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Prime Minister

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TO IMMEDIATE FCO

TELEGRAM NUMBER 485 OF 02 OCTOBER

INFO TO UKDEL NATO WASHINGTON

See highlighted passages
overleaf. A. J. C. 4/10

MJ

SECRETARY OF STATE'S VISIT TO CANADA: MEETING WITH CANADIAN FOREIGN MINISTER

1. MR PYM HAD TALKS ON 1 OCTOBER WITH MR MACEACHEN, BOTH ON THE LATTER'S AIRCRAFT DURING THE FLIGHT FROM NEW YORK AND FROM 1620 TO 1740 AT THE DEA. DISCUSSION ON THE AIRCRAFT CENTRED LARGELY ON EAST/WEST RELATIONS AND AT THE DEA ON BILATERAL RELATIONS.

EAST/WEST RELATIONS

2. THE MINISTERS DISCUSSED THE PROSPECTS FOR THE INFORMAL WEEKEND AT LA SAPINIÈRE. MR PYM SAID THAT DISCUSSION WOULD PROBABLY FOCUS ON EAST/WEST RELATIONS, DISARMAMENT AND CSCE, BUT NOT MUCH ON THE PIPELINE AS SUCH; IT WOULD BE BETTER TO THINK IN MORE GENERAL TERMS ABOUT GROUND RULES FOR EAST/WEST TRADE TO WHICH ALL COULD ADHERE. HE WOULD BE RAISING THE QUESTION OF WHETHER THE WEST WAS DOING ENOUGH FOR DEFENCE, AND WHETHER WE SHOULD BE GETTING BETTER VALUE FOR MONEY. AT MR SHULTZ'S FIRST NATO MEETING, THE EUROPEANS WOULD BE SEEKING TO PUT ACROSS THEIR PERCEPTIONS OF EAST/WEST RELATIONS. MR MACEACHEN SAID THAT HE WOULD WANT TO EMPHASISE THE CONNECTION BETWEEN THE DEFENCE AND ECONOMIC ASPECTS OF SECURITY, IN THE SENSE THAT ECONOMIC HEALTH WAS A PRE-CONDITION OF STRONG DEFENCE.

3. ON EAST/WEST RELATIONS, MR PYM SAID THAT IT WAS NOT HELPFUL THAT PRESIDENT REAGAN HAD TIED HIS PIPELINE ACTION TO THE SITUATION IN POLAND, WHICH WAS CLEARLY NO BETTER. OTHERS IN THE US TALKED ABOUT PUTTING PRESSURE ON THE USSR ECONOMY. WE NEEDED FIRST TO REACH A COMMON ASSESSMENT OF THE STATE OF THAT ECONOMY, THEN TO DECIDE WHETHER A POLICY OF BEARING DOWN ON IT WAS A SENSIBLE ONE; AND, FINALLY, TO DISCUSS HOW TO DO IT. HIS PERSONAL VIEW WAS THAT WHILE THE RUSSIANS HAD TREMENDOUS DOMESTIC PROBLEMS, THEY WERE NOWHERE NEAR COLLAPSE, AND ECONOMIC ACTION WOULD HAVE LITTLE EFFECT ON THEM. ALL OF THIS NEEDED DISCUSSION IN THE ALLIANCE. MEANWHILE THE AMERICANS SHOULD NOT TRY TO LAY DOWN THE LAW AS THEY HAD OVER THE PIPELINE, AND THE WEST SHOULD NOT DO ANYTHING TO MAKE LIFE MORE DIFFICULT FOR THE POLES. MR MACEACHEN SAID THAT IF THE WEST WAS NOT TRYING TO BRING THE SOVIET ECONOMY TO ITS KNEES, IT HAD TO ASK HOW IT COULD PURSUE SOME KIND OF UNDERSTANDING WITH THE SOVIET UNION. STAGNATION AND ABSENCE OF DIALOGUE WERE UNHEALTHY, AND BOUND TO PRODUCE A REACTION IN THE SOVIET UNION. IN POLAND, THE WEST HAD LAID DOWN CONDITIONS FOR A RETURN TO NORMAL ECONOMIC RELATIONS WHICH HAD NOT BEEN FULFILLED. HOW DID BRITAIN FEEL ABOUT DELINKING GOVERNMENTAL CREDITS FROM THESE CONDITIONS? THE BANKS WERE ALREADY RESCHEDULING THEIR CREDITS. MR PYM SAID THAT HE WAS NOT SURE THAT THE CONDITIONS HAD BEEN WISE IN THE FIRST PLACE. BOTH MINISTERS AGREED THAT THE PRESENT SITUATION, WHICH AMOUNTED TO 100% DE FACTO RESCHEDULING, WAS UNSATISFACTORY.

