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ACTION EUR-12

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C O N F I D E N T I A L LONDON 14703

BRUSSELS FOR USEC

E.O. 12356: DECL: OADR  
TAGS: US, UK, PGOV, PREL  
SUBJECT: FOREIGN SECRETARY HOWE'S JULY 13-14 VISIT TO  
- WASHINGTON: THE BACKGROUND IN BRITAIN

1. CONFIDENTIAL - ENTIRE TEXT.

2. ONE MONTH AFTER THE ELECTIONS, BRITISH POLITICS HAVE RUN THROUGH THE POST-MORTEM AND LAPSED INTO INTROSPECTION. THE COMMONS ARE DISCUSSING HANGING AND SEAT BELTS. FRANCIS PYM MADE A ONE-DAY SPLASH DEMANDING THAT THATCHER THINK ABOUT ALL THE PEOPLE AND NOT ONLY THOSE WHO CAN STAND ON THEIR OWN FEET; BUT MOMENTARILY INTEREST IN THE BACKBENCH CHALLENGE HAS RECEDED UNDER THE WEIGHT OF THE TORY MAJORITY. POLITICS ARE FOCUSED ON THE QUESTION OF LABOR PARTY LEADERSHIP. KINNOCK APPEARS TO HAVE THE TOP SLOT SEWED UP, BUT THAT WON'T BE SETTLED UNTIL OCTOBER. FOR NOW, THERE IS A LETDOWN AFTER THE ELECTION, A DESIRE FOR REST IN AUGUST, AND AN AWARENESS THAT POLITICS AND PARLIAMENT WILL NOT REALLY GET DOWN TO BUSINESS UNTIL THE AUTUMN.

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3. AGAINST THIS BACKGROUND NEW MINISTERS ARE DIGGING INTO THEIR PORTFOLIOS. MOST ARE TAKING TIME IN STAKING OUT NEW DIRECTIONS. BASICALLY, THATCHERISM IS MOVING FORWARD ALONG PREVIOUSLY DEFINED LINES, AT MODEST SPEED.

UNITED STATES DEPARTMENT OF STATE  
~~REVIEW AUTHORITY: ERIC W FLEISHER~~  
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4. THE UNDERLYING PREOCCUPATIONS AT THE MOMENT ARE PUBLIC SPENDING AND THE SUBSEQUENT NEED FOR MORE PUBLIC BORROWING. WITH THATCHER'S ECONOMIC ACOLYTES PUSHED TO THE FORE, HER NEW TEAM FINDS THIS A FAMILIAR, IF CONTENTIOUS, AREA OF FOCUS. DOMESTICALLY, A FLARE OF DANGER HAS BEEN FIRED BY THE NEW CHANCELLOR, NIGEL LAWSON, WHO HAS CALLED FOR SIGNIFICANT CUTBACKS IN SPENDING TO HOLD DOWN PUBLIC BORROWING. BEYOND THE FEARS FOR THE NATIONAL HEALTH SERVICE, MANY WONDER WHETHER THIS PRESAGES MORE SUBSTANTIAL CUTS, AND WHETHER A HIDDEN AGENDA, FORE-SEEN BEFORE THE ELECTIONS, IS ABOUT TO SURFACE. CLEARLY, THE GOVERNMENT UNDERSTATED ITS BORROWING NEEDS IN THE RUN-UP TO THE ELECTION, AND THE FISCAL FACTS ARE UNPLEASANT.

5. INTERNATIONALLY, AS WELL, MANY OF THE INITIAL CONCERNS OF THE NEW THATCHER TEAM ARE PRIMARILY WITH THE ECONOMY. GEOFFREY HOWE IS VERY MUCH ONE OF THE PRIME MINISTER'S SELECT INNER GROUP, AND CAN BE EXPECTED TO KEEP IN STEP WITH HER THINKING AND HER GOALS. THE EC, THE CAP, AND THE UK REBATE HAVE TAKEN MANY OF HIS EARLY DAYS AS FOREIGN SECRETARY. ONE OF HIS PRINCIPAL OBJECTIVES IN THE COMING YEAR WILL BE TO WORK TOWARD A LONG-TERM SOLUTION OF THE COMMUNITY'S FINANCING.

6. THE UNITED STATES IS AT THE CENTER ON OTHER ISSUES, AND ECONOMIC AND TRADE MATTERS WILL BE HIGH ON THE AGENDA FOR HOWE IN WASHINGTON. THE U.S. DEFICIT IS A PET  
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PREOCCUPATION AND HOWE WILL REITERATE BRITISH CONCERNS ABOUT THE IMPACT ON EUROPE. HE WILL RAISE AS WELL SPECIALITY STEEL, UNITARY TAXATION, AND BRITISH CONCERNS ABOUT PROTECTIONISM.

7. ON OTHER INTERNATIONAL ISSUES, HOWE HAS BEEN READING IN THROUGH A SERIES OF INTERNAL REVIEWS ON:

-- REMNANTS OF EMPIRE -- HMG APPEARS TO BE MOVING CAUTIOUSLY, DEALING WITH ISSUES AS THEY ARISE, E.G., HONG KONG, WHERE THE TALKS ENTERED A NEW STAGE JULY 12; GIBRALTAR, WHERE THE IMMEDIATE WORRY IS UNEMPLOYMENT.

-- ARMS CONTROL: HOWE, STILL LEARNING, IS PARTICULARLY INTERESTED IN EFFECTIVE PUBLIC EXPOSITION OF WESTERN POLICIES.

-- THE MIDDLE EAST AND AFRICA: HOWE HAS YET TO IMMERSE HIMSELF DEEPLY AND WILL BE WORKING FROM BRIEFS: ON

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BRITISH MNF RENEWAL AND PROSPECTS FOR THE REAGAN INITIATIVE  
IN THE MIDDLE EAST, AND ON HOW BRITAIN CAN SUPPORT OUR  
EFFORTS ON ANGOLA.

8. IN SUM, HOWE WILL BE GOING TO WASHINGTON WITH CLEAR  
IDEAS AND A FULL AGENDA ON ECONOMIC ISSUES, BUT VERY  
MUCH TO LISTEN AND TO LEARN ABOUT OTHER AREAS. WITH  
THE VICE PRESIDENT, HOWE TALKED EAGERLY ABOUT THE INTER-  
NATIONAL ECONOMIC SCENE, AND THEN, WITH A WARY EYE ON THE  
SPECIALISTS AROUND HIM, ADMITTED THE NEED TO GO ON TO  
OTHER SUBJECTS LEST THEY ACCUSE HIM OF HAVING REMAINED  
IN SPIRIT AT THE EXCHEQUER. LOUIS

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