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ADVANCE COPY

INTRODUCTORY CALL ON PRIME MINISTER

SUMMARY

1. FRIENDLY INTRODUCTORY CALL ON MULRONEY, WITH SOME POINTS OF SUBSTANCE ON CHOGM.

DETAIL

BILATERAL

2. I CALLED ON THE PRIME MINISTER ON THE AFTERNOON OF 10 OCTOBER, AND HAD JUST OVER HALF AN HOUR WITH HIM. I WAS UNACCOMPANIED, BUT MS DOYLE (PRIVY COUNCIL OFFICE) SAT IN ON THE CANADIAN SIDE AND TOOK THE OCCASIONAL NOTE.

3. I PASSED ON AND MULRONEY WARMLY RECIPROCATED GOOD WISHES FROM THE PRIME MINISTER AND YOURSELF. MULRONEY LOOKS FORWARD TO SEEING YOU AT CHOGM, AND COMMENTED THAT YOUR TALKS WITH JOE CLARK SEEMED TO HAVE GONE VERY WELL. HE ALSO LOOKS FORWARD TO AN OPPORTUNITY FOR A WORD IN THE MARGINS (PERHAPS AT THE RETREAT) WITH THE PRIME MINISTER. HE IS BEGINNING TO THINK ABOUT HIS VISIT TO THE SOVIET UNION (FROM 20 TO 25 NOVEMBER) AND AID TO POLAND IS ANOTHER SUBJECT CURRENTLY VERY MUCH AT THE TOP OF THE IN-TRAY.

4. ON BILATERAL RELATIONS, MULRONEY SAID THAT WE OCCASIONALLY HAD OUR DIFFERENCES BUT THE UNDERLYING RELATIONSHIP WAS VERY CLOSE AND GOOD ONE. HE SPOKE WITH GREAT WARMTH ABOUT HIS ADMIRATION FOR THE PRIME MINISTER AND FOR WHAT SHE HAD ACHIEVED IN OFFICE, AND THE IMPORTANCE HE ATTACHED TO HIS CLOSE RELATIONSHIP WITH HER, EVEN WHEN, ON OCCASION, THEY DISAGREED.

IRA AND TERRORISM

5. MULRONEY THEN WENT ON TO EXPRESS AN OPPOSITION TO THE IRA WHICH HE CLAIMED TO BE SECOND IN VIGOUR ONLY TO MRS THATCHER'S. HE CONFIRMED THAT HE INTENDING TO VISIT IRELAND, BUT DID NOT APPEAR TO HAVE DECIDED UPON THE DATE. HE ONLY WISHED THAT HE COULD DO MORE TO HELP ABOUT THE IRA. I SAID THAT WE VERY MUCH WELCOMED THE STEPS WHICH THE CANADIANS WERE TAKING TO TRAIN THE GARDA. I WOULD KEEP IN CLOSE TOUCH WITH HIS PEOPLE ON IRA MATTERS AND ON TERRORISM MORE

GENERALLY, AND SUGGESTED THAT IT MIGHT BE USEFUL FOR ME TO COME IN AND HAVE ANOTHER WORD IN THE RUN-UP TO MULRONEY'S VISIT TO IRELAND. HE AGREED THAT THIS MIGHT BE HELPFUL, AND STRUCK ME AS BOTH OPEN TO IDEAS AND GENUINELY WILLING TO HELP.

