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FM WASHINGTON 181440Z SEP 84

TO PRIORITY FCO

TELEGRAM NUMBER 2763 OF 18 SEPTEMBER

INFO SAVING ALL CG'S IN USA, BIS NEW YORK, UKMIS NEW YORK, ANKARA
ATHENS, BRUSSELS, BONN, COPENHAGEN, LISBON, LUXEMBOURG, OTTAWA,
OSLO, PARIS, ROME, REYKJAVIK, THE HAGUE, UKDEL NATO, UKDEL VIENNA,
DUBLIN, UKREP BRUSSELS, MADRID, MOSCOW, TOKYO.

MIPT: THE PRESIDENTIAL CAMPAIGN: THE ISSUES

SUMMARY

1. CAMPAIGN SKIRMISHING HAS CENTRED ON THREE ISSUES: CHURCH/STATE,
THE DEFICIT, AND WAR/PEACE. BUT PUBLIC CONFIDENCE IN REAGAN'S
LEADERSHIP SEEMS UNSHAKEN.

DETAIL

2. SINCE THE CAMPAIGN PROPER OPENED ON LABOUR DAY (3 SEPTEMBER),
BOTH CANDIDATES HAVE CAMPAIGNED HARD. THE PRESIDENT'S SCHEDULE
HAS COMBINED TRIPS OUTSIDE WASHINGTON WITH WHITE HOUSE EVENTS
DESIGNED TO ENHANCE THE QUOTE PRESIDENTIAL UNQUOTE IMAGE. HE CONT-
INUES TO PREACH THE MESSAGE OF PEACE, PROSPERITY AND PIETY. BY
CONTRAST, MONDALE'S CAMPAIGN IS IN THE DOLDRUMS. HE HAS PICKED THREE
ISSUES WHICH HAVE SO FAR DOMINATED THE CAMPAIGN (CHURCH/STATE, THE
BUDGET DEFICIT, AND WAR/PEACE), BUT THE POLLS SHOW HIM STILL TRAILING
THE PRESIDENT BY A WIDE MARGIN.

RELIGION AND POLITICS

3. THE RELATIONSHIP BETWEEN CHURCH AND STATE BECAME AN ACTIVE
NATIONAL ISSUE AT THE REPUBLICAN CONVENTION. THE PROMINENCE THERE OF
RIGHT-WING FUNDAMENTALISTS BROUGHT HOME TO THE DEMOCRATS THE
EXTEND TO WHICH THE REPUBLICANS HAD APPROPRIATED RELIGIOUS ISSUES
IN RECENT YEARS. MANY, INCLUDING MONDALE HIMSELF, WERE OFFENDED BY
THE PRESIDENT'S STRESS ON THE LINKS BETWEEN RELIGION AND POLITICS,
AND HIS BRANDING THOSE WHO OPPOSED PRAYER IN PUBLIC SCHOOLS AS
QUOTE INTOLERANT OF RELIGION. UNQUOTE MONDALE FOUGHT BACK IN A
SERIES OF SPEECHES, DECLARING THAT QUOTE MOST AMERICANS WOULD BE
SURPRISED TO LEARN THAT GOD IS A REPUBLICAN, UNQUOTE AND ACCUSING
HIS OPPONENTS OF QUOTE MORAL MCCARTHYISM. UNQUOTE BUT THE DEMOCRATIC
ATTEMPT TO DRAW A FIRM LINE BETWEEN CHURCH AND STATE HAS FALTERED
AS PROMINENT CATHOLIC DEMOCRATS (FERRARO AND GOVERNOR CUOMO) HAVE
COME UNDER ATTACK BY THE ROMAN CATHOLIC HIERARCHY ON ISSUES SUCH AS
ABORTION. WITH AN EYE ON THE BLUE COLLAR VOTE, THE PRESIDENT HAS
CAPITALISED ON THESE DIVISIONS WITHIN CATHOLIC RANKS, STEPPING UP
APPEARANCES AT POLISH AND ITALIAN AMERICAN EVENTS AT WHICH THE
PRESENCE OF CATHOLIC LEADERS HAS PROVIDED AN IMPLICIT ENDORSEMENT.
OVERALL, THE RELIGION ISSUE HAS PROBABLY HELPED THE PRESIDENT IN
THE SOUTH AND DONE HIM NO HARM IN MOST PARTS OF THE WEST. IT IS
LIKELY TO HAVE BEEN marginally DAMAGING IN THE NORTH-EAST, MID-WEST
AND THE PACIFIC, BUT NOT THE SURE-FIRE WINNER FOR DEMOCRATS THAT
MONDALE MUST HAVE HOPED.

