

PREM19

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USA

(MT visit to Washington -
policy, December 1979)

PREM 19/127

MT

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Visit to USA by P.M. on 16-19 December
1979 - Policy.

U.S.A.

NOVEMBER 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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|| PM's brief for Washington
in folder attached (+ American
press cuttings)

USA

U.S. FOREIGN POLICY: a historical appraisal

1. Ever since independence, the foreign policy of the US has moved backwards and forwards between two concepts:-

i. the wish "to be as little as possible entangled in the politics and controversies of European nations" (or other nations in general) (resolution of the Continental Congress, 1783)⁽¹⁾; and

ii. A sense of national mission in encouraging the cause of freedom throughout the world.

2. Throughout the 19th century, the first concept was dominant in U.S. thinking. Thus:

i. George Washington's Farewell Address (1796) asked "Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalry, interest, humour or caprice?" (2)

ii. Jefferson said much the same in the most famous enunciation of US foreign policy till 1898 (1801):

"Peace, commerce and honest friendship with all nations - entangling alliances with none". (3)

iii. John Quincy Adams in an oration on Independence Day (1823) said,

"America goes not abroad in search of monsters to destroy. She is the well-wisher to the freedom and

...../independenc

independence of all: she is the champion and vindicator of her own".⁽⁴⁾

iv. Daniel Webster (1823) said

"The thunder, it may be said, is at a distance. The wide Atlantic is between us and danger: and however others may suffer, we shall remain safe".⁽⁵⁾

v. President Cleveland's inaugural address (1883) quoted Jefferson in (ii) above with approval, "rejecting any share in foreign broils and ambitions upon other continents and repelling their intrusion here".⁽⁶⁾

vi. The Monroe doctrine (1823) though it warned European powers that the US would consider any attempt on their part to extend their systems to the Americas as "dangerous to our peace and safety", pledged the US to avoid "interfering in Europe".⁽⁷⁾

3. Still, the second concept was always waiting to be aroused, and articulated:

i. Thus even Washington said that the preservation of the "sacred fire of liberty" was staked on "the experiment entrusted to the hands of the American people"⁽⁸⁾

ii. President Filmore said in 1850 that the intent of the US was to

"teach by example and show by our success, moderation and justice, the blessings of self-government and the

..../advantages

advantages of free institutions".⁽⁹⁾

iii. Walt Whitman wrote about 1860 :

"Have the elder races halted?
Do they drop and end their lesson,
Wearied over there beyond the seas?
We take up the task eternal"⁽¹⁰⁾ and

iv. Charles Sumner (1851), a famous anti-slavery Senator for Massachusetts, though upholding "peaceful neutrality" added "I inculcate no frigid isolation. God forbid that we should ever close our ears to the cry of distress or cease to smell with indignation at the slips of tyranny"⁽¹¹⁾, while

v. Carl Schurz (1851) a German-born republican leader, spoke of "Americanism as the great representative of the reformatory age.....the great champion of the dignity of human nature, the great repository of the last of suffering mankind".⁽¹²⁾.

4. Further, while many Americans still wanted to keep clear of Europe, "the magnificent purse of the commerce of the Pacific"⁽¹³⁾

seemed already

appealing. Thomas Hart Beneton believed "America should wake up and re-animate the torpid body of Asia (about 1855)"⁽¹⁴⁾.

Senator Seward, Lincoln's Secretary of State, declared that "the Pacific Ocean, its shores, its islands, and the vast regions beyond will become the chief theatre of events in

...../the world's

the world's great hereafter"⁽¹⁵⁾. (Seward ensured the purchase of Alaska and the Midway Islands in 1867).

5. By the turn of the 19th and 20th centuries, a new school of thought had arisen. Partly this derived from:-

- i. the arguments of those who, like Senator John T. Morgan of Alabama (1894), wanted "a Gibraltar in the heart of the Pacific"⁽¹⁶⁾ and so supported the annexation of Hawaii partly because;
- ii. a new sense of proprietary protectiveness was felt for all American frontiers, e.g. the Venezuelan dispute with Britain over British Guiana expressed in Secretary of State Olney's remarks in a letter of 1895: "Today the United States is practically sovereign upon this continent and its fiat is law upon the subject to which it confines its interposition⁽¹⁷⁾, while there were also
- iii. the demands for better protection and (above all naval protection) expressed in numerous books, articles and speeches of the 1880s and 1890s, themselves partly explained by the relative decline of British strength. Captain Alfred Mahan (The Influence of Sea Power in History 1890) was the advocate of this point of view par excellence. He urged the US to "cast aside the policy of isolation which befitted her infancy" and assume commitments of all sorts to ensure "the nation's inevitable task and appointed lot in

the work of upholding the common interests of civilisation,⁽¹⁸⁾. He and those influenced by him were chiefly scornful of the needs of business and commerce, they believed though that "As one of the great nations of the world, the US must not fall out of the line of march", as Henry Cabot Lodge put it (1895)⁽¹⁹⁾ One of Mahan's disciples was Theodore Roosevelt, who warned against "huddling within national frontiers" as an "assemblage of well-to-do hucksters". His message to congress in 1902 read:

↑
"Our place must be great among the nations.
We may either fail greatly or succeed greatly;
but we cannot avoid the endeavour from which
either great failure or great success must come.
Even if we could, we cannot play a small part.
If we should try, all that would follow would
be that we should play a large part ignobly"⁽²⁰⁾
↓

On another occasion, he pointed out:

↓
"There is no surer way of courting national disaster than to be opulent, aggressive and un-armed"⁽²¹⁾

and, on receiving the Nobel Peace Prize in 1910, for his work helping to end the Russo-Japanese War, he said:

"Peace is generally good in itself but it is never the highest good unless it comes as the handmaiden of righteousness"⁽²²⁾.

6. The consequence of these attitudes was the U.S. intervention in the Cuban-Spanish war (which thus became the Spanish-American war), the occupation of the Philippines, the acquisition of Hawaii, Guam, Wake Island (all in 1898), the acquisition and of Samoa (1899)/ the support for the Panamanian rebel government till ment in what had/then been Colombia to facilitate the Panama Canal (1903-4). There was also Theodore Roosevelt's "corollary" in 1904 to the Monroe doctrine where he said that "flagrant cases ofwrong-doing or impotence" would cause the US to "the exercise of an international police power" (23) - an assertion of authority which led to US military intervention in numerous states in the Caribbean area between then and 1933. Roosevelt well expressed the mood when he told André Tardieu* (1908) "Here in the US what is most lacking to us is to understand that we have interests in the whole world. I wish that all Americans would realise that American politics is world politics: that we are and that we shall be involved in all great questions." (24)

7. Another consequence was the rapprochement with Britain, the nation whose interests were closest to those of the US. The writer, Brooks Adams, described Britain as merely "the fortified outpost of the Anglo-Saxon race" (!) in 1898 (25)

8. Well before 1914, therefore, isolation, instead of being the dominant attitude in US foreign policy, was a minority point of view. President Wilson, for example, had been convinced of

*A French writer, later a statesman/the need

the need to support "large policy" before he became President. there,
When at the White House, he intervened in Mexico against the tyrant/
General Huerta. After 1914, he was fully convinced that "the
liberal peoples of the world" were "united in a common cause" as
the New Republic put it. The Navy Appropriation Act of 1916
already specified the desirability of the US obtaining a navy
"second to none". Still, if war came, President Wilson was
determined that it should be waged in fulfilment of the historic
destiny of the US to promote liberty". When asking congress
to declare war in 1914, he said the US would be fighting for
" a universal dominance of right by such a concert of
free peoples as shall bring peace and safety to all nations
and make the world itself at last free. To such a task
we can dedicate our lives and our fortunes, everything
that we are, and everything that we have (26)

9. After 1919, there was, however, a reaction against the "large
policy" and the idea of intervention and a widespread desire
to return to what were put forward as Washingtonian or Jeffersonian
principles. Hence the defeat of the Treaty of Versailles in the
Senate in 1919, on the specific ground that Article 10 of the
League of Nations (rather unwisely attached to the Treaty)
pledged all signatories to act as a kind of permanent international
police force. Wilson continued to argue that:

"the isolation of the US is at an end, not because
we chose to go into the politics of the world but because,
by the sheer genius of this people and the growth of our
power, we have become a determining factor in the history

...../of mankind

of mankind and, after you have become a determining factor, you cannot remain isolated, whether you want to or not" (27)

10. But the American people in the 1920s were unimpressed by such grandiloquence as had been used to such effect by Theodore Roosevelt. Hemingway's hero in Farewell to Arms said that he was "embarrassed by the worlds "sacred", "glorious", and "sacrifice" and the expression "in vain" (28) and there were still isolationists of the old school left such as Senator Borah, who in the Senate debate in July 1919, said:

"If I have had a conviction throughout my life..... it has been the consideration that we should stay out of European and Asiatic affairs..... I do not think it possible for us to continue to be the leading intellectual and moral power in the world and do anything else (29)

11. Wilson's successor as President, Warren G. Harding denounced the suggestion that "internationality was to supercede nationality" (30). The next President, Coolidge, in his inaugural address (1925) said "we have been, and propose to be, more and more American. We believe that we can best serve our own country and most successfully discharge our obligations to humanity by continuing to be openly and candidly, intensely and scrupulously American (31). Even President Franklin Roosevelt in 1933 in his inaugural address made only one reference to foreign affairs. that he would ensure the nation would follow "the policy of the good neighbour", (32) above all in Latin America.

12. Roosevelt changed this policy in late 1937 when, in his "quarantine speech" at Chicago, he appealed to the US to face the realities of a world drifting towards "terror and lawlessness". No escape was possible "through mere isolation or neutrality". 90% of the world's population were being jeopardised by the other 10%. He also said "when an epidemic of physical disease starts to spread, the community approves and joins in a quarantine of the patients in order to protect the health of the community against the spread of the disease"⁽³³⁾. In his annual message to Congress in January 1939, he said "all about us rage undeclared wars - military and economic"⁽³⁴⁾ and in January 1940 he criticised those "who wishfully insist in innocence or ignorance, or both, that the United States of America as a self-contained unit can live happily and prosperously, its future secure, inside a high wall of isolation while, civilisation and the commerce and culture of mankind are shattered.... I hope that we shall have fewer American ostriches in our midst. It is not good for the ultimate health of ostriches to bury their heads in the sand."⁽³⁵⁾

with Lend-Lease

13. Afterwards, Roosevelt drew the U.S. closer and closer towards the attitude of responsible international politics which with only a few momentary lapses she has followed ever since: "we will extend to the /^{opponents} of force the material resources of this nation", he said on June 10th, 1940⁽³⁶⁾ and in a fire side chat he subsequently said "Suppose my neighbour's home catches fire and I have a length of garden hose If he can take my garden hose and connect it up with his hydrant,

...../I may

I may help him to put out his fire" (37). In 1941, he launched the concept of the U.S. as "the arsenal of democracy" (38), and soon after Pearl Harbour he asserted that the U.S. would never return to the isolationism of 1919: "it is useless to win a war unless it stays won" (39). By 1944, Roosevelt was anticipating a permanent U.S. presence in the future U.N. by saying that if the world organisation was to have any reality "our American representative must be endorsed in advance by the people themselves with authority to act" (40).

14. The leading representative of old isolationism, Senator Vandenberg (Borah's intellectual successor) was, by then, convinced that "I do not believe that any nation hereafter can immunise itself..... Our oceans have ceased to be moats which automatically protect our ramparts" he stated in 1945 (41). In 1940, Vandenberg had noted in his diary that over Lend Lease he felt that he was "witnessing the suicide of the Republic": "we have / ^{given} up 150 years of traditional foreign policy. We have tossed Washington's 'Farewell Address' into the discord. We have thrown ourselves squarely into the power politics and power wars of Europe, Asia and Africa. We have taken the first step upon a course from which we can never hereafter retreat" (42). In 1941, thus, he admitted that "the afternoon of the Pearl Harbour attack ended isolationism for any realist" (43). The U.S. senate accepted membership of the U.N. by 89 to 2.

..../15. Most intelligent

15. Most intelligent Americans knew before the end of the second world war that, as Averill Harriman, ambassador in Washington, put it in April 1945, the U.S. might soon find itself facing ideological warfare "as rigorous and dangerous as Facisim or Nazism"⁽⁴⁴⁾. The opening of the cold war did not find the country divided. Senator Vandenberg in particular spoke forcefully: "What is Russia up to now?", he asked in the senate in February 1946, "we ask it in Manchuria.... Eastern Europe Italy..... Iran..... We ask it sometimes even in connection with events in our own United States"⁽⁴⁵⁾. In 1947, he said "The greatest nation on earth either justifies or surrenders its leadership. We must choose."⁽⁴⁶⁾. Secretary of State Byrnes in 1946 explained that "The people of the United States did their best to stay out of European wars in the theory that they should mind their own business and that they had no business in Europe. It did not work.....They have concluded that if they must help finish every European war, it would be better for them to do their part to prevent the starting of a European war."⁽⁴⁷⁾

16. In 1947, President Truman articulated the new policies with his doctrine that "it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures we cannot allow changes in the status quo in violation of the Charter of the U.N. by such methods as coercion or by such subterfuges as political infiltration"⁽⁴⁸⁾. This was also clarified by an article written/ ^{anonymously} by George Kennan in 1947 in Foreign Affairs. It was necessary to confront the

...../Russians

Russians "with unalterable counterforce at every point where they show signs of encroaching upon the interests of a peaceful and stable world"⁽⁴⁹⁾. Dean Acheson, when Secretary of State, added in 1949, echoing Burke "We have ... learned that if the free nations do not stand together they will fall one by one."⁽⁵⁰⁾ That led to the ratification of the North Atlantic Treaty in 1949 by 82 to 13 - "the collective judgment of the people" in Truman's words⁽⁵¹⁾.

CONCLUSION

17. The main lines of U.S. foreign policy have not basically changed since then despite the buffeting it has received and despite the loss of the reservoir of good will which Americans had in Asia until Vietnam. The reaction to U.S. policy in Latin America and in Europe, the Middle East and elsewhere has been hostile (probably primarily due to artful propaganda and agitation inspired by the Soviet Union) but the majority of Americans still agree with Dean Acheson when, in 1951, he explained "We are children of freedom. We cannot be safe except in an environment of freedom..... We believe that all people in the world are entitled to as much freedom, to develop in their own way, as we want ourselves."⁽⁵²⁾.

That spirit can be re-kindled, if the U.S. recalls Senator Vandenberg's words in 1946 that the U.S. had assumed a "moral leadership which we have too frequently allowed to lapse."⁽⁵³⁾

We should forget, however, that there will always remain a possibility that American opinion could become isolationist again and that such opinion could be given a good intellectual pedigree by reference, for example, to Washington and Jefferson.

NOTES

1. Gaillard Hunt (ed) Journals of the Continental Congress 1774-1789 (Washington 1922) XXIV, 394
2. James D. Richardson (ed) A Compilation of the Messages and Papers of the Presidents, 1789-1902 I, 223
3. Messages of the Presidents, I, 323
4. quoted Edward Howland Tatum, The United States and Europe 1815-1823 (Berkeley 1936), 244
5. quoted Marion Miller Great Debates in American History New York 1913 II, 258
6. Messages of the Presidents, VIII, 301
7. Messages of the Presidents, II, 218
8. Messages of the Presidents, I, 53
9. Messages of the Presidents, V, 177
10. Walt Whitman
11. Charles Sumner, Complete Works (Boston 1900) III, 178
12. quoted in Willard Thorp (ed) American Issues - the Social Record (Philadelphia 1941), p.336
13. quoted Merle Curti "Young America", American Historical Review XXXII (Oct. 1926) 35
14. quoted Ralph Gabriel, American Democratic Thought (New York 1940), 344
15. George E. Baker (ed) The Works of William H. Seward (5 vols)^L, I, 249
16. Congressional Record: 53rd Congress, 2nd Session (July 2, 1894), p.7062
17. Papers relating to the Foreign Relations of the United States 1895 (Washington 1896) I, 558
18. North American Review CLIX (November 1894), 558
19. "Our Blundering Foreign Policy: Forum XIX (March 1895), 17
20. Messages of the Presidents, X, 511
21. Messages of the Presidents, X, 445
22. The Works of Theodore Roosevelt, XVI, 306

23. The Works of Theodore Roosevelt, XV, 257
24. quoted Foster Rhea Dulles, America's Rise to World Power (New York 1954), 61
25. Brooks Adams America's Economic Supremacy (New York, reprinted 1947), p.175
26. Public Papers of Woodrow Wilson, V, 9
27. Public Papers of Woodrow Wilson, VI, 18
28. Farewell to Arms, 191
29. Congressional Record LVIII, 65th Congress, 3rd Session (1919), p.3143
30. Supplement to the Messages of the Presidents 1921-1925 (Washington 1925) p.8942
31. Supplement to the Messages of the President 1921-1925 9401, 9741, 9482
32. Inaugural Address of F.D.R.
33. Samuel I. Rosenmann, Roosevelt's Foreign Policy (New York 1942) 129-132
34. The same, 155-156
35. The same, 215
36. The same, 252
37. Public Papers and Addresses of Franklin D. Roosevelt (New York 1938-50), IX, 607
38. Rosenmann, 347
39. The same, 363
40. S. Rosenmann, Working With Roosevelt (New York, 1952), 484
41. The Private Papers of Senator Vandenberg, (Boston 1952) 135
42. Private Papers of Senator Vandenberg, (Boston 1952), 10
43. The same, I
44. The Forrestal Diaries, 47
45. Private Papers of Senator Vandenberg, 247
46. The same, 390

47. J.F. Byrnes, Speaking Frankly (New York 1947), 193
48. A Decade of American Foreign Policy, 1257
49. "The Sources of Soviet Conduct": Foreign Affairs XXV (July 1947), 566-582
50. McGeorge Bundy (ed) The Pattern of Responsibility - from the Record of Secretary of State, Dean Acheson (Boston 1952), 62
51. quoted Richard Stebbins The United States in World Affairs (New York 1950), 28
52. in Bundy (ed) The Pattern of Responsibility, p.41
53. Private Papers of Senator Vandenberg, 248

Foreign and Commonwealth Office document

Reference Diplomatic Report No. 1/80 [AMU 026/19]

Description Prime Ministers' official visit to
United States

Date 21 December 1979

The above FCO document, which was enclosed on this file has been removed and destroyed.

Such documents are the responsibility of the Foreign and Commonwealth Office. When released they are available in the appropriate FCO CLASSES.

Signed A Wayland

Date 5 November 2009

PREM Records Team

FILE

USA NS



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*f. Please make
this correction in
our copy MAA*

From the Private Secretary

21 December 1979

Prime Minister's Meeting with the U.N. Secretary General

Thank you for your letter of 19 December, enclosing Sir Anthony Parsons' suggestions on the rough draft record of the meeting which I left with you.

You will by now have had a copy of the clean version of the record. I think that this picks up all the points noted by Sir Anthony, if not in identical language, with only one notable exception: that is the reference which I made to the suspension of the General Assembly, and which Sir Anthony corrected to postponement of the Security Council. If you make that manuscript alteration in the record, I hope the rest can stand.

I am sending a copy of this letter to George Walden (Foreign and Commonwealth Office).

M. A. PATTISON

Kieran Prendergast, Esq.,
United Kingdom Mission to the United Nations.

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cc M.H.

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From the Private Secretary

21 December 1979

I enclose a copy of the record of the Prime Minister's discussion in Washington with the Chairman of the Board of the US Federal Reserve System.

I am sending a copy of this letter and enclosure to Martin Vile (Cabinet Office).

M. A. PATTISON

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

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Prime Minister.

GR 60

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FM WASHINGTON 202300Z DEC 79

TO PRIORITY FCO

TELNO 4301 OF 20 DECEMBER

INFO PRIORITY TO EEC POSTS, UKDEL NATO TEHRAN SALISBURY UKMIS NEW YORK CG NEW YORK BIS NEW YORK.

PRIME MINISTER'S OFFICIAL VISIT TO THE USA, 16-18 DECEMBER

1. THERE IS NO NEED FOR TIME OR REFLECTION TO DESCRIBE THE EFFECT OF THE PRIME MINISTER'S VISIT UPON OFFICIAL AND PUBLIC OPINION HERE.
2. A MEMBER OF THE WHITE HOUSE SAID PRIVATELY AFTERWARDS THAT THE DISCUSSION THERE HAD BEEN THE BEST HE HAD EVER ATTENDED. THIS REFLECTS WHAT I KNOW, FROM OTHER CONVERSATIONS I HAVE HAD, ABOUT THE FAVOURABLE VIEW ON THE AMERICAN SIDE SO FAR AS THE OFFICIAL BUSINESS WAS CONCERNED. THE PRIME MINISTER'S UNEQUIVOCAL PROMISE OF SUPPORT ON IRAN UNDER CHAPTER VII, GIVEN AT THE OUTSET OF THE MEETING, WAS LIKE A TRUMPET-BLAST OF CHEER TO A GOVERNMENT AND PEOPLE BADLY IN NEED OF REASSURANCE FROM THEIR ALLIES.
3. THE SUCCESSFUL OUTCOME OF THE RHODESIA CONFERENCE BRIGHTENED THE SETTING, THE NEW YORK TIMES DESCRIBED YOUR NEGOTIATING TACTICS AS QUOTE ARTFUL UNQUOTE, A WORD INTENDED AS A COMPLIMENT IN THE AMERICAN LANGUAGE. PRAISE WAS BEAMED UPON YOU ON ALL OCCASIONS, PUBLIC AND PRIVATE.
4. I WOULD RATE HIGHLY THE PUBLIC IMPACT OF THE PRIME MINISTER'S PRESENCE HERE. THERE WAS GREAT INTEREST IN HER BEFOREHAND AND PLENTY OF GOODWILL PILING UP IN ADVANCE. I AM SURE THAT THE RESULTS DISAPPOINTED NOONE. ONE SENIOR SENATOR WHO HAD BEEN PRESENT FOR THE MEETING ON THE HILL SAID AT A SOCIAL GATHERING I ATTENDED LAST NIGHT, AND HE SAID IT THREE TIMES, QUOTE I DO NOT RECALL ANY VISITOR TO THE USA WHO HAS MADE SUCH AN IMPACT UNQUOTE. I ASKED WHETHER HE WAS REFERRING TO VISITORS TO CONGRESS, QUOTE NO, UNQUOTE HE REPLIED, QUOTE I MEAN ANY VISITOR ANYWHERE TO THE UNITED STATES UNQUOTE. HE WENT ON TO EXPLAIN TO THE COMPANY THAT HE WAS NOT SPEAKING ONLY FOR HIMSELF, BECAUSE HE HAD DISCUSSED THE PRIME MINISTER WITH MANY OTHER SENATORS, AND THATC WHAT HAD STRUCK THEM ALL WAS QUOTE THE CANDOUR, THE DIRECT SIMPLICITY OF THE LANGUAGE AND THE PROCESS OF THOUGHT IMPARTED WITH THE ORDERLINESS OF SOLDIERS IN THE LINE UNQUOTE.

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5. THERE WAS NO MISTAKING THE ENTHUSIASM GENERATED BY THE PRIME MINISTER'S PUBLIC APPEARANCES IN NEW YORK: HER VISIT TO THE E I RESEARCH ESTABLISHMENT, DOGGED BY A BUS-LOAD OF JOURNALISTS: HER SPEECH TO THE FOREIGN POLICY ASSOCIATION LUNCH, THE BIGGEST THEY HAVE EVER ORGANISED, THOUGH THEY ARE REGULARLY ADDRESSED BY HEADS OF GOVERNMENTS, WITH WELL OVER 2000 PEOPLE PRESENT: AND THE DINNER ARRANGED BY MR DAVID ROCKEFELLER ATTENDED BY THE HEADS OF 130 MAJOR US FIRMS WHO, THOUGH THEY HAD EXPECTED TO HEAR SENTIMENTS OF WHICH THEY APPROVED, WERE ENLIVENED BY THE CONFIDENT AND FORTH-RIGHT WAY IN WHICH THEY WERE EXPRESSED.