SOUTH AFRICA AND CHOGM

6. I INTRODUCED THE QUESTION OF SOUTH AFRICA AND SANCTIONS IN RELATION TO CHOGM, MAKING IN ESSENCE FOUR POINTS:

- (I) THERE WAS NO DIFFERENCE BETWEEN US ABOUT APARTHEID
- (II) THE QUESTION OF WHAT BEST TO DO ABOUT IT NEEDED TO BE LOOKED AT IN THE WIDER CONTEXT OF SOUTHERN AFRICA, WHERE THERE HAD ALREADY BEEN POSITIVE DEVELOPMENTS AND WHERE MORE NEEDED TO BE ENCOURAGED. THE INK WAS NOT YET DRY ON THE NAMIBIA SETTLEMENT, AND WE SHOULD DO NOTHING THAT MIGHT MAKE IT HARDER TO SECURE PROPERLY CONDUCTED ELECTIONS AND A STABLE GOVERNMENT THEREAFTER. WE NEEDED ALSO TO BUILD ON PROGRESS AS FAR AS SOUTH AFRICAN DESTABILISATION OF NEIGHBOURING COUNTRIES WAS CONCERNED AND, MORE GENERALLY, TO DO ALL WE COULD TO SHORE UP ECONOMIES WHICH WERE STILL FRAGILE TO SAY THE LEAST SEMI COLON
- (III) DE KLERK HAD ALREADY MADE A NUMBER OF THE RIGHT NOISES. IT WOULD TAKE A LITTLE TIME BEFORE WE COULD SEE HOW FAR HE WAS ABLE TO TRANSLATE THEM INTO PRACTICE. THE FACT THAT HE RECOGNISED THAT CHANGE WAS NECESSARY, NOT LEAST IF SOUTH AFRICA WAS TO SUCCEED IN RAISING INVESTMENT FUNDS FROM FOREIGN BANKS WAS HELPFUL BACKGROUND PRESSURE, BUT WE MUST BE CAREFUL ON THE POLITICAL SIDE NOT TO PRODUCE THE SORT OF HEADLINES WHICH MIGHT PROVE COUNTER-PRODUCTIVE SEMI COLON AND
- (IV) THE MESSAGE WE WERE GETTING MORE AND MORE CLEARLY FROM BLACKS IN SOUTH AFRICA WAS THAT THEY WERE NOT IN FAVOUR OF SANCTIONS IF SANCTIONS WOULD ADVERSELY AFFECT THE PROSPECTS FOR EMPLOYMENT.

7. MULRONEY RESPONDED MOST POSITIVELY TO THE FIRST TWO POINTS. HE RECOGNISED BOTH THAT THE PRIME MINISTER WAS AS STRONGLY OPPOSED TO APARTHEID AS SHE WAS TO SANCTIONS, AND THAT THERE HAD BEEN POSITIVE DEVELOPMENTS. WHEN THE COMMONWEALTH HAD MET IN NASSAU FOUR YEARS AGO NO-ONE WOULD HAVE BELIEVED THE AMOUNT OF PROGRESS WHICH WE COULD NOW SEE IN ANGOLA/NAMIBIA AND, INDEED, IN SOME OF THE THINGS WHICH DE KLERK WAS SAYING AND DOING IN SOUTH AFRICA: HE SEEMED COMMITTED TO CHANGE. MULRONEY AGREED ALSO THAT THERE WAS A NEED FOR CONTINUING ECONOMIC AID TO THE FRONT LINE STATES, WHERE BRITAIN AND CANADA HAD A GOOD RECORD. BUT HE WAS RELUCTANT TO BE PINNED DOWN IN ANY WAY ON WHAT CHOGM MIGHT DO OR SAY ABOUT SANCTIONS. THE MESSAGE WAS THE FAMILIAR ONE: SANCTIONS (THOUGH NOT SANCTIONS ALONE) HAD HAD A USEFUL PART TO PLAY IN BRINGING IT ACROSS TO THE SOUTH AFRICANS THAT CHANGE

WAS NECESSARY: CANADA HAD PLAYED ITS PART, INCLUDING AT AN EARLIER STAGE IN GETTING THE AMERICANS TO LOOK MORE FAVOURABLY AT SANCTIONS: BUT HE WAS NOT IN THE BUSINESS OF PREACHING MORALITY TO ANYBODY. HE GAVE THE IMPRESSION THAT HE WOULD NOT BE LEADING CRUSADES AT CHOGM, BUT THAT NEITHER WOULD HE BE VERY ACTIVE IN RESISTING WHAT MIGHT COME FROM OTHERS.

COMMONWEALTH SECRETARY-GENERALSHIP

8. MULRONEY ASKED WHETHER THERE HAD BEEN ANY CHANGE IN OUR POSITION ON THE SUCCESSION TO RAMPHAL. I SAID THAT WE WOULD BE HAPPY WITH EITHER CANDIDATE. MULRONEY SAID THAT HE WAS COMMITTED TO HAWKE TO SUPPORT FRASER, ON THE CLEAR UNDERSTANDING THAT HAWKE WOULD WITHDRAW HIM IF HE DID NOT HAVE THE NECESSARY VOTES.

