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PASS OASIA FOR FAUVER AND WALSH
E.O. 12356: N/A
TAGS: EFIN, IMF, UK
SUBJECT: THATCHER'S ECONOMIC AGENDA IN WASHINGTON

1. SUMMARY: PRIME MINISTER THATCHER IS REPORTEDLY PLANNING TO RAISE THREE MAJOR ECONOMIC ISSUES WITH THE PRESIDENT, SECRETARY REGAN, AND CONGRESSIONAL LEADERS, ACCORDING TO THE PRESS -- CONGRESSIONAL APPROVAL OF THE U.S. PORTION OF THE IMF QUOTA INCREASE, ELIMINATION OF A RETURN TO PROTECTIONISM IN THE U.S., PARTICULARLY RELATING TO AGRICULTURAL TRADE AND MILITARY SANATION. ACCORDING TO THE GUARDIAN, THE PRIME MINISTER WILL REPLY TO "FORCEFUL" ARGUMENTS, PARTICULARLY WITH CONGRESSIONAL LEADERS ON THE IMF QUOTA INCREASE BUT WILL ALSO BE PREPARED TO ATTEMPT TO "GOAD" THE PRESIDENT INTO ACTION ON THIS ISSUE IF NECESSARY. THE GUARDIAN ARTICLE IS REPEATED BELOW.

QUOTE:

THATCHER'S IMF CONCERN ON US TRIP

THE PRIME MINISTER IS EXPECTED TO STEP INTO THE GROWING ROW OVER AMERICA'S SHARE IN THE INTERNATIONAL MONETARY FUND CRISIS THIS WEEK AS PART OF A CONCERTED EFFORT TO HEAD OFF A RETURN TO PROTECTIONISM AND ECONOMIC ISOLATIONISM BY THE US.

THIS IS LIKELY TO BE THE CRUCIAL ELEMENT IN A GRUELING SIX-DAY NORTH AMERICAN TOUR WHICH BEGAN YESTERDAY WHEN MRS. THATCHER FLEW TO CANADA ON THE FIRST LEG OF A JOURNEY WHICH WILL TAKE HER TO THE WHITE HOUSE, CAPITOL HILL AND UN HEADQUARTERS IN NEW YORK.

HER SCHEDULE, WHICH INCLUDES SPEECHES TO THE CANADIAN PARLIAMENT AND TO TORONTO BANKERS, CULMINATES IN A SETPIECE ADDRESS AT A WASHINGTON DINNER TO MARK HER ACCEPTANCE OF THE CHURCHILL AWARD. BUT THE CRUCIAL BUSINESS WILL BE HER TALKS WITH PRESIDENT REGAN, MR. DONALD REGAN, OF THE US TREASURY, AND LEADERS OF THE US SENATE AND CONGRESS.

THERE HAVE BEEN GROWING SIGNS IN WHITEHALL THAT BRITISH MINISTERS ARE ALARMED BY EVIDENCE OF A RENEWED LURCH TOWARDS US ECONOMIC ISOLATIONISM. THEY IDENTIFY THREE

THE MOST URGENT IS THE REFUSAL OF CONGRESS TO PERMIT THE ADMINISTRATION TO FULFILL ITS MASSIVE SHARE IN RESTORING THE RESOURCES OF THE IMF. WITHOUT SUBSTANTIALLY INCREASED RESOURCES THERE IS A REAL THREAT OF AN INTERNATIONAL BANKING COLLAPSE CAUSED BY A GENERAL DEFAULT BY THIRD WORLD DEBTOR COUNTRIES.

MANY OF THE ARGUMENTS ADVANCED BY CONGRESSIONAL LEADERS IN SUPPORT OF THEIR BLOCKING TACTICS MIGHT SEEM, ON THE FACE OF IT, CLOSE TO MRS. THATCHER'S OWN VIEW. IN PARTICULAR, IT IS ARGUED THAT US BANKS WHICH HAVE OVER-EXTENDED COMMITMENTS IN THE THIRD WORLD WILL HAVE NO ONE TO BLAME BUT THEMSELVES AND THE INEXORABLE WORKING OF THE MARKET IF THEY COME A CROPPER.

BUT BRITISH BANKS ARE ALSO DIRECTLY AT RISK, EVEN IF AT A LOWER LEVEL, AND THE PRIME MINISTER HAS ALREADY SHOWN HERSELF READY TO SWALLOW HER PRIDE TO THE EXTENT OF LENDING STILL MORE MONEY TO THE ARGENTINE JUNTA IN THE EFFORT TO KEEP THEM, AND THEIR BRITISH CREDITORS, SOLVENT.