6. PRESS, RADIO AND TELEVISION COVERAGE HAS BEEN INTENSE. THE PRIME MINISTER'S SUPPORT OVER IRAN HAS BEEN THE LEADING TOPIC. AFTER TWO OF THE THREE MAJOR TELEVISION NETWORKS HAD BOOKED INTERVIEWS, THE THIRD INSISTED ON EQUAL ACCESS WITH THE RESULT THAT THE PRIME MINISTER APPEARED ON ALL THREE MORNING PROGRAMMES AT PEAK VIEWING TIME. RADIO INTERVIEWS WERE USED BY ALL THE RADIO NETWORKS THROUGHOUT THE COUNTRY COVERING 6000 STATIONS. RESTON'S WIDELY SYNDICATED COLUMN, WHILE ACKNOWLEDGING THE ECONOMIC DIFFICULTIES IN THE UK, IS UNSTINTED IN PRAISE OF MRS THATCHER'S QUOTE ABILITY TO USE THE ENGLISH LANGUAGE TO REDUCE THE DIVERSITY AND COMPLEXITY OF CONTEMPORARY PROBLEMS ... AND TO COMMAND THE ATTENTION AND RESPECT OF HER AUDIENCE. UNQUOTE

7. YOUR OWN 30 MINUTE TV INTERVIEW ON THE MACNEIL/LEHRER PROGRAMME ALSO HAD EXTENSIVE AND REPEATED COVERAGE, WITH EMPHASIS ON YOUR RESPONSIBILITY FOR THE SUCCESSFUL RHODESIA SETTLEMENT. I THOUGHT THAT YOUR SEPARATE MEETING WITH VANCE WAS USEFUL, REVEALING AS IT DID U S CONCERN THAT OUR RESPONSE ON VOLUNTARY FINANCIAL MEASURES AGAINST IRAN MAY BE LESS FORTHCOMING THAN THOSE OF THE FRG OR FRANCE. THEY FULLY RECOGNISE THAT WE ARE MORE INVOLVED BECAUSE LONDON IS MUCH MORE IMPORTANT AS A FINANCIAL CENTRE BUT THEY LEFT THE IMPRESSION THAT THEY BELIEVED THAT SOMETHING MORE COULD BE DONE WITHOUT JEOPARDISING BRITISH INTERESTS. I MIGHT ADD THAT THIS POINT HAS BEEN MADE TO ME SUBSEQUENTLY, WITH THE SUGGESTION THAT IT WOULD SEEM UNFAIR IF FRANCE AND GERMANY GOT MORE DIPLOMATIC CREDIT THAN WE DID.

8. I SHALL NOT DUPLICATE HERE THE RECORDS THAT WILL BE PRODUCED ON THE PRIME MINISTER'S TALK WITH THE PRESIDENT AND WITH THE SECRETARY OF DEFENSE. ON THE LATTER I WOULD PICK OUT HAROLD BROWN'S ACKNOWLEDGEMENT OF THE POLITICAL HELP AND ADVICE THE U S CAN GET FROM US ON SENSITIVE SPOTS OUTSIDE THE NATO AREA, FOR

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EXAMPLE

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EXAMPLE OMAN AND THE CARIBBEAN. HE ALSO HINTED AT U S INTEREST IN EXPANDING THEIR USE OF DIEGO GARCIA BEYOND THE AREAS AND FUNCTIONS DEFINED IN THE PRESENT AGREEMENT. THE PRIME MINISTER PUT DOWN FIRM MARKERS ABOUT AV8B, RAPIER, GIANT VIPER AND THE 81 MM MORTAR; AND SHE UNDERLINED THE NEED TO OFF-SET THE GREAT IMBALANCE IN UK/US DEFENCE TRADE.

9. FROM THE MEETING AT THE WHITE HOUSE I WOULD SELECT FOR MENTION HERE THE PRESIDENT'S RELATIVE OPTIMISM ABOUT THE MIDDLE EAST AND HIS STATEMENT THAT HE WOULD NOT MIND IF EUROPEAN COUNTRIES GOT CLOSER TO THE PLO. AS REGARDS ARMS FOR THE RUC THE PRESIDENT PASSED THE RESPONSIBILITY FOR AMERICAN FAILURE TO SUPPLY TO SPEAKER O'NEILL SAYING THAT HE HAD ENOUGH SUPPORT IN CONGRESS TO PREVENT THIS. MR CARTER SAID THAT MRS THATCHER HAD CONVINCED HIM ON THE SUBJECT AND HE ADVISED HER QUOTE TO SPEAK TO TIP O'NEILL ABOUT IT UNQUOTE. (WE HAVE HEARD SUBSEQUENTLY THAT THE PRESIDENT HAS TRIED TO PUT PRESSURE ON THE SPEAKER SINCE HE SAW THE PRIME MINISTER BUT WITHOUT SUCCESS - ALTHOUGH O'NEILL HAS BEEN NO LESS ENTHUSIASTIC THAN OTHER MEMBERS OF CONGRESS ABOUT THE PM'S PERFORMANCE ON THE HILL AND WAS PLEASED BY WHAT SHE HAD TO SAY ABOUT NORTHERN IRELAND IN GENERAL).

10. IN CONCLUSION, YOU WILL WANT TO KNOW WHAT THE EFFECTS OF THIS VISIT ARE GOING TO BE. IRAN, OF COURSE, DOMINATES ALL AMERICAN SENTIMENT AND WE WILL BE JUDGED BY HOW MUCH WE LIVE UP TO OUR WORD. BUT, WITH THAT IMPORTANT PROVISIO IN MIND, I AM CONFIDENT THAT, EVEN ALLOWING FOR HUMAN FRAILTY AND POLITICAL VOLATILITY, THE EFFECTS OF THE VISIT SHOULD BE TO HELP US TO GET OUR WAY WITH THE US ADMINISTRATION AND TO ENHANCE OUR INTERESTS SO FAR AS CONGRESSIONAL AND U S PUBLIC OPINION ARE CONCERNED. ONCE THE RHODESIA PROBLEM IS OUT OF THE WAY OTHER ISSUES IN THE MIDDLE EAST AND EUROPE WILL GAIN MORE ATTENTION FROM US BUT THIS SHOULD NOT LEAD TO ANY IMPAIRMENT OF THE FRAMEWORK IN WHICH WE WORK WITH WASHINGTON. I AM IN NO DOUBT THAT THE PRESIDENT'S INNER CONVICTION THAT BRITAIN, THROUGH ITS PRIME MINISTER, IS HIS SOUNDEST INTERNATIONAL PARTNER WAS FORTIFIED BY THE DOWN-TO-EARTH UNPOLEMICAL DISCUSSION HE HAD WITH HER AND THAT THE IMPACT SHE MADE DIRECTLY UPON CONGRESS AND THROUGH THE MEDIA UPON AMERICAN OPINION WILL ENHANCE OUR WORKING BASE IN THIS COUNTRY.

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10 DOWNING STREET

From the Private Secretary

20 December 1979

Dear Brian,

PRIME MINISTER'S VISIT TO WASHINGTON

I enclose a record of the Prime Minister's discussion with the United States Secretary for Defence, Dr. Harold Brown.

I am sending copies of this letter and its enclosure to George Walden (FCO), Tony Battishill (HM Treasury) and Martin Vile (Cabinet Office).

Yours sincerely

Richard Alexander

Brian Norbury, Esq.,
Ministry of Defence,

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Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES.

Reference: CC(79) 26th Conclusions, Minute 2 (extract)

Date: 20 December 1979

Signed Wayland Date 5 November 2009

PREM Records Team



United Kingdom Mission to the United Nations
845 Third Avenue New York NY 10022

Mike Pattison Esq
No 10 Downing Street
LONDON

Your reference

Our reference

Date 19 December 1979

Dear Mike,

PRIME MINISTER'S TALK WITH SECRETARY GENERAL: IRAN

///

1. Thank you for letting us have a sight of the draft record covering Iran. I attach Sir Anthony Parsons' suggested amendments to the record.

Yours sincerely,

Kieran Prendergast

Kieran Prendergast

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10 DOWNING STREET

From the Private Secretary

MR PRENDERGAST

Here is my draft record covering Iran. It is in two pieces as there was a short return to the subject at the end of the meeting.

One point which will need inserting is the label which Sir Anthony Parsons gave to the right wing group which he considered to be responsibility for the taking of the hostages.

The full draft record will be sent over by the end of the evening.

probably needs more correcting

Mike Paterson

18 December 1979

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Dr. Waldheim characterised progress on Rhodesia as one positive development in a period of troubles. Washington was now getting very restive about Iran. The new Iranian representative, Ambassador Farhang had yesterday paid his initial call. He appeared to have instructions to explore how the United Nations might be able to contribute to a peaceful outcome. In the course of their one hour talk, he had floated a new idea. Dr. Waldheim stressed that he was passing this on in the strictest confidence, and that it had not been made public. The thought was that the United Nations could help by sending to Iran a small group of UN Ambassadors, whilst the Iranians themselves continued their plans to establish some form of grand jury. The composition and terms of reference for such a group would have to be very carefully worked out. It would certainly have to include some Muslim representatives. Some names had already been suggested. On the European side, there might perhaps be a Nordic representative. Their total number should be five or six. Its purpose would be to establish contact with the various forces in Tehran, active in the situation. But there would have to be a formal mandate. The Ambassador had insisted that this could not in any way substitute for the grand jury but might be complementary. Dr. Waldheim had stressed that such a group could not be identified with the activities of the proposed grand jury, although it was not impossible to preserve the idea of some form of international inquiry later. He had said that he could consider the idea of a contact group from the United Nations mandated to make contact with the Iranian authorities. Ambassador Farhang seemed open to this possibility. Dr. Waldheim had suggested that such a group, ~~invited~~ ^{nominated} by the Secretary General, might even go to Tehran before Christmas. In the light of its talks, it might be possible for the Iranians to release at least some hostages over Christmas as a gesture. Farhang had not rejected this. He had reported back to Tehran and expected to provide a response in two days. The initial suggestion had been his, testing Waldheim's reaction. Dr. Waldheim had then tried out these thoughts with the United States, who did not discourage the possibility.

/Dr. Waldheim

Dr. Waldheim was now expecting a response the next day, 19 December. He was already thinking of a possible composition. This might, at least, offer a new start to serious negotiations. They had once been in progress, but for the sudden departure of the previous Foreign Minister. He had already had a number of telephone conversations with the new Foreign Minister. He was, however, worried by the Foreign Minister's excessive use of television for pronouncements on the situation. But he clearly wanted a settlement. Ambassador Farhang had told Dr. Waldheim that the Iranian public had to be prepared for the release of the hostages but had underlined that the authorities did not have complete control over the students. The Prime Minister asked how the public could be prepared for the release of the hostages if the authorities were not in control. Dr. Waldheim saw this as a psychological problem. He would not define it as a selling problem but it was a question of putting over an idea. If, for example, a group from the United Nations were looking into Iranian grievances, this could help. There were obvious difficulties in setting this up, but the thought of a contact group from the United Nations visiting Iran ^{to} discussing ways and means of resolving the crisis was plausible. It had not been rejected. If the next day's answer were positive, he would immediately put together the group, including ^a ^{U.N.} ~~the United Nations~~ ^{Under} Secretary General. He would hope to despatch it before the end of the week. Lord Carrington asked whether the Iranians' own tribunal would be in operation at the same time. Dr. Waldheim said that they were still at the stage of setting that up. There might have to be parallel action. The Prime Minister said that such a United Nations group could only go to Iran with the declared purpose of negotiating for the hostages in line with the decision of the International Court of Justice. Sir Anthony Parsons ~~commented that the Iranians could well find this unacceptable.~~

/Sir Michael Palliser

Sir Michael Palliser asked whether the United States had indicated what limits they would require on the activities of the group. Dr. Waldheim thought that the group might be able to invite some of the hostages to give their views on the situation, as a result of which those witnesses might be expelled from Iran. He had said to Ambassador Farhang that it was difficult to see how the hostages could be expected to give evidence after a long period of activity, handcuffed and blindfolded by day. ~~The Ambassador Farhang~~ ^{had} said that they were no longer treated in this manner. Dr. Waldheim ^{had} insisted that there should be an understanding about the release of some of the hostages before Christmas.

The Prime Minister asked whether anyone knew what the students really wanted. Her fear ^{was} that the Ayatollah Khomeini was not in control. Dr. Waldheim's sources indicated that he did still have ultimate authority, and that the students would - if reluctantly - obey instructions. A United Nations group would have to ~~take~~ ^{have} guarantees that Khomeini would see them and perhaps ~~with them~~ ^{that they} would see some of the hostages. The United States concern was that such a group could be ~~accepted~~ ^{exploited} by the Iranians. This was why results would need to be demonstrated, in the form of some early release of hostages, to pre-empt any risk of the group being ~~sent~~ ^{seen} purely as an adjunct to the Irani tribunal. There might have to be some follow-up to the group's work - perhaps in the form of a commission of international jurists.

2 But ~~not regard one as~~ ^{one need not} excluding the other. The Iranians ~~knew that one~~ ^{their} tribunal would not be taken seriously at the international tribunal.

The Prime Minister commented that any commission of inquiry would be a dangerous precedent. If there was justification for one, it would be easy to find justification for 50. The ideas outlined by the

/Secretary General

into the activities of the previous regime

were not attractive in themselves, but she appreciated that they might be the only available tactical approach. She herself found it ~~double~~ disturbing to think of a Russian or Hungarian involved in such a group. Dr. Waldheim acknowledged the problems. The Americans would also be sensitive about terms of reference. At the outset of the crisis, they had been desparately looking for ways to move. Now their approach was a little more restrained. Within the United Nations, the African group had proved to be against any commission of inquiry, although the United States would have been ready to go along at an earlier stage. The Africans could see risks for themselves. They were happy to leave the ball in the Secretary General's court. He saw the contact group idea as the best way out of the immediate dilemma.

The Prime Minister said that she wished it was possible to be clear what the students required. If their motive was purely vengence, it was impossible to see a way out. Sir Anthony Parsons said that he feared there was nothing more subtle in their motives. ~~The Iranian students were~~ ^{The label was} ~~certainly~~ misleading. His personal guess was that the group involved were ~~able to point~~ ^{from} to an extreme right-wing religious group, whose leaders had never surfaced when operating as guerillas in the Shah's day, and ~~simply remain~~ ^{still remained} anonymous. Now they simply wanted to get the Shah back. There was some ~~balance~~ ^{in with} in Khomeini and in the end they did not want to undermine his authority. Within the approach outlined by the Secretary General, the key would be a most careful briefing of the contact group. Dr. Waldheim said that he would of course select a very experienced group, and he acknowledged the need for the most careful preparation. He saw the Iranian praise at the Shah's departure from the United States - characterising it as an Iranian victory - as a step in the process of preparing public opinion for the eventual release of the hostages.

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relationships
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Lord Carrington asked how long the United States would be prepared to ~~wait for release~~ ^{hold back on other moves} if a contact group went out. The Security Council resolution had been ignored as had the

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judgement of the International Court of Justice. Dr. Waldheim said that they would give it a week. His most recent discussions with Mr. Vance suggested that Americans would be prepared to give this last opportunity a chance. If it failed, then they would move for Chapter 7 sanctions. Lord Carrington asked whether the Americans would be able to carry a Chapter 7 determination. Dr. Waldheim was uncertain. On 15 December, Mr. Vance had spoken to him of preparing the ground for a Security Council meeting in view of the conflicting reports of the mood in Tehran. He had asked Mr. Vance to wait a few days. With the contact group idea now being explored, the Iranians could accuse the US of trying to undermine this approach if they ~~were~~^{US} to press for a sanctions resolution now. Sir Anthony Parsons commented that the minimum nine votes required to pass a resolution would ~~in practice be~~^{psychologically look like} an Iranian victory. A Chapter 7 determination would need at least 13 votes to achieve ~~of~~^{real} moral pressure on Iran. At least one of the non-permanent members of the Council seemed likely to abstain. Dr. Waldheim commented that such a vote would be awkward for a number of countries. Initially everyone had been prepared to support the United States on such a grave violation of international standards. But sanctions were a different proposition. There were sounds of concern from some countries, and he felt that the USSR might not go along with sanctions. The situation had become very emotional, and a number of countries might consider that sanctions might not work. The Prime Minister commented that the situation was now even worse. Its ~~failure~~^{familiarity, after 6 weeks,} might lead some people to lose sight of the true horror. *In fact, every day that passed made it worse.*

For President Carter, it was politically essential that he could have a publicly ~~valid~~^{valid} justification for waiting if, for instance, a contact group were to be established. Dr. Waldheim replied that this was why he had insisted on the need for some hostages to be released before Christmas. He had even prepared a letter to Khomeini drawing attention to the recent ~~suspension~~^{postponement} of the ~~General Assembly~~^{Security Council} out of respect

/ of holy

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for
of holy days in the Muslim ^{calendar} ~~culture~~ and suggesting that the release of hostages would be a mark of respect and understanding for the Western festivities of Christmas.

The Prime Minister said that ^{the Shah} ~~they~~ could not now be returned by the United States. What else could the Iranians settle for? Dr. Waldheim said that it was difficult to assess this. Recognition by the international community of Iranian grievances against the past regime might meet the need. Sir Anthony Parsons commented that it was not ~~only~~ the Iranian ^{side} ~~side~~ to meet any interlocutors half-way in negotiations if they were already getting concessions. He commented that an ideal member of a contact group would be Ambassador Salim, whose credentials as a young Muslim African with a radical ^{ideal} background were ~~accepted~~.



21 DEC 1979



BRITISH CONSULATE-GENERAL

845 THIRD AVENUE
NEW YORK, N.Y. 10022

19 December 1979

M O'D B Alexander Esq
Private Secretary to the Prime Minister
No 10 Downing Street
LONDON SW1

*Not what I asked for but
no matter!*

for [unclear] 31/12

Dear Michael

THE PRIME MINISTER'S VISIT TO NEW YORK

As we hastened off last evening you asked if I could send you a note of the questions put at the Rockefeller dinner. Some of those who spoke were simply making approving noises but the following were, I think, the questions:-

- i) can the UK's problems be solved in a time scale before the voters revolt? And linked with this, can a real change of attitude in the people be brought about?
- ii) about the restoration of incentives and how the raising of VAT has stepped up the inflation rate;
- iii) dissensions within the EEC and the British demand for a smaller share of the burden;
- iv) about Northern Ireland and the ways ahead;
- v) since it is generally believed that where Britain goes so goes the United States; what guidance could the Prime Minister offer about US policies.

2. Remembering your grim experience in the New York traffic, we must think ourselves lucky indeed that the visit was yesterday and not today when the skies are heavy, the visibility very low and with snow already falling.

*Yours ever
G Booth*

G Booth

BRITISH CONSULATE GENERAL

100 BROADWAY
NEW YORK 7, N.Y.

TO: [Illegible]



21 DEC 1979

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File

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10 DOWNING STREET

From the Private Secretary

19 December 1979

I enclose copies of the record of the Prime Minister's conversations at the United Nations yesterday with the United Nations Secretary General, and with the President of the General Assembly.

I am sending a copy of this letter and enclosures to Martin Vile (Cabinet Office).

M. A. PATTISON

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

19 December 1979

PRIME MINISTER'S VISIT TO WASHINGTON

I enclose a copy of the record prepared by Sir Robert Armstrong of the discussion in restricted session between the Prime Minister and President Carter in Washington on 17 December.

I am sending copies of this letter and its enclosure to Brian Norbury (Ministry of Defence) and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

G. G. H. Walden, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

19 December 1979

PRIME MINISTER'S VISIT TO THE UNITED STATES

I enclose the record of the Prime Minister's talk, in plenary session, with the President of the United States in Washington on 17 December. I have broken the record into four parts, as follows:

- Part I: Introductory remarks and Iran
- Part II: Rhodesia, the Middle East and Energy
- Part III: Northern Ireland
- Part IV: Defence subjects (including Afghanistan).

I should be grateful if the record could be given the limited distribution appropriate to a record of this kind.

I am sending a copy of this letter, together with a copy of the entire record, to Martin Vile (Cabinet Office) and Brian Norbury (MOD). I am also sending copies of this letter to Tony Battishill (HM Treasury) with copies of Parts I, II and IV of the record; to Bill Burroughs (Department of Energy) with a copy of Part II of the record; and to Roy Harrington (Northern Ireland Office) with a copy of Part III.

M. O'D. B. ALEXANDER

G. G. H. Waiden, Esq.,
Foreign and Commonwealth Office.

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I M M E D I A T E

TO WASHINGTON EMBASSY VIA FCO FOR THE PRIME MINISTER AND FOREIGN SECRETARY.

I M M E D I A T E

TO SALISBURY VIA FCO FOR JAMES ALLAN WITH THE GOVERNOR.

COPIED TO PRIVATE OFFICE AT NO 10: PRIVATE OFFICE OF THE FOREIGN AND COMMONWEALTH SECRETARY, FCO: MARGARET BRYAN, FCO (VIA OLD TERMINAL)

FOLLOWING IS COI SUMMARY OF FIRST EDITIONS OF NEWSPAPERS DATED TUESDAY 18 DECEMBER 1979:

THE MAJOR STORY OF THE DAY IS, PREDICTABLY, THE NEWS THAT THE PATRIOTIC FRONT HAS INITIALLED AN AGREEMENT ON A RHODESIA CEASE-FIRE AND THAT THE FULL FORMAL SIGNING CEREMONY WILL TAKE PLACE AT LANCASTER HOUSE TOMORROW. "CEASEFIRE IN RHODESIA IS AGREED BY GUERRILLAS" IS THE HEADING TO THE TIMES' PAGE ONE LEAD STORY. THE PAPER'S DAVID SPANTER QUOTES THE LORD PRIVY SEAL, SIR IAN GILMOUR'S REMARK: "THIS IS UNDOUBTEDLY A MOST IMPORTANT DAY FOR RHODESIA. IT MEANS THE END OF THE WAR." SPANTER CONTINUES: "IN A SHORT STATEMENT AFTER INITIALLING THE REPORT AT THE FCO, MR JOSHUA NKOMO AND MR ROBERT MUGABE SAID THAT HAVING CONSIDERED THE LATEST BRITISH OFFER ON THE DISPOSITION OF FORCES IN THE CEASEFIRE, THE PATRIOTIC FRONT HAD DECIDED TO ACCEPT THE AGREEMENT." THE TIMES EXPLAINS THAT THE CEASEFIRE IS TO START SEVEN DAYS AFTER TOMORROW'S SIGNING AND COMES FULLY INTO EFFECT SEVEN DAYS AFTER THAT. MR MUGABE

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MR PATTISON
MR ALEXANDER
MR WALDEN
SIR M PALLISER
SIR F COOPER
SIR R ARMSTRONG
HM AMBASSADOR
MR INGHAM
MR DAVIDSON
2474: DBF

ADVANCES TO:
NIL

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...../ HAD REPORTDLY

HAD REPORTEDLY MADE IT CLEAR THAT THE PF DID NOT BELIEVE A CEASE-FIRE COULD BE ACHIEVED IN SUCH A SHORT TIME., "THE PRACTICAL REALITIES WILL PROVE IT IMPOSSIBLE IN SEVEN DAYS," HE SAID, "AND DEMONSTRATE THE PF'S CONTENTION THAT IT NEEDS SIX TO EIGHT WEEKS TO COME TRUE." MR MUGABE THOUGHT THAT THE OVERALL AGREEMENT HAD CERTAIN SHORTCOMINGS, SUCH AS RACIAL REPRESENTATION IN THE PARLIAMENT, BUT THESE WERE "THINGS WHICH WE BELIEVE WE CAN IN DUE COURSE MODIFY IN THE INTERESTS OF EVERYBODY." COMMENTING ON THE BREAKTHROUGH TO AGREEMENT WHICH BEGAN TO EMERGE OVER THE WEEKEND, THE FT'S BRIDGET BLOOM SAYS THE CONCESSIONS MADE BY BRITAIN TO THE FRONT WERE NOT LARGE IN THEMSELVES. BUT MR NKOMO AND MR MUGABE TOLD A PRESS CONFERENCE LAST NIGHT THAT THE ASSURANCES THEY HAD RECEIVED REGARDING THE DISPOSITION OF THEIR FORCES DURING THE CEASE-FIRE HAD MADE AGREEMENT POSSIBLE. "AGREEMENT IS NOW FINAL WITH NO MORE NEGOTIATIONS ENVISAGED," SAYS BLOOM. AS SHE POINTS OUT, THE SIGNING WILL ENABLE LORD SOAMES TO ACTIVATE ALL THE TERMS OF THE SETTLEMENT. LORD SOAMES WOULD BE IN OVERALL CHARGE OF ELECTIONS, WHICH WERE LIKELY TO BE HELD AT THE END OF FEBRUARY. PROVIDED ALL WENT WELL, HE WOULD HAND OVER WHAT WOULD THEN BE CALLED ZIMBABWE TO A NEWLY ELECTED GOVERNMENT AND GRANT INDEPENDENCE IN MID MARCH, SHE ADDS. THE FT SAYS THAT THE CEASEFIRE AGREEMENT, LIKE THOSE ON THE EARLIER STAGES OF THE CONFERENCE, WHICH AGREED THE INDEPENDENCE CONSTITUTION AND THE TRANSITIONAL ARRANGEMENTS, SHOW VERY CONSIDERABLE COMPROMISES BY THE PF.

