



10 DOWNING STREET

From the Private Secretary

30 April 1985

Prime Minister's Meeting with the Prime Minister of Canada
at 10 Downing Street on 30 April at 1130

The Prime Minister met the Prime Minister of Canada this morning. Mr. Mulroney was accompanied by the Canadian High Commissioner, Mr. Roy (Principal Private Secretary) and Mr. Fowler. The Foreign Secretary and Sir Derek Day were also present.

Canada: Political and Economic Developments

The Prime Minister invited Mr. Mulroney to tell her about the prospects for the Canadian economy. Mr. Mulroney said that he would be presenting his first budget on 20 May. The effect of this would be to reduce the rate of growth of public expenditure to the lowest level for 17 years, though overall such expenditure would still remain far too high.

Mr. Mulroney continued that the factor which would make the biggest single contribution to restoring Canada's economic growth would be a reduction in interest rates stemming from a reduction in the United States budget deficit. Beyond this, an attitudinal change was needed in Canada. Canadians had to be persuaded that free lunches were no longer available and that Canada's allies and friends did not owe her a living. Canadian productivity had declined steadily over the past 25 years. All the while his predecessor had floated round like a combination of Gandhi and Pope Paul, nurturing Canadians' illusions.

The Prime Minister commented that the key problem to be tackled was unemployment. This had many causes. One was the absence in Europe of a spirit of entrepreneurship. We had to make it possible for the formation of small businesses to contribute to reducing unemployment in the same way as the United States. Another problem was that the level of social security payments came close to offering an

incentive to stay out of work. Progress was needed on removing restrictive practices, pursuing the reform of trade union law, abolishing planning controls, and reducing regulations generally.

Bonn Economic Summit

Mr. Mulroney said that he would welcome the Prime Minister's advice about the forthcoming Economic Summit which would be his first. The Prime Minister said that the first session on 3 May would be between Heads of Government only. It would deal with the proposed political declaration. It would probably also start on the discussion of economic issues. Foreign policy matters would, if the normal pattern were followed, be discussed during meals. There was certain to be some discussion of the US deficit. It would be important for the United States and Canada to prevent any move to pillory President Reagan. The best course would be to welcome the action which he was already taking to reduce the deficit and to encourage him further along these lines. The main themes in the economic discussion would be inflation, unemployment, protectionism and Third World debt. It seemed clear that the French intended to link the question of a date for the opening of a new round of multilateral trade negotiations with a commitment to an international conference on monetary reform. She had been disappointed to see that the United States seemed ready to envisage such a conference.

The Prime Minister continued that there would almost inevitably be some degree of confrontation between the United States and France. Mr. Mulroney commented that his own conversation with President Mitterrand in Moscow confirmed this expectation. Mitterrand had taken the line that there was nothing wrong with the French economy and that the economic problems of Western Europe stemmed from the artificial strength of the United States dollar. The Prime Minister said that she thought that President Reagan would argue in reply that the Europeans were positively encouraging unemployment by some of their policies. He would criticise the structural rigidities of European economies and urge the need for deregulation and reform of social security systems. These matters would certainly need to be discussed in Bonn. Mr. Mulroney's point about the importance of lower interest rates would certainly also come up. She detected signs of greater awareness in the United States, particularly in Secretary Shultz's Princeton speech, of the implications for other economies of the high US dollar. She would much prefer a lower dollar and lower interest rates to the short term export opportunities offered by an artificially high dollar. Mr. Mulroney said that there could be no real reduction in the US deficit unless President Reagan were prepared to cut defence

expenditure. He would simply have to be more selective in the instruments of defence. The Prime Minister agreed that the rate of growth of defence expenditure in the United States would have to diminish. But she did not think that President Reagan would allow himself to be put in the dock at Bonn. He would point to the growth in world trade which had taken place over the past year and the opportunities offered to other countries by the growth of the United States economy, and would suggest that it was now up to others to take action to achieve similar growth.