HONG KONG

9. MULRONEY CONCLUDED BY UNDERLINING ONCE AGAIN HIS VIEW THAT HONG KONG WAS NOT A PROBLEM FOR BRITAIN ALONE: AN INTERNATIONAL EFFORT WAS REQUIRED IF THE NECESSARY CONFIDENCE WAS TO BE MAINTAINED. IF THE SUBJECT AROSE AT CHOGM HE WOULD BE PREPARED TO MAKE THIS VERY CLEAR. I THANKED HIM, AND SUGGESTED THAT THIS WAS A SUBJECT ON WHICH WE SHOULD KEEP IN CLOSE BILATERAL TOUCH WITH THE CANADIANS: A CRUCIAL ELEMENT WAS TO FIND WAYS OF PERSUADING THE KEY PEOPLE TO STAY ON.

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CANADA - A VALEDICTORY

The British High Commissioner in Ottawa to the
Secretary of State for Foreign and Commonwealth Affairs

SUMMARY

1. Because of the importance of British interests here, we should continue to pay Canada high-level attention. The Canadian economy has been growing rapidly; so too have our exports. Thanks to the re-organisation of our commercial work in Canada and the appointment of a Toronto-based Director of Trade Promotion and Investment, we are well placed to take advantage of future opportunities. There are still opportunities for us in the defence sales field, although Canada's decision not to proceed with the acquisition of nuclear-powered submarines dashed our hopes of winning a very large contract.
(Paragraphs 1 - 4)
2. South Africa, furs and the disposal of toxic wastes were potential irritants in our bilateral relations. Agriculture and fisheries also posed problems with the European Community. In NATO the Canadians expect to be given a rough ride for their failure to pull their weight. Defence cuts are however popular in Canada, where there is a marked tendency to wishful thinking about Gorbachev's policies and the evolution of East/West relations.
(Paragraphs 5 and 6)
3. Even though Canada has been increasingly drawn into the US economic orbit, many special links with Britain remain and our two countries have a lot to give each other. If these links are to be maintained in the next generation, a sharp increase will be needed in the two-way flow of students at university and especially at post-graduate level. (Paragraphs 7 and 8)
4. Canadian internal politics continue to have their ups and downs. Mr Mulroney's most notable achievement has been the Canada/US Free Trade Agreement. But the prospects for ratification of the Meech Lake Accord seem uncertain and the problems of the

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budget deficit are far from resolved. Although the Conservatives are once again at the bottom of the polls, Mulroney has four years in which to retrieve Conservative fortunes. (Paragraphs 9 - 11)

5. Canadian foreign policy objectives have been broadly similar under Liberal and Conservative governments. There is an awareness of the importance of the European relationship to Canada and of the need to strengthen it. But Canadian politicians tend to spend much of their time on internal problems and on nursing distant constituencies; foreign affairs are consequently not accorded a high priority, either by them or by officials. But Canadian businessmen are keenly interested in the UK particularly as a good base of operations in post-1992 Europe and investment is flowing strongly in both directions. (Paragraphs 12 - 14)

6. Despite Canada's prosperity, her great economic potential and apparently bright future, many Canadians fear either that the country will break up or that it will eventually be absorbed by the United States. These fears are probably greatly exaggerated. (Paragraphs 15 and 16)

7. Farewell to the Diplomatic Service. (Paragraphs 17 and 18)

BRITISH HIGH COMMISSION

OTTAWA

24 August 1989

The Right Honourable
Mr John Major, MP
LONDON SW1

Sir,

CANADA - A VALEDICTORY

1. Two years ago my predecessor in his final despatch reviewed the underlying British interests in the relationship with Canada - strategic, commercial, financial, constitutional and sentimental - which require us to take this country seriously. He also issued a prescient warning on the problems posed by the mounting Federal deficit. As I in turn leave Ottawa the Conservative government, safely re-elected, is making the deficit its central concern; but in seeking to limit the domestic pain, Canada's external interests - particularly defence and aid - are being made to pay disproportionately for earlier profligacy. So, as I take stock of developments here during my stewardship of this post, my message is the same: Canada may sometimes irritate and disappoint, but our interests here justify persistence and continuing high level attention.
2. The Canadian economy has continued to grow at a rapid pace during the past two years. So too has our trading relationship. Britain's visible exports to Canada, now running at over £2 billion a year, increased by almost 20%. Whereas in 1982 Canada was 18th on the list of Britain's overseas trading partners, by 1988 she was in 10th place (by way of contrast with a not dissimilar market, in 1982 Britain's visible exports to Australia were 20% more than those to Canada: by 1988 they were 30% less). Investment in both directions, though hard to quantify precisely, has continued to grow rapidly with more major British acquisitions in Canada (Plessey/Leigh Instruments, British Gas/Bow Valley, Allied Lyons/Hiram Walker - to name only a few) and we are second only to the US in the size of our investments in Canada, while Canary Wharf in Dockland serves as a highly visible symbol of continuing Canadian commercial interest in Britain and confidence in our future.
3. Following an inspection in my first months here, the direction of our commercial work in Canada has been re-organised with the appointment of a Senior Grade Director of Trade Promotion and Investment based in Toronto, who has brought with him a unique knowledge of our commercial operation in the US and qualities of energy and enthusiasm which bode well for the future.