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/BUDGET

BUDGET DEFICIT

4. ON 10 SEPTEMBER MONDALE PUBLISHED PROPOSALS FOR REDUCING THE BUDGET DEFICIT TO DOLLARS 86 BILLION BY FY1989 (COMPARED WITH THE DOLLARS 263 BILLION BASELINE ESTIMATED BY THE CONGRESSIONAL BUDGET OFFICE.) THE RISE IN DEFENCE EXPENDITURE, UNDER HIS PLAN, WOULD BE CUT BACK TO 3-4 PER CENT A YEAR IN REAL TERMS (WITH MX AND B-1 AXED, AND MIDGETMAN AND THE STEALTH BOMBER SPARED). SPENDING ON DISCRETIONARY PROGRAMMES WOULD RISE BY A NET DOLLARS 22 BILLION. TAX INCREASE PROPOSALS INCLUDE A 15 PER CENT MINIMUM CORPORATE TAX: FURTHER DELAYS IN CERTAIN TAX REDUCTIONS ENACTED IN 1981 (AND ALREADY DELAYED UNDER THE 1984 DEFICIT REDUCTION ACT): CHANGES TO TAX INDEXING FOR INDIVIDUALS: A LIMIT ON THE THIRD YEAR OF THE REAGAN TAX CUT FOR HIGH INCOME-EARNERS: AND A 10 PER CENT SURCHARGE FOR MARRIED COUPLES WITH INCOMES OVER DOLLARS 100,000 AND FOR SINGLE PERSONS WITH INCOMES OVER DOLLARS 70,000.

5. PRESIDENT REAGAN COMMENTED THAT MONDALE'S PROPOSALS ARE QUOTE NOTHING NEW UNQUOTE - A QUOTE FAIRY TALE UNQUOTE WHICH WOULD TIE A BALL AND CHAIN ROUND THE NECK OF THE AMERICAN PEOPLE. VICE PRESIDENT BUSH SAID THAT THE PROPOSALS REPRESENTED QUOTE A RETURN TO GLOOM AND DOOM. UNQUOTE BOTH HAVE AVOIDED MAKING COUNTER-PROPOSALS. THE DEFICIT ISSUE HAS PROBABLY WORKED, marginally, TO MONDALE'S ADVANTAGE SINCE THE DEMOCRATIC CONVENTION. (THE POLITICAL PRICE OF PROPOSING SPECIFIC TAX INCREASES IS SMALL SINCE THE GROUPS AFFECTED WOULD, GENERALLY, VOTE REPUBLICAN IN ANY CASE.) BUT THE DEFICIT SHOWS NO SIGNS OF BECOMING A WINNING ELECTORAL ISSUE FOR HIM. THE MAJORITY SEEM STILL PREPARED TO SWALLOW THE PRESIDENTS LINE OF BLAMING THE DEMOCRATS IN CONGRESS, NOT THE ADMINISTRATION, FOR EXCESS SPENDING, AND HENCE BORROWING.