US/Canada Relations

Mr. Mulroney said that he wanted to dispel any possible misunderstanding on one important point. It was being said in some newspapers that his Government was rebuilding Canada's relations with the United States at the expense of her relations with the European allies. This was nonsense. The first action which his Government had taken had been to commit additional troops to Europe. The Prime Minister said that she saw no need for sensitivity on this point. She had been delighted to see action being taken to restore Canada's relations with the United States.

Central America

Mr. Mulroney said that the risk of American military intervention in Central America was of some concern in Canada. There would certainly be no support for it. But he had been much reassured by a recent conversation with President Reagan in which the latter had assured him that the United States would not contemplate military action in Central America. The Prime Minister commented that she had not previously heard such a categorical statement from the President of his intentions.

Strategic Defence Initiative

Mr. Mulroney said that Canada supported US research into the Strategic Defence Initiative within the parameters of the ABM Treaty. However, he felt that the United States Administration had handled its allies clumsily on the issue. Mr. Weinberger's ultimatum on participation in research had been offensive. He had also been provocative on Canadian television about the possibility of deploying SDI related weapons on Canadian soil without even consulting the Canadian Government. The Prime Minister agreed that the Americans had been insensitive though they had now dropped the 60 day deadline for responding to their offer of participation in SDI research. The Four Points on which she and President Reagan had agreed at Camp David in December had been invaluable in tying the US Administration to the position that a decision to deploy ballistic missile

defences would be subject to negotiation under the ABM Treaty. Although statements by some members of the US Administration implied a readiness to consider abrogating the ABM Treaty she did not believe that this was President Reagan's view. It would be very difficult for the US to justify to its own public opinion a decision to abrogate an international treaty.

The meeting ended at 1300 hours.

I am copying this letter to Rachel Lomax (HM Treasury), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

(C.D. Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

D. J. Clark.

LIST OF GUESTS ATTENDING THE DINNER TO BE GIVEN BY THE
PRIME MINISTER IN HONOUR OF THE PRIME MINISTER OF CANADA AND
MRS. MULRONEY ON TUESDAY, 30 APRIL 1985 AT 8.15 PM FOR 8.30 PM
BLACK TIE

The Prime Minister

Canadian Suite

Rt. Hon. Brian Mulroney, PC, MP
and Mrs. Mulroney

His Excellency the Canadian High Commissioner
and Mrs. McMurtry

Mr. Bernard Roy
and Mrs. Roy

Principal Secretary to the
Prime Minister of Canada

Mr. Sam Waki

lawyer from Toronto

Mr. Edward Cogan

lawyer from Toronto

HM Government

Rt. Hon. Sir Geoffrey Howe, MP
and Lady Howe

Rt. Hon. Leon Brittan, MP
and Mrs. Brittan

Rt. Hon. Nigel Lawson, MP
and Mrs. Lawson

Rt. Hon. Michael Heseltine, MP
and Mrs. Heseltine

Rt. Hon. Norman Tebbit, MP

Rt. Hon. Adam Butler, MP
and Mrs. Butler

visited Canada 21-24 April

Opposition

Rt. Hon. Peter Shore, MP

SDP

Rt. Hon. Dr. David Owen, MP
and Mrs. Owen

Conservative MPs

Sir Anthony Kershaw, MP
and Lady Kershaw

Chairman, Foreign Affairs
Committee

Mr. Anthony Nelson, MP
and Mrs. Nelson

Chairman, British-Canadian
Parliamentary Group of the CPA

Church

The Right Reverend The Lord Bishop of Chichester
and Mrs. Kemp

House of Lords

The Earl of Bessborough and The Countess of Bessborough Active in Shakespear Festival of Western Canada. Interest in Anglo-Canadian scientific and technological collaboration

Industry

Admiral Sir Raymond Lygo
and Lady Lygo

Managing Director, British Aerospace

Sir Clive Sinclair

Chairman, Sinclair Research Ltd. likely exhibitor at Expo '86 in Vancouver

Sir Peter Walters
and Lady Walters

Chairman, British Petroleum. Has extensive oil and mining interests in Canada

Sir Alistair Frame
and Lady Frame

Chairman, Rio Tinto Zinc Corporation. RTZ has a controlling interest in two major Canadian mines