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4. Where our hopes have been to some extent disappointed is in the field of defence sales. Apparently determined to remedy past neglect, the first Mulroney administration in their 1987 Defence Review initiated a major programme of re-equipment of the Canadian Armed Forces. The first fruit of this for us was an agreement in principle to purchase the Anglo/Italian EH101 helicopter for the Canadian navy. We were also strong contenders for the supply of between 10 and 12 nuclear-powered submarines. The French, with an inferior product but unencumbered by US restraints and willing to offer the moon in terms of access to future technology, established a clear lead and at one time seemed set to win the contract. Thanks to heroic efforts by Sir Peter Levene, the Defence Export Services Organisation, The Royal Navy and Vickers themselves, we managed to regain the initiative and seemed set to win the contract, the value of which to Britain would have exceeded £1 billion, when the Canadian government in an attempt to stem the growing Federal deficit decided not to proceed with the acquisition of nuclear-powered submarines. It has not yet been determined precisely what mix of vessels will take their place and we shall certainly be competing hard for any orders open to us. But the Canadian decision put paid to our hopes of securing this major contract, to the winning of which my colleagues and I in the High Commission had devoted so much time and effort.

5. Apart from this major disappointment, there have been some other irritants in our relations with Canada during my time here. Potentially the most serious were the differences of view over South Africa, which led to a public squabble at the time of the Commonwealth Heads of Government Meeting in Vancouver. However the two Prime Ministers rapidly re-established a close and friendly relationship, all the easier because of Mr Mulroney's profound admiration and esteem for the Prime Minister. While continuing to pursue with other Commonwealth countries means of increasing the pressure on South Africa, the Canadians have also gone out of their way both to keep us closely informed of what they are doing and to ensure that the effects do not spill over into the rest of the relationship. Our own initiative to introduce fur labelling in the UK aroused widespread protest here and was seen as a threat to the way of life of the native peoples. Our proposal fortunately fell away before it could do more serious damage. A subsequent European Commission regulation gives the Canadians a breathing-space to make progress with more acceptable trapping methods. As with the rejection by UK ports of consignments of toxic waste from Quebec, the fur issue served to underline the complex and often contradictory pressures which the Canadians face on environmental issues.

6. The nexus of problems and disagreements between Canada and the European Community, with agricultural subsidies and alleged over-fishing by the Portuguese and Spaniards off the Newfoundland Banks as the persistent bones of contention, can also affect the bilateral relationship. While the Canadians readily acknowledge Britain's helpful role within the Community, as in the GATT, they also think we should try harder and we are not exempted from the reprisals taken against other EC countries such as refusal to allow us to trans-ship fish through Canadian ports. In general, however, the Canadians are probably disposed to believe us when we stress the greater opportunities which will be open to them in a more integrated Europe, although they will also want to be sure that 1992

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does not result in increased obstacles to their exports: we have made it clear that we shall be similarly watchful of the consequences of the Canada/US Free Trade Agreement, especially its potentially adverse effects for us in the fields of insurance and financial services. The Canadians are fully expecting a rough ride from their NATO allies on account of the cuts in their defence programme. Here as elsewhere cuts in defence spending have a wide popular appeal, particularly when viewed against the background of the profound changes taking place in the Soviet Union and Eastern Europe. Those who argue that we should actively encourage the process by reducing our own armaments find a ready audience among Canadians who are naturally disposed to give others the benefit of the doubt. By firmly resisting a precipitate and over-eager response to Soviet disarmament measures, we can help Mulroney to resist domestic pressures for further reductions in Canadian defence expenditure. At the same time we can also be of some help to the Canadians by reminding our allies of the value to the Alliance of Canadian training facilities and of the size of the home base which they have to defend.