THE TELEGRAPH SAYS IN THE INTRO TO ITS STORY ON THE AGREEMENT: "THE LANCASTER HOUSE CONFERENCE AND THE WAR IN RHODESIA WERE EFFECTIVELY ENDED SHORTLY AFTER SIX O'CLOCK LAST NIGHT WHEN THE PATRIOTIC FRONT LEADERS INITIALLED AN AGREEMENT AT THE FOREIGN OFFICE." ON THE PAPER'S BACK PAGE THERE IS CONSIDERABLE COVER OF THE LIFTING OF THE BAN ON MAIZE SHIPMENTS TO ZAMBIA. THE PAPER'S CHRISTOPHER MUNNION SAYS THAT SINCE HIS ARRIVAL IN SALISBURY, LORD SOAMES AND HIS AIDED HAVE BEEN PRESSED TO SAY WHY A BRITISH COLONY WAS PERSISTING IN BRINGING A NEIGHBOURING COMMONWEALTH MEMBER TO THE BRINK OF STARVATION. "MAIZE FOR ZAMBIA WAS HIGH ON LORD SOAMES' LIST OF PRIORITYIES... THE PROBLEM WAS THAT LORD SOAMES' HISTORIC RECOLINISATION OF RHODESIA WAS PREMATURE... ACCORDING TO RELIABLE SOURCES, HE WAS RELUCTANT TO MAKE THE JOURNEY UNTIL THE LANCASTER HOUSE TALKS HAD RESULTED IN FULL ALL-PARTY AGREEMENT... ONLY BECAUSE THE LONDON TALKS APPEARED TO BE CLOSE TO SUCCESS DID LORD SOAMES FINALLY AGREE THAT MAIZE SUPPLIES FROM SOUTH AFRICA SHOULD BE RESUMED TO ZAMBIA ON THE RAIL LINK THROUGH RHODESIA," SAYS THE REPORT. "FRONT SIGN RHODESIA PEACE DEAL AT LAST" IS THE HEADING TO THE EXPRESS' FRONT PAGE COVER OF THE NEWS.

THE STORY CONTAINS THE FOLLOWING QUOTE FROM MR MUGABE: "I WILL HONOUR THIS AGREEMENT UNTIL IT IS DISHONOURED."

REPORTS OF PRIME MINISTER MARGARET THATCHER'S OFFICIAL VISIT TO THE USA ARE ALSO GIVEN CONSIDERABLE PROMINENCE UNDER THE HEADING: "MRS THATCHER BACKS BOYCOTT ON IRAN", THE TIMES SAYS THAT THE PRIME MINISTER TODAY PLEDGED BRITAIN'S FULL SUPPORT FOR AMERICAN PLANS TO SEEK UNITED NATIONS ECONOMIC SANCTIONS AGAINST IRAN. THE PM SAID THE US DESERVED COMPLETE BACKING IN ITS EFFORTS TO SECURE THE RELEASE OF THE 50 HOSTAGES. THE PAPER REPORTS MRS THATCHER AS SAYING THAT EVERY BRITISH HOME HAD ADMIRERD THE PATIENCE, WISDOM AND SELF-RESTRAINT WHICH THE AMERICAN PEOPLE HAD DISPLAYED. THE FT OBSERVES THAT US PUBLIC OPINION HAS BEEN SENSITIVE TO THE SUGGESTION THAT SOME OF AMERICA'S ALLIES HAVE BEEN LESS THAN WHOLE-HEARTED IN THEIR BACKING FOR THE US OVER IRAN. MRS THATCHER WAS, THEREFORE, IN A TELEVISION INTERVIEW, "OBLIGED TO EXPLAIN AT LENGTH THAT THERE WAS NO LEGAL BASIS IN BRITAIN FOR THE FREEZING OF IRANIAN ASSETS FOR POLITICAL REASONS, AS THE US HAD DONE." THE REPORT GOES ON TO SAY THAT BOTH THE PM AND PRESIDENT CARTER WERE WARMLY COMPLIMENTARY TO EACH OTHER IN THE WHITE HOUSE WELCOMING CEREMONIES. BUT ON THE "FEW POINTS OF DISPUTE", THE FT SAYS MRS THATCHER DOES NOT SEEM TO HAVE WON PRESIDENTIAL CONCESSIONS. "MR CARTER, FOR EXAMPLE," SAYS THE PAPER, "IS UNDERSTOOD TO HAVE HELD OUT NO IMMEDIATE HOPE THAT THE STATE DEPARTMENT'S REVIEW OF THE US POLICY OF SELLING ARMS TO THE ROYAL ULSTER CONSTABULARY WOULD BE SPEEDILY CONCLUDED IN BRITAIN'S FAVOUR." LATER ON IN ITS STORY, THE FT SAYS MRS THATCHER WAS GENUINELY MOVED BY THE AMERICAN WELCOME. THE TELEGRAPH MAKES THE PM'S VISIT ITS MAIN STORY OF THE DAY. THE PAPER PUTS EMPHASIS ON MRS THATCHER'S SUPPORT FOR THE AMERICANS OVER THE HOSTAGES HELD IN TEHRAN. "THATCHER BACKS IRAN TRADE BAN" IS THE HEADLINE, AND THE INTRO READS: "MRS MARGARET THATCHER PROMISED PRESIDENT CARTER YESTERDAY THAT BRITAIN WOULD GIVE AMERICA ITS FULL SUPPORT IF HE DECIDES TO ASK THE UNITED NATIONS TO CALL FOR SANCTIONS AGAINST IRAN." MOVING ON TO OTHER AREAS, THE PAPER SAYS THAT MR CARTER CONGRATULATED MRS THATCHER AND LORD CARRINGTON ON THE SUCCESSFUL CONCLUSION OF THE LANCASTER HOUSE NEGOTIATIONS. ON NORTHERN IRELAND, THE PRIME MINISTER HAD SKETCHED OUT TO MR CARTER AT SOME LENGTH HER HOPES FOR THE PLANNED CONFERENCE ON THE FUTURE OF NORTHERN IRELAND AND HOW SHE WAS FAIRLY CONFIDENT IT COULD BE CONVENED NEXT MONTH. "SHE MADE IT PLAIN THAT SHE FULLY INTENDED TO GET THE FACTIONS IN ULSTER TO ASSUME RESPONSIBILITY FOR THEIR OWN AFFAIRS". LORD CARRINGTON IS SAID TO HAVE STRESSED THAT UNLESS THERE WAS A RETURN TO A BROAD MEASURE OF SELF GOVERNMENT IN NORTHERN IRELAND, IT WOULD BE DIFFICULT TO DEVELOP A LONG-TERM SOLUTION TO THE PROBLEM.

URO

ANOTHER STORY TO MAKE THE FRONT PAGES OF THE SERIOUS PAPERS IS THE OPEC MEETING TAKING PLACE IN CARACAS. AS THE TIMES SAYS, OPEC MINISTERS ARE "HOPELESSLY SPLIT" ON PRICING POLICY. THE PAPER FEELS THAT ANY CHANCE OF AGREEMENT ON A UNIFIED PRICE STRUCTURE, WHICH COULD END THE DISORDER IN INTERNATIONAL OIL MARKETS RESULTING FROM CUTBACKS IN IRAN, NOW LOOKS SLIM. A FINAL COMMUNIQUE IS EXPECTED TO "PAPER OVER" THE CRACKS. BUT UNLESS THERE IS A SUBSTANTIAL SHIFT IN THE POSITION OF THE MODERATES, LED BY SAUDI ARABIA, AND THE PRICING HAWKS, LED BY LIBYA AND IRAN, WIDE PRICE DIFFERENCES WILL CONTINUE IN THE OIL MARKETS. THE TELEGRAPH, TOO, SEES LITTLE HOPE OF A UNIFIED RATE: "LIBYA, ALGERIA AND IRAN ANNOUNCED UNILATERAL INCREASES IN THEIR OIL PRICES YESTERDAY, DASHING HOPES THAT OPEC MINISTERS COULD AGREE ON A SINGLE, COMMON RATE."

HUNDREDS OF PEOPLE WERE EVACUATED FROM LONDON'S WEST END LAST NIGHT, AFTER AN EXPLOSION RIPPED THROUGH AN AIRLINE OFFICE. THE MAIL IS THE ONLY AVAILABLE PAPER TO CARRY THIS STORY, ON ITS FRONT PAGE. THE BLAST REPORTEDLY BLEW OUT THE WINDOWS OF TURKISH AIRLINES IN HANOVER STREET. EARLY REPORTS SAID THERE WERE NO INJURIES. BUT POLICE AND FIREMEN WERE HAMPERED IN THEIR WORK WHEN A SECOND UNEXPLODED DEVICE WAS FOUND IN THE SAME BUILDING.

BACK PAGE OF THE FT CARRIES A STORY ABOUT THE AGREEMENT OF WELSH TRADES UNION LEADERS TO PRESS FOR A NATIONAL STEEL STRIKE IN THE WELSH STEEL AND COAL INDUSTRIES FROM 21 JANUARY, UNLESS THE BSC'S LATEST CLOSURE PLANS ARE SUSPENDED FOR TWO YEARS.

V OTHER STORIES GIVEN GENERAL COVER IN MOST AVAILABLE PAPERS INCLUDE: LABOUR PARTY LEADERS HAVE GIVEN A PRACTICALLY UNQUALIFIED PLEDGE TO REPEAL THE GOVERNMENT'S FORTHCOMING LEGISLATION ON THE CLOSED SHOP AND SECONDARY PICKETING AS SOON AS THEY GET BACK TO POWER... THE PROVISIONAL IRA HAS CLAIMED RESPONSIBILITY FOR THE MURDER YESTERDAY OF THE NINTH PRISON OFFICER THIS YEAR... AN ALL PARTY GROUP OF MPS HAS DEMANDED OF THE GOVERNMENT AN END TO THE SECRECY OVER THE SAFETY OF NUCLEAR REACTORS ... THE NORTH WEST ESSEX AND EAST HERTFORDSHIRE PRESERVATION ASSOCIATION HAS DESCRIBED THE GOVERNMENT'S CHOICE OF STANSTED FOR AN EXPANDED AIRPORT FOR LONDON AS: "A FURTHER THOROUGHLY DISHONEST ATTEMPT TO ENLARGE STANSTED BY 'LIMITED' EXPANSION INTO AN AIRPORT OF ALMOST LIMITLESS SIZE"... NATO HAS OFFERED TO PULL OUT 13,000 AMERICAN TROOPS FROM WEST GERMANY IN EXCHANGE FOR THE WITHDRAWAL FROM EASTERN EUROPE OF THREE SOVIET ARMY DIVISIONS, TOTALLING 30,000 MEN... EAST GERMANY HAS RELEASED 21,928 PRISONERS, INCLUDING 149 FOREIGNERS, UNDER AN AMNESTY MARKING THE COUNTRY'S 30TH ANNIVERSARY.

NOTE: THE GUARDIAN AND DAILY MIRROR WERE UNAVAILABLE FOR THIS SUMMARY.

RESTRICTED

FM WASHINGTON 181618Z

R: 1312 18 DEC 79

TO IMMEDIATE UKMIS NEW YORK

TEL NO 12 OF 18 DECEMBER 1979

INFO IMMEDIATE BIS NEW YORK, C G NEW YORK, F C O, C O I.

PA

MS

FOR PS/SECRETARY OF STATE

FOLLOWING IS TEXT OF STATEMENT TO BE ISSUED BY WHITE HOUSE AT
12 NOON EST TODAY (18 DECEMBER):

THE PRESIDENT MET DECEMBER 17 WITH PRIME MINISTER MARGARET THATCHER OF THE UNITED KINGDOM. PRIME MINISTER THATCHER IS MAKING AN OFFICIAL VISIT TO THE UNITED STATES, HER FIRST TO THIS COUNTRY AS PRIME MINISTER.

THE PRESIDENT AND THE PRIME MINISTER REVIEWED THE EXCEPTIONALLY CLOSE RELATIONS BETWEEN THEIR TWO COUNTRIES AND DISCUSSED A NUMBER OF KEY WORLD ISSUES WHICH ARE OF PARTICULAR CONCERN TO BOTH. THESE INCLUDED THE IRAN CRISIS, THE RHODESIA SETTLEMENT, THE MIDDLE EAST, NORTHERN IRELAND, THEATER NUCLEAR FORCE MODERNIZATION AND ARMS CONTROL, STRATEGIC COOPERATION, SALT, THE COMPREHENSIVE TEST BAN TALKS, INTERNATIONAL ECONOMIC ISSUES AND ENERGY, COMMON APPROACHES TO THE CARIBBEAN AND AID TO DEVELOPING COUNTRIES, TRANS-ATLANTIC DEFENSE TRADE, AND BILATERAL ECONOMIC AND COMMERCIAL ISSUES.

THE PRESIDENT EXPRESSED HIS APPRECIATION AND THAT OF THE ENTIRE AMERICAN PEOPLE FOR THE UNITED KINGDOM'S ASSISTANCE AND SUPPORT IN CONNECTION WITH THE INTERNATIONAL EFFORT TO SECURE RELEASE OF AMERICAN HOSTAGES HELD BY IRAN IN DEFIANCE OF UNIVERSALLY ACCEPTED STANDARDS OF DECENCY AND LAW. THE PRESIDENT AND THE PRIME MINISTER AGREED THAT THE PRINCIPLE OF CIVILIZED BEHAVIOR AND THE RULE OF LAW, VITAL TO THE WHOLE WORLD COMMUNITY, IS AT STAKE IN THE PRESENT CRISIS. THE PRIME MINISTER MADE IT CLEAR THAT BRITAIN SHARED THE ANGUISH OF AMERICA AND WOULD DO ITS UTMOST TO CONVINCING THE IRANIAN AUTHORITIES TO RELEASE ALL THE HOSTAGES UNHARMED.

THE PRESIDENT CONGRATULATED THE PRIME MINISTER ON HER GOVERNMENT'S VIGOROUS ROLE IN THE LANCASTER HOUSE NEGOTIATIONS AND THE POTENTIAL THESE HAVE FOR CONTRIBUTING TO PEACE AND STABILITY IN SOUTHERN AFRICA. THE PRIME MINISTER EXPRESSED WARM APPRECIATION FOR THE FULL SUPPORT OF THE UNITED STATES FOR AN ALL-PARTY SOLUTION TO OUTSTANDING ISSUES AND ITS READINESS TO PROMOTE FURTHER PROGRESS IN RHODESIA TOWARDS A FULL DEMOCRATIC INDEPENDENT STATE WITHIN THE FRAMEWORK OF THE ARRANGEMENTS AGREED UPON BY THE PARTIES DIRECTLY CONCERNED.

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THE PRIME MINISTER EXPLAINED THE BRITISH GOVERNMENT'S RECENT POLITICAL INITIATIVE IN PROPOSING A CONFERENCE OF THE PRINCIPAL POLITICAL PARTIES IN NORTHERN IRELAND WITH THE AIM OF FINDING AN ACCEPTABLE WAY OF GIVING THE PEOPLE OF NORTHERN IRELAND MORE RESPONSIBILITY FOR THEIR OWN AFFAIRS. BOTH LEADERS CONDEMNED SUPPORT FOR ORGANIZATIONS AND INDIVIDUALS ENGAGED DIRECTLY OR INDIRECTLY IN CAMPAIGNS OF VIOLENCE AND AGREED THAT SUCH CAMPAIGNS ONLY DELAY THE DAY WHEN PEACE AND RECONCILIATION CAN COME TO NORTHERN IRELAND. THE PRESIDENT REAFFIRMED U S POLICY CONCERNING THE TRAGIC PROBLEM OF NORTHERN IRELAND AS SET FORTH IN HIS STATEMENT OF AUGUST, 1977. IN SECURITY MATTERS DIRECTLY AFFECTING THEIR TWO COUNTRIES THE PRESIDENT AND THE PRIME MINISTER (1) APPLAUDED THE DECISION TAKEN LAST WEEK BY NATO GOVERNMENTS TO PROCEED WITH EFFECTIVE MODERNIZATION AND DEPLOYMENT OF THEATER NUCLEAR FORCES; AND WITH ARMS CONTROL PROPOSALS DESIGNED TO REDUCE, ON A BASIS OF EQUALITY, NUCLEAR WEAPONS OF BOTH NATO AND THE WARSAW PACT: (2) AGREED THAT THE EARLIEST POSSIBLE RATIFICATION OF THE SALT II TREATY WOULD SIGNIFICANTLY CONTRIBUTE TO A SAFER AND MORE STABLE INTERNATIONAL SECURITY ENVIRONMENT.

THE PRESIDENT AND PRIME MINISTER AGREED ON THE IMPORTANCE OF MAINTAINING A CREDIBLE BRITISH STRATEGIC DETERRENT FORCE AND U S/U K STRATEGIC COOPERATION. THE LEADERS AGREED THAT THEIR GOVERNMENTS SHOULD CONTINUE THEIR DISCUSSIONS OF THE MOST APPROPRIATE MEANS OF ACHIEVING THESE OBJECTIVES FOR THE FUTURE. IN THIS CONNECTION THE PRESIDENT AND PRIME MINISTER DISCUSSED THE IMPORTANCE OF INCREASED EFFORTS TO STRENGTHEN NATO'S DEFENSES, BOTH NUCLEAR AND CONVENTIONAL. THE PRESIDENT REVIEWED THE NEW U S FIVE-YEAR DEFENSE PLAN, NOTING THAT IN ORDER TO CARRY OUT THAT PLAN THE U S WILL BE INCREASING DEFENSE SPENDING, IN REAL TERMS, STEADILY OVER THE NEXT FIVE YEARS. THE PRESIDENT AND PRIME MINISTER REAFFIRMED THEIR STRONG SUPPORT FOR THE NATO LONG-TERM DEFENSE PROGRAM AND FOR THE NATO AIM OF THREE PERCENT REAL GROWTH IN ANNUAL DEFENSE SPENDING. THE PRIME MINISTER NOTED PLANS FOR FURTHER SIGNIFICANT INCREASES IN THE U K DEFENSE BUDGET TO IMPROVE THE EFFECTIVENESS OF UNITED KINGDOM CONVENTIONAL FORCES, INCLUDING PROVISION OF MODERNIZED EQUIPMENT AND RESERVES. THE PRIME MINISTER AGREED THAT IT WAS ESSENTIAL FOR AMERICA'S EUROPEAN ALLIES TO SHARE EQUITABLY IN ANY COLLECTIVE DEFENSE BUILD-UP TO MEET THE NEEDS OF THE COMMON DEFENSE. /DURING

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DURING HER VISIT TO THE U S, THE PRIME MINISTER IS ALSO MEETING WITH SECRETARY OF DEFENSE BROWN, CHAIRMAN OF THE JOINT CHIEFS OF STAFF GENERAL JONES, AND OTHER SENIOR DEFENSE OFFICIALS: MEMBERS OF CONGRESS: CHAIRMAN VOLCKER OF THE FEDERAL RESERVE BOARD: U N SECRETARY-GENERAL WALDHEIM, AND THE PRESIDENT OF THE U N GENERAL ASSEMBLY.

PRIME MINISTER THATCHER INVITED THE PRESIDENT TO VISIT THE UNITED KINGDOM AT A MUTUALLY AGREEABLE DATE, AND THE PRESIDENT ACCEPTED THE INVITATION WITH PLEASURE.

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TELEGRAM NUMBER INDEP 48 OF 18 DECEMBER

AND TO NO 10 DOWNING STREET, OVERSEAS PRESS/RADIO COI,
WASHINGTON (FOR J. DAVIDSON)

FOR MARTIN RIGEON, OI, FCO.

INTERVIEW BY BARBARA WALTERS WITH THE PRIME MINISTER ON ABC
WORLD NEWS TONIGHT, MONDAY, DECEMBER 17, 1979. 7 - 7.30 PM.

JUST BEFORE GOING TO THE WHITE HOUSE THIS MORNING TO SEE
THE PRESIDENT, PRIME MINISTER THATCHER TOOK TIME OUT FOR AN
INTERVIEW WITH BARBARA WALTERS. IT WAS MRS THATCHER'S FIRST
AMERICAN TELEVISION INTERVIEW SINCE BECOMING PRIME MINISTER
LAST MAY.

- BARBARA.

BARBARA WALTERS: I FRANKLY FOUND THE INTERVIEW A CHANCE
FOR AMERICANS TO KNOW MORE ABOUT THIS 54-YEAR-OLD WOMAN AND
HER PHILOSOPHY. CONFIDENT AND SELF ASSURED, MRS THATCHER SPOKE
OF HER TOTAL SUPPORT OF OUR IRANIAN POLICY. BUT IN SPITE OF WHAT
SEEMED TODAY LIKE WARM RELATIONS WITH PRESIDENT CARTER, THERE HAS
BEEN CRITICISM SINCE THE HOSTAGES WERE TAKEN THAT GREAT BRITAIN
AND THE OTHER WESTERN ALLIES HAVE NOT SUPPORTED THE U.S. ENOUGH.
AND AT BLAIR HOUSE THIS MORNING WE ASKED MRS THATCHER IF THIS
CRITICISM WAS VALID.

MRS THATCHER: NO, I DONT THINK IT IS. CERTAINLY NOT OF BRITAIN,
NOR OF EUROPE. AS YOU KNOW WE STILL HAVE AN EMBASSY IN TEHERAN.
WE HAVE REDUCED IT VERY SUBSTANTIALLY. ONLY ABOUT ONE THIRD OF
THE NUMBER OF PEOPLE WHO WERE THERE PREVIOUSLY. BUT THE EXISTENCE
OF THAT EMBASSY HAS BEEN - HAS IN FACT BEEN A VERY GREAT HELP TO
AMERICA DURING THIS CRITICAL AND HEARTBREAKING PERIOD. WE ALSO
HAVE NOT IN FACT SENT ANY ARMS TO IRAN SINCE THE CRISIS BEGAN.
AND, OF COURSE, OUR TRADE IS VERY MUCH DOWN. AND PLEASE DONT
THINK YOU ARE ISOLATED IN ANY WAY. VERY FAR FROM IT.

BARBARA WALTERS: WOULD GREAT BRITAIN HAVE GRANTED THE SHAH
REFUGE?

MRS THATCHER: WE WERE NEVER ASKED. AND THEREFORE OUR CABINET
DID NOT IN FACT CONSIDER IT. AND SO I DONT QUITE KNOW WHAT THE
ANSWER WOULD HAVE BEEN.

BARBARA WALTERS: DO YOU THINK THAT WE MADE A MISTAKE IN
ALLOWING THE SHAH TO COME HERE? /MRS THATCHER

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MRS THATCHER: AT ALLOWING A SICK MAN TO COME HERE FOR TREATMENT. NO, I DONT THINK YOU MADE A MISTAKE.