Mr. Graham Day
and Mrs. Day

Chairman, British Shipbuilders. Mr. Day is Canadian. There is potential business in Canada for British shipbuilders

Mr. Sydney Mason
and Mrs. Mason

Chairman and Managing Director Hammerson Group

Mr. Ian Anderson
and Mrs. Anderson

Manager, Ore and Mineral Supplies, British Steel Corporation

Mr. Roy Faibish
and Mrs. Faibish

Special Adviser, Broadband Services, British Telecom Cable

Finance

Sir Timothy Bevan
and Lady Bevan

Chairman, Barclays Bank plc. Largest British bank in Canada

Professor Christopher Foster
and Mrs. Foster

Coopers & Lybrand Associates

Media

Rt. Hon. William Deedes
and Mrs. Deedes

Editor, Daily Telegraph

Mr. Charles Douglas-Home
and Mrs. Douglas-Home

Editor, The Times

Mr. David Frost
and Lady Carina Frost

Arts

Major General Desmond Smith
and Mrs. Belle Shenkman

Mrs. Shenkman is a major promoter of Anglo-Canadian cultural affairs (especially Royal Ballet tours of Canada and tours in UK by Canadian ballet companies). Her husband is a distinguished Canadian former soldier and a director of many companies. Mrs. Shenkman uses her former married name

Mr. Ian McKellan

Actor. Director of one of the National Theatre's five acting companies. The National Theatre may be performing during Expo '86 in Vancouver

Officials

Sir Robert Armstrong

Sir Antony Acland

Sir Derek Day

HM High Commissioner, Ottawa

10 Downing Street

Mr. Bernard Ingham
and Mrs. Ingham

Mr. Charles Powell
and Mrs. Powell

VISIT OF THE RT HONOURABLE BRIAN MULRONEY PRIME MINISTER OF
CANADA AND MRS MULRONEY

28 April - 1 May

Administrative Plan (to be read in conjunction with the
programme)

Sunday 28 April

Arrival

When the aircraft doors open a representative of the British
Airport Authority will accompany the greeting party to the
aircraft. The Canadian High Commissioner and Mrs McMurtry
will board the aircraft and escort the Prime Minister and
Mrs Mulroney to the tarmac where the visitors will be
welcomed by:

The Rt Hon The Baroness Young Minister of State for the
Foreign & Commonwealth
Office

Sir Derek Day The British High
Commissioner of Ottawa

Mr Paul Lapointe The Canadian Deputy High
Commissioner

Brigadier General
Christopher B Snider Commander and Canadian
Defence Adviser

Brigadier Alan Cowan Secretary Government
Hospitality

Group Captain Anthony O'Neill Escort Government
Hospitality

The Hon Diana Makgill Lady Ceremonial Officer

Transport

Cars are provided throughout the official programme. Car
plan is at Annex 1.

APRAAK

Mrs Mulroney will be accompanied throughout her separate programme by the Hon Diana Makgill.

The Official Suite will accompany The Prime Minister throughout his programme with the following exceptions:

Monday 29 April

Luncheon given by His Excellency The High Commissioner for Canada

The Prime Minister will be accompanied by Dr Doucet and Mr Norquay.

Visit to the London International Financial Futures Exchange

The Prime Minister will be accompanied by Mr McMurtry, Mr Pristanski and Mr Fox.

Apollo Theatre: Starlight Express

The Prime Minister and Mrs Mulroney will be accompanied by Mr and Mrs McMurtry.

Tuesday 30 April

Westminster Abbey

The Prime Minister will be accompanied by Mr McMurtry, Mr Roy, Dr Doucet and Mr Fowler.

Talks with the Prime Minister The Rt Hon Margaret Thatcher MP

The Prime Minister will be accompanied by Mr McMurtry, Mr Roy, Dr Doucet and Mr Fowler.

Dinner given by HMG, hosted by the Prime Minister The Rt Hon Margaret Thatcher MP

The Prime Minister and Mrs Mulroney will be accompanied by Mr and Mrs McMurtry and Mr and Mrs Roy.

Wednesday 1 May

Call on Her Majesty Queen Elizabeth The Queen Mother

The Prime Minister and Mrs Mulroney will not be accompanied.

