. MULRONEY, AT THE BRITISH  
EMBASSY, MOSCOW ON 13 MARCH 1985 AT 1730

Present:

Prime Minister	Mr. Mulroney
Foreign Secretary	Mr. Smith
Mr. C.D. Powell	Mr. Fowler
Mr. B. Ingham	Mr. Fox
Mr. A. Turnbull	Mr. Pristanski
Mr. L.V. Appleyard	

The Prime Minister congratulated Mr. Mulroney on his spectacular election victory. Mr. Mulroney said he took particular satisfaction from the fact that the Conservatives had won 58% of the votes in the French speaking seats. The Government was maintaining its popularity, with a 53% approval rating.

Mr. Mulroney set out the priorities for his Government. First, there was the need to restore the alliance with the United States and the other allies. He detected that the Canadian people had had enough of posturing on peace questions and on the denigration of Canada's allies. Canada would shortly increase its forces in Europe by 1,200, bringing the total to 7,100. He would like to reach a total of 10,000. Canada would also be signing an agreement with the United States for the joint refurbishment of the North Warning System.

Secondly, it was essential to rebuild the economic relationship with the United States. 78% of Canada's trade was with the United States and 3 million jobs depended on it. The Foreign Investment Review Act had been scrapped.

Thirdly, his Government sought greater harmony between the Provinces and with the Federal Government. For example, an agreement had been reached on a formula which would allow Newfoundland to develop its substantial oil resources.

Fourthly, it was essential to reduce the budget deficit which stood at C\$35 billion. This was higher proportionately than the deficit in the United States. Expenditure cuts of C\$4½ billion had already been introduced and cuts of a further C\$3 billion were needed. The Prime Minister said she was particularly concerned at the growing burden of welfare expenditure. She reported that she had sought to get the Economic Summit to address this theme but without success.

Mr. Mulroney asked what line the Prime Minister was taking on SDI. The Prime Minister said that Britain sought to make two points. First, Russia was already carrying out substantial research in this area and was updating the anti-missile system around Moscow. It was necessary for the United States, therefore, to undertake research in this area. Secondly, it was not possible to verify research and therefore make it subject to international agreement. If the United States reached the point of testing or deployment, it would have to negotiate this under the terms of the ABM Treaty. The Prime Minister said that President Reagan had confirmed this position, both at Camp David in December and in Washington in February. The Prime Minister said the Soviet Union put forward the argument that once research had begun, it would develop an unstoppable momentum. Against this, the West should argue that testing and deployment were still subject to treaty obligations. The United States was unlikely to want to abrogate the Treaty and public opinion in the West would strongly resist this.

Mr. Mulroney asked the Prime Minister how Mr. Gorbachev had reacted to these arguments. The Prime Minister said that Mr. Gorbachev, though able, had been brought up entirely within the Soviet system. He still believed that the United

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States was seeking to build up a first strike capability. She had sought to impress upon him that the West was a defensive alliance; while the United States would use its resources to develop its freedoms, it would not use them to seek more power.

The meeting ended at 1755.

C.D.P.

14 March 1985