BARBARA WALTERS: MRS THATCHER, IN GENERAL YOU HAVE CONSISTENTLY ADVISED STANDING UP TO THE SOVIET UNION, BEING PERHAPS TOUGHER THAN WE HAVE SOMETIMES BEEN. IN WHAT WAY CAN WE STOP THE SPREAD OF SOVIET INFILTRATION?

MRS THATCHER: INFILTRATION. LET ME PUT IT THIS WAY. I DONT THINK THAT WE IN THE WEST PROCLAIM THE ADVANTAGES OF OUR SYSTEM ENOUGH. LOOK, WE HAVE ECONOMIC FREEDOM. THAT PRODUCES PROSPERITY UNDREAMED OF IN COMMUNIST COUNTRIES AND THEY ENVY IT. AND WE ALSO HAVE POLITICAL AND INDIVIDUAL FREEDOM. AND THAT PRODUCES A DIGNITY AND A FREEDOM OF SPEECH AND WORSHIP WHICH THEY WOULD LOVE. BUT YOU KNOW WE SHOULDN'T RUN OUR SYSTEM DOWN. WE SHOULD PROCLAIM IT FROM THE HOUSETOPS.

BARBARA WALTERS: THIS IS THE FIRST TELEVISION INTERVIEW THAT YOU HAVE DONE IN THIS COUNTRY SINCE BECOMING PRIME MINISTER. CAN YOU TELL US WHAT IS THE PHILOSOPHY OF MARGARET THATCHER?

MARGARET THATCHER: THE PHILOSOPHY OF MARGARET THATCHER IS THAT FREEDOM UNDER A JUST LAW WILL GIVE YOU BOTH MATERIAL BENEFITS AND WILL GIVE YOU A STANDARD OF DIGNITY AND LIBERTY THAT IS UNRIVALLED IN THE WORLD. THAT IS IN JEOPARDY IF GOVERNMENTS TAKE TOO MUCH POWER BECAUSE THEY DIMINISH THE FREEDOM AND THEN THE LAWS BECOME MUCH TOO OPPRESSIVE. EVERYTHING IN LIFE IS A BALANCE BETWEEN THE RIGHTS OF THE CITIZEN AND THE RIGHTS OF THE STATE. AT THE MOMENT WE ARE TOO FAR ON THE RIGHTS OF THE STATE AND TOO LITTLE ON THE RIGHTS OF THE CITIZEN.

BARBARA WALTERS: MRS THATCHER INFLATION HAS RISEN IN YOUR COUNTRY FROM 11% TO 17%. AND RECENTLY THERE WERE DEMONSTRATIONS AGAINST YOUR CUTS IN PUBLIC SPENDING. AND THE BIG QUESTION IS - WILL THE PEOPLE GIVE YOU THE FIVE-YEAR TERM YOU SAY YOU NEED TO MAKE ECONOMIC CHANGES? OR WILL YOU BE A ONE-TERM PRIME MINISTER?

MRS THATCHER: WE HAVE BEEN BORROWING AND BORROWING AND BORROWING FOR YEARS. PEOPLE WILL NOT NOW LEND US THE MONEY UNLESS INTERESTS RATES ARE HIGH. AND THERE ARE MANY, MANY PEOPLE WHO SAY THAT I HAVENT BEEN TOUGH ENOUGH WITH THE PUBLIC SPENDING CUTS. AND I THINK THAT'S RIGHT. UNTIL WE GET PUBLIC SPENDING DOWN MORE THE BORROWING WONT COME DOWN. UNTIL THE BORROWING COMES DOWN THE INTEREST RATES WONT COME DOWN. AND THE INTEREST RATES ALSO HIT PEOPLE WHO WANT TO BUY THEIR HOUSES AND SMALL BUSINESSES VERY MUCH. SO YOU ARE RIGHT. I HAVE TO DO THE TOUGH THINGS IN THE EARLY YEARS TO GIVE THEM TIME TO WORK THROUGH TO GET MORE INCENTIVES TO GROWTH. AND I HOPE IT WILL WORK THROUGH. AND I HOPE WE SHALL HAVE MORE THAN ONE TERM.

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/BARBARA WALTERS:

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BARBARA WALTERS: VERY OFTEN IN OUR COUNTRY IT IS SAID- AH. THE U.S. IS GOING THE SAME WAY AS GREAT BRITAIN ECONOMICALLY. IT IS NOT MEANT AS A COMPLIMENT. DO YOU SEE THAT HAPPENING WITH US?

MRS THATCHER: NEVER TAKE TOO MUCH POWER IN THE HANDS OF GOVERNMENT. IT SLOWS THINGS DOWN. IT STOPS THE GROWTH. IT STOPS THE EXPANSION. I THINK YOU ARE VERY MUCH AWARE OF THIS. WE HAVE GONE TOO FAR. I AM TRYING TO PULL BACK.

BARBARA WALTERS: DO YOU THINK WE ARE GOING TO FAR?

MRS THATCHER: NO, I THINK PERHAPS YOU HAVE LEARNT FROM WHAT HAS HAPPENED TO US.

BARBARA WALTERS: SINCE YOU BECAME PRIME MINISTER YOU HAVE BEEN CALLED VARIOUS NICKNAMES. I AM SURE YOU HAVE HEARD THEM AND READ THEM THE IRON MAIDEN, ATTLA THE HEN, AND MORE RECENTLY THE MAD AXE-WOMAN. DO THESE NICKNAMES MAKE YOU SMILE. DO THEY MAKE YOU ANGRY. DO THEY TWIT YOU?

MRS THATCHER: NEITHER. IF I AM NEVER CALLED ANYTHING WORSE THAN THAT, I REALLY SHALL BE VERY GRATEFUL.

BARBARA WALTERS: THANK YOU, MRS THATCHER, FOR BEING WITH US TODAY.

MRS THATCHER: THANK YOU VERY MUCH. IT HAS BEEN A PLEASURE.

SECOND PART OF AN INTERVIEW BY BARBARA WALTERS WITH THE PRIME MINISTER CARRIED IN THE ABC QUOTE GOOD MORNING AMERICA UNQUOTE PROGRAMME ON TUESDAY, 18 DECEMBER 1979, AT APPROXIMATELY 7.10 A.M.

FINALLY BRITAIN'S PRIME MINISTER, MRS THATCHER, LEAVES WASHINGTON FOR NEW YORK WRAPPING UP HER STATE VISIT HERE. YESTERDAY MRS THATCHER SPOKE WITH BARBARA WALTERS ABOUT A WIDE RANGE OF SUBJECTS, INCLUDING IRAN. HERE'S BARBARA'S REPORT.....

BARBARA WALTERS: STEVE, IN THE MIDST OF A VERY HECTIC SCHEDULE MARGARET THATCHER SAT DOWN WITH US IN WASHINGTON, AT BLAIR HOUSE, FOR WHAT WAS HER FIRST AMERICAN TELEVISION INTERVIEW SINCE BECOMING PRIME MINISTER LAST MAY. WE FOUND THE 54-YEAR-OLD MRS THATCHER ASSURED, ARTICULATE AND QUITE INSPIRING. WHAT WOULD YOU HAVE DONE IF THIS HAD HAPPENED TO YOUR EMBASSY - HOSTAGES HAD BEEN TAKEN.

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/MRS THATCHER

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MRS THATCHER: I THINK VERY MUCH THE SAME THING THAT PRESIDENT CARTER HAS DONE. YOU SEE SOMEHOW A SURGE OF ANGER GOES THROUGH A NATION. BUT IT ALSO HAS TO BE ACCOMPANIED BY A VERY CAREFUL ANALYSIS, IF I MIGHT USE THAT WORD. AND YOU HAVE TO SAY WHAT IS BEST TO HELP THE HOSTAGES. WHAT IS BEST TO SEE THAT WE GET THEM HOME SAFE AND SOUND. AND THAT FEELING HAS TO TEMPER EVERYTHING YOU DO. AND IT STOPS YOU HITTING OUT IN ANY WAY. IN THE POSITION WE ARE NOW IN IT IS VITAL THAT WE ALL ACT TOGETHER. AND I BELIEVE THAT THAT IS THE NEXT STAGE THAT THE UNITED STATES WILL BE CONSIDERING. AGAIN TEMPERED BY WHAT IS THE TIMING. WHAT WILL BE THE EFFECT ON THE HOSTAGES THERE AND ON THE IRANIAN GOVERNMENT'S ATTITUDE TOWARDS THE HOSTAGES. BUT IF AMERICA WANTS TO GO TO THE UNITED NATIONS TO CHAPTER 7 WHICH IS THE ONE WHICH ENABLES THE SECURITY COUNCIL TO TAKE ACTION, THERE WILL NEED TO BE A GOOD DEAL OF DRAFTING. BUT AMERICA CAN COUNT ON BRITISH SUPPORT.

BARBARA WALTERS: SUPPOSE THE HOSTAGES ARE FREED. AND THE SAUDI-ARABIAN OIL FIELDS ARE ON DAY IN DANGER. THERE IS A GOOD DEAL OF DEBATE IN THIS COUNTRY ABOUT WHERE AND AT WHAT POINT WE AND OUR ALLIES MIGHT POSSIBLY USE MILITARY FORCE. HOW WOULD YOU FEEL UNDER THOSE CIRCUMSTANCES?

MRS THATCHER: I DON'T THINK IT HELPS PEOPLE TO GET THE OIL THEY NEED TO KEEP THE ECONOMY GOING TO MAKE THREATS OF ANY KIND. THE THING IS TO GET ALONGSIDE SAUDI ARABIA AND KEEP FRIENDLY WITH THOSE NATIONS. AFTER ALL, YOU KNOW, THOSE NATIONS, SAUDI ARABIA IN PARTICULAR, HAVE BEEN, IF I MIGHT SAY, GOOD FRIENDS OF THE WEST. THEY HAVE IN FACT BEEN PERHAPS SELLING MORE THAN THEY NEED TO SELL FOR THEIR OWN INCOME. SO LET'S MAKE A POINT OF TRYING TO KEEP ALONGSIDE OUR FRIENDS AND TRYING TO HELP KEEP OUR ECONOMY GOING WITH THEIR OIL. AND TRYING TO MAKE THEM FEEL THAT THE WEST ARE THEIR FRIENDS TOO. AFTER ALL IT ISN'T IN THE INTERESTS OF THE ARAB COUNTRIES TO FALL OUT WITH THE WEST EITHER. AND I DON'T BELIEVE THEY WISH TO DO SO. I THINK THEY WISH TO HELP US.

BARBARA WALTERS: MRS THATCHER, WHEN YOU READ ABOUT THE PROBLEMS OF THE CHRYSLER CORPORATION AND POSSIBLE GOVERNMENT SUBSIDY, DO YOU SEE THE UNITED STATES MAKING THE SAME MISTAKES AS YOU ARE TRYING TO CORRECT IN GREAT BRITAIN? WOULD YOU BE AGAINST SUCH A SUBSIDY?

MRS THATCHER: I THINK THE ACID TEST ABOUT A SUBSIDY IS THIS. IS THAT INDUSTRY JUST GOING THROUGH A TEMPORARY DIFFICULTY. AND WILL IT COME THROUGH WITHIN THE FORESEEABLE TIME TO VIABILITY? NOW YOU ALSO HAVE TO CONSIDER HOW IT WAS THAT IT GOT INTO ITS DIFFICULTY. APART FROM THAT, THERE IS NO POINT IN GOING ON AND ON AND ON IN SUBSIDISING AN INDUSTRY THAT HASN'T A FUTURE. IT WOULD BE FAR BETTER TO PUT THE RESOURCES INTO AN INDUSTRY WHICH HAS A FUTURE.

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/BARBARA WALTERS

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BARBARA WALTERS: MRS THATCHER, THIS IS THE FIRST TELEVISION INTERVIEW THAT YOU HAVE DONE FOR THIS COUNTRY SINCE BECOMING PRIME MINISTER. CAN YOU TELL US WHAT IS THE PHILOSOPHY OF MARGARET THATCHER?

MRS THATCHER: EVERYTHING IN LIFE IS A BALANCE BETWEEN THE RIGHTS OF THE CITIZEN AND THE RIGHTS OF THE STATE. AT THE MOMENT WE ARE TOO FAR ON THE RIGHTS OF THE STATE AND TOO LITTLE ON THE RIGHTS OF THE CITIZEN. BUT DO - I BEG THE CITIZENS OF THE UNITED STATES - HAVE FAITH IN YOUR OWN CONSTITUTION. IT IS THAT WHICH SAYS THAT GOVERNMENTS ARE THERE TO SERVE THE LIFE, LIBERTY AND PURSUIT OF HAPPINESS AS A PEOPLE. IT IS THAT WHICH BELIEVES THAT THE STANDARD OF ETHICS IN A COUNTRY COMES NOT FROM POLITICS BUT FROM DEEPER, RELIGIOUS BELIEFS. THIS IS WHAT THE OPPRESSED PEOPLES OF THE WORLD WANT. WE HAVE IT. LET'S SEE THAT WE TRANSMIT IT TO OUR CHILDREN. AND IT CONTINUES TO SHINE LIKE A BEACON TO THE REST OF THE PEOPLES IN THE WORLD.

BARBARA WALTERS: STEVE, NOW YOU SEE WHAT I MEANT BY INSPIRING.

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TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 4248 OF 18 DECEMBER 1979

MY TELNO 4247: PRIME MINISTERS TALKS WITH PRESIDENT CARTER.

FOLLOWING IS FULL TEXT OF STATEMENTS TO THE PRESS BY PRESIDENT CARTER AND THE PRIME MINISTER FOLLOWING THEIR TALKS AT THE WHITE HOUSE ON 17 DECEMBER.

BEGINS

THE PRESIDENT: PRIME MINISTER THATCHER AND I HAVE HAD VERY EXTENSIVE AND VERY PRODUCTIVE CONVERSATIONS, EVEN NEGOTIATIONS ON A FEW POINTS. THERE ARE NO DIFFERENCES BETWEEN US THAT CAUSE ANY CONCERN AMONG AMERICANS OR PEOPLE WHO LIVE IN GREAT BRITAIN. WE HAVE REACHED AGREEMENT ON A FEW ITEMS WHICH WE HAVE DISCUSSED. WE HAVE HAD LONG DISCUSSIONS ABOUT IRAN. I HAVE EXPRESSED AGAIN MY THANKS TO THE PRIME MINISTER ABOUT THE STRONG AND UNEQUIVOCAL SUPPORT ON THAT ISSUE.

WE HAVE EXPRESSED OUR ADMIRATION AND APPRECIATION FOR THE PROGRESS THAT HAS BEEN MADE BY HER AND BY LORD CARRINGTON IN NEGOTIATING FOR A PEACEFUL AND DEMOCRATIC SETTLEMENT IN RHODESIA AND AGAIN PLEDGED OUR FULL SUPPORT IN THEIR EFFORTS IN THAT DIFFICULT ISSUE.

WE HAVE DISCUSSED THE APPRECIATION THAT WE FEEL FOR THE BRITISH FOR THEIR STRONG SUPPORT FOR SALT II, THE STRONG ROLE THAT THEY PLAYED IN DEVELOPING THE THEATER NUCLEAR FORCE AGREEMENT AMONG THE EUROPEAN NATIONS, ATLANTIC ALLIANCE, IN THE LAST FEW DAYS.

WE DISCUSSED MATTERS OF TRADE AND COMMERCE AND THE FUTURE OF OUR TWO COUNTRIES IN DEALING WITH THE PROBLEM OF ENERGY. IN EVERY INSTANCE WE HAVE MADE GOOD PROGRESS. THERE ARE VERY FEW, IF ANY, DIFFERENCES BETWEEN THE PEOPLE OF GREAT BRITAIN AND THE PEOPLE OF THE UNITED STATES. IT IS A DELIGHT FOR US TO HAVE HER HERE AND SHE WILL BE MEETING WITH SOME OF OUR CONGRESSIONAL LEADERS AND SOME OF THE CABINET OFFICERS THIS AFTERNOON. I WILL BE WITH HER AGAIN TONIGHT

WE ARE VERY GRATEFUL THAT YOU HAVE COME, MADAME PRIME MINISTER, AND WE LOOK FORWARD TO SEEING YOU THIS AFTERNOON, THIS EVENING, AT THE BANQUET, AND IN THE MEANTIME OUR OFFICIALS WILL BE DISCUSSING MATTERS WITH ONE ANOTHER.

THANK YOU AGAIN FOR BEING WITH ME. PERHAPS YOU WOULD LIKE TO MAKE A STATEMENT FOR THE PRESS.

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...../ PRIME MINISTER

PRIME MINISTER THATCHER: THANK YOU. MR PRESIDENT, I WOULD LIKE REALLY TO CONFIRM WHAT YOU HAVE SAID HOW WELL AND HOW EASILY THE TALKS AND DISCUSSIONS WENT. I DON'T FIND THAT SURPRISING IN ANY WAY. WE AFTER ALL SHARE VERY SIMILAR VIEWS ABOUT THE IMPORTANCE OF DEFENDING FREEDOM UNDER THE LAW AND THEREFORE THE IMPORTANCE OF GIVING DEFENSE A GOOD DEAL OF PRIORITY IN OUR NATIONAL PROGRAMS.

WE NOTICE WHAT THE PRESIDENT HAS DONE FOR DEFENSE OVER HERE AND WE HAVE FELT THAT WE IN GREAT BRITAIN HAVE BEEN ABLE TO RESPOND AND WE ALSO PUT IT IN THE FOREFRONT OF OUR ELECTION PROGRAM. WE ARE PARTICULARLY GRATEFUL TO THE PRESIDENT FOR THE GREAT HELP WE HAVE HAD IN TRYING TO BRING THE RHODESIAN PROBLEM TO A SUCCESSFUL SETTLEMENT AND A SUCCESSFUL CONCLUSION.

AT ALL STAGES WE HAVE KEPT IN TOUCH WITH THE PRESIDENT AND WITH SECRETARY VANCE AND THEY HAVE BEEN MOST HELPFUL. OF COURSE A LARGE PART OF OUR DISCUSSIONS WERE TAKEN UP WITH IRAN, FOR REASONS WHICH EVERYONE IN THE WHOLE WORLD WILL UNDERSTAND, AND WE INDICATED VERY CLEARLY TO THE PRESIDENT THAT WHEN THE UNITED STATES WISHES TO GO TO THE SECURITY COUNCIL FOR FURTHER POWERS UNDER CHAPTER SEVEN, GREAT BRITAIN WILL BE THE FIRST TO SUPPORT HIM IN HIS ENDEAVORS. YOU WOULD EXPECT NOTHING LESS AND YOU WILL RECEIVE NOTHING LESS BUT OUR FULL SUPPORT.

NATURALLY, WE ARE CONCERNED ABOUT ENERGY, THE MIDDLE EAST, THE FUTURE OF OIL SUPPLIES AND WE HAVE TALKED TOO ABOUT THAT. YOU ALL LOOK NOW JUST A LITTLE BIT CHILLY SO PERHAPS I CAN CONCLUDE THOSE -- SO AM I -- THOSE FEW COMMENTS WITH EVERYTHING WENT EXTREMELY WELL. WE ARE VERY HAPPY TO BE HERE, VERY GRATEFUL TO THE PRESIDENT FOR GIVING US SO MUCH OF HIS TIME, AND WE FELT THAT EVERYTHING WENT JUST AS YOU WOULD EXPECT IT TO GO BETWEEN AMERICA AND GREAT BRITAIN AND THAT COULDN'T BE MORE SATISFACTORY. THANK YOU.
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FM WASHINGTON 180537Z DEC 79
 TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE
 TELEGRAM NUMBER 4247 OF 18 DECEMBER 1979
 INFO IMMEDIATE TEHRAN AND UKMIS NEW YORK

PRIME MINISTER'S TALKS WITH PRESIDENT CARTER: IRAN.

SPEAKING TO THE PRESS FOLLOWING THEIR TALKS ON 17 DECEMBER
 PRESIDENT CARTER SAID THAT HE AND THE PRIME MINISTER HAD HAD LONG
 DISCUSSIONS ABOUT IRAN AND THAT HE HAD AGAIN EXPRESSED HIS THANKS
 FOR THE QUOTE STRONG AND UNEQUIVOCAL SUPPORT UNQUOTE HE HAD RECEIVED

2. THE PRIME MINISTER SAID QUOTE OF COURSE A LARGE PART OF OUR
 DISCUSSIONS WERE TAKEN UP WITH IRAN, FOR REASONS WHICH EVERYONE IN
 THE WHOLE WORLD WILL UNDERSTAND, AND WE INDICATED VERY CLEARLY TO
 THE PRESIDENT THAT WHEN THE UNITED STATES WISHES TO GO TO THE

2. THE PRIME MINISTER SAID QUOTE OF COURSE A LARGE PART OF OUR DISCUSSIONS WERE TAKEN UP WITH IRAN, FOR REASONS WHICH EVERYONE IN THE WHOLE WORLD WILL UNDERSTAND, AND WE INDICATED VERY CLEARLY TO THE PRESIDENT THAT WHEN THE UNITED STATES WISHES TO GO TO THE SECURITY COUNCIL FOR FURTHER POWERS UNDER CHAPTER SEVEN, GREAT BRITAIN WILL BE THE FIRST TO SUPPORT HIM IN HIS ENDEAVOURS. YOU WOULD EXPECT NOTHING LESS AND YOU WILL RECEIVE NOTHING LESS BUT OUR FULL SUPPORT UNQUOTE

3. FULL TEXT OF STATEMENT (COVERING OTHER ISSUES BY SEPARATE TELEGRAM TO FCO ONLY.

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FOLLOWING IS TRANSCRIPT OF PRIME MINISTER'S PRESS CONFERENCE AT
1745 (LOCAL) YESTERDAY 17 DECEMBER:
BEGINS

Q. I WOULD LIKE TO KNOW THE RESULTS OF ANY DISCUSSIONS YOU MAY HAVE HAD ON THREE WEAPONS SYSTEMS, THE TRIDENT, AV8 B, AND THE RAPIER MISSILE.

A. WE HAVE NOT MADE A FORMAL REQUEST FOR ANY POLARIS SUCCESSOR YET. WE ARE STILL ONLY IN THE PRELIMINARY STAGES OF DISCUSSION AT HOME SO NO FORMAL REQUEST HAS BEEN MADE. AS FAR AS THE ADVANCED HARRIER IS CONCERNED STILL THERE IS NO DECISION. WE STILL HAVE FURTHER TO NEGOTIATE ON THAT AND THE RAPIER MISSILE HAS NOT BEEN SORTED OUT EITHER. SORRY.

Q: HAS YOUR GOVERNMENT MADE A FIRM DECISION TO SUPPORT ECONOMIC SANCTIONS AS REQUESTED BY THE UNITED STATES IN THE SECURITY COUNCIL AGAINST IRAN?

A: WE HAVE DECIDED THAT WE WOULD IN FACT SUPPORT THE UNITED STATES IF SHE WENT FOR A CHAPTER 7 DECISION TO THE SECURITY COUNCIL NOW. THAT MEANS FIRST THAT YOU WOULD HAVE TO DO A GOOD DEAL OF I THINK NEGOTIATING TO MAKE CERTAIN THAT IT WENT THROUGH. I DO THINK ITS IMPORTANT. WE WILL SUPPORT OBVIOUSLY. BUT THE PRECISE SANCTIONS OBVIOUSLY HAVE TO BE THE SUBJECT OF NEGOTIATION AMONG THE RELEVANT MEMBERS OF THE SECURITY COUNCIL TO GET THEM THROUGH. YOU CAN'T SAY UNDER CHAPTER 7 CERTAIN SPECIFIC SANCTIONS WOULD BE AUTOMATIC. THEY HAVE TO BE NEGOTIATED AND OBVIOUSLY THEY HAVE TO BE SUCH AS TO BE AGREED BY AT LEAST NINE MEMBERS.