Luncheon given by Her Majesty The Queen

The Prime Minister and Mrs Mulroney will not be accompanied.

APRAAK

Anne Morrison

Anne Morrison (Mrs)
Protocol Department

DISTRIBUTION

Canadian High Commission (20)

10 Downing Street

PS (1)
Press Secretary (2) Mr Joce (1)

Foreign and Commonwealth Office

Private Secretary (2)
PS/Lady Young (2)
PS/Mr Renton
PS/PUS
Mr Derek Thomas
Mr David Thomas (1)
Sir W Harding (1)
M Fowler NAD
Miss Hughes NAD (6)
News Department (3)
Resident Clerk (1)
Protocol Department (6)
GHF (20)
Heads of Missions (2)

Buckingham Palace

Mr Fellowes (1)
Mr Hancock (1)

Clarence House

Lt Col Sir Martin Gilliat (1)

APRAAK

CAR PLANS

Annex 1

SUNDAY 28 APRIL

London Heathrow Airport to Inn on the Park

Car 1	The Prime Minister Mrs Mulroney Special Branch Officer
Car 2	Special Branch Officer Special Branch Officer Inspector Beaulieu
Car 3	Sir Derek Day Group Captain O'Neill The Hon Diana Makgill Inspector Theriault
Car 4	Mr Fox Mr Bregg
Car 5	Mr Pristanski Miss Brownlee Mr Lortie
Car 6	His Excellency Mr McMurtry Mrs McMurtry
Car 7	Mr Roy Mrs Roy Mr Doucet
Car 8	Mr Lapointe
Car 9	Mr Norquay Mr Fowler Mr Molgat
Car 10	Mr Richardson Mr Ohrt

Car 11 Mr Godbout
 Miss Charron
 Miss Boucher

Car 12 Mr Gratton
 5 Canadian Media Representatives

Car 13 Mr McRob
(Luggage Car)

Car 14 Mr Johnstone
 Mr Horner

Car plans for the remainder of the visit will be arranged between the escort officers, Special Branch and the delegation. Car 3 will be available for Mrs Mulroney whenever required during the visit.

FROM: J A Shepherd ,ECD(E)

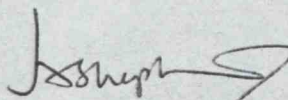
DATE: 30 April 1985

PS

EC/Canada : *Beef*

1. The Foreign Affairs Council this morning in Luxembourg agreed a declaration which notes that the Community would have no choice but to proceed with retaliatory measures if Canada does not confirm in the next few days arrangements for re-opening the Canadian market for Community beef and veal exports during 1985. The text is enclosed. The UK argued against making this declaration but was voted down.

2. The Canadian Prime Minister may raise this today. If he does so the Secretary of State will wish to emphasise that the UK was isolated in opposing the declaration. A majority of Member States now favour retaliation and it should be clear to the Canadians that if no acceptable offer is made soon the Community will very soon move to retaliation.



J A Shepherd

The Council took note of the fact that consultations about an increased quota for imports of beef from the Community into Canada had not yet been concluded because of delays in the formulation of the position of the Canadian Government. It was also informed of measures adopted by the Canadian authorities to accept certain types of high-quality beef.

The Council expressed its serious concern at the continuing delay in reaching an arrangement which would reopen the Canadian market for Community exports during 1985. It noted that unless a formal Canadian confirmation of the arrangements that had been informally worked out was made in the next few days the Community would have no other choice than to proceed with retaliatory measures in accordance with the provisions of GATT.

To this end the Council instructed the relevant Community bodies (COREPER and 113 Committee) to examine urgently the Commission's proposal in COM (85) 108 final.

PRIME MINISTER'S MEETING WITH MR MULRONEY, 30 APRIL

1. Economic Summit. Need for agreement on date for new GATT round. How to get round French obstacle on international monetary conference? US motives for suggesting monetary conference. Prospects for US economy?
2. East/West. Gorbachev's priority is clearly to get his own men in place and grapple with the economy. But signs too of more skilful approach on foreign affairs, playing on public opinion in the West. Interested to hear account of Mr Clark's visit to Moscow and Ceausescu's to Ottawa.