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4. MR PYM ARGUED THAT STRONGER CONVENTIONAL FORCES WERE THE MOST EFFECTIVE WAY OF RAISING THE NUCLEAR THRESHOLD. MR MACEACHEN EMPHASISED THE DIFFICULTIES IN MAINTAINING THE LEVEL OF THE CANADIAN DEFENCE EFFORT, IN THE FACE OF ECONOMIC PRESSURE AND PUBLIC SENTIMENTS IN FAVOUR OF DOING LESS. MR PYM COUNTERED THIS ROBUSTLY, AND STRESSED HOW IMPORTANT IT WAS FOR WESTERN GOVERNMENTS TO EXPLAIN THE NEED FOR INF MODERNISATION TO THEIR PEOPLE. MR MACEACHEN SAID THAT THE QUESTION OF NATO MEMBERSHIP WAS NO LONGER THE FOCUS OF DEBATE IN CANADA, WHICH NOW TENDED TO CONCENTRATE ON CANADA'S ROLE AND ON RESOURCES.

5. MR PYM SAID THAT THE ENTIRELY JUSTIFIABLE WESTERN REACTION TO EVENTS IN AFGHANISTAN AND POLAND DID NOT DESTROY THE CASE FOR MAINTAINING A DIALOGUE WITH THE SOVIET UNION, WHICH HE FOR ONE WAS ANXIOUS TO MAINTAIN. THE CSCE WAS RELEVANT HERE, AND THE WEST SHOULD APPROACH THE RESUMPTION OF THE MADRID TALKS FIRMLY BUT IN THE HOPE OF REACHING AGREEMENT. SHULTZ HAD APPEARED RECEPTIVE TO THIS LINE OF ARGUMENT, THOUGH HE HAD ARGUED THE NEED FOR A HARD HEADED APPROACH - WITH WHICH WE ENTIRELY AGREED. CSCE WAS IMPORTANT IN RELATION TO EUROPEAN SUPPORT FOR THE DEPLOYMENT OF CRUISE MISSILES, AND IMPROVING THE EAST/WEST ATMOSPHERE.

BILATERAL DISCUSSIONS

6. RESUMING THEIR DISCUSSION AT THE DEA, MR MACEACHEN ARGUED AND MR PYM AGREED THAT THE UK/CANADIAN RELATIONSHIP WAS BOTH CLOSE AND IN DANGER OF BEING ALLOWED TO DRIFT: THERE SHOULD BE AN INCREASE IN CONTACTS AT ALL LEVELS, OFFICIAL AS WELL AS MINISTERIAL. THEY AGREED THAT THEY SHOULD NOT SET UP ANY RIGID SCHEDULE OF MEETINGS, BUT THAT THEY SHOULD TRY TO STAY IN TOUCH BOTH BY MEETING MORE OFTEN IN THE MARGINS OF MULTILATERAL EVENTS AND BY RATHER MORE FREQUENT VISITS. OTHER MINISTERS WOULD ALSO HAVE A PART TO PLAY. MR MACEACHEN SAID THAT INCREASED CONTACT WAS MADE MORE NECESSARY BY THE CHANGES IN OUR RELATIONSHIP. THE OLD COMMONWEALTH WAS GONE, THE UK HAD MOVED CLOSER TO EUROPE, AND CANADA - INVOLUNTARILY - TO THE US. CANADA WOULD NOT WELCOME THE DEVELOPMENT, FOR EXAMPLE, OF A CLOSER RELATIONSHIP BETWEEN THE US AND THE COMMUNITY, AND COULD NOT AFFORD TO LOOSE TOUCH WITH WHAT WAS GOING ON. OUR DECISION ON STUDENT FEES HAD SEVERELY LIMITED ACADEMIC INTERCHANGE (MR PYM EXPLAINED THE POSITION NOW REACHED OVER THE OVERSEAS STUDENTS' TRUST). CANADA VALUED CULTURAL LINKS WITH BRITAIN AND THEY WONDERED WHETHER THEY NEEDED MORE CONSCIOUS CULTIVATION. THE UK/CANADA COLLOQUIUM AT LEEDS HAD BEEN A SUCCESS, THOUGH THE CANADIANS HAD BEEN DISAPPOINTED BY THE LEVEL OF UK PARTICIPATION: IT WAS NOW PLANNED TO HOLD A FURTHER SUCH COLLOQUIUM IN DALHOUSIE, NOVA SCOTIA, IN AUTUMN 1983. MR PYM WELCOMED THIS. MR MACEACHEN SAID THAT THE CANADIANS WOULD BE GIVING FINANCIAL SUPPORT TO THE COLLOQUIUM, AND HOPED THAT WE MIGHT CONSIDER DOING SO AS WELL. MR PYM UNDERTOOK TO EXAMINE THIS.

7. MR MACEACHEN RAISED THE ISSUE OF INDUSTRIAL AND SCIENTIFIC CO-OPERATION. HE WAS NOT PROPOSING A NEW CO-ORDINATING STRUCTURE, BUT THOUGHT THAT WE SHOULD CONSIDER WHETHER MORE GOVERNMENTAL OVERSIGHT WAS NEEDED. IT WOULD BE HELPFUL TO NOMINATE CONTACT POINTS ON EACH SIDE.