Q: COULD I JUST FOLLOW THAT UP? WOULD BRITAIN SUPPORT FOR EXAMPLE THE KIND OF SANCTIONS AGAINST IRAN THAT HAVE FORMERLY BEEN IMPOSED AGAINST RHODESIA?

A: WE AS YOU KNOW WERE ABLE TO IMPOSE SANCTIONS AGAINST RHODESIA LONG BEFORE THERE WERE UNITED NATIONS SACTIONS. NOW, THE QUESTION WHEN IT COMES TO UNITED NATIONS, THE QUESTION IS WHAT KIND OF SANCTIONS CAN YOU GET IN THE RESOLUTION, AND THAT HAS TO BE NEGOTIATED NOT BETWEEN THE UNITED STATES AND OURSELVES BUT WITH ALL NINE MEMBERS AND THAT REALLY IS THE VITAL QUESTION, WHAT KIND OF SANCTIONS COULD BE NEGOTIATED AND APPROVED BY AT LEAST NINE MEMBERS OF THE SECURITY COUNCIL.

/Q: (QUESTION

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Q: (QUESTION ON HMG PAYING COMPENSATION FOR RHODESIAN RAIDS ON THE FRONT LINE STATES NOT PICKED AUDIBLY)

A: NOW LOOK THE MAIN RAIDS INTO ZAMBIA DEEP INTO THE HEART OF THE INTERIOR WERE OF COURSE MADE LONG BEFORE THERE WAS A BRITISH GOVERNOR THERE. NOW IF I MAY SAY SO WITH THE GREATEST POSSIBLE RESPECT I THINK THE QUESTION IS JUST A FEW HOURS OUT OF DATE BECAUSE THERE WAS OF COURSE A CEASEFIRE AGREEMENT ACTUALLY INITIALLED IN LONDON AT ABOUT 1 O'CLOCK YOUR TIME TODAY. NOW IT IS HOPED THAT IT WILL BE SIGNED IN FULL ON ABOUT WEDNESDAY AND AFTER THAT MONITORING FORCES CAN GO OUT ACTUALLY TO START THE ARRANGEMENTS FOR MONITORING AND I REALLY THINK AS THE WHOLE OBJECT WAS TO TRY AND GET A CEASEFIRE AGREEMENT THERE IS NOW LITTLE POINT IN GOING INTO WHAT HAS HAPPENED IN THE PAST.

Q: WHAT ABOUT REPARATIONS?

A: THOSE RAIDS AS YOU KNOW INTO ZAMBIA TOOK PLACE CERTAINLY BEFORE A BRITISH GOVERNOR WAS THERE AND WE OURSELVES JUST CANNOT GIVE YOU THE REPARATION. WE DO IN FACT GIVE VERY CONSIDERABLE AID TO ZAMBIA UNDER OUR ORDINARY AID PROGRAMME.

Q: WOULD BRITAIN HAVE MADE THOSE STATEMENTS ABOUT SUPPORTING CHAPTER 7 SANCTIONS AGAINST IRAN IF THE UNITED STATES HAD NOT LIFTED SANCTIONS AGAINST RHODESIA?

A: THEY WERE MADE BY LORD CARRINGTON IN EUROPE LAST WEEK. THAT WAS BEFORE THE UNITED STATES LIFTED SANCTIONS AGAINST RHODESIA.

Q: STATE DEPARTMENT OFFICIALS HAVE ALREADY TAKEN INTO ACCOUNT THE PROSPECT THAT THEY WILL NOT BE ABLE TO PASS THE SECURITY COUNCIL RESOLUTION BECAUSE OF THE VETO, AND THEY HAVE BEGUN TO MAKE SOME PLANS FOR SOME KIND OF AMERICAN-LED TRADE SANCTIONS AGAINST IRAN WITH THE BACKING THEY HOPE OF ALLIES SUCH AS GREAT BRITAIN. IF THE UNITED NATIONS ROUTE IS CLOSED WOULD BRITAIN SUPPORT THE UNITED STATES IN SOME OTHER FORM OF ECONOMIC SANCTIONS AGAINST IRAN?

A: THERE ARE SEVERAL QUESTIONS THERE. FIRST I WOULDN'T ASSUME THAT CHAPTER 7 WOULD BE BLOCKED BY A VETO IN ANY EVENT. SECONDLY IT'S A MATTER FOR THE UNITED STATES TO DECIDE WHETHER AND WHEN SHE GOES FOR A CHAPTER 7 RESOLUTION. I AM SURE THAT THE ONE GUIDING FACTOR IN HER DECISION IS WHETHER IT WILL HAVE AN EFFECT ON HER OBJECTIVE WHICH IS TO SEE THAT THE HOSTAGES GET HOME UNHARMED. ONE ALWAYS HAS TO REMEMBER THAT IN EVERYTHING YOU DO IN THIS SPHERE THERE'S ONE OBJECTIVE AND THAT IS TO SEE THAT THE HOSTAGES GET HOME UNHARMED AND YOU HAVE TO LOOK AT EVERY POSSIBILITY WITH THAT IN MIND. NOW, IF THERE WERE TO BE A CHAPTER 7 DECISION IT DOES BECOME THE LAW OF MOST COUNTRIES AND THEREFORE HAS TO BE OBSERVED AND THAT IN FACT DOES MAKE A GREAT DEAL OF DIFFERENCE BECAUSE THERE ARE SOMETHINGS THAT THE LAW OF A COUNTRY IS DEFECTIVE TO DO WITHOUT A CHAPTER 7 RESOLUTION.

Q: TODAY'S WALL STREET JOURNAL HAS A FRONT-PAGE STORY MOST COMPLIMENTARY TO YOUR ACCOMPLISHMENTS BUT THE WRITER MAKES THE POINT THAT BRITAIN'S RISING INFLATION AND INCREASING OR CONTINUING ECONOMIC PROBLEMS MAY TEND TO HAMPER YOUR PROGRAMMES, WOULD YOU PLEASE GIVE US THE BENEFIT OF YOUR THINKING?

A: YES, OF COURSE. INFLATION IS INDEED ONE OF OUR MAIN PROBLEMS. WHEN WE CAME INTO OFFICE THERE WAS IN FACT A PRICE COMMISSION. THAT MEANT THAT ALL MANUFACTURERS AND PEOPLE IN SERVICE INDUSTRIES HAD TO APPLY FOR PRICE INCREASES AND A CERTAIN NUMBER OF NATIONALISED INDUSTRIES, NOT ALL. AND THERE WERE A TREMENDOUS NUMBER OF APPLICATIONS IN THE PIPE-LINE, A NUMBER OF WHICH WERE APPROVED SHORTLY AFTER THE ELECTION. SO THERE WAS A GREAT NUMBER TO COME FORWARD AND THEY CAME FORWARD IN THE MONTH OR SO AFTER THE ELECTION. THERE ALSO WERE IN THE PIPELINE A LOT OF INCREASES COMING THROUGH FROM VERY BIG WAGE INCREASES LAST YEAR. IN THEORY YOU SEE THE PRICE CONTROL WAS ACCOMPANIED BY WAGE RESTRAINT OF 5 PERCENT BUT THE WAGE RESTRAINT TURNED OUT TO BE ABOUT 14 PERCENT SO THAT'S ANOTHER THING WHICH AT THE MOMENT IS WORKING THROUGH. IN ADDITION TO THAT, LIKE YOU WE HAVE HAD TO ABSORB THE OIL PRICE INCREASES WHICH WE TAKE IN FULL AND HAVE BEEN AT ABOUT 70 PERCENT SINCE THE BEGINNING OF THE YEAR. BUT ONE FURTHER FACTOR WHICH HAS GONE ON TO THE THE RETAIL PRICE INDEX THAT IS WE TOOK A CONSCIOUS DECISION TO SWITCH TAXATION AWAY FROM INCOME TAX AND PUT SOME OF IT ON TO A SALES TAX, WE CALL IT VALUE ADDED TAX. THAT ADDED NEARLY 4 PERCENT TO THE RETAIL PRICE INDEX. SO THOSE THINGS HAVE COME THROUGH AND AS A CONSEQUENCE IT CERTAINLY DOES LOOK VERY HIGH TO THE AVERAGE PERSON AND INDEED IS, NOT ONLY LOOKS IT BUT IS. NOW THE QUESTION IS WHETHER WE COULD BRING IT DOWN WITH OUR POLICIES OF FAIRLY STRICT CONTROL OF THE MONEY SUPPLY WHICH WOULD TAKE SOME TIME TO OPERATE THROUGH THE SYSTEM. AT THE SAME TIME WHETHER WE COULD PERSUADE PEOPLE TO MODERATE THEIR WAGE INCREASES, AND IT'S VERY INTERESTING THAT THERE ARE SOME CHANGES, THERE APPEAR TO BE SOME CHANGES IN ATTITUDE TAKING PLACE AND THERE'S NO GOING FIGURE AT ALL NOW, THE WAGE INCREASES VARY VERY MUCH FROM COMPANY TO COMPANY. BUT THERE IS NO MAGIC ABOUT GETTING INFLATION DOWN. IT'S A QUESTION OF NOT PRINTING MONEY, IT'S A QUESTION OF GOVERNMENT NOT SPENDING TOO MUCH OF THE PEOPLE'S MONEY AND HAVING TO BORROW AT TOO HIGH INTEREST RATES TO FINANCE IT. IT'S A QUESTION OF PERSUADING PEOPLE NOT TO TRY TO TAKE OUT MORE THAN THEY PUT IN IN EFFORT AND JUST SUSTAINING THAT KIND OF POLICY.

Q: I UNDERSTAND YOU WERE UNABLE TO PERSUADE THE PRESIDENT TO RESUME WEAPON SALES TO THE ROYAL ULSTER CONSTABULARY. WAS THERE ANY ASPECT OF THE IRISH QUESTION ON WHICH YOU DID AGREE?

A: WELL YES OF COURSE I HAVE DULY EXPLAINED TO ALMOST EVERYONE I HAVE SPOKEN TO JUST EXACTLY WHAT OUR POLICY IS AND WHAT THE BACKGROUND IS. A NUMBER OF PEOPLE KNOW THE BACKGROUND, QUITE A NUMBER /OF

OF OTHERS DON'T. ALWAYS REALISE FIRST THAT MANY, MANY YEARS AGO HOME RULE WAS OFFERED TO THE WHOLE OF IRELAND. THE NORTHERN COUNTIES SAID THEY DIDN'T WANT IT YET IF IT WAS FORCED UPON THEM THERE WOULD BE CIVIL WAR AND SO WE GOT THE DIVISION OF IRELAND INTO NORTHERN IRELAND AND THE PRESENT REPUBLIC OF IRELAND. NOW SINCE THEN THERE HAVE BEEN FOUR WHAT WE CALL BORDER POLLS, REFERENDA, TO SEE WHAT THE WISHES OF THE PEOPLE OF NORTHERN IRELAND WERE. THE LAST ONE WAS IN 1973 AND THE OVERWHELMING MAJORITY OF THE PEOPLE OF NORTHERN IRELAND WISHED TO STAY WITH THE UNITED KINGDOM. AS OUR POLICY TOWARDS NORTHERN IRELAND IS ONE OF SELF-DETERMINATION IT IS OUR DUTY PROPERLY TO PROTECT LAW-ABIDING CITIZENS THERE. NOW THE NEXT ASPECT IS THAT AS YOU KNOW THERE WERE A LARGE NUMBER OF INCIDENTS, OF TERRORIST INCIDENTS WHICH EVENTUALLY LED US TO PUT THE ARMY IN, UNDER THE THEN LABOUR GOVERNMENT IN 1969 AND EVENTUALLY TO DISSOLVE THE STORMONT PARLIAMENT IN ABOUT 1972 AND TAKE DIRECT RULE. SINCE THEN WE'VE TRIED TO FIND A FORM OF GOVERNMENT WHICH WOULD REPLACE STORMONT SO THAT THE PEOPLE OF NORTHERN IRELAND HAVE GREATER CONTROL AND GREATER SAY OVER THEIR OWN AFFAIRS. THEY HAVE NOT BEEN ABLE TO AGREE. WE HAD ONE CONSTITUTIONAL CONVENTION TO TRY TO DECIDE IT, THEY COULDN'T AGREE. WE ARE NOW LEFT WITH TWO FUNDAMENTAL PROBLEMS. ONE THE DEFEAT OF TERRORISM, AND I MUST SAY WHETHER IT'S MR LYNCH OR THEIR PEOPLE OVER HERE, THEY HAVE BEEN VERY, VERY FIRM INDEED IN CONDEMNING THE ACTIVITIES OF THE IRA. THEY IN FACT LEAD TO THE LOSS OF THE LIVES OF LAW-ABIDING CITIZENS AND EVERYONE HAS TOTALLY CONDEMNED TERRORISM AS A MEANS OF SECURING POLITICAL AIMS. SO WE HAVE TO TRY TO ERADICATE TERRORISM AND TO PROTECH LAW-ABIDING CITIZENS AND ASSUME OUR RESPONSIBILITY WHICH IS NORTHERN IRELAND AND THE ARMY IS IN THEREFORE TO BACK UP THE ROYAL ULSTER CONSTABULARY TO DO THAT. AT THE SAME TIME WE ARE REALLY VERY ANXIOUS TO TRY TO GET SOME KIND OF LOCAL AUTHORITIES OR REGIONAL COUNCILS OR ADVISORY COUNCILS OR SOME KIND OF BODY OR BODIES WHICH MEAN THAT THE PEOPLE OF ULSTER TAKE MORE CONTROL OVER THEIR OWN AFFAIRS BECAUSE AT THE MOMENT IT IS THE ONLY PART OF THE UNITED KINGDOM WHICH HAS NOT GOT FULL LOCAL GOVERNMENT. SO WE'RE TRYING TO GET AGREEMENT. WE'RE OPERATING ON TWO FRONTS, FIRST TO TRY TO ERADICATE THE TERRORISM AND SECONDLY TO TRY TO MOVE TOWARDS MORE CONTROL BY THE PEOPLE OF NORTHERN IRELAND OVER THEIR OWN AFFAIRS. AS YOU KNOW THEY DO ELECT MEMBERS TO THE WESTMINISTER PARLIAMENT IN JUST THE SAME WAY AS ANY OTHER PART OF THE UNITED KINGDOM AND THE NUMBER OF SEATS TO WHICH THEY ARE ENTITLED HAS RECENTLY BEEN PUT UP BY ACT OF PARLIAMENT. YOU ASKED ME WHETHER WE HAD AGREED ON ANYTHING. I THINK WHEREVER I HAVE BEEN THIS GENERAL APPROACH HAS BEEN AGREED UPON, SO THERE IS A GREAT DEAL TO AGREE UPON.

/Q: COULD I

Q: COULD I FOLLOW THAT UP? IS THERE ANY ROLE THE UNITED STATES MIGHT BE ABLE TO PLAY IN CONNECTION WITH YOUR EFFORTS?

A: WELL, I THINK THAT A NUMBER OF PEOPLE IN THE UNITED STATES HAVE BEEN VERY OUTSPOKEN IN THEIR CONDEMNATION OF THE IRA AND TERRORISM AND THAT IS AN ENORMOUS HELP BECAUSE TERRORISM IS NOT THE WAY TO PURSUE ANY AIMS IN A DEMOCRATIC SOCIETY. AND I AM VERY GRATEFUL FOR THAT, I'M VERY GRATEFUL FOR THE EFFORTS WHICH HAVE BEEN MADE TO PERSUADE PEOPLE TO STOP SENDING MONEY TO THE IRA AND I BELIEVE THOSE EFFORTS HAVE BEEN EFFECTIVE.

Q: TODAY YOU WERE STRONGLY PRAISED AS BEING STRONG, POWERFUL AND POSITIVE.

A: GOOD, THAT SOUNDS ABOUT RIGHT.

Q: STRONG WOULD PERHAPS TAKE IN YOUR HEALTH REGIME AND HOW TO USE AND HANDLE INVOLVEMENT OF STRESS, ANOTHER QUESTION I WOULD LIKE TO ASK YOU IS WHEN YOU WERE HERE THE LAST TIME IF YOU RECALL YOU WERE DISAPPOINTED THAT MORE MEN DID NOT COME OUT TO SEE YOU OR HEAR YOU. ARE YOU HAPPIER TODAY THAT THERE ARE MORE MEN IN THE AUDIENCE?

A: DO YOU KNOW I CAN'T SEE THE AUDIENCE BECAUSE OF THE STRONG LIGHTS I HOPE YOU CAN SEE ME BETTER THAN I CAN SEE YOU. HEALTH AND STRESS, I HAVE NO PROBLEMS WITH HEALTH, I JUST HAVE A NATURALLY GOOD ONE SO I DON'T NEED ANY OF THE ARTIFICIAL VITAMINS OR ANYTHING LIKE THAT. I AM JUST NATURALLY HEALTHY AND LONG MAY IT CONTINUE.

Q: COULD YOU TELL US ABOUT YOUR MEETING WITH MR VOLCKER THIS AFTERNOON, WHY DID YOU SEE HIM, WHAT DID HE SAY TO YOU?

A: WELL I WANTED TO SEE HIM BECAUSE I WANT HIM TO KNOW THAT THE CHANGES IN THE WAY OF CONTROLLING THE MONEY SUPPLY THAT HAD BEEN ANNOUNCED THEY APPEAR TO BE BEING EFFECTIVE AND I AM ALWAYS WILLING TO LEARN NEW LESSONS FROM NEW POLICIES WHICH APPEAR TO BE BEING VERY SUCCESSFUL IN THEIR OPERATION.

Q: (INAUDIBLE ABOUT THE CAP).

A: THE CAP. YES, THE COMMON AGRICULTURAL POLICY OF EUROPE IN FACT TAKES UP A VERY, VERY LARGE PERCENTAGE OF THE BUDGET. IT PRODUCES LARGE MASSIVE SURPLUSES OF FOOD WHICH REQUIRE A LOT OF FINANCING AND THOSE SURPLUSES ARE OFTEN SOLD OFF AT CHEAP SUBSIDISED PRICES TO PLACES LIKE THE SOVIET UNION AND ALSO TO IRAN AND THAT CAUSES ENORMOUS RESENTMENT. BUT WE ARE TRYING TO REFORM THE COMMON AGRICULTURAL POLICY FIRST SO THAT IT DOES NOT PRODUCE THOSE MASSIVE SURPLUSES WHICH ARE MAINLY IN AREAS LIKE BUTTER AND SUGAR AND A CERTAIN AMOUNT OF BEEF. BECAUSE IT IS FINANCING THOSE SURPLUSES WHICH IN FACT IS VERY EXPENSIVE ON THE BUDGET SO WE ARE INDEED TRYING TO REFORM IT.

Q: BOTH YOU

Q: BOTH YOU AND THE PRESIDENT EMPHASISED YOUR WIDE AREA OF AGREEMENT OVER A RATHER WIDE SPECTRUM OF ISSUES. DID YOU FIND THAT SAME MEASURE OF AGREEMENT IN YOUR TALKS ON CAPITOL HILL WITH MEMBERS OF THE HOUSE AND WHAT CAN YOU TELL US ABOUT THAT SESSION?

A: ON CAPITOL HILL, YES INDEED WE HAD AN EXCELLENT MEETING, MAINLY ON FOREIGN AFFAIRS ISSUES WHERE I TOLD THEM ABOUT HOW WE HAD APPROACHED SALISBURY AND HOW WE HAD APPROACHED THE CONSTITUTIONAL CONFERENCE THAT WE'VE HAD AND THE WAY IN WHICH WE HANDLED IT AND GOT THROUGH SUCCESSFULLY. WE ALSO DISCUSSED IRAN AND THE ENORMOUS PROBLEMS THERE. I DID SPEAK A LITTLE BIT ABOUT NORTHERN IRELAND, I WAS ASKED ABOUT SALT, I WAS ASKED ABOUT OUR ECONOMIC POLICIES AND I JUST TRIED TO ANSWER IN MY USUAL WAY AS HONEST AND FRANKLY AS I CAN.

Q: DID YOU DISCUSS THE DIFFICULTIES YOU HAVE HAD WITH FREEZE OF IRANIAN ASSETS IN LONDON, AND SECONDLY IS THERE ANY INDICATION OF WHEN THOSE ASSETS MIGHT BE UNFROZEN?

A: NOW, ONE MOMENT. THERE ARE TWO THINGS HERE. WHICH PARTICULAR ASPECT ARE YOU REFERRING TO BECAUSE WE HAVE NOT THE POWERS UNDER OUR LAW TO FREEZE ASSETS?

Q: YOU SPOKE WITH AMERICAN OFFICIALS TODAY (INAUDIBLE)

A: AS FAR AS FREEZING ASSETS IN LONDON THIS HAPPENS TO A NUMBER OF EUROPEAN COUNTRIES. WE HAVE NOT THE POWER TO FREEZE ASSETS UNDER EXISTING LAW FOR ANYTHING OTHER THAN BANKING REASONS. NOW WHEN THEY WERE FROZEN HERE AT THE BEGINNING AS YOU KNOW THEY WERE FROZEN FOR BANKING REASONS THAT IS TO SAY IRAN SAID THAT SHE WOULD DEFAULT ON SOME OF HER OBLIGATIONS AND ALSO WITHDRAW HER ASSETS. NOW A COMBINATION OF ANNOUNCING THAT YOU ARE GOING TO DEFAULT ON YOUR OBLIGATIONS AND WITHDRAW YOUR ASSETS OBVIOUSLY LEADS PEOPLE TO FREEZE THEM TO PROTECT THE WHOLE OF THE BANKING SYSTEM AND TO PROTECT THE ASSETS OF PEOPLE WHO HAVE LENT TO IRAN. NOW THAT IS A PLAIN STRAIGHTFORWARD ECONOMIC BANKING REASON, THERE WERE OTHER REASONS AS WELL. NOW, WE ARE NOT EMPOWERED TO FREEZE ASSETS AS OUR LAW STANDS AT THE MOMENT UNLESS ASSETS ARE POURING OUT OF THE COUNTRY. THE LAW IS DESIGNED TO PROTECT THEM AND KEEP THEM IN THE COUNTRY AND THAT HAS BEEN THE WHOLE THRUST OF OUR EXCHANGE CONTROL LAW. SO IN ORDER TO DO ANYTHING LIKE THAT WE WOULD EITHER HAVE TO CHANGE THE LAW AND NOTIFICATION OF A CHANGE OF THE LAW WOULD OF COURSE PROMPT THE WITHDRAWAL OF THOSE VERY ASSETS. IF YOU GOT A CHAPTER 7 RESOLUTION THEN UNDER THE LAWS OF MOST COUNTRIES A UNITED NATIONS MANDATORY RESOLUTION TAKES EFFECT IN THE LAW OF EACH OF THE COUNTRIES AS YOU WOULD EXPECT THEM TO HAVE A CHANGE IN THE LAW EFFECTIVE THAT WAY.

ENDS

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10 DOWNING STREET

Nick

Washington says I
might say that I
should bring this Tel to
your attention. Michael
Alexander hinted that
the Home Secretary should
"not get into too deep"
in his answers.

Richard A.

18/12.

ADVANCE COPY

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FM WASHINGTON 180147Z DECEMBER 79

TO IMMEDIATE F C O

TEL NO 4246 OF 18 DECEMBER.

FOLLOWING FOR BERTHOUD FROM MORLAND.

YOUR TELEGRAM NO 1912: PRIME MINISTER'S VISIT TO WASHINGTON:
PARLIAMENTARY QUESTIONS.

MY RIGHT HONOURABLE FRIEND THE PRIME MINISTER HAD AN IMPORTANT AND VALUABLE MEETING WITH PRESIDENT CARTER ON 17 DECEMBER. THEY DISCUSSED MAJOR WORLD ISSUES, INCLUDING THE IRAN CRISIS, RHODESIA, NORTHERN IRELAND, DEFENCE AND DISARMAMENT, AND INTERNATIONAL AND BILATERAL ECONOMIC AND TRADE ISSUES.