Ottawa CSCE meeting on human rights important: must call for better Soviet implementation.

Prospects for dialogue with East Europe without jeopardizing position on essentials.

/PTO

3. Alliance. Welcome increased commitment to NATO and ~~agreement on Northern Warning System~~. Also ~~decision~~ to participate in MFO in Sinai. But intentions on defence expenditure?

4. SDI. Key is to encourage US to stick to declared intention to abide by ABM Treaty. UK intends to participate in research, though more details needed of what is on offer.

5. UK/Canadian Relations. Share Mr Mulroney's wish to revitalise relations. Suggest officials draw up agreed note of possible steps and present to Foreign Ministers.

6. Rapier. Very disappointed to hear that Rapier not on your short-list for low-level air defence. Battle-proven weapon. MOD-funded improvement programme will ensure effectiveness beyond 2000.

7. Unitary Taxation. Hope he will join us in urging US to resolve issue this year. Serious risk that repeal will not pass in California. Vital to engage President Reagan personally.

8. Commonwealth Caribbean. We've recently provided additional £1.6 million to enable East Caribbean islands to maintain patrol boats. Hope Canada will maintain its commitments in the region.

9. Seals. Strong public feeling in UK. Hope Canadian Royal Commission will report soon. Likely to be necessary to extend ban.

10. Pensions. No prospect of necessary finance at present. Any agreement will need to be reciprocal.

/PTO

11. Commonwealth. Hope to work closely at CHOGM, particularly on Southern African questions.

12. IDU. Does he propose to attend the meeting in Washington at end July? You are not yet committed.

PRIME MINISTER

Meeting with Mr Mulroney

He is coming for talks tomorrow from 1130 to 1245. I attach some cards and notes for a speech at dinner tomorrow night. You have already been through the briefs.

I also enclose the record of your talk with Mr Mulroney in Moscow in March.

C.D.P.

29 April 1985

You have read the briefs, but ought if possible to look at the speech notes : and the record of your last meeting.

C.D.P.



Foreign and Commonwealth Office

Prime Minister

London SW1A 2AH

Rather extensive briefing
for Mr Mulroney. In addition
to the subjects listed, he
wants to talk about attendance

26 April 1985

at the IDU meeting in Washington in July
Dear Charles, (I believe he is still undecided)

Visit of the Canadian Prime Minister

C.D.P.

I enclose a brief for the Prime Minister's meeting with
Mr Mulroney on 30 April; Mr Mulroney's programme; personality
notes and a press line on which you may wish to draw for any
statement Mrs Thatcher may make after the talks.

Our main objectives are to consolidate an already good
relationship with the leader of Canada's new Progressive
Conservative Government, to discuss Bonn Summit issues and
generally maintain and strengthen relations with Canada.
In this connection I also enclose a memorandum on Anglo-
Canadian relations, prepared in response to the Prime Minister's
instructions conveyed in your letters of 9 July and
6 August 1984.

Mr Mulroney's Government is conducting a full review of
foreign and defence policies (due for consideration in June
and September respectively). Current preoccupations are
summarised in Sir Derek Day's telegram number 244 attached).
Mr Mulroney has taken steps to meet his commitment to strengthen
Canada's performance in NATO, but seems inclined to see Europe
as declining in importance to Canada, both as a market and
trading partner and politically. His main overseas preoccupation
is Canada's relationship with the USA.

Mr Mulroney's programme has been kept light at Canadian
request: partly to enable Mr Mulroney to relax and to brief
himself before the Summit, but also because Mrs Mulroney is
expecting their fourth child in September. The Prime Minister
should be aware that an invitation was conveyed to Mr Mulroney
by Mr Anthony Nelson MP, Chairman of the British-Canadian
Parliamentary Group, to address an all-party meeting of
Members of both Houses of Parliament, and to call on the Lord
Privy Seal and the Speaker. The Canadians declined the
invitation. We do not know whether Mr Mulroney was personally
consulted or whether the decision was made by his Principal
Secretary, Mr Roy, who is a close personal friend of
Mr Mulroney and has considerable delegated executive authority.

/You