FOREIGN POLICY

6. MONDALE AND FERRARO HAVE CONTINUED TO STRESS THE NEED FOR EAST/WEST DIALOGUE AND DETENTE, AND TO CRITICISE REAGAN FOR INADEQUATE EFFORTS TO KEEP THE SUPERPOWER RELATIONSHIP IN WORKING ORDER. THERE HAS BEEN A DELIBERATE ATTEMPT TO DRAFT CONSERVATIVE DEMOCRATS INTO THE SENIOR MONDALE ADVISORY TEAM. MAX KAMPELMAN (US CSCE DELEGATION) AND JAMES SCHLESSINGER (MEMBER OF NIXON, FORD AND CARTER ADMINISTRATION) HAVE BOTH ATTENDED RECENT BRIEFING MEETINGS. MONDALE HAS REAFFIRMED HIS PLATFORM PLEDGES TO SEEK A SUMMIT BY JUNE: TO ENFORCE UNILATERAL QUOTE TEMPORARY MORATORIA UNQUOTE ON THE TESTING OF NUCLEAR WEAPONS AND THE TESTING AND DEPLOYMENT OF SPACE WEAPONS: AND TO NEGOTIATE A NUCLEAR FREEZE. THIS KEEPS FAITH WITH THE DEMOCRATIC FAITHFUL, BUT THERE IS LITTLE EVIDENCE THAT IT REACHES OUT BEYOND THEM. ALTHOUGH THE POLLS SHOW MONDALE REGARDED AS MORE LIKELY THAN REAGAN TO KEEP THE US OUT OF WAR, THEY ALSO SHOW THE PRESIDENT THOUGHT MORE TRUST-WORTHY IN THE HANDLING OF FOREIGN

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RELATIONS. THE MONDALE TEAM HAVE YET TO FIND A WAY OF DEFLECTING MRS KIRKPATRICK'S ATTACK IN DALLAS ON DEMOCRATS FOR QUOTE BLAMING AMERICA FIRST. UNQUOTE AND SOME OF THE STEAM WENT OUT OF THE DEMOCRATIC COUNTER-ATTACK WITH THE ANNOUNCEMENT THAT THE PRESIDENT WOULD MEET GROMYKO LATER THIS MONTH. THE PRESIDENT CAN HARDLY LOSE, WHATEVER HAPPENS. IF GROMYKO IS INTRANSIGENT, THE WHITE HOUSE CAN SCORN DEMOCRATIC APPEASERS: IF GROMYKO IS ACCOMODATING, THE WHITE HOUSE LINE WILL BE THAT TOUGH TALKING WORKS. VMONDALE'S OWN MEETING WITH GROMYKO (NOW SCHEDULED FOR THE DAY AFTER SHULTZ'S AND THE DAY BEFORE REAGAN'S) WILL NOT BE EASY TO TURN TO ADVANTAGE. HE HAS ALREADY FOUND IT NECESSARY TO SAY THAT HE WILL GIVE FULL SUPPORT TO THE PRESIDENT'S POSITION AS THE SOLE POWER WITH THE RIGHT TO NEGOTIATE ON BEHALF OF THE US.

7. IN SHORT, THE MONDALE CAMPAIGN HAS SO FAR FAILED TO FIND AN ISSUE WHICH REALLY PAYS OFF. AND MONDALE THE MAN STILL DOES NOT LOOK A VOTE-WINNER. THE REAGAN STRATEGY OF AVOIDING DETAILED POLICY PRESCRIPTIONS (AS POTENTIAL HOSTAGES TO FORTUNE): AND OF APPEARING THE HONEST OUTSIDER, TRUE TO OLD VALUES AND (EVEN AFTER FOUR YEARS IN OFFICE) CRITICAL OF THE RED-TAPE BUREAUCRACY AND OF THE SPENDTHRIFT CONGRESS, APPEARS TO WORK WELL. FOR AMERICA LIKES REAGAN THE MAN.

FCO PSE PASS SAVING ALL SAVE U.S. POSTS.

WRIGHT

[REPEATED AS REQUESTED]

FGO/PALACE. WHITEHALL

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