2. IRAN? THE PRESIDENT EXPRESSED HIS GRATITUDE FOR THE UK'S HELP AND SUPPORT OVER THE AMERICAN HOSTAGES. THE PRIME MINISTER MADE IT CLEAR THAT BRITAIN SHARED THE ANGUISH OF THE AMERICAN PEOPLE AND WOULD DO ITS UTMOST TO CONVINCE THE IRANIAN AUTHORITIES TO RELEASE THE HOSTAGES UNHARMED.

3. RHODESIA? THE PRESIDENT CONGRATULATED THE PRIME MINISTER AND THE SECRETARY OF STATE ON THEIR GREAT SUCCESS IN ACHIEVING AGREEMENT AT THE LANCASTER HOUSE CONFERENCE. THE PRIME MINISTER EXPRESSED HER WARM APPRECIATION OF THE FULL SUPPORT GIVEN BY THE UNITED STATES.

4. IRELAND? THE PRIME MINISTER EXPLAINED THE GOVERNMENT'S

PS
PS/LPS
PS/MR RIDLEY
PS/PUS
LD N.G. LEWNOX
HD/NAD
No 10 D.S.
RC

HER WARM APPRECIATION OF THE FULL SUPPORT GIVEN BY THE UNITED STATES.

4. IRELAND? THE PRIME MINISTER EXPLAINED THE GOVERNMENT'S RECENT POLITICAL INITIATIVE FOR A CONFERENCE OF THE PRINCIPAL POLITICAL PARTIES IN NORTHERN IRELAND. BOTH LEADERS CONDEMNED SUPPORT FOR ORGANISATIONS AND INDIVIDUALS ENGAGED DIRECTLY OR INDIRECTLY IN CAMPAIGNS OF VIOLENCE AND AGREED THAT SUCH CAMPAIGNS ONLY DELAY THE DAY WHEN PEACE AND RECONCILIATION CAN COME TO NORTHERN IRELAND.

5. DEFENCE? THE PRESIDENT AND THE PRIME MINISTER APPLAUDED THE NATO DECISION TO PROCEED WITH EFFECTIVE MODERNISATION AND DEPLOYMENT OF OF THEATRE NUCLEAR FORCES AND WITH ARMS CONTROL PROPOSALS DESIGNED TO REDUCE ON A BASIS OF EQUALITY NUCLEAR WEAPONS AT BOTH NATO AND THE WARSAW PACT. THEY ALSO AGREED THAT THE EARLIEST POSSIBLE RATIFICATION OF THE SALT II TREATY WOULD SIGNIFICANTLY CONTRIBUTE TO A SAFER AND MORE STABLE INTERNATIONAL SECURITY ENVIRONMENT. IN THE FACE OF THE CONTINUING INCREASE IN SOVIET MILITARY SPENDING THEY REAFFIRMED THEIR STRONG SUPPORT FOR THE NATO LONG TERM DEFENCE PROGRAMME AND FOR THE NATO AIM OF 3 PER CENT REAL GROWTH IN ANNUAL DEFENCE SPENDING.

6. STRATEGIC COOPERATION? THE PRESIDENT AND PRIME MINISTER AGREED ON THE IMPORTANCE OF MAINTAINING A CREDIBLE BRITISH STRATEGIC DETERRENT FORCE AND US/UK STRATEGIC COOPERATION.

F.C.O. PSE PASS IMMEDIATELY TO NR 10.

HENDERSON

NNNN



BRIEF FOR THE PRIME MINISTER'S VISIT TO EXXON: 18 DECEMBER 1979

EXXON CORPORATION

The Exxon Corporation is claimed to be the largest company in the world with total revenues of \$65 billion and a profit of \$2.8 billion in 1978. Its activities are predominantly in the energy field, including oil, gas, nuclear power, minerals and chemicals. The Prime Minister met Mr Garvin, President of Exxon, when he visited London in June.

2. Exxon has two separate subsidiary companies in the UK: Esso Petroleum Company Ltd and Esso Chemical Ltd.

3. Esso Petroleum supplies about 20 per cent of the UK market in petroleum products, and the company is currently involved in exploration, production, transportation, refining and distribution of oil in the UK. North Sea oil provides about half Esso's UK crude oil requirements, mainly from the Northern basin to Sullom Voe. The remainder is mainly Saudi Arabian crude purchased from Exxon. Esso's two UK refineries, at Fawley and Milford Haven, have a total capacity of 26 million tpa.

4. Esso Chemical is the UK division of Exxon Chemical Co, which is one of the world's 15 largest chemical companies in terms of sales. The company's current UK operations are concentrated at Fawley where a range of olefins, aromatics, agricultural chemicals, fuel and lubricant additives ("paramins")



are produced. The research centre at Abingdon is the European technical centre for "paramins". Sales in 1978 totalled £166.1m of which 35 per cent were exports, although profits fell slightly from the 1977 figure.

MOSSMORRAN

5. Esso Chemical plan to build a 500,000 tpa ethane cracker at Mossmorran, Fife, (turning natural gas into ethylene, the basic building block for most chemicals and plastics) and with Shell intend to construct a gas liquids separation plant (with associated terminal and storage facilities at Braefoot Bay). The total cost of the cracker at £230m will make it Exxon's largest chemical investment outside the US. After a delay of two and a half years, outline planning permission was granted by the Secretary of State for Scotland, in August 1979. However there is still an objectors' case before the Scottish courts: a decision is expected in February 1980.

6. Mossmorran is located in a Development Area where the rate of grant payable is now 15 per cent. It is likely that both the gas separation plant and the cracker will qualify for RDG and possible that the facilities at Braefoot Bay will also be eligible. No decision has yet been taken. No selective financial assistance is being made available for these plants.

7. There are two matters which particularly concern Exxon about the Mossmorran development. The first is the UK's poor record in the construction of chemical installations; Exxon are anxious that the project should not fall behind or exceed



budget. The second is the importance of RDGs to the viability of the project; Exxon are looking for some assurance of RDGs at present rates over the next four or five years.

8. It is not possible to give the company a categorical assurance on either of these points although they have both been discussed fully with Esso in the UK. The Prime Minister can however report that there has been significant progress in recent months towards the introduction of a National Agreement on pay and working arrangements on construction sites. Such an agreement - between clients, employers and trade unions - is expected to be a substantial step towards improving performance in the construction industry.

9. Esso is keen to attract 'downstream' chemical producers to Mossmorran to make use of the ethylene produced by the cracker. Esso themselves have hinted that they might produce low density polythene there and Hoechst and Laporte/Solvay have expressed interest in producing high density polythene. Hoechst and Laporte/Solvay have applied for selective financial assistance.

10. If the matter arises the Prime Minister can confirm that the Government attaches a great deal of importance to attracting 'downstream' projects which would add value to the basic materials from the cracker.

COAL TECHNOLOGY

11. Exxon is currently carrying out a major research programme into coal liquification, gasification and combustion. Much of this work is in competition with research done in the UK by British Gas Corporation and the National Coal Board.



i. Combustion: The UK under the aegis of the International Energy Agency has a strong position in the development of advanced combustion systems based on Fluidised Bed Combustion (FBC) and a pressurised unit is shortly due to start up at Grimethorpe in Yorkshire. The NCB are also promoting a number of small "shallow fluidised bed" boiler systems which would enable industrial users to convert easily from burning coal to burning oil. Exxon also have an interest in the development of FBC, and have a small pilot plant at Linden.

ii. Oil from Coal: The Exxon Donor Solvent (EDS) oil-from-coal process is one of the leading contenders in the race to commercialisation and a £250m 250 ton/day pilot plant producing 600 barrels per day in Texas is due to become operational early next year. This plant was visited by the PUSS for Energy (Mr Moore) in September 1979, and subsequent enquiries were made to Exxon about the possibility of the UK taking a small stake in the pilot plant development. The total fee would be about £6 million though no commitment has been made. In the UK, the NCB are currently designing two 25 tonne per day £30m pilot plants using their Liquid Solvent Extraction (LSE) and Supercritical Gas Extraction (SGE) processes; they could begin in late 1982. It is hoped that the SGE process might be a future strong competitor for the Exxon Donor Solvent Process, (See Annex 1), since it produces higher value products (petrol, Kerosene) than the US processes, albeit in smaller quantities.

iii. Gasification: Exxon are currently developing a novel single-stage coal gasification process, in which



the steam-coal reaction takes place at a low temperature (700°C) simultaneously with the melhanation reaction. In the UK, BGC have taken the lead, and are among the world leaders in the development of processes for the manufacture of substitute Natural Gas (SNG). Under American sponsorship, BGC have developed the German Lurgi steam-oxygen gasification process, and developed the BGC-Lurgi Slagging Gasifier, which is the basis of one design for a large scale SNG demonstration plant in the USA. The NCB are also developing a fluidised-bed gasification process for the production of low calorific fuel gas.

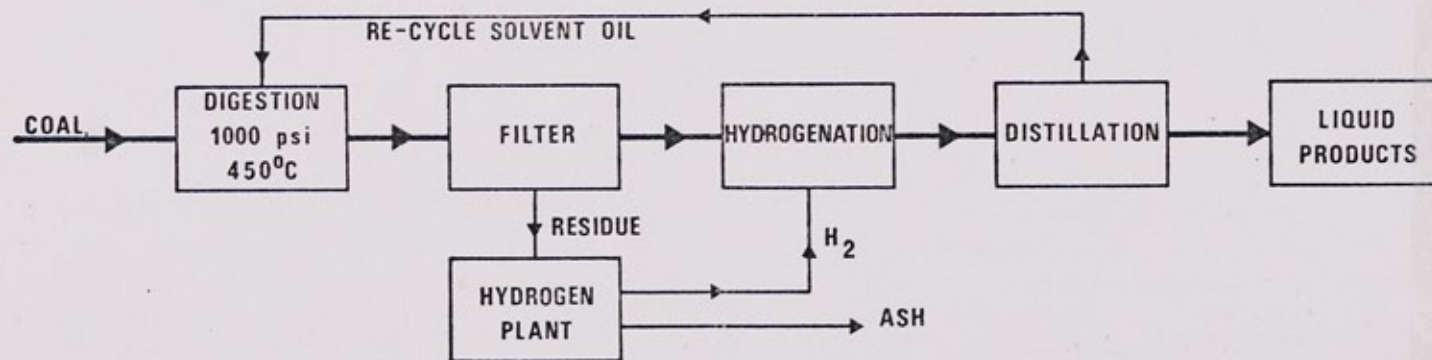
WORD PROCESSING

12. In addition to its traditional oil and chemical interests, Exxon also has an 82 per cent stake in Vydec (UK) Ltd which markets word processing equipment, and a majority stake in the Delphi Corporation who are manufacturers. The Delphi Corporation recently entered an agreement with NEXOS, whereby NEXOS will acquire rights to manufacture in Europe an integrated office system (word processing, computing and communications functions) designed and developed by Delphi. At the moment all equipment is manufactured in the USA, but Exxon have indicated that they will be looking to invest abroad, particularly in Europe.

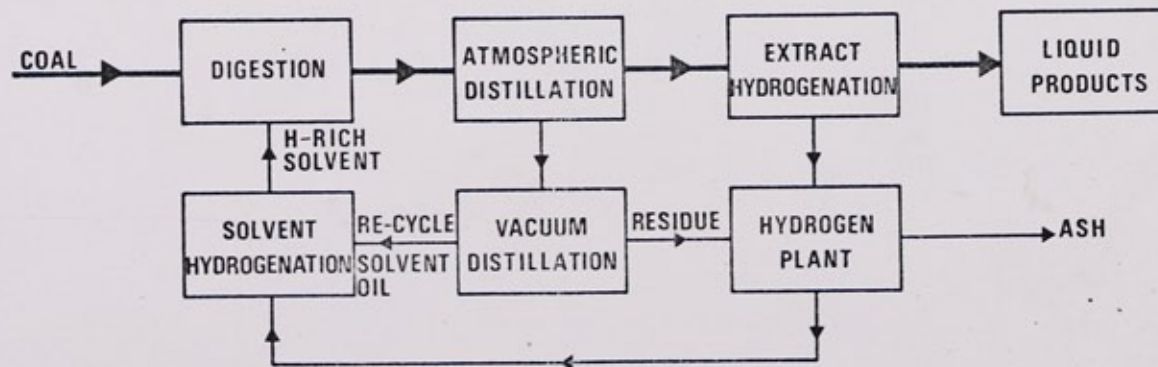
13. If the opportunity arises the Prime Minister should encourage Exxon to consider the UK as a location for further investment in this field.

OIL-FROM-COAL PROCESSES

NCB LIQUID SOLVENT EXTRACTION (LSE) PROCESS



EXXON DONOR SOLVENT (EDS) PROCESS



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cc Maite
Rhodesia Sitⁿ Pt 11 ✓ MAP
South Africa : May 79
Sitⁿ in Namibia
Iran : Sitⁿ Pt 2

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF THE UNITED NATIONS GENERAL ASSEMBLY HELD IN
THE UNITED NATIONS SECRETARIAT BUILDING ON 18 DECEMBER 1979
AT 1230 HOURS

Present:-

Prime Minister
Foreign and Commonwealth
Secretary
Sir Michael Palliser
Sir Anthony Parsons
Mr. M.A. Pattison

H.E. Mr. Salim A. Salim
Permanent Representative
of Tanzania
(and notetaker)

* * * * *

RHODESIA

Ambassador Salim offered his profound congratulations to the Prime Minister and the Foreign and Commonwealth Secretary on the successful conclusion of the Lancaster House conference. In the light of this achievement he regretted that the Prime Minister's visit had not been ^{at} a time when she could speak to the General Assembly. The Prime Minister warned against excessive jubilation, but said that the satisfactory conclusion of the conference was a firm move in the right direction. Mr. Salim said that the United Nations had followed the Lancaster House conference very closely. He had made it clear that they were ready to be helpful in any way. Lord Carrington confirmed that his help had been much appreciated. Mr. Salim mentioned the spontaneous applause in the General Assembly when the initialling of the ceasefire had been announced the previous day. This was a rare accolade.

The Prime Minister commented that the Rhodesian question seemed to be moving in a positive direction just as Iranian events had taken a negative course. Mr. Salim said that he knew from his personal experience the complexities of the

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/Rhodesian

Rhodesian problem. There was overwhelming mutual suspicion and a lack of homogeneity. The Governor now had a major responsibility. He had to create confidence in the settlement. Britain would have the support of the international community, and the confidence of the United Nations, in the transitional period. But an ultimate judgment would have to await the conclusion of the process. Lord Carrington commented that a great deal of luck would be an essential ingredient. The Prime Minister said that she was still concerned about events once the election had taken place. Mr. Salim said that there would always be concern but if a peaceful transition managed to create confidence, then there was hope for the future. Lord Carrington said that mutual suspicion could not disappear overnight at present; factions were jockeying for top positions. But, with the agreement established, none of them would have an external base from which to carry on a war after the elections. Mr. Salim felt that there was hope if conditions were created for fair elections, and if all that was humanly possible were done to ensure this. The Prime Minister commented that elections never looked fair to losers. The Reverend Sithole's attitude to the last election in Rhodesia illustrated this. He had been quite happy with the process until the results emerged.

Lord Carrington stressed that it would be very difficult to stamp out all intimidation. There would be problems on both sides, leading to incidents despite the ceasefire. The difficulties were undeniable. It was necessary to have a steady nerve, and to take all opportunities to reinforce the settlement arrangements. With the right will there was a chance of success. Mr. Salim said that a success in Rhodesia would matter to the whole of Southern Africa. The Prime Minister commented that Lord Carrington always took a less optimistic view than his colleagues. But for Rhodesia the time had been ripe. The surrounding states and the Commonwealth as a whole had had enough of the situation. Against this background, no-one was in a position to reject reasonable proposals. Mr. Salim agreed that all parties had had enough, and neither side in the battle had been winning. This had created conditions for a settlement. Lord Carrington foresaw the possibility that no overall majority would emerge from the election. This could be a helpful result, requiring a coalition

of some of the groups to form a Government.

SANCTIONS

Mr. Salim raised the question of sanctions, which he had previously discussed with Sir Anthony Parsons. Throughout the negotiations there had been tremendous goodwill in the United Nations. This had to be sustained. He therefore judged it extremely important that the Security Council should be asked to take a decision on sanctions, and should not merely be informed. There would be resentment of unilateral action. If the United Kingdom now asked the Security Council to lift sanctions, it would be very difficult for people to obstruct this. Even the USSR could hardly veto against overwhelming African opinion - even if they wished to take an extreme position, which he doubted. A veto in these circumstances would be a new departure for the Russians. Mr. Salim said that the General Assembly could be a helpful institution, but it had its extremist tendencies. He had worked to prevent the General Assembly discussing Rhodesia in a damaging way. Lord Carrington complimented Mr. Salim on his successful efforts.

Sir Anthony Parsons said that he would be writing to the President of the Security Council today. He hoped that the United Kingdom could produce a consensus by the end of the current week. Mr. Salim said that it would be helpful if the letter could be despatched before the General Assembly took up Rhodesia that afternoon. To be frank, there had been problems in holding back the Assembly. Sir Anthony Parsons said that, subject to developments in his absence that morning, a letter to the President would be despatched at 3 p.m. seeking consultations the next day, after the signing in London of the conference documents. Things would then be moving.

Mr. Salim said that the Rhodesian solution would be helpful for the Namibia problem. The Prime Minister suggested that Namibia should be left on one side until Rhodesia was finally settled. Mr. Salim said that action was already in hand in the United Nations. The pressure was on for results. It was ironic that previous analyses of Southern African problems had concluded

that a Namibia solution was necessary to create movement on Rhodesia. Lord Carrington stressed the timing would have to be right. Namibia could go wrong if moves were now mistimed. Sir Anthony Parsons suggested that the elections and independence of Zimbabwe should be completed before Namibia was allowed to come to a head. This meant that current moves on Namibia should not be hurried. Lord Carrington commented that South Africa would want to have a chance to judge the results in Rhodesia before settling its view of Namibia. Mr. Salim said that the UN could continue its activity on Namibia, whilst privately recognising that South Africa could be expected to hold back on final decisions for the present. This was not an impossible way forward.

IRAN

The Prime Minister referred to her conversation with the Secretary General, in which Iran had been the main topic. Mr. Salim said that there had been hopes from time to time, which had then been dashed. He personally had tried to send messages which could help the situation. It was difficult to find out who was in control. The Foreign Minister's statements for example generated hope which had then been destroyed by the students' responses. The United States had been acting in a very responsible way. International opinion was with them. The Prime Minister stressed that international opinion must follow and support United States' efforts.

Mr. Salim said that the Prime Minister would know what ideas the Secretary General had in mind. The United Nations were ready to do anything feasible. The question was how a way out could be found. The return of the Shah was impossible. Humiliation for either side had to be avoided. The earlier Security Council resolution had offered a way out for Iran. He had spoken to Iranian diplomats in the United States. He had written to Khomeini, and had had in response a seven page letter from the previous Foreign Minister. But the Foreign Minister had been replaced before he could follow up the detailed issues raised in that letter. The Prime Minister said that she was concerned that nobody knew who the students really were.

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Sir Anthony Parsons outlined his personal assessment that they were representatives of a right wing Muslim group, Mujaheddin with middle class origins, which had operated as a guerrilla movement under the Shah. Lord Carrington drew attention to other theories that they were from an extreme left wing group out to discredit Khomeini. Sir Anthony Parsons said that they could be either, but were certainly not a bunch of nondescript students. The Prime Minister noted the more serious implications if they were a left wing group trying to challenge Khomeini's authority. Mr. Salim commented that there were numerous theories, but no firm answers. The Prime Minister referred to the frequent appearances of the Iranians holding the hostages on television. Lord Carrington recalled the day's television news, showing the "students" repudiating the new Foreign Minister. Mr. Salim said that Mr. Gotzbzadeh had contradicted himself twice two days earlier. It was important to recognise that political figures were attempting to establish personal constituencies within Iran at present. The Prime Minister asked whether life in Tehran appeared to be going on normally, away from the immediate environment of the US Embassy. Sir Anthony Parsons said that the most recent British reports indicated that this was so. It was like the period of the revolution in Tehran. Mr. Salim commented that some of the developments over the hostages appeared to be well orchestrated.

The meeting concluded at 1250.

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND UNITED NATIONS SECRETARY GENERAL, HELD AT THE UNITED NATIONS SECRETARIAT BUILDING AT 1145 HOURS ON 18 DECEMBER, 1979

Present:

Prime Minister	Dr. Kurt Waldheim
Secretary of State for Foreign and Commonwealth Affairs	Mr. Brian Urquhart
Sir Michael Palliser	Mr. Rafi Ahmed
Sir Anthony Parsons	
Mr. G.G.H. Walden	
Mr. M.A. Pattison	

Rhodesia

Dr. Waldheim offered warm congratulations on the success of the Lancaster House conference on Rhodesia. The United Nations had been delighted by the news, and he had cabled a message of congratulation to the Foreign and Commonwealth Secretary. Lord Carrington said that there was still an outstanding difficulty. Bishop Muzorewa had now asked for clarification of news media reports of British concessions to the Patriotic Front. He believed this would prove to be last minute nerves. Dr. Waldheim said that the United Nations had received the news of a ceasefire agreement with great enthusiasm. Rhodesia had been a difficult subject for the General Assembly, but the announcement at the President of the General Assembly's lunch of the initialling had been greeted by applause from even the most radical of representatives. The Prime Minister commented that this wholehearted support from all sides had been characteristic since the negotiating process had been set in hand at Lusaka. Everybody wanted success. The right moment had come. This did not mean the problems were over. Battles were never finally won.

Dr. Waldheim said that he hoped the achievement over Rhodesia would have an impact on the Namibian negotiations. The Prime Minister foresaw an impact on the whole of South Africa, and especially on the Front Line States. Dr. Waldheim

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said that the Front Line states seemed to have been helpful. The Prime Minister said that they no longer wished to play host to the problems of Rhodesia. The success of the Conference was a blow for democracy in the heart of Africa, where democracy was not always in the ascendant. Dr. Waldheim recalled a discussion with President Nyerere in Monrovia in the summer, where the President had assured him that he would press the Patriotic Front if the British were ready to set in hand the negotiating process. The Prime Minister commented that all the Commonwealth leaders had been very helpful at Lusaka. They had even been prepared to respond to her opening statement by redrafting their own prepared speeches to pick up her theme. Work had then gone into a small group, once again proving that plenaries were always too big for worthwhile negotiations. Since then, a great deal of time had been spent on the negotiations. Ultimately, the strategy had proved effective. It was a tribute to the genius of the Foreign and Commonwealth Secretary and his staff. She recalled the decision to insist on negotiating an agreement on a constitution before allowing discussion of transitional arrangements. Lord Carrington commented that the agreement was still fragile, as that day's pronouncement from Bishop Muzorewa had demonstrated. All parties had been very nervous in the final days of discussion. The Prime Minister added that all the parties had concerns about their own security.

Dr. Waldheim asked how the issue of bases had been solved at the final stage. Lord Carrington said that the Patriotic Front were all gathered on the Mozambique and Zambian borders. He had said that they should be assembled in those areas. The Patriotic Front claimed also to have significant concentrations of men in the centre of Rhodesia. The British Government were aware of only a few there, but had finally offered one additional base, in that area, with an understanding that the Governor would re-assess the situation if it proved that there were greater numbers of Patriotic Front forces in the central area. The Patriotic Front had declared 35,000 men, much more than the

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British Government's own information suggested. The United Kingdom estimated the Patriotic Front forces as in the region of 16,000, compared with Bishop Muzorewa's Government forces of about 45,000. Dr. Waldheim said, that for presentational reasons the Patriotic Front may have wanted to claim a figure in that region.