8. ON THE EC/CANADA FISHERIES AGREEMENT, THE CANADIANS EXPRESSED DISAPPOINTMENT AT THEIR ACCESS TO THE UK MARKET. MR PYM POINTED TO THE EXTREME SENSITIVITY OF FISHERIES ISSUES IN DOMESTIC AND COMMUNITY TERMS, BUT UNDERTOOK TO LOOK AT THE CANADIAN CASE.

9. MR MACEACHEN ASKED HOW WE ASSESSED THE PROSPECTS FOR AIRBUS. MR PYM SAID THAT THIS WAS INITIALLY A QUESTION FOR THE INDUSTRIALISTS

M. DE MONTIGNY MARCHAND SAID THAT ONE SCHOOL OF THOUGHT MAINTAINED THAT THE PROJECT COULD NOT STAND UP PURELY ON ITS COMMERCIAL MERITS, BUT THAT GOVERNMENTAL SUPPORT WAS JUSTIFIED BY THE SIDE BENEFITS (TECHNOLOGY, KNOW HOW, ETC.).

10. MR MACEACHEN RAISED THE QUESTION OF MOD TRAINING CHARGES, AT THE REQUEST OF THE CANADIAN DEFENCE MINISTER. CANADA WAS FEELING THE PAIN FROM MOD'S SWITCH TO FULL COSTS, AND MIGHT HAVE TO SHARE THE PAIN WITH US. OUR TRAINING ARRANGEMENTS WITH CANADA WERE ON A RECIPROCAL BASIS: THE BRITISH SIDE HAD CHANGED THE BASIS OF THEIR CHARGING AND THE CANADIANS HAD NOT DONE SO AS YET. THEY MIGHT HAVE TO CONSIDER WHETHER THIS SITUATION COULD CONTINUE.

OTHER ISSUES

11. MR PYM DESCRIBED THE STATE OF AFFAIRS IN RELATION TO BRITAIN AND ARGENTINA, AND THE IMPOSSIBILITY OF NEGOTIATING WITH THE ARGENTINES NOW. CANADA WAS LIKELY TO COME UNDER PRESSURE TO ENDORSE THE UN RESOLUTION CALLING FOR NEGOTIATIONS, WE HOPED THAT THEY WOULD AT WORST ABSTAIN. MR MACEACHEN PRESUMED THAT AT SOME STAGE BRITAIN WOULD WANT TO NEGOTIATE, OR AT LEAST TO RESOLVE THE FALKLANDS ISSUE IN A WAY WHICH PRODUCED STABILITY IN THE AREA. MR PYM SAID THAT IT WAS TOO EARLY TO SAY WHETHER NEGOTIATIONS WOULD EVER BE POSSIBLE: THE FIRST NEED WAS TO END HOSTILITIES AND TO ESTABLISH NORMAL RELATIONS WITH ARGENTINA AND NORMAL CONDITIONS IN THE ISLANDS. MR MACEACHEN SAID THAT HE QUITE ACCEPTED THAT NEGOTIATIONS WERE NOT A PRACTICABLE PROPOSITION NOW. HE WOULD LOOK AT THE LANGUAGE OF ANY UN RESOLUTION, BUT WE KNEW WHERE THE CANADIANS HAD BEEN ALL THROUGH THIS PERIOD.

12. THERE WAS A BRIEF DISCUSSION OF THE MIDDLE EAST, INCLUDING THE IRANIAN INITIATIVE AND THE FEZ SUMMIT, WHICH REVEALED NO SIGNIFICANT DIFFERENCES OF VIEW.

13. MR PYM SAID THAT HE WAS MAKING A POINT OF EMPHASISING THE IMPORTANCE OF THE COMMONWEALTH. MR MACEACHEN AGREED. HE SPOKE WARMLY OF THE COMMONWEALTH FINANCE MINISTERS' MEETING.

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14. MR PYM SAID THAT HE ATTACHED GREAT IMPORTANCE TO THE GATT MINISTERIAL MEETING, WHICH MUST PUT ITS FULL WEIGHT BEHIND THE STRUGGLE AGAINST PROTECTIONISM. MR MACEACHEN WONDERED HOW FAR THE MEETING WOULD BE ABLE TO GO. THE AMERICANS WERE PUTTING FORWARD AMBITIOUS IDEAS ON SAFEGUARDS, TECHNOLOGY, SERVICES AND THE SETTLEMENT OF DISPUTE. M. THORN, ON THE OTHER HAND, WAS URGING A MORE MODEST APPROACH. THE MEETING WOULD HAVE TO BE CAREFULLY PREPARED WITH A CLEAR VIEW OF WHAT COULD BE ACCOMPLISHED.

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