7. It is often fashionable on both sides of the Atlantic to lament the weakening of the very special bonds between Canada and Britain, which had remained more or less intact up to the end of the Second World War. How often have I heard on my travels, especially on the Eastern Seaboard and in British Columbia, that things are not what they used to be! But then, how could they be? Canada, ranking 7th among the industrialised nations of the world, has inevitably been drawn increasingly into the US economic orbit in much the same way as Britain has looked increasingly to Europe in her economic relations. For Canada the countries of the Pacific Rim have become a major market for her raw materials and an important source of imported goods. An earlier attempt by John Diefenbaker and, during my time here, by the Liberal leader John Turner to put the clock back have proved vain. But this does not mean that we do not retain very special links with Canada or that our two countries do not have much to give each other. Even if through no fault of ours it has not proved possible over the last two years to arrange regular meetings of our two Foreign Ministers, the number of Ministerial visits in both directions has been gratifyingly large and our Ministers have readily recognised that we have much to learn from Canadian experience, as the Canadians do from us. The problems we face are in so many areas very similar. Continued frequent Ministerial exchanges are important if we are to make the most advantageous use of our special position here.

8. Loyalty to the Crown remains very strong in Canada, particularly among the older generation, and the family ties are extensive and strong; as a consequence Ottawa issues more British passports than any other post in the world except Canberra and Canada retains a larger diplomatic representation in London than anywhere else. It is among the young that we have to work hardest, especially because so many of the new generation are not of European origin and have grown up largely ignorant of Britain and indeed of Europe. If they go abroad at all for their education, they tend to go to the United States because it is so much nearer and easier. The Commonwealth and Rhodes Scholarships have made a notable contribution to maintaining educational links, but we need to do much more in this

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area and I am particularly glad that during my time here we have been able to revive the Athlone Fellowship Scheme under which engineers from Canada and Britain will receive post-graduate training in each other's countries. There are other, even more ambitious projects in the offing for increasing the two-way flow of students which I feel sure we shall do everything possible to encourage and assist.

9. Canada's internal politics have followed a rollercoaster course over the past two years. When I arrived, Mulroney's administration only three years after a notable election victory was dogged by a succession of scandals and the Conservatives had sunk to bottom place in the polls, with the Liberals far ahead and the New Democratic Party under a personable and popular leader posing a strong challenge. When seeking to raise the flagging morale of his troops, Mulroney was fond of quoting Mrs Thatcher to the effect that there was only one poll which counted and that was the one on election night. It says much for Mulroney's agile political footwork and sense of timing that he was able to reverse the trend and in November 1988 won a second Conservative term of office with a convincing majority. The Liberal claim to be the natural party of government in Canada had apparently been decisively rejected: soon afterwards both the Liberal and NDP leaders announced their intention to stand down and Mulroney was the dominant figure in Canadian politics. Yet within a very few months the Conservatives were back at the bottom of the polls, with only 27% support. Why such a rapid renewed fall from grace?

10. No doubt the personality of the Prime Minister is an important factor. He has many personal qualities and considerable charm. He is well supported by an attractive wife and has a deep understanding of the aspirations of French Canadians. But his present kitchen cabinet does not inspire confidence and he seems unable to convince the electorate of either his consistency or his strength of purpose. How often have I been told by Canadian Conservatives: «if only we had a leader like yours!». When the going gets rough Mulroney usually falters: the abandonment of so many of the essentials of the 1987 Defence programme, to which the government had pledged itself, and the failure to tackle the deficit sooner are two cases in point.

11. Mulroney's most notable achievement so far has undoubtedly been the successful negotiation and passage through Parliament of the Canada/US Free Trade Agreement. But the euphoria was short-lived and there is now a widespread impression among political observers that the government is adrift, with no real agenda for its second term. The principal political objective Mulroney had set himself on coming to power was to bring the Province of Quebec to full acceptance of the patriated Canadian constitution, which he sought to achieve through the so-called Meech Lake Accord. Partly as a result of the actions of the Quebec Premier in trying to meet the challenge of Quebec nationalism, opposition to the Accord elsewhere in Canada and especially to the attempt to impose bilingualism in the other provinces while Quebec was unwilling to accord English a similar place has grown steadily. The prospect of securing ratification of the Accord by all the Provincial Assemblies is now uncertain. Another major challenge to the Mulroney government was the high annual deficit and accumulating national debt. During his first administration the problem was largely ignored and, in the run-up

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to last year's elections, promises of Federal handouts to the Provinces for large projects designed to win votes in marginal constituencies were made on an unprecedented scale. But once the elections were out of the way the need to tackle the deficit and to overhaul the tax system assumed a high priority. A prematurely leaked budget, intended to look tough but probably not tough enough, a high interest rate policy aimed at curbing inflation and proposals to impose a Federal VAT of 9% have quickly taken the bloom off the government's popularity, as has their slowness to react even after it had become obvious that, however reluctantly, they would have to get involved in the highly controversial abortion issue. However, Mulroney has over four years before he is obliged to call another election and the two opposition parties, both in the throes of replacing their leaders, are not at present well placed to challenge him: so he has plenty of time in which to recover.

