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 CONFIDENTIAL
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 FM WASHINGTON 192000Z DEC 84
 TO IMMEDIATE PEKING
 TELEGRAM NUMBER 13 OF 19 DECEMBER
 INFO IMMEDIATE HONG KONG, FCO

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FOLLOWING FOR PRIME MINISTER'S AND SECRETARY OF STATE'S PARTIES

PRIME MINISTER'S MEETING WITH THE PRESIDENT AT CAMP DAVID:
 22 DECEMBER

1. THE PRIME MINISTER WILL, I THINK, FIND PRESIDENT REAGAN IN AN UP-BEAT MOOD. HE FACES HIS SECOND TERM WITH A TEAM WHICH HE HAS TRIED AND TRUSTS; THE RUSSIANS HAVE COME BACK TO THE NEGOTIATING TABLE QUICKER THAN MIGHT HAVE BEEN EXPECTED AND THAT CAN BE SEEN AS A VINDICATION OF HIS OWN NEGOTIATING TACTICS SINCE LAST JANUARY.
2. THE LATEST ECONOMIC INDICATORS POINT TO THE WEAKNESS OF THE LAST TWO MONTHS BEING A HICCOUGH RATHER THAN A SERIOUS TREND. INTEREST RATES CONTINUE DOWNWARDS, THE FEDERAL RESERVE IS ASSUMED TO BE LOOSENING MONEY SUPPLY, AND WALL STREET IS ENJOYING A BOUT OF PRE-CHRISTMAS EUPHORIA.
3. PLENTY OF PROBLEMS LIE AHEAD, PARTICULARLY OVER THE BUDGET AND TRADE DEFICITS AND, IN FOREIGN POLICY, OVER DECISIONS AS TO HOW FAR TO GO ON ARMS CONTROL AND WHAT TO DO IN CENTRAL AMERICA AND THE MIDDLE EAST. THE NEW CONGRESS WILL GIVE HIM EVERY BIT AS MUCH TROUBLE, IF NOT MORE, THAN THE OLD. BUT, AS YOU KNOW, BOTH HIS STYLE AND HIS TEMPERAMENT INCLINE HIM TO LOOK AT THE BRIGHTER SIDE.
4. TIME BEING SHORT ON 22 DECEMBER, DISCUSSION WILL NECESSARILY BE CONCENTRATED ON A FEW MAIN THEMES. THIS IS NO LOSS, SINCE THE PRIME MINISTER WILL HAVE A FURTHER OPPORTUNITY DURING HER FEBRUARY VISIT TO GO INTO MORE DEPTH. MY 2 IFTS DEAL WITH ECONOMIC AND FOREIGN POLICY SUBJECTS, UPDATING THE BRIEFING PREPARED IN LONDON.

WRIGHT

LIMITED.

NAD.
 ERD.
 NEWS.D.
 PLANNING STAFF.

PS
 PS/LADY YOUNG.
 PS/MR. RENTON.
 PS/PUS.
 SIR W. HARDING.
 MR. DAVID THOMAS.

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