

C/P
②



Foreign and Commonwealth Office

London SW1A 2AH

CDP 12/12

7 November 1984

Prime Minister
I suggest that you
read the summary
and paragraph 4 (which
deals with likely
appointments)
now.

Dear Charles,

The Next US Administration

The Prime Minister may be interested to read
Sir Oliver Wright's assessment of the likely policies
of the next US Administration.

I am also copying this letter and the despatch to
the Private Secretary to the Chancellor of the Exchequer,
the Secretary of State for Defence and the Minister for
Trade.

Then
look at
the whole
despatch
over the
week-end.

Yours ever,

Len Appleyard

CDP
7/xi

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street



SUMMARY

1984 US PRESIDENTIAL ELECTION RESULT: WHAT WILL REAGAN DO?

1. The scale of his personal triumph gives President Reagan, at least temporarily, a fairly free hand. But the prospect is for more continuity than change in US policy (paragraphs 1 - 6).

2. In economic policy, firm action to reduce the Federal deficit is unlikely, and a break in market confidence on the cards, though the President may be given the benefit of the doubt for some time. The policy question for us is whether to settle for enjoying the American boom while it lasts, or, while recognising that it will be an uphill task, to revert to the private advocacy of tighter fiscal policies (paragraphs 7 - 15).

3. In the trade field, protectionist pressures are bound to grow, and in agriculture as well as industry. The key issue for us is whether the EC's response can be made sufficiently imaginative. The issue of extra-territoriality will not go away (paragraphs 16 - 20).

4. The Reagan Administration will remain anti-Aid, and on Debt "fortiter in re, suaviter in modo". We may wish to argue the Aid case here; we must certainly avoid being manoeuvred into appearing tougher, and less suave, on debtors (paragraphs 21 - 25).



CONFIDENTIAL

2

5. On East/West relations, we have already been seeing Reagan Mark II, and, provided Shultz stays, the quest for an improved Super-Power dialogue is likely to continue. Some chance of an interim arms control agreement, covering both offensive and defensive systems (paragraphs 26 - 30).

6. But Reagan Mark II will be no less tough on Soviet expansionism than was Reagan Mark I. The US will remain firmly committed to the Alliance (though we have not heard the last of burdensharing), to the support of Israel, to close ties with Japan, and to preserving the threatened US hegemony in Central America. Nicaragua remains top of the list of potential trouble spots; and the impotence of the West against world-wide terrorism a central concern. We must maintain the Anglo-American dialogue on all subjects. Your invitation to Shultz is most timely (paragraphs 31 - 36).

CONFIDENTIAL