12. Canada has continued to follow broadly the same foreign policy objectives under the Conservatives as under the Liberals. Canada remains a member - if scarcely an over-subscribed one - of the NATO Alliance. Under Mulroney the differences with the US on defence policy and trade matters have been either eliminated or kept to a minimum. Because of the overriding priority given to the Canada/US Free Trade Agreement, there has been a tendency to underestimate the importance of Canada's European relationships, with the countries of the Pacific Rim appearing to present a new and more exciting frontier. But I would expect the balance to be rectified over the next two or three years; certainly there is keen awareness both in government and among political commentators of the importance of the European relationship to Canada and of the need to nurture it. In keeping with the vision of the very distinguished group of Canadian statesmen and diplomats who were the architects of Canadian foreign policy in the immediate post-War years, the Canadians have continued to participate in United Nations peacekeeping operations and their foreign aid programme, although cut in the recent budget, remains large and on the whole well administered. While not neglecting either Africa or the Middle East, Canadian interest in the Third World has tended to be focussed on the Caribbean, Central and South America.

13. Despite Canada's growing international self-confidence and the importance of Canada's role in the world as a member of NATO, G7, the Commonwealth and now of the UN Security Council, Ottawa is not the most exciting capital in which to conduct political consultations. Perhaps this is because so many Canadian politicians feel obliged to devote most of their time to internal problems: basically, to holding this vast and somewhat loose-knit confederation of provinces together and nursing often distant constituencies. Consequently they tend to have little time or energy left for foreign affairs and even less for foreign Ambassadors. This must be one of the few world capitals where arriving Heads of Mission are greeted with the advice that they should not attempt to see the Minister for External Affairs while they are here, advice which I have done my best to disregard. Fortunately senior officials are almost always helpful, friendly and well informed, if sometimes a little detached, and day to day business can therefore be conducted with relative ease and despatch. The government bureaucracy as a whole is neither particularly hard-working nor efficient and again one suspects that most of their energies are consumed in the running battle between the Federal Government and the Provinces.

14. One of my predecessors told me before I came here: «everything will come right for you the moment you get out of Ottawa». So indeed it has proved. I have travelled very extensively across the length and breadth of Canada, visiting all 10 Provinces - many of them several times - as well as the Yukon and the huge areas of the North-West Territories. Everywhere I have been received by Provincial Premiers, Ministers, Mayors, leading officials and businessmen with the utmost courtesy and friendliness and have repeatedly been reminded of the immense reserves of friendship which exist for Britain. I have been fortunate too in having such a good story to tell about our own affairs: the eagerness and evident pleasure with which Canadians have greeted accounts of our national recovery speak volumes for the relationship. It is perhaps Toronto which takes the prize among Canadian cities for sheer excitement and entrepreneurial verve: these are world-class players and I have been received with particular warmth by members of the great business dynasties who have special links with Britain: Thomsons, Westons, Reichmanns, Blacks and so forth. But Montreal, Vancouver and Calgary are not far behind and they too have more than their share of outstanding individuals and firms, who have done so much to raise Canada to her present place in the world.

15. For Canada is now by any standard of measurement in the top league of the world's wealthiest countries. With immense natural resources, including a large share of the world's energy reserves, unlimited space and still relatively under-populated, her future seems assured. The most serious obstacle to the realisation of Canada's potential may well be lack of people: without immigration, Canada's population would actually be in decline, which in turn poses the question of how many new immigrants from distant countries Canada can safely absorb while retaining her identity.