Dr. Waldheim characterised progress on Rhodesia as one positive development in a period of troubles. Washington was now getting very restive about Iran. The new Iranian representative, Ambassador Farhang, had yesterday paid his initial call. He had instructions to explore how the United Nations might be able to contribute to a peaceful outcome of the situation. In the course of their one hour talk, he had floated one new idea. Dr. Waldheim stressed that he was passing this on in the strictest confidence, and that it had not been made public. The thought was that the United Nations could help by sending to Iran a small group of UN Ambassadors, whilst the Iranians themselves proceeded with their plans to establish some form of grand jury. The composition and terms of reference for such a group would have to be very carefully worked out. It would certainly have to include some Muslim representatives. Some names had already been suggested. From Europe there might perhaps be a Nordic representative. The total number should be five or six. Its purpose would be to establish contact with the various forces in Tehran active in the situation. But there would have to be a formal mandate. Ambassador Farhang had insisted that this could not in any way substitute for the grand jury but might be complementary. Dr. Waldheim had stressed that such a group could not be identified with the activities of the proposed grand jury, although it was not impossible to retain the possibility of some form of international inquiry later. He had said that he could consider the idea of a contact group from the United Nations mandated to make contact with the Iranian authorities. Ambassador Farhang seemed open to this possibility. Dr. Waldheim had suggested that such a group, invited by the Secretary General, might even go to Tehran before Christmas.

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In the light of its talks, it might be possible for the Iranians to release at least some hostages over Christmas as a gesture. Farhang had not rejected this, but had reported back to Tehran and expected to provide a response in two days. Dr. Waldheim had then reported his conversation to the United States authorities, who did not discourage the proposal.

Dr. Waldheim was expecting a response on 19 December. He was already thinking of a possible composition for the contact group. This could offer a new start to serious negotiations. They had once been in progress, until interrupted by the sudden departure of the previous Foreign Minister. He had already had a number of telephone conversations with the new Foreign Minister. He was, however, worried by Mr. Gotzbzadeh's excessive use of television for pronouncements on the situation. But he clearly wanted a settlement. Ambassador Farhang had told Dr. Waldheim that the Iranian public had to be prepared for the release of the hostages but had underlined that the authorities did not have complete control over the students. The Prime Minister asked how the public could be prepared for the release of the hostages if the authorities were not in control. Dr. Waldheim saw this as a psychological problem. It was a question of putting over an idea. If, for example, a group from the United Nations were looking into Iranian grievances, this could help. There were obvious difficulties in setting this up; but the idea of a contact group from the United Nations, visiting Iran to discuss ways and means of resolving the crisis, was a plausible approach which had not been rejected by the parties. If the next day's answer were positive, he would immediately put together the group, including a U.N. Under Secretary General. He would hope to despatch it before the end of the week. Lord Carrington asked whether the Iranians' own tribunal would be in operation at the same time. Dr. Waldheim said that they were still at the stage of setting that up. There might have to be parallel action. The Prime Minister

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said that such a United Nations group could only go to Iran with the declared purpose of negotiating for the hostages' release in line with the decision of the International Court of Justice. Sir Anthony Parsons commented that the Iranians could well find this unacceptable.

Sir Michael Palliser asked whether the United States had indicated what limits they wish to establish on the activities of the group. Dr. Waldheim thought that the group might be able to invite some of the hostages to give their views on the situation, as a result of which those witnesses might be expelled from Iran. He had said to Ambassador Farhang that it was difficult to see how the hostages could be expected to give evidence after a long period of inactivity, handcuffed and blindfolded by day. The Ambassador had said that they were no longer treated in this manner. Dr. Waldheim had insisted that there should be an understanding about the release of some of the hostages before Christmas.

The Prime Minister asked whether anyone knew what the students really wanted. Her fear was that the Ayatollah Khomeini was not in control. Dr. Waldheim's sources indicated that Khomeini did still have ultimate authority, and that the students would - if reluctantly - obey his instructions. A United Nations group would have to have guarantees that Khomeini would see them and perhaps that they would see some of the hostages. The United States concern was that such a group could be exploited by the Iranians. This was why results would need to be demonstrated, in the form of some early release of hostages, to pre-empt any risk of the group being seen purely as an adjunct to the Irani tribunal. There might have to be some follow-up to the group's work - perhaps in the form of a commission of international jurists. But one need not exclude the other. The Iranians knew that their tribunal would not be taken seriously at the international level.

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The Prime Minister commented that any commission of inquiry would be a dangerous precedent. If there was justification for one, it would be easy to find justification for 50. The ideas outlined by the Secretary General were not attractive in themselves, but she appreciated that they might be the only available tactical approach. She herself found it disturbing to think of a Russian or Hungarian involved in such a group. Dr. Waldheim acknowledged the problems. The Americans would also be sensitive about terms of reference. At the outset of the crisis, they had been desperately looking for any way to respond. Now their approach was a little more restrained. Within the United Nations, the African group had proved to be against any commission of inquiry, although the United States would have been ready to go along at an earlier stage. The Africans could see risks for themselves. They were happy to leave the ball in the Secretary General's court. He saw the contact group idea as the best way out of the immediate dilemma.

The Prime Minister wished it was possible to be clear what the students required. If the motive was purely vengeance, it was impossible to see a way out. Sir Anthony Parsons feared there was nothing more subtle in their motives. The student label was certainly misleading. His personal guess was that the captors were Mujaheddin, an extreme right-wing religious group whose leaders had never surfaced when operating as guerillas in the Shah's day, and still remained anonymous. Now they simply wanted to get the Shah back. The movement would maintain some kind of balance with Khomeini, and in the end they would probably not want to undermine his authority. Within the approach outlined by the Secretary General, the key would be a most careful briefing of the contact group. Dr. Waldheim said that he would of course select a very experienced group. He acknowledged the need for the most careful preparation. He saw the Iranian praise at the Shah's departure from the United States - characterising it as an Iranian

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victory - as a step in the process of preparing Iranian opinion for the eventual release of the hostages.

Lord Carrington asked how long the United States would be prepared to hold back on other moves if a contact group were established. The Security Council resolution had been ignored as had the judgement of the International Court of Justice. Dr. Waldheim said that they would give it a week. His most recent discussions with Mr. Vance suggested that Americans would be prepared to give this last opportunity a chance. If it failed, then they would move for Chapter 7 sanctions. Lord Carrington asked whether the Americans would be able to carry a Chapter 7 determination in the Security Council. Dr. Waldheim was uncertain. On 15 December, Mr. Vance had spoken to him of preparing the ground for a Council meeting in view of the conflicting reports of the mood in Tehran. He had asked Mr. Vance to wait a few days. With the contact group idea now being explored, the Iranians could accuse the US of trying to undermine this approach if the US were to press for a sanctions resolution now. Sir Anthony Parsons commented that a resolution adopted with the minimum nine votes would in practice be an Iranian victory. A Chapter 7 determination would need at least 13 votes to achieve worthwhile pressure on Iran. He knew of one non-permanent member of the Council who seemed certain to abstain. Dr. Waldheim commented that a Security Council vote would be awkward for a number of countries. Initially everyone had been prepared to support the United States on such a grave violation of international standards. But sanctions were a different proposition. There were now noises of unease from some countries, and he felt that the USSR might not go along with sanctions. The situation had become very emotional, and a number of countries might consider that sanctions might not work. The Prime Minister commented that the situation was now worse than at the outset. Its familiarity, after 6 weeks, might lead some people to lose sight of the true horror.

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The Prime Minister said that, if President Carter was to hold back whilst a contact group went to work, he would need to be able to justify his delay in public. Dr. Waldheim replied that this was why he had insisted on the need for some hostages to be released before Christmas. He had even prepared a letter to Khomeini drawing attention to the recent ~~suspension~~^{postponement} of the ~~General Assembly~~^{Security Council} out of respect for holy days in the Muslim calendar and suggesting that the release of hostages would be a mark of respect and understanding for the Christian festival of Christmas.

The Prime Minister asked what the Iranians could find acceptable now that the Shah could not be returned by the United States. Dr. Waldheim found it difficult to assess this. Recognition by the international community of Iranian grievances against the past regime might meet the need. Sir Anthony Parsons commented that it was not the Iranian style to meet half-way in negotiations if they were already getting concessions. He commented that an ideal member of a contact group would be Ambassador Salim, whose credentials were ideal, as a young Muslim African with a radical background.

The Prime Minister observed that Dr. Waldheim was in the centre of a wide range of problems. But the Iranian one was of a type and seriousness which had not been encountered for a long time. Dr. Waldheim said that there was a particular problem in the absence of real interlocutors. The Prime Minister returned to her concerns about the objective of a contact group in Iran. But she acknowledged its value for the refugees as a reassurance to them whilst it was in Iran. Lord Carrington commented that it would add respectability to a very unrespectable event. Dr. Waldheim concurred. The Prime Minister added that once the group had gone to Iran it could not come out with nothing achieved. Lord Carrington said that there would have to

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be some understanding about results before the group departed. Dr. Waldheim said that the International Community had to use whatever avenues were open, especially in a situation where the true source of power and authority was obscure.

Kampuchea

Dr. Waldheim reported that the Thai Prime Minister had cabled him the previous day to ask for permanent observers to be placed in the border area. He could not respond to this without Security Council authority, although he always tried to be flexible in such requests. In this case, the USSR would obviously use the veto. As he had told Mrs. Carter, the only course open to him was to increase the humanitarian personnel in the area, to give a greater sense of UN presence.

Dr. Waldheim drew attention to a growing dispute involving UNICEF, the Red Cross and Washington. The US Administration claimed that their intelligence revealed the diversion to Vietnam and to its military forces of relief supplies. The Executive Director of UNICEF, Mr. Labouisse, had returned from the area a week ago, and had not found this true for the bulk of supplies. Labouisse believed that the USSR was not sabotaging distribution. They had in fact been helpful, for example with transport. Dr. Waldheim's own view was that something over half the supplies were reaching the civilian population, whilst the rest were going to Kampuchea and Vietnamese forces. The Prime Minister interjected that this was a very large proportion. Dr. Waldheim had no proof. His assessment was based on impressions.

Dr. Waldheim referred to a proposal to establish a demilitarised zone in western Kampuchea. The Vietnamese had said that they were ready to cease attacks on the 2-300,000 people in the border area, but could not accept a demilitarised zone

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because they wanted to retain the freedom to attack remaining Pol Pot forces. The Prime Minister commented that this was a strange argument. In a recent conversation with the Indonesian President, she had been told that Pol Pot was still quite strong. The fighting season had now restarted. Dr. Waldheim had had a report that day from Sir Robert Jackson, who had just returned from the area. He had found the Vietnamese now in a holding position, not attacking. Dr. Waldheim hoped that in the future he would be able to organise a peace conference as had been suggested, but the time was not yet right.

The meeting concluded at 1230.

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19 December, 1979.

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WASHINGTON EMBASSY IMMEDIATE VIA FCO

FOLLOWING IS COI SUMMARY OF FIRST EDITIONS OF NEWSPAPERS DATED MONDAY SEVENTEEN DECEMBER 1979.

THE QUALITY PAPERS GIVE FRONT-PAGE PROMINENCE TO THREE MAIN STORIES - THE AMERICAN HOSTAGES IN TEHRAN, THE LATEST HOPE FOR A RHODESIA CEASEFIRE AGREEMENT AND THE KILLING OF FIVE BRITISH SOLDIERS IN NORTHERN IRELAND.

THE TIMES LEADS ITS FRONT PAGE WITH NEWS OF THE LATEST IRA ATROCITY AMID ARMY SPECULATION THAT THE IRA IS PLANNING A CAMPAIGN LASTING ANOTHER SEVENTEEN TO TEN YEARS., A FEAR WHICH THE PAPER SAYS WAS CONFIRMED IN AN INTERVIEW PUBLISHED IN DUBLIN. CHRISTOPHER THOMAS, REPORTING FROM BELFAST, DESCRIBES THE DEVASTATING EXPLOSIONS WHICH KILLED FIVE SOLDIERS AS THE LAUNCHING OF A CHRISTMAS OFFENSIVE. THOMAS WRITES: "THE TERRORISTS SAID THERE WOULD NEVER AGAIN BE A CHRISTMAS CEASEFIRE. AN IRA SOURCE SAID IN A NEWSPAPER INTERVIEW PUBLISHED IN DUBLIN THAT ITS MEMBERS HAD BEEN CONDITIONED TO THINK IN TERMS OF A LONG STRUGGLES." THE FT OBSERVES THAT SUNDAY WAS THE ARMY'S WORST DAY SINCE EIGHTEEN MEN DIED AT WARRENPOINT ON AUGUST TWENTYSEVEN - THE DAY OF THE EARL MOUNTBATTEN KILLINGS. "THE CHRISTMAS KILLERS" IS THE SPLASH HEADING ON THE MAIL'S FRONT PAGE. THE PAPER'S TED OLIVER REPORTS THAT THIS IS NOW THE WORST YEAR FOR ARMY FATALITIES IN ULSTER SINCE 1972. THIRTYEIGHT SOLDIERS HAVE BEEN KILLED THERE THIS YEAR, BRINGING THE TOTAL SINCE THE TROUBLES BEGAN TO THREE HUNDRED AND TWENTYSEVEN. INCLUDED IN THE TELEGRAPH'S COVERAGE IS THE NEWS THAT DETECTIVES IN LONDON WHO HAVE UNCOVERED A PLOT TO FREE A SUSPECTED IRA MEMBER BELIEVE A HELICOPTER WAS TO HAVE BEEN USED TO SNATCH HIM FROM PRISON. THE GUARDIAN SAYS THAT APART FROM WARRENPOINT, THE ARMY HAS ONLY TWICE BEFORE LOST AS MANY AS FOUR MEN IN ANY ONE PROVISIONAL IRA ATROCITY.

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OPTIMISM FOR AGREEMENT ON A RHODESIA CEASEFIRE IS REFLECTED BY COVERAGE SUCH AS THAT CARRIED BY THE TIMES: "PROSPECTS OF A FINAL AGREEMENT ON A CEASEFIRE IN RHODESIA ROSE DRAMATICALLY LAST NIGHT, AFTER A WEEKEND OF INTENSE CONSULTATIONS BETWEEN THE BRITISH DELEGATION AND THE PATRIOTIC FRONT ALLIANCE." THE PAPER SAYS THAT IF A NEW BRITISH FORMULA, "DESIGNED TO MEET THE PF'S OBJECTIONS ABOUT ITS ASSEMBLY AREAS UNDER THE CEASEFIRE" IS ACCEPTED, MR JOSHUA NKOMO AND MR ROBERT MUGABE WOULD BE INVITED TO INITIAL THE REPORT OF THE SOUTHERN RHODESIA CONSTITUTIONAL CONFERENCE TODAY, FOLLOWED BY A FULL SIGNING CEREMONY ON LORD CARRINGTON'S RETURN FROM WASHINGTON ON WEDNESDAY. IN ITS COVERAGE, THE FINANCIAL TIMES SAYS BOTH BRITISH AND PATRIOTIC FRONT SOURCES WERE OPTIMISTIC THAT AN OVERALL AGREEMENT COULD BE SIGNED LATER THIS WEEK. IT DETAILS BRITAIN'S OFFER TO THE FRONT OF A SIXTEENTH ASSEMBLY PLACE WHICH WOULD BE SOMEWHERE IN THE AREA BETWEEN QUE QUE AND GWELO, IN THE "HEARTLAND". ALTHOUGH THE PRECISE DATE OF A CEASEFIRE IS YET TO BE FINALISED, THE FT SAYS: "FEW OBSERVERS NOW DOUBT THAT A COMPROMISE ALLOWING OVERALL AGREEMENT IS WELL IN SIGHT." IN A TAIL-PIECE TO ITS MAIN STORY, THE FT SAYS THAT THE POSITION OF LORD SOAMES AS LEGAL HEAD OF THE RHODESIAN GOVERNMENT AND SECURITY FORCES IS LIKELY TO BECOME INCREASINGLY EMBARRASSING AS LONG AS THERE IS NO CEASEFIRE. THE TELEGRAPH QUOTES A BRITISH OFFICIAL AS DESCRIBING YESTERDAY'S OFFER OF AN ADDITIONAL ASSEMBLY POINT AS THE "THE LAST SHOT IN THE LOCKER". THE PAPER SAYS: "WHATEVER HAPPENS, THE LANCASTER HOUSE CONFERENCE IS NOW FINISHED AND BRITAIN HAS NO INTENTION OF MAKING ANY FURTHER CONCESSIONS." THE GUARDIAN SAYS THAT BRITAIN'S LATEST OFFER, AND THE BELIEF THAT THE AFRICAN FRONT LINE STATES SUPPORT BRITAIN TO PUT PRESSURE ON THE PF, RENEWED CONFIDENCE LAST NIGHT. THE MAIL'S JOHN DICKIE SAYS: "AN AGREEMENT ENDING THE WAR IN RHODESIA WILL BE SIGNED IN THE NEXT FEW DAYS."

MOVING ONTO THE AMERICAN HOSTAGES IN TEHRAN STORY, THE TIMES REPORTS THAT, ACCORDING TO THE IRANIAN FOREIGN MINISTER, THEY WILL NOT BE TRIED. MR SADEGH GHOTBZADEH, SPEAKING IN A TELEVISION INTERVIEW, SAID THE HOSTAGES WOULD APPEAR AS WITNESSES, NOT DEFENDANTS, AT THE INTERNATIONAL TRIBUNAL WHICH HE INTENDED TO SET UP TO INVESTIGATE THE SHAH'S ALLEGED CRIMES. FURTHERMORE, HE WOULD TRY TO HAVE SOME OF THE HOSTAGES RELEASED BEFORE CHRISTMAS. THE FT ALSO SEES MORE HOPE FOR THE DETAINED AMERICANS, SAYING: "IRAN HAS HAILED THE DEPARTURE OF THE FORMER SHAH FROM THE US AS A VICTORY FOR ITS OWN STAND IN THE SIX-WEEK CRISIS. IT HAS ALSO SIGNALLED ITS READINESS TO SCALE-DOWN THE CONFRONTATION BY RELEASING SOME OF THE AMERICAN HOSTAGES BEFORE CHRISTMAS." THE FT ALSO REFERS TO THE IRANIAN FOREIGN MINISTER'S TV INTERVIEW, BUT REPORTS HIM AS SAYING THAT ONLY SOME OF THE HOSTAGES MIGHT NOT HAVE TO GO ON TRIAL. THE GUARDIAN

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SEES THE IRANIAN FOREIGN MINISTER'S REMARKS AS POSSIBLY BEING THE FIRST REAL BREAKTHROUGH IN THE CRISIS. BUT THE TELEGRAPH'S COVERAGE IS AT ODDS WITH THAT OF OTHER PAPERS: "THE FIFTY AMERICAN HOSTAGES WILL BE TRIED IN THE NEW YEAR IN FRONT OF AN INTERNATIONAL JURY, IRAN'S FOREIGN MINISTER ANNOUNCED LAST NIGHT." THE PAPER'S AMIT ROY, REPORTING FROM TEHRAN, SAYS MR GHOTBZADEH DID NOT WISH TO DESCRIBE THE EVENT AS A TRIAL BECAUSE THE MAIN PURPOSE WOULD BE TO EXPOSE AMERICAN CRIMES AGAINST IRAN.

OTHER FRONT PAGE NEWS INCLUDES A TIMES REPORT ABOUT PRIME MINISTER MARGARET THATCHER'S VISIT TO THE USA. THE TIMES SAYS THE PM WILL PACK A "GRUELLING PROGRAMME OF POLITICAL AND SOCIAL EVENTS" INTO HER FIRST VISIT TO AMERICA SINCE TAKING OFFICE. "THE PRIME MINISTER, WHO IS ACCOMPANIED BY LORD CARRINGTON, WILL FIND THE UNITED STATES WHOLLY PREOCCUPIED BY THE PLIGHT OF ITS HOSTAGES IN TEHRAN," SAYS THE REPORT. A LEADER ON PAGE THIRTEEN OF THE PAPER ALSO REFLECTS THIS VIEW, WITH THE COMMENT: "THERE ARE PROBABLY QUITE A FEW THINGS MRS THATCHER WOULD LIKE TO TALK TO PRESIDENT CARTER ABOUT BUT SHE MAY WELL FIND THAT THERE IS ONLY ONE SUBJECT HE IS REALLY ANXIOUS TO DISCUSS, AND THAT IS HOW AMERICA'S ALLIES CAN HELP HIM TO OBTAIN THE RELEASE OF THE HOSTAGES. BRITAIN IS ONE OF THE COUNTRIES WHICH HAS GIVEN MOST SUPPORT TO THE UNITED STATES IN THIS CRISIS, BOTH IN PUBLIC AND IN PRIVATE, AND MR CARTER'S ADMINISTRATION CLEARLY APPRECIATES THAT." THE LEADER SAYS ONE POINT ON WHICH THE PM HAS BEEN "UNWILLING OR UNABLE" TO SATISFY HIM, IN COMMON WITH AMERICA'S OTHER ALLIES, IS THE FREEZING OF IRANIAN ASSETS.

THE TELEGRAPH'S STEPHEN BARBER, REPORTING FROM WASHINGTON, SAYS THAT MRS THATCHER WILL FACE SHARP QUESTIONS FROM CONGRESSMEN AND AMERICAN REPORTERS. UNLIKE THE TIMES, THE TELEGRAPH FEELS THAT MANY AMERICAN POLITICIANS AND JOURNALISTS FEEL BRITAIN HAS GIVEN ONLY LUKEWARM SUPPORT TO THE USA IN ITS PRESENT DIFFICULTIES IN IRAN. BARBER CLAIMS: "IT WAS RELIABLY LEARNT THAT SOME THOUGHT WAS GIVEN ON THE BRITISH SIDE TO POSTPONING HER TRIP ON THE GROUNDS THAT MR CARTER WAS SO PLAINLY HEAVILY PREOCCUPIED WITH THE PROBLEM OF SECURING THE RELEASE OF THE AMERICAN HOSTAGES. BUT THE AMERICANS APPARENTLY WOULD NOT HEAR OF IT., THEY WERE EAGER THAT SHE SHOULD STICK TO THE ORIGINAL PLANS."

MAKING THE FRONT PAGE OF THE TIMES IS A STORY WHICH SAYS: "MRS MARGARET THATCHER, THE PRIME MINISTER, IS EXPECTED TO TELL MPS

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IN A PARLIAMENTARY WRITTEN REPLY TODAY THAT THE CASE OF MR WINSTON CHURCHILL WILL NOT BE REFERRED TO THE SECURITY COMMISSION." THE PM IS EXPECTED TO STATE THAT THERE WAS NO QUESTION OF SECURITY BEING INVOLVED OVER THE CASE OF MR CHURCHILL'S ADMISSION THAT HE WAS THE MR X WITH WHOM MRS KHASHOGGI SAID SHE HAD AN INTIMATE RELATIONSHIP.

A NATIONAL STRIKE IN THE STEEL INDUSTRY EARLY NEXT YEAR LOOKS INEVITABLE, ACCORDING TO THE TIMES, AFTER THE BREAKDOWN OF TALKS BETWEEN THE TUC, THE STEEL UNIONS AND THE GOVERNMENT OVER REDUNDANCIES AND THE BRITISH STEEL CORPORATION'S CASH LIMITS. THE FT SAYS THE IRON AND STEEL TRADES CONFEDERATION IS CALLING PLANT REPRESENTATIVES FROM STEELWORKS THROUGHOUT THE COUNTRY TO A MEETING IN LONDON ON THURSDAY IN AN ATMOSPHERE OF TOTAL GLOOM.

