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DESKBY 060830Z

FM OTTAWA 052249Z JUL 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 399 OF 5 JULY

INFO SAVING TO WASHINGTON AND CANADIAN POSTS

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MY TELNO 388 AND SAVINGGRAM NO 03: CANADA: THE TURNER ADMINISTRATION

SUMMARY

1. TURNER HAS FAILED, IN HIS FIRST DAYS, TO PROVIDE A STRIKING IMPRESSION OF CHANGE. LESS THAN A WEEK AFTER TAKING OFFICE, HE HAS EVEN LESS ROOM FOR MANOEUVRE THAN HE MAY HAVE HOPED WITH A FALLING DOLLAR AND RISING INTEREST RATES, AND THE TIMETABLE FOR POSSIBLE ELECTIONS GETTING TIGHTER. HE IS COMING TO LONDON THIS WEEKEND TO SEE THE QUEEN ABOUT HER FORTHCOMING VISIT, AND IS WIDELY EXPECTED TO TELL HER THAT HE PLANS TO CALL AN EARLY ELECTION.

DETAIL

2. THERE IS LITTLE SIGN SO FAR OF THE NEW BROOM TURNER WAS EXPECTED TO WIELD. BY RETAINING SO MANY OF TRUDEAU'S MINISTERS AND GIVING THEM THE SAME PORTFOLIOS, HE HAS LEFT HIS CABINET OPEN TO ATTACK AS YESTERDAY'S MEN, AND THE ARCHITECTS OF THE PRESENT DISORDERS. HE HAS ONLY ABOLISHED TWO DEPARTMENTS SO FAR - SMALL CO-ORDINATING ONES FOR SOCIAL DEVELOPMENT AND ECONOMIC AND REGIONAL DEVELOPMENT. ON THE PLUS SIDE, HE HAS SET HIS MINISTERS TO WORK STRAIGHT AWAY - CHRETIEN IS TO VISIT JAPAN THIS WEEKEND - AND HE HAS GIVEN THEM THE STRONG FEELING THAT THEY WILL HAVE TO PERFORM TO SURVIVE.

3. ON THE SERIOUS LONG TERM ECONOMIC PROBLEMS HE FACES - A MASSIVE BUDGET DEFICIT AND HIGH UNEMPLOYMENT - PLEASE SEE PARAGRAPH 12 OF SAVINGGRAM NO 03. TO THESE HAVE NOW BEEN ADDED THE IMMEDIATE PROBLEM OF A FALLING DOLLAR - DOWN TWO PER CENT IN THE THREE WEEKS SINCE HE WON THE LEADERSHIP - AND RISING INTEREST RATES WHICH VISIBLY THREATEN CANADA'S PATCHY ECONOMIC RECOVERY AND CONTROL OF INFLATION.

4. TO HELP THE DOLLAR HE SHOULD SPEAK FIRMLY ABOUT REDUCING THE DEFICIT: BUT PRECISION ABOUT HOW THAT WOULD BE ACHIEVED COULD BE ELECTORALLY EXPENSIVE. IN GOVERNMENT, CONTINUED IMPRECISION WILL BE HARD TO SUSTAIN. THE TEMPTATION MUST BE TO HEAD FOR THE HUSTINGS, AND HOPE TO GET AWAY WITH RHETORIC AND OBFUSCATION. IF HE WAITS FOR NOVEMBER, HE COULD COLLECT A LOT OF TROUBLE AND A LOT OF BLAME.

5. MEANWHILE TWO POLLS CONDUCTED BY THE LIBERALS ARE REPORTED TO SHOW THEM LEADING BY FIVE PER CENT, AND TO HAVE STRENGTHENED THE HAND OF THOSE CALLING FOR AN EARLY ELECTION. TURNER HAS ANNOUNCED THAT HE WILL STAND IN BRITISH COLUMBIA: THIS MAY BALANCE DISAPPOINTMENT AT HIS DROPPING WESTERN SENATORS FROM THE CABINET, BUT NOT FOR LONG - A POSSIBLE POINTER IN THE SAME DIRECTION.

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6. WE HAVE BEEN TOLD IN CONFIDENCE THAT THERE WILL BE A PRESS ANNOUNCEMENT TOMORROW (FRIDAY) THAT TURNER IS GOING TO LONDON THIS WEEKEND TO DISCUSS WITH THE QUEEN HER FORTHCOMING VISIT (DUE TO START ON 14 JULY), AND THAT TURNER WILL DECLINE TO COMMENT FURTHER UNTIL HE HAS RETURNED TO OTTAWA. HE HAS ALSO ASKED TO PAY A COURTESY CALL ON THE PRIME MINISTER (SEPARATE TELEPHONE CONVERSATIONS WITH N.A.D.).

7. THE ANNOUNCEMENT HAS BEEN PRECEDED BY A RASH OF STORIES IN THE PRESS, DISMISSED BY TURNER AS SPECULATION, SUGGESTING THAT HE WAS GOING TO SEE THE QUEEN. SOME SUGGEST THAT HE MIGHT ASK HER TO FULFILL HER VISIT DESPITE AN ELECTION IN LATE AUGUST OR EARLY SEPTEMBER, TO SEND ANOTHER MEMBER OF THE ROYAL FAMILY OR TO RESCHEDULE HER VISIT FOR THE AUTUMN. THE DIFFICULTIES ARE SPELLED OUT.

BAKER

STANDARD (PALACE)

NAD

CAB. OFF.

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