16. Yet despite these glittering perspectives it must be said that Canadians, ever since Confederation in 1867 and even before that, have lived in the almost constant expectation that their country was about to disintegrate; even today there are those in high places who doubt whether it can be held together and fear that one day French Canada may break away or that Canada herself will gradually be absorbed by the United States. The Liberal leader John Turner conducted his last election campaign on the single issue that the Free Trade Agreement would fatally compromise Canada's independence. To the outsider such as myself, these fears seem greatly exaggerated. I simply do not believe that the canny French Canadians, now prospering so well within a united Canada, will go off on their own or willingly choose association with the United States as a better way of preserving their separate personality. Nor do I think that Canada's national identity is in real danger of being submerged by her great neighbour, however strong the economic and cultural links and the superficial similarities in lifestyles. But it remains a fact that Canadians themselves worry constantly about these things, rather as Germans worry about the state of their economy. As one of Mulroney's closest advisers put it to me the other night: «wherever in the world people are destitute and deprived of liberty, security or the means of earning a livelihood, they dream of Canada as the land of freedom and opportunity: we Canadians would not be lightly forgiven if we threw away our extraordinary good fortune through inability to keep our act together».

I agree with him and I just do not think it will happen. However the manner in which Canada holds together depends crucially on the quality of the Federal government's leadership and that in turn depends on the strength of character and vision of its Prime Minister: here the nagging doubt remains.

Finale

17. My last despatch would scarcely be complete without the customary homily on the state of the Service which I leave with sadness, the blow in my case being greatly softened by my immense good fortune in being allowed to continue in harness as a servant of the House of Commons. I have been privileged to serve in a wide variety of posts in both the developed and the developing worlds over the past 37 years, including almost 17 years spent in the Middle East. The Service has undergone far-reaching changes during that time. Like Sir Mark Russell in his recent masterly review of these changes, I see almost all of them as being for the better. Like him too, I had my initial reservations about the attempt to transpose to diplomatic work the managerial systems and criteria of manufacturing industry and retailing. So much of what we do is by its nature neither measurable nor clearly quantifiable: yet we all know, or think we know, the difference between a good and bad Mission and even (dare I say it?) between good and bad Ambassadors. I have rather special reasons for treading carefully in this area: my father has also been called the father of British management studies and the concept of Management by Objectives originated in the firm he founded: a whole generation before Lord Rayner, he was brought into Whitehall in the War to introduce modern methods of management into the Civil Service (but was predictably and decisively seen off by the Treasury). So I cannot escape at least a degree of inherited responsibility for the revolution which has since swept Whitehall. Much of it is excellent and long overdue. But, as my father was fond of saying, the first syllable of management is man and if you do not get that part right none of the rest will follow. Here too and especially in ensuring greater fairness by making us all do our stint in the difficult places, I think we have come a long way as a Service and we are indeed fortunate to be led by a Permanent Under-Secretary who has himself had his full share of hard posts and understands their problems. My own experience tells me however that it was precisely the difficult and sometimes dangerous posts which were both the happiest and professionally the most rewarding.

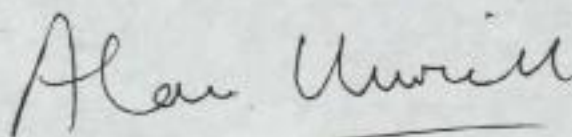
18. Finally a heartfelt tribute to my wife and to my colleagues in the Service, without whose unstinting support none of it would have been possible. My wife, like so many in her generation, gave up a career in order to share the ups and downs of diplomatic life and has been my guide, comfort and best counsellor during all these years. Brought up in a diplomatic household, she has excelled as a hostess. Each official property in which she has lived has been left more beautiful than she found it, Earnscliffe being no exception. She has also brought help to the poor and destitute wherever we have served: there are unexpected pockets of poverty and misery even in a wealthy city like Ottawa if, as she has, you seek them out. For all this and so much more, I owe her an immeasurable debt. Of my colleagues and especially those who served with me in overseas postings where the greater part of my career has been spent, whether

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from the Diplomatic or other Services, I cannot speak too highly. An Embassy or High Commission is a collective effort or it is nothing. In Canada, as elsewhere, I have been able to rely on their unfailing help and support at all times. I shall miss their friendship and their high standards of professional competence very much indeed.

19. I am sending copies of this despatch to HM Ambassadors in NATO and EC posts, Pretoria and UKMIS New York, to the Department of Trade & Industry, the Ministry of Defence and to our Consul-General in Canada.

I am, Sir,
Yours faithfully

A handwritten signature in cursive script that reads "Alan Urwick". The signature is written in dark ink and is positioned above a horizontal line.

A B Urwick