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R 221838Z JUN 83
 FM AMEMBASSY LONDON
 TO SECSTATE WASHDC 4800
 INFO NATO COLLECTIVE
 EUROPEAN POLADS COLLECTIVE
 AMEMBASSY DUBLIN
 AMCONSUL EDINBURGH POUCH
 AMCONSUL BELFAST POUCH

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 13381

E.O. 12356: DECL: OADR
 TAGS: UK, PGOV, PREL
 SUBJECT: BRITAIN AFTER ELECTIONS: FOREIGN POLICY

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: AS THATCHER ENTERS HER SECOND TERM:

-- SHE HAS THE POLITICAL LEEWAY TO PURSUE A STRONG DEFENSE,
 - AND UNILATERALISTS -- THOUGH STILL POTENT -- ARE IN
 - RETREAT.

-- HER ELECTORAL VICTORY HAS ENHANCED THATCHER'S STATURE
 - INTERNATIONALLY.

-- EC MEMBERSHIP HAS CEASED TO BE CONTROVERSIAL. BUT
 - THE UK WILL CONTINUE TO PRESS FOR A REDUCTION IN ITS
 - CONTRIBUTION AND A CURB ON AGRICULTURAL SPENDING.

WE EXPECT A STRONGER, MORE CONFIDENT BRITISH VOICE IN
 WESTERN COUNCILS -- SUPPORTIVE OF US ON EAST-WEST.

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SECURITY ISSUES BUT PERHAPS EVEN TOUGHER IN DEFENDING
 NATIONAL ECONOMIC INTERESTS (E.G., TRADE ISSUES,
 EXTRATERRITORIALITY). WE DON'T EXPECT, AT LEAST FOR THE
 MOMENT, A RETURN TO THE CARRINGTON ERA OF INDEPENDENT
 INITIATIVES, VIZ. ON THE MIDDLE EAST.

UNITED STATES DEPARTMENT OF STATE

REVIEW AUTHORITY: ERIC W FLEISHER

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3. THE MOST NAGGING FOREIGN POLICY PROBLEMS ARE LIKELY TO ARISE FROM THE REMNANTS OF EMPIRE -- HONG KONG, GIBRALTAR, BELIZE, AND THE FALKLANDS. END SUMMARY

4. LESSONS OF THE CAMPAIGN

THE ROLE OF FOREIGN POLICY IN THE RECENTLY CONCLUDED ELECTION CAMPAIGN IS BEST EXEMPLIFIED BY THE RESULTS OF A POLL WHICH ASKED 4,000 BRITONS WHAT ISSUES HAD MOST INFLUENCED THEIR VOTE. ONLY TWENTY-FOUR (.05 PERCENT) MENTIONED INTERNATIONAL AFFAIRS AND WORLD PEACE. ONLY 1.5 PERCENT REFERRED TO THE FALKLANDS. AND WHILE 38 PERCENT SAID DEFENSE, THE FOCUS OF THE CAMPAIGN ON THE INDEPENDENT DETERRENT SHOWED THE IMPULSE WAS ESSENTIALLY GAULLIST. THE POLLSTERS' VERDICT: BRITISH ELECTORS AND THEIR POLITICANS WERE "STAGGERINGLY PAROCHIAL."

5. MOREOVER, WHEN FOREIGN POLICY ISSUES DID COME UP, THE EFFECT WAS TO INCREASE SUPPORT FOR THE TORIES AND THEIR POTENT MIXTURE OF DEFENSE, PATRIOTISM AND ATLANTICISM. FOR EXAMPLE, POST-ELECTION ANALYSIS SHOWS THAT TORY DEFENSE POLICIES ENJOYED A 25 PERCENT LEAD IN VOTER PREFERENCE OVER THE POLICIES OF THE OTHER PARTIES, AND ISSUES WHERE LABOR HAD HOPED TO BENEFIT -- INF DEPLOYMENTS, DUAL KEY, TRIDENT -- FOUND LITTLE OR NO RESONANCE AMONG VOTER.

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6. TO BE SURE, LABOR'S INEPTITUDE ON DEFENSE CONTRIBUTED TO THIS RESULT. BUT THE EFFECT IS A STRONG MANDATE FOR THATCHER'S ROBUST LINE.

7. LABOR'S TENTATIVE ATTACKS ON BRITISH EC MEMBERSHIP WERE EVEN LESS PRODUCTIVE, AND MODERATE LABOR LEADERS ARE MOVING NOW TO DECLARE THE ISSUE OFFICIALLY DEAD. ROY HATTERSLEY, FOR EXAMPLE, TOLD A NATIONAL TV AUDIENCE AFTER LABOR'S DEFEAT THAT THE ARGUMENT ABOUT EC MEMBERSHIP WAS OVER. THE TASK NOW MUST BE TO GET THE BEST DEAL FOR BRITAIN.

8. LOOKING AHEAD

THE REPLACEMENT OF FRANCIS PYM AND DOUGLAS HURD AT THE FCO BY THATCHER LOYALISTS GEOFFREY HOWE AND BARONESS YOUNG IS FRESH EVIDENCE THAT THATCHER INTENDS TO MAINTAIN, AND PERHAPS STRENGTHEN, HER POST-FALKLANDS ROLE

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IN FOREIGN POLICY. THE INGREDIENTS ARE THERE: HER INTERNATIONAL PRESTIGE IS HIGH, SHE IS THE DOYENNE AMONG NATO LEADERS, AND THE LAST YEAR HAS GIVEN HER AN INCREASING TASTE FOR FOREIGN POLICY. SHE TALKED TO REPORTERS DURING THE CAMPAIGN OF HER HOPES OF A LARGE MAJORITY, WHICH WOULD ALLOW HER TO ENHANCE BRITAIN'S WORLD ROLE. HOW THIS WILL BE REALIZED REMAINS TO BE SEEN, BUT AT LEAST FOR THE MOMENT IT PROBABLY WILL NOT TAKE THE FORM OF INDEPENDENT BRITISH INITIATIVES IN AREAS LIKE SOUTHERN AFRICA AND THE MIDDLE EAST. THE BRITISH GENERALLY HAVE ESCHEWED SUCH THINGS SINCE CARRINGTON'S DEPARTURE, AND IT WILL BE SOME TIME BEFORE THE NEW TEAM HAS SETTLED DOWN SUFFICIENTLY TO STRIKE OUT ON ITS OWN.

