

PRIME MINISTER

MEETING WITH PRESIDENT KAUNDA

You are to see President Kaunda in Vancouver on Monday afternoon. He will have been in Washington and seen President Reagan on 8 October.

There are a number of points to raise at the beginning:

- sympathy for the recent parcel bomb explosion at Lusaka's Central Rail Depot (7 dead);
- congratulations on his accession as OAU Chairman;
- thanks for sending his Prime Minister to see you in London.

You will want to explain your views on the best way to handle the discussion of South Africa, and get an impression of what he is likely to regard as a tolerable outcome.

You may face a difficult exchange on the Zambian Economy. It is quite clear that donors and the IMF do not regard the New Economic Recovery Programme as workable, when set alongside the government's determination to maintain an over-valued exchange rate, apply foreign exchange and price controls, run a minimum wage policy and pay the Civil Service more. He really must go back to the IMF and negotiate a programme. If he does so, we would be able to resume programme aid, and would consider converting £53 million of outstanding aid debts to grants.

But in making these points, you will want to be aware that the Canadians are likely to agree to write off Zambia's aid debts even without an IMF programme; and Japan and the US may agree to give him extra money on political grounds and without an IMF agreement. This makes our position look considerably more severe.

Finally you might say something about our determination to combat AIDS. President Kaunda has recently confirmed his son died of AIDS last year.

A brief is in the folder, with the note of your meeting with the Zambian Prime Minister.

C. D. POWELL

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