SHE IS THEREFORE EXPECTED TO DEPLOY FORCEFUL ARGUMENTS TO SENATORS AND CONGRESSMEN IN FAVOR OF RELAXING THE STRICTEST PRINCIPLES OF THRIFT AND GOOD FINANCIAL MANAGEMENT IN FAVOR OF A MORE PRAGMATIC APPROACH DESIGNED TO AVERT A WORLD-WIDE FINANCIAL CALAMITY.

THE ODDS ARE THAT SHE WILL NOT SUCCEED IN SHAPING OPINION ON CAPITAL HILL, AND THE KEY FACTOR WILL THEREFORE BE THE BEHAVIOUR OF THE PRESIDENT. THOUGH THE ADMINISTRATION SHARES MRS. THATCHER'S VIEW, MR. REGAN HAS NOT YET BEEN WILLING TO USE HIS POWERS OF POLITICAL PERSUASION ON THE CONGRESS. THE PRIME MINISTER WILL BE SEEKING TO GOAD HIM INTO ACTION.

THE SECOND AREA OF WHITEHALL ANXIETY IS OVER INCREASING EVIDENCE OF A RETURN TO US PROTECTIONISM, PARTICULARLY ON AGRICULTURAL PRODUCTS.

IF THIS TREND IS SUSTAINED MRS. THATCHER FEARS THAT IT WILL BECOME AN ISSUE BETWEEN AMERICAN AND THE EUROPEAN COMMUNITIES. ABOVE ALL, IT WOULD ALMOST CERTAINLY UNDERMINE THE PRIME MINISTER'S HOPES OF ACHIEVING BT

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TAGS: EFIN, IMF, UK
SUBJECT: THATCHER'S ECONOMIC AGENDA IN WASHINGTON
EFFECTIVE REFORM IN THE EEC'S COMMON AGRICULTURAL POLICY,
THE CENTRE-PIECE OF HER EUROPEAN POLICY.

THE THIRD AREA OF BRITISH CONCERN IS MORE SPECIFIC,
THOUGH IT SEEMS LIKELY TO EMBROIL MRS. THATCHER IN THE
THORNY ISSUE OF STATES' RIGHTS VERSUS THE FEDERAL
GOVERNMENT. IT INVOLVES THE COMPLEX MATTER OF UNITARY
TAXATION ON THE PROFITS OF MULTINATIONAL COMPANIES.

MRS. THATCHER IS EXPECTED TO TELL THE PRESIDENT, THE
TREASURY SECRETARY AND CONGRESSIONAL LEADERS THAT SHE
REGARDS THE EFFORTS OF SOME 13 STATE GOVERNMENTS TO TAX
MULTINATIONALS ON A PROPORTION OF THEIR WORLDWIDE
EARNINGS AS A SERIOUS THREAT TO BRITISH AND EUROPEAN
INTERESTS. AND SHE IS LIKELY TO DRAW THEIR ATTENTION
TO THE MOUNTING PRESSURE IN EUROPE FOR SOME
RETALIATORY ACTION AGAINST US MULTINATIONALS.

THE ISSUE PROMISES TO BECOME THE SOURCE OF SERIOUS
TRANSATLANTIC FRICTION, ESPECIALLY AS IT INVOLVES
MATTERS OF CONSTITUTIONAL PRINCIPLE FOR WASHINGTON. BUT
MRS. THATCHER IS UNDERSTOOD TO SEE IT AS CENTRAL TO THE
QUESTION OF WHETHER AMERICA INTENDS TO REMAIN
INTERNATIONAL IN OUTLOOK.

AGAINST THIS BACKGROUND, THE CANADIAN PART OF THE PRIME
MINISTER'S LENGTHY JOURNEY IS MORE DIFFUSE. BRITISH
SOURCES WERE ANXIOUS NOT TO PLAY IT DOWN YESTERDAY,
POINTING OUT THAT MRS. THATCHER IS SPENDING THREE DAYS
IN CANADA AND PENETRATING AS FAR AS EDMONTON, ALBERTA.

HER PRINCIPAL HOST, MR. PIERRE TRUDEAU, CERTAINLY HAS NO
INTENTION OF DOWNGRADING THE VISIT.
UNQUOTE.
LOUIS
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