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9. ECONOMIC COOPERATION

THATCHER KNOWS THAT THE SUCCESS OR FAILURE OF HER SECOND TERM WILL DEPEND LARGELY ON THE ECONOMY'S PERFORMANCE. CONSEQUENTLY, THE BRITISH WILL BE ESPECIALLY ATTENTIVE TO ECONOMIC DEVELOPMENTS IN THE U.S. SINCE THEY BELIEVE THAT LOWER U.S. INTEREST RATES ARE NECESSARY TO SUSTAIN THE

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RECOVERY: THEY ALSO SEE A DIRECT LINK BETWEEN OUR BUDGET DEFICIT AND HIGH INTEREST RATES AND WILL TAKE EVERY OPPORTUNITY TO REMIND US OF THE NEED TO REDUCE THE DEFICIT. ON OTHER ECONOMIC ISSUES, THE BRITISH WILL REITERATE THEIR COMMITMENT TO FREE TRADE BUT OCCASIONALLY TAKE "PRAGMATIC" STEPS TO RESTRAIN DISRUPTIVE IMPORTS. THATCHER WILL ALSO DEFEND VIGOROUSLY BRITISH COMMERCIAL

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INTERESTS AND, IN THAT CONTEXT, OPPOSE THE EXTRATERRITORIAL EXTENSION OF U.S. LAW WHICH MIGHT UNDERMINE BRITAIN'S EXPORT SECTOR.

EC FINANCING WILL REMAIN A CENTRAL ISSUE DURING THATCHER'S SECOND TERM; WE EXPECT HOWE TO DEVOTE MUCH PERSONAL ATTENTION TO IT -- POSSIBLY AT THE EXPENSE OF OTHER FOREIGN POLICY ISSUES. THATCHER WILL BLOCK ANY PROPOSAL TO INCREASE THE COMMUNITY'S BUDGET RESOURCES UNTIL AGREEMENT ON A LONG-TERM FINANCIAL PROGRAM, WHICH MUST INCLUDE RESTRAINTS ON AGRICULTURAL SPENDING, IS REACHED.

10. EAST-WEST RELATIONS

ON EAST-WEST RELATIONS, THE BRITISH ARE LIKELY TO CONTINUE TO PLAY A LARGELY SUPPORTING ROLE, ENCOURAGING A RATIONAL EXAMINATION OF TACTICS AGAINST POLICY BACKGROUND CONSISTENT WITH OUR OWN. WHILE UNLIKELY TO COMPETE WITH THE GERMANS IN THE EAST-WEST DIALOGUE, THE BRITISH MAY SEEK A SLIGHTLY HIGHER PROFILE IN CONTACTS WITH THE SOVIETS THAN IN RECENT YEARS.

11. REMNANTS OF EMPIRE

FINALLY, BRITAIN'S NEW FOREIGN POLICY TEAM WILL HAVE TO SPEND CONSIDERABLE TIME ON THE REMNANTS OF EMPIRE -- THE "TRIGGER AREAS" AS THE BRITISH PRESS ARE CALLING THEM. WE EXPECT THESE TO BE MONITORED CLOSELY FROM DOWNING STREET. THE KEY PROBLEM AREAS WILL BE THE FALKLANDS, GIBRALTAR, BELIZE AND HONG KONG -- AND THEY WILL ALL CALL FOR A MORE NUANCED, DIFFERENTIATED AND FLEXIBLE APPROACH THAN THATCHER HAS SOMETIMES SHOWN IN THE PAST.

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12. OF THESE, THE MOST DIFFICULT AND POLITICALLY FRAUGHT IS PROBABLY THE FALKLANDS. THE FACT THAT "BRITISH" PEOPLE ARE INVOLVED GIVES THIS ISSUE POTENTIALLY MORE BITE IF THATCHER GETS IT WRONG. THERE IS RESTIVENESS AMONG BACKBENCHERS ABOUT "FORTRESS FALKLANDS" WHICH MOST M.P.S WE TALK TO BELIEVE IS UNTENABLE IN THE LONG RUN -- AND CONCERN ABOUT THE DRAIN ON DEFENSE RESOURCES. THERE IS ALSO THE PROBLEM OF BRITISH VULNERABILITY SHOULD ARGENTINA INCREASE HIT-AND-RUN MILITARY PRESSURE. NEVERTHELESS, THATCHER IS RESOLUTE, UNEASINESS ABOUT THE FALKLANDS IN PARLIAMENT IS INCHOATE AND THERE IS NO DOMESTIC PRESSURE FOR CHANGE. SO EVEN HERE, PROBLEMS -- FOR THE MOMENT AT LEAST -- ARE POTENTIAL RATHER THAN REAL.

13. IN SUM, THE FOREIGN POLICY PROSPECT FACING THATCHER AT THE BEGINNING OF HER SECOND TERM IS MUCH BRIGHTER THAN THAT SHE FACED FOUR YEARS AGO. SHE HAS THE TIME, THE VOTES, THE POLITICAL LATITUDE AND THE PRESTIGE TO CONTINUE PUTTING HER STAMP ON BRITAIN'S WORLD ROLE. LOUIS

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