OTHER NEWS GIVEN GENERAL COVER IN MOST PAPERS INCLUDES: MR HUMPHREY ATKINS SECRETARY OF STATE FOR NORTHERN IRELAND, HAS "RESCUED HIS PROPOSED CONSTITUTIONAL CONFERENCE ON POWER DEVOLUTION FROM THE BRINK OF COLLAPSE". PLANS ARE GOING AHEAD TO BEGIN THE TALKS AT STORMONT ON JANUARY SEVEN. THE CONFERENCE WAS SAVED AFTER MR ATKINS GAVE AN ASSURANCE TO ROMAN CATHOLIC POLITICAL LEADERS THAT NO ISSUE WILL BE BARRED FROM DISCUSSION..... TRADES UNION LEADERS WILL TODAY SEEK A FIRM COMMITMENT FROM LABOUR PARTY POLITICIANS THAT THEY WILL "REPEAL THE GOVERNMENT'S PROPOSED LEGISLATION ON THE CLOSED SHOP AND SECONDARY PICKETING WHEN THEY ARE RETURNED TO OFFICE"..... SENOR ADOLFO SUAREZ, THE SPANISH PRIME MINISTER, HAS BEEN GIVEN A PROMISE BY THE EUROPEAN COMMISSION THAT IT WILL TRY TO REVIVE THE FLAGGING MOMENTUM OF NEGOTIATIONS ON SPAIN'S APPLICATION TO JOIN THE EEC..... IRAQ HAS ACCUSED IRAN'S REVOLUTIONARY LEADERS OF CREATING A DICTATORSHIP MORE VIOLENT THAN THAT OF THE OUSTED SHAH, BUT DENIES REPORTS THAT IT HAD ATTACKED IRAN ON FRIDAY..... THIS YEAR'S MEETING OF THE ANGLO-SOVIET ROUND TABLE ENDED ON SATURDAY WITH BOTH CHAIRMAN ADMITTING SOME FRANK EXCHANGES OVER AREAS OF DIFFERENCE BUT COMMON BELIEF IN THE PURSUIT OF BETTER RELATIONS.... USING A BLEND OF SUN, SALT, WATER AND SOPHISTICATED TECHNOLOGY, THE ISRAELIS HAVE DEVELOPED A REVOLUTIONARY SOURCE OF ENERGY WHICH THEY BELIEVE WILL SIGNIFICANTLY REDUCE THEIR DEPENDENCE ON IMPORTED OIL BY THE TURN OF THE CENTURY.... LIBYA HAS ANNOUNCED A FOUR DOLLARS PER BARREL INCREASE IN ITS OIL PRICE, TAKING THE COST OF LIBYAN OIL ABOVE THE THIRTY DOLLARS A BARREL.

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Iran Sit^A Pt 2
USA: Economic Machinery
Micy. Acc 7A
Energy Policy: Pt 3

RECORD OF A MEETING HELD IN BLAIR HOUSE, WASHINGTON DC, AT 1735
ON MONDAY 17 DECEMBER 1979

Present:-

Prime Minister
Sir Robert Armstrong
Mr. W.S. Ryrrie
Mr. M.A. Pattison

Mr. Paul Volcker, Chairman of the
Board of the US Federal Reserve
System

* * * * *

US Monetary Policy

The Prime Minister said that she would be interested to hear about the apparently dramatic change in United States' monetary policy. The United Kingdom operated with five different indicators. M3 was not a true one, as acceptances were outside the system. Mr. Volcker replied that the United States had found no "Holy Grail" to solve monetary problems. They also worked with a variety of indicators. But they did have to cope with more factors outside the formal banking system. The newest gadget of this kind was money market funds: they were not subject to regulation, but their function created money. They were, however, outside the money supply figures. There was a pedagogical advantage in concentrating on the money supply, especially in Washington. For a US administration, it would be very hard to adjust interest rates overtly, although the problem might be decreasing. The Federal Reserve had declared the intention of controlling money supply, with the implication that they would no longer attempt to control interest rates directly. This presentation was politically acceptable. But if they had said they were putting interest rates up two or three per cent, this would not have been politically acceptable. Nevertheless, the discount rate was too important in setting interest rates for it to be allowed to float at present.

/Mr. Volcker

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Mr. Volcker said that it had seemed technically better to get money supply under direct control. It was too early to judge results, but M1 (cash in circulation plus current accounts) had levelled off from monthly growth indicating 10 per cent annual growth to a 1½ per cent figure. This was below what the administration wanted. The Prime Minister commented that this was an attractive position at a time of 15 per cent inflation. Mr. Volcker responded that the administration was now discovering that the relationships between money supply and inflation were not as direct as they might have hoped to see. The Prime Minister asked what time-lag there was before the rate of inflation followed the trend of money supply. Mr. Volcker said that it tended to be about 18 months, although there were considerable variations. US M3, similar to the UK M3 measure, was rising at about 7-8 per cent. The Prime Minister asked whether this relatively low growth in M3 meant that borrowing figures were down. Mr. Volcker said that this was not true of Government borrowing but was true elsewhere in the economy. But the United States did not have a particularly close relationship between money supply and interest rates.

Mr. Volcker said that there was a political dilemma in the present position. Money supply was growing slowly, as the economy moved into recession; there would be calls for a change in the money supply target. Interest rates would go right down, and this could weaken the dollar. The Prime Minister compared the different problems faced by the United Kingdom in managing a petro-currency at a time of high interest rates. The high interest rate could be acceptable if borrowing could be cut down. The Government had expected the 14 per cent minimum lending rate to grip within a period of about 4 months. This had not happened. She personally had always tended to be cynical about forecasts, and now regretted following forecasts too closely at the expense of watching what was actually happening. Mr. Volcker said that there was now a period of minimal money supply growth, and there had been pressure to increase this. The Federal Reserve had resisted this. But he felt that it was dangerous to become too wedded to any money supply figure. The Prime Minister commented that it was dangerous to become fixed on any very specific target.

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/Mr. Volcker

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Mr. Volcker said that he could not predict how the combination of high interest rates and reducing M3 would work out. He asked whether the morning's White House discussions had touched on the United Kingdom's 7 per cent rise in VAT, and the impact of this on consumer prices. The administration were now considering a 50 cent a gallon gasoline tax, which would have a similar effect on consumer prices. It was a delicate political judgement. In areas like this, the United States could learn from British experience. On incomes policy, too, the United States watched with considerable interest problems encountered in the United Kingdom in recent years. The Prime Minister emphasised forcefully the dangers in any attempt to introduce a detailed wages policy.

Iranian Assets

The Prime Minister asked about the blocking of Iranian assets. It was her understanding that Iran had threatened to default as well as to withdraw funds from United States banks, and that this threat provided a banking reason for action to protect the assets. Although she understood that this had been the initial position, the US administration later seemed to have switched to blocking the withdrawal of assets whilst the hostages were held, essentially as a political option. There had been requests for the British Government to do the same, but all advice had been that there was no legal basis in the UK for such blocking action on political grounds: only banking grounds could justify it. The situation would change if the United Nations were to reach a Chapter 7 determination, when sanctions would have legal force in the United Kingdom.

Mr. Volcker stressed that he personally had not been closely involved in the decision. The blocking of assets had not been initiated in the face of political problems, but only when the Iranians threatened to withdraw the assets and hinted that there might be some action on the loan. Since then, the Iranians had by and large respected their obligations on loans from elsewhere, but the action of blocking assets had been treated as one of the political options available to the US and her allies. They were well aware that it was an unsatisfactory

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and vulnerable position to try this option without comparable steps being taken by others. There were dangers in the possibility of a lack of uniform reaction from the industrialised world. The Chapter 7 approach was another option, but with disadvantages including the time required and the veto problem. The Prime Minister doubted that the USSR would veto a sanctions resolution; but the Security Council was now a disparate group and delicate drafting would be needed to secure the required support.

Mr. Volcker said that another alternative, short of freezing assets, would be to encourage US banks to check that Iran was punctilious in service on existing loans, whilst also discouraging new loans. Some other countries were encouraging their banks to look at finance for Iran in this way. The Prime Minister acknowledged that the essence was to act in concert. It would be all too easy for individual actions to destabilize the world banking system. Mr. Volcker said that, given Iran's present posture, joint steps were vital. He was aware of some technical concerns in the Bank of England, but did not know the details. The Prime Minister commented that there were some 300 foreign banks in London now. Mr. Volcker acknowledged that this was a rapid and significant development. He did not see any likelihood of a threat to it.

Oil Producers' Balances

The Prime Minister expressed her concern that the huge scale of current liquidity in the international banking system would inevitably fuel inflation in some part of the world economy. Mr. Volcker was worried about the funds to be absorbed following the latest round of oil price increases. Percentage rises were now much less dramatic figures, but the rises were on a very much larger base than those of 1973/74, producing a volume just as large. There could be major problems in getting all this re-cycled. The Prime Minister shared these concerns. The situation was made bleaker by the growing ability of the producers to preserve their incomes whilst regularly decreasing their oil output. Mr. Volcker recalled that in 1973 there had been talk of the IMF working much more closely with the commercial banking sector. Nothing significant had come of

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this at the time, but the prospects would now need to be re-examined carefully.

International Consultation

Mr. Volcker commented on changes in international monetary affairs which he found on returning to Washington after a five year absence. The process of consultation, and the open exposure of problems to discussion and advice from all sides, were much more common place than in the past. This was encouraging. But the scale of problems were now much greater. When it came to facing the basic issues, this new scale made it much more difficult to work through major difficulties in partnership, without being side-tracked by the initial gut reaction of placing national interests first - this was well illustrated by the oil stock piling which had gone on in the last six months despite absurd spot market prices. Mr. Volcker drew some encouragement from the signs that countries were avoiding self-seeking action on the trade front.

The meeting concluded at 1755.

19 December 1979

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R. Plattison

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 - MED
 - Planning Staff
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- PS/Cabinet Office

HM Ambassador, Washington.



RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND MEMBERS OF THE US CONGRESS AT THE US SENATE, WASHINGTON DC ON MONDAY, 17 DECEMBER 1979 AT 1600 HOURS

Those Present:

UK

The Rt Hon Margaret Thatcher MP

The Rt Hon The Lord Carrington

Sir Michael Palliser
(PUS, FCO)

Sir Nicholas Henderson
(HMA, Washington)

Sir Frank Cooper
(PUS, MOD)

Mr B Ingham
(Press Secretary, No 10)

Mr G G H Walden
(Private Secretary, FCO)

Mr M A Pattison
(Private Secretary, No 10)

Mr D C Thomas
HM Embassy, Washington

Mr J Davidson
HM Embassy, Washington

Mr J S Wall
HM Embassy, Washington

US

List attached.

1. Senator Church (D Idaho, Chairman, Senate Foreign Relations Committee) said that the Prime Minister had come to Washington at a fortuitous time. The British Government had achieved a remarkable success over Rhodesia; the NATO decision on TNF modernisation and further measures of East/West arms control had opened the way to enhanced European security. The United States was much preoccupied by the Iranian situation and all in Congress were most grateful for Britain's support. The

/presence



presence of the leadership of both the Senate and the House was a measure of their esteem for the Prime Minister.

2. Senator Javits (R New York, Ranking Minority Member, Senate Foreign Relations Committee) said that he had met the Prime Minister some years previously and had established then that she was a "real comer"; he had taken great pleasure in her success. Senator Javits expressed gratitude for Britain's "unfailing and intelligent" support for the United States over Iran. There was much talk of a special relationship between Britain and the United States. This special relationship did exist: between the peoples of Britain and the United States. In a crunch, they understood each other and shared the same ideals.

3. Rep Zablocki (D Wisconsin, Chairman, House Foreign Affairs Committee) referred to common traditions linking Britain and the United States and the sympathy and wise counsel the United States was receiving from Britain on Iran. Despite America's current preoccupations with events in the Middle East, they were also following with heightened interest and awareness current events in Britain. Problems such as inflation, energy and unemployment were common to both Britain and America. In addressing members of Congress, the Prime Minister would be speaking to a concerned and important audience. He congratulated the Prime Minister and Lord Carrington on their success over Rhodesia.

4. Speaker O'Neill (D Massachusetts) said that he had met Mrs Thatcher on the eve of the British General Election. He had often met US leaders on the eve of elections and they had always appeared nervous and preoccupied. Mrs Thatcher, by contrast, had effervesced with confidence - and rightly so. It was what he liked to see in a leader. It was a privilege to welcome her to the United States Congress on her first visit as Prime Minister, a visit that was especially noteworthy since Mrs Thatcher, as well as being the first woman to lead a Western nation, was also the leader of a nation with which the United States had close and strong ties. Speaker O'Neill

/thanked

thanked the Prime Minister for her efforts to secure the release of the American hostages in Tehran. The American people were aware of Britain's support and deeply appreciated it.

5. Speaker O'Neill commended the British Government for the progress they had achieved on Rhodesia and took note of their efforts to secure a political settlement in Northern Ireland. Such a settlement had hitherto proved an elusive goal, given the divisions within Northern Ireland which were deepened by the activities of men of violence. Nonetheless, the Speaker hoped for a just and workable solution which would lead to reconciliation. He constantly had in mind Mrs Thatcher's own dictum: "If you want anything said, ask a man; if you want anything done, ask a woman".

6. The Prime Minister said that when she first entered No 10 she had thought that her main task would be dealing with the economy. She had in fact found that about half her time was taken up with foreign affairs - although in today's world foreign affairs had a direct and growing impact on domestic issues and the two were increasingly interlocked in their effects. In her first weeks in office, she had attended three international conferences - a European summit, the Tokyo summit and the Commonwealth meeting. Her approach to all these meetings, as to all her policies, was dominated by the belief that people in the West were privileged to live in free societies, with freedom under the law, which promoted both human dignity and economic prosperity. All that she did was dominated by her determination to protect and extend those freedoms. It was for that reason that she took such a staunch stand on defence and on British membership of the EEC.

7. The Prime Minister said there were three particular issues which she wished to talk about:

(a) Iran

Iran dominated the thoughts of people in Britain as much as it did those of Americans as they listened attentively to the news in the hope of favourable developments. The Americans had

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recognised the efforts of our Embassy in Tehran, which had been very considerable. We had done everything possible despite the fact that our own Embassy had been sacked earlier in the year and briefly held hostage at the time of the takeover of the American Embassy. Britain was giving the United States all the help she could; we had sent no military equipment to Iran since the taking of the hostages; our trade was down and ^{Prime Minister} she/herself had made clear to the President that if the United States decided to go to the Security Council to ask for further measures under Chapter 7, they could count on Britain's full support. The special relationship was indefinable, but it existed and it gave the Americans the right to expect to be able to count on Britain. Everything which the President did in the crisis must be related to securing the release of the hostages. It was very frustrating for a great nation to have to move slowly and steadily, particularly when it was swept by a wave of anger. But when one was in power, one had to concentrate on the objective and she was sure that the United States was following the right course and would succeed in the end.

(b) Rhodesia

The Prime Minister said that she was delighted to have been able to announce in Washington the signing of the ceasefire agreement by the Patriotic Front that morning and she wanted to thank the United States for all the help that she had given. Rhodesia had been at the top of the agenda following the General Election. The British Government had been helped in their

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approach by the elections held in Rhodesia earlier in the year when, for the first time, people there had gone to the polls on the basis of one person, one vote. Some in Britain had advised the Government to recognise the outcome of those elections straightaway. Had Britain done so, however, the war would not have stopped and other nations would not have followed suit. Moreover, there were defects in the Rhodesian Constitution and the British Government had wished to cure those defects first. At the Commonwealth meeting in Lusaka in August, Britain had secured the agreement of her partners that she should handle the problem. In approaching the London conference, where Lord Carrington's chairmanship had been masterly, the British Government had decided that they must go all out to get agreement on the Constitution and not be sidetracked onto other issues. It had been difficult but they had eventually won agreement to an excellent Constitution and had then gone on to the transitional arrangements and later those for the ceasefire. The latter had proved very difficult, as was inevitable when there was an organised army on one side and guerilla forces on the other. The most difficult problem had been to bring both sides to the point of decision and it was for this reason that the pace had had to be forced from time to time. Lord Soames had now gone out to Salisbury to ensure that elections were freely and fairly held. What had been achieved was a tremendous advance for democracy in the heart of Africa and would have a tremendous influence on the Namibian problem and on the entire future of Southern Africa.

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(c) Northern Ireland

The Prime Minister said that the British Government had enjoyed excellent cooperation with Mr Lynch. The police in the Republic had cooperated well with the RUC in trying to get rid of terrorism which must be condemned and deplored. She hoped and believed that good cooperation would continue under Mr Haughey. She was also grateful for the firm stand on terrorism taken by Speaker O'Neill and others in the United States. The Government's aim in Northern Ireland was now to find a way of giving people greater control over their affairs and not to restrict their democratic access to the Parliament at Westminster alone. This was the thinking behind the six options which the Government had put forward in their discussion paper in preparation for a conference. They had now secured the agreement of three of the Northern Ireland parties to attend that conference, which would start on about 7 January. The Government hoped that the conference would lead to the people of Northern Ireland having greater control over their own affairs; the aim was more devolved government in Ulster; it was bound to be difficult, but the Government must try to make progress.

The Prime Minister said that Ulster was part of the United Kingdom because that was the way its people wanted it. They had voted very strongly in that sense in a referendum in 1973. So long as there was terrorist violence, the Army must stay and the British Government's aim must be (1) to beat terrorism and (2) to bring about more political progress in the Province.

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8. Senator Robert Byrd (D West Virginia, Senate Majority Leader) said that the Senate would be debating SALT II early in 1980 and the attitudes of the European allies would be an important factor. He would be grateful to know the Prime Minister's viewpoint. The Prime Minister said that she could give a clear, straight and short answer: the British Government hoped that SALT II would be ratified. Britain had been entirely satisfied by US assurances that she would receive the technology which might be necessary for her own deterrent and that access to such technology was not precluded by SALT II.
9. Rep Wright (D Texas) congratulated the Prime Minister on the success of the Rhodesian conference and asked about the remaining obstacles in the way of agreement on a ceasefire. The Prime Minister said that there were no outstanding issues. The problem had been that under the Government's proposals, the Patriotic Front were required to gather in assembly points which were, for the most part, dotted round Rhodesia's borders. This reflected the Patriotic Front's position on the ground and their wish to have a line of retreat. It had become clear that the Patriotic Front felt hard done by in not having an assembly point in the heart of Rhodesia. An assembly point near Gwelo had therefore been suggested and this had unblocked the deadlock. Full signature was expected to take place on 19 December and the way was now open for the monitoring - not peacekeeping - forces to go in. Of course there would be problems, as this was the first time in Rhodesia's history that she had been under direct colonial rule. But the Governor would have the monitoring force as well as international observers at his disposal and would quickly set about organising the elections. The British Government had lifted sanctions and were grateful to the United States for doing the same.
10. Rep Michel (R Illinois) asked the Prime Minister for her views on the West's intelligence-gathering capabilities. The Prime Minister said that good intelligence was absolutely vital; but in Britain in general we did not talk about it very much - we just tried to do it. Good intelligence was vital to the maintenance of a free society though one always had to bear

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in mind that intelligence was much easier for our enemies because of the access which the free societies of the West afforded them.

11. Senator Thurmond (R South Carolina) asked whether the Prime Minister believed that the Patriotic Front would observe the result of elections in Rhodesia if ~~these~~ went against them. The Prime Minister said that she did. The front line states had already brought great pressure to bear on the Patriotic Front and recognised that the results of the Rhodesia conference were in their own interest. The front line states would not wish to see a resumption of the guerilla war or even to maintain the guerilla forces on their territory. These and economic factors meant that the front line states had a strong interest in seeing that the outcome of free elections was respected.

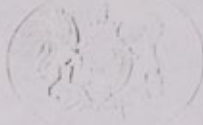
12. Senator Pell (D Rhode Island) asked ^{about} the Prime Minister's economic policy. The Prime Minister said that her strategy was to reduce the role of the state in favour of that of the citizen, firstly by reducing public spending, which was difficult but necessary, and secondly by starting to give more incentives to individuals. Britain had become a wealth-distributing rather than a wealth-creating society. It had to be remembered that Governments did not create wealth; people did. It was not easy to implement policies to give effect to this philosophy, but the Prime Minister recognised that she had to take tough decisions: there would be times when she would rather be right than popular. She wanted to give encouragement to the private sector. She noted that there was only one private university in Britain and only 5% of education generally was in private hands. As people had more money, they would wish to do more for themselves.

13. Rep Fenwick (R New Jersey) offered the Prime Minister her warm congratulations on her appointment and her success to date and said that it was good to know that Britain and the United States were working together for freedom. The Prime Minister said that if ever Rep Fenwick was out of a job in the United States, her talents could be used to great advantage in Britain.

14. Senator Tower (R Texas) asked the Prime Minister's views on the SALT II Protocol. The Prime Minister thought that the Protocol must lapse at due date if subsequent problems were to be avoided.

15. Rep Bingham (D New York) asked about Britain's problems within the EEC. The Prime Minister said that Britain was only the seventh richest of the EEC member countries but was the highest contributor and she could not afford it. Germany and Britain were the big contributors while the other member states were beneficiaries. In five years Britain's net contribution had risen from £13 million to £1000 million, i.e. more than our entire aid contribution to the Third World. This did not make sense, particularly when public expenditure at home was having to be cut. The Prime Minister had said to her EEC colleagues that, as a believer in equity and fairness, she wanted her £1000 million back. Her colleagues had offered £350 million; this was genuinely not enough, either to meet our problems or in equity. There was deep resentment in Britain about the unfair treatment Britain was receiving. Either more Community money should be spent in the United Kingdom or the United Kingdom should contribute less. The Prime Minister hoped that there would be another meeting of heads of government at the end of February and that a much more equitable settlement than that hitherto proposed would emerge.

16. The Prime Minister said that the Common Agriculture Policy (CAP) was a difficult and expensive issue. The CAP had led to dear food and heavy surpluses of dairy products and meat which were being sold overseas at prices lower than those available to British housewives. Britain was not responsible for producing the surpluses but was required to finance them. Seventy-five per cent of the EEC budget was swallowed up by the CAP. The Prime Minister's whole approach to foreign affairs was based on an assessment of whether particular policies contributed to the maintenance of a free society. The key point at issue was that Britain could not be expected to incur such a financial penalty. The burden of member states of the EEC must be more equitable.



17. Senator Percy (R Illinois) said that on 14 December, in the midst of their preoccupations over the Windfall Profits Tax, the Senate had unanimously adopted a resolution commending the Prime Minister and Lord Carrington on their work over Rhodesia. They now hoped that Britain would achieve total and complete success on Rhodesia and that the House of Representatives would join the Senate in a verbal, concurrent resolution paying tribute to Britain's achievement.

18. The meeting ended at 1710 hours.

British Embassy,
Washington

19 December 1979

MEMBERS OF THE UNITED STATES SENATE & HOUSE OF REPRESENTATIVES
ATTENDING THE MEETING WITH THE PRIME MINISTER ON CAPITOL HILL
ON MONDAY, 17 DECEMBER 1979.

UNITED STATES SENATE

LEADERSHIP

Robert C. Byrd (Democrat, West Virginia)
Majority Leader
Alan Cranston (Democrat, California)
Assistant Majority Leader
Ted Stevens (Republican, Alaska)
Minority Whip
Warren G. Magnuson (Democrat, Washington)
President Pro Tempore

COMMITTEE ON FOREIGN RELATIONS

Frank Church (Democrat, Idaho), *Chairman*
Claiborne Pell (Democrat, Rhode Island)
George McGovern (Democrat, South Dakota)
Joseph R. Biden, Jr. (Democrat, Delaware)
John Glenn (Democrat, Ohio)
Richard Stone (Democrat, Florida)
Paul S. Sarbanes (Democrat, Maryland)
Edmund Muskie (Democrat, Maine)
Edward Zorinsky (Democrat, Nebraska)

Jacob K. Javits (Republican, New York), *Ranking Minority Member*
Charles H. Percy (Republican, Illinois)
Jesse Helms (Republican, North Carolina)
S. I. Hayakawa (Republican, California)
Richard G. Lugar (Republican, Indiana)

OTHER MEMBERS, UNITED STATES SENATE

Milton R. Young (Republican, North Dakota)
John C. Stennis (Democrat, Mississippi)
Russell B. Long (Democrat, Louisiana)
Henry M. Jackson (Democrat, Washington)
Strom Thurmond (Republican, South Carolina)
Jennings Randolph (Democrat, West Virginia)
Howard W. Cannon (Democrat, Nevada)
Harrison A. Williams, Jr. (Democrat, New Jersey)
John Tower (Republican, Texas)
Abraham Ribicoff (Democrat, Connecticut)
Mark O. Hatfield (Republican, Oregon)
Henry Bellmon (Republican, