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MINISTRY OF DEFENCE

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20 April 1988

Dear Robert,

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20/4.PRIME MINISTER'S VISIT TO OTTAWA

for map

Charles Powell sent me a copy of his letter to you of 25th March, in which he sought ideas for themes for the Prime Minister's speech in the Canadian Parliament following the Economic Summit. The speech may take place only a few months before a Canadian general election likely to have a strong defence flavour. As you will recall, the Canadian Defence White Paper of last June marked a significant and welcome enhancement of Canadian commitment to defence and to NATO. Accordingly, the Prime Minister could usefully give a strong welcome to this development and to the contribution which Canada already makes through providing training and testing grounds, and could point out that it is an example others could follow (especially in the context of the expected Alliance burdensharing debate). Such remarks might logically follow the strong statement on East-West relations mentioned during the Prime Minister's meeting with Mr Mulroney at the NATO summit.

There are a wide range of programmes within the overall plan of modernising and updating the Canadian forces which might be mentioned - TRIBAL class destroyers modernisation, nine new patrol frigates, the EH-101 helicopter and the significant enhancement to capability it represents, a replacement Main Battle Tank, increased reserve forces, and the introduction of the CF-18 fighter.

Two of the initiatives in the White Paper are of bilateral interest. One is the proposed Canadian European Theatre Base in the UK - the Canadian Defence Minister, Mr Beatty, has, as you know, written to the Defence Secretary about locating the CETB in the UK. Although our response, in due course, is likely to be favourable, we do not believe that the issue should be mentioned publicly, even though the Canadians have already announced that they are negotiating with "a European country". But we will need to keep this possibility under review as circumstances may have changed by June. For instance, should the sale of SSNs (see below) have fallen through for any reason, a reference to the CETB, if possible by then, might be a useful piece of good news.

Robert Culshaw Esq
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The other issue, which is, as you know, of great public sensitivity, is the Canadian intention to acquire SSNs. At this stage we cannot forecast what the state of play will be in June; at the moment, the US Administration's decision-making process on the issue is at a critical stage. Should the US decision be favourable, the Prime Minister will clearly wish to stress the merits of TRAFALGAR, although it may not be appropriate for her to go into detail; but we believe that at a minimum she will wish to point out, as did the Chief of the Defence Staff when recently in Washington, that TRAFALGAR is superior to any Soviet SSN now under construction. The speech would be the best possible platform for a fair assertion of the technical superiority of TRAFALGAR, and of its adequacy against the foreseen threat. We do not believe that the Prime Minister's Canadian hosts would take it amiss if she were to refer in addition to the UK concern that Canada should make her decision on the basis of free and equal competition and operational effectiveness.

It is extremely unlikely that the Canadians will have made a choice between the competing designs before the Prime Minister's visit, and they may wish to defer any announcement until after the Economic Summit, in order to avoid the embarrassment caused by the inevitable presence of the Head of Government of the loser. But, if the Canadians have been prevented from considering TRAFALGAR by an unfavourable US decision, remarks on the SSN issue will need to be low-key, and, in so far as SSNs are mentioned at all, they might best be alluded to as part of any reference to other programmes.

We would, of course, wish to be kept closely in touch as the speech develops and to comment on the successive drafts. I am copying this to Charles Powell (No 10) and to Alex Allan (HM Treasury).

Your sincerely
B R Hawtin

(B R HAWTIN)
Private Secretary

Pm rates Aglos: Toronto

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