



PRIME MINISTER'S VISIT TO MOSCOW FOR PRESIDENT CHERNENKO'S  
FUNERAL

POSSIBLE BILATERAL MEETING WITH CANADIAN PRIME MINISTER

ESSENTIAL FACTS

Defence

1. Canadian Government announced on 11 March that 4th Canadian Mechanised Brigade Group based at Lahr would be increased by 1200 personnel, and that an infantry battalion group in Canada would be designated to fulfil the Canadian commitment to the Allied Command Group Europe Mobile Force, Land.
2. Mr Eric Nielsen was appointed Minister of National Defence on 27 February, following resignation of Mr Coates after a visit to a nightclub in Lahr.
3. A green paper on defence is expected to be published shortly.
4. Mr Joe Clark announced in Parliament in January Canada's support for SDI research.

Foreign Policy

5. A review of foreign policy is being conducted. Mr Mulroney is committed to closer relations with the USA (President Reagan will visit Quebec City on 17 March). A special representative of Mr Clark is visiting Europe this week to study how this will affect Canada's relations with European countries. He will see Lady Young.
6. At the Commonwealth Caribbean and Canada Summit in Kingston on 25-26 February, Mr Mulroney announced he would honour his

/ predecessor's



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predecessor's pledge to double Canadian aid to the Caribbean over the next five years to C\$350 million.

7. Mr Mulroney is very much concerned about the overall direction of UNESCO and is considering what should be done.

#### Visits

8. Mr Mulroney has not yet suggested new dates for a visit to the UK, but has asked for a bilateral meeting with the Prime Minister at the Bonn Summit.

#### High Commissioner

9. The Canadian High Commissioner, Mr Jamieson, leaves London at the beginning of April. He is to be replaced by Mr Roy McMurtrey, former Attorney-General of Ontario.

#### Economy

10. National Economic Conference to be held in Ottawa on 22-23 March. Keynote address to be delivered by Prime Minister of Australia. Budget expected in the spring. Budget deficit remains main problem. Indications are that Mr Mulroney is hoping that stimulating growth in the economy will reduce necessity for hard decisions over cutbacks in government spending.

North America Department

12 March 1985

From: S Rogerson (Mrs), NAD  
Date: 12 March 1985  
cc: Mr David Thomas

Private Secretary

MR CHERNENKO'S FUNERAL: CANADIAN REQUEST FOR A BILATERAL MEETING

1. The Canadian High Commission telephoned this morning on instructions from Mr Mulroney to ask for a bilateral meeting with Mrs Thatcher in Moscow. As agreed, we explained that the Prime Minister's bilateral meetings were to be arranged after her arrival in Moscow. The High Commission did, however, specifically ask that their request be made known to No 10, and I should be grateful if you could mention this on the telephone when convenient.
  
2. Briefing has been submitted separately through Soviet Department. I attach 2 copies of a Political and Economic Background Brief on Canada which the Private Secretaries may wish to hold. We recommend that the Prime Minister should see Mr Mulroney if at all possible. Although there are no particular points which need to be raised, it would be their first opportunity to meet since Mr Mulroney became Prime Minister last September.

*Susan Rogerson*

CANADA : POLITICAL AND ECONOMIC

Political

1. The Progressive Conservative Party, led by Mr Brian Mulroney, won 211 out of 282 seats in the Canadian General Election on 4 September, the third largest majority in Canadian history. This overwhelming victory brought to an end 21 years of almost unbroken Liberal Government. The Liberals retained only 40 seats (15 of the 25 outgoing Cabinet lost their seats), not far ahead of the New Democratic Party who, despite the Conservative landslide, held on to 30 of their previous 31 seats.
2. Unexpectedly, and against the trend, Mr John Turner, the leader of the Liberal Party, won the riding of Vancouver Quadra where he had been running third in the polls. Probably the biggest upset for the Liberals took place in their traditional stronghold of Quebec, where the Progressive Conservatives won 58 of the 75 seats, (having previously held only one seat): Mr Mulroney overturned a 16,000 majority to win the riding of Manicouagan in Quebec, the district which encompasses Baie Comeau where he was born and brought up.
3. The election result reflects the Canadians' desire for a complete change from the years of Liberal rule under Mr Trudeau. Despite an early lead in the polls, Mr Turner came increasingly to be seen as too closely identified with the old regime and more ineffectual as a leader than had been expected. Mr Mulroney, by contrast, succeeded in catching the imagination of the electorate.
4. Mr Mulroney and his Cabinet were sworn in 17 September. The new Cabinet consists of 40 Ministers, which is the largest in Canadian history, and includes six women. By expanding the Cabinet, Mr Mulroney has made room for ample representation from the provinces. This gives the Government a national flavour, reflecting the national scope of the election result and sets the tone for improved federal-provincial relations.

5. The policies of Mr Mulroney's Government were presented in the Speech from the Throne on 5 November. They were couched in general terms. The major thrust in the speech was the need for national reconciliation and for national consensus through consultation and improvement in federal/provincial relations. Special emphasis was given to the need to bring Quebec into the constitutional framework. Economic renewal and social justice were the other two main goals of the Government. Other policies included the strengthening of the free market economy, the encouragement of foreign investment in Canada, the liberalisation of the National Energy Policy. The Speech from the Throne underlined the prime importance of closer relations with the United States, but otherwise made only a general commitment to "Canadian internationalism". Mr Mulroney has indicated that he intends to strengthen Canada's defence efforts, give more support to NATO, and to promote peace and nuclear disarmament.

#### Economic

6. In his Economic Statement to Parliament on 8 November, the Minister of Finance, Mr Michael Wilson, announced measures to reduce the budget deficit (C\$34.5 billion) and stimulate the economy. The measures included spending cuts of C\$4.2 billion, reductions in the budgets of the Canadian Broadcasting Corporation, Via Rail, and Petro Canada, cancellation or delay of some capital projects, a cut in defence spending by C\$154 million, in overseas aid by C\$180 million, and a reduction in the size of the public service. There were also measures for increased revenues, and an additional expenditure of C\$1 billion for job creation. Canadian oil prices are to move to world levels. Legislation was introduced in the Canadian Parliament on 7 December to amend the Foreign Investment Review Act so that foreign investment can be encouraged. Consultations are currently being held with provincial, business and trade union leaders on economic policy. A National Economic Conference is to be held in Ottawa on 22-23 March. A full budget will be presented in the Spring.

7. The Canadian economy is very dependent on exports to the US. After falling sharply in 1982 it grew strongly all last year as the US economy recovered: Canadian GNP rose by more than a quarter. In the first two quarters of 1984, however, growth slowed down to an annual rate of around 3%, and a further slowdown is generally expected in 1985 as US growth lessens and high interest rates continue to depress activity.

8. Canada has not been nearly as successful as the US in reducing unemployment. Despite rapid growth in 1983 unemployment only fell from 12½ early in 1983 to just over 11% at the end of that year; it then started to rise again and was 11.3% in November, and is one of Mr Mulroney's main economic challenges.

9. Canada has a healthy surplus in merchandise trade, due almost exclusively to exports to the United States (C\$11 billion out of a total surplus of C\$12 billion). Canada's imports from the UK increased by 41% in the second quarter of 1984 compared with the first seven months of 1983. More than half of this growth was in crude petroleum sales, but there were also significant increases in Canadian imports of British transportation and high technology equipment.

North America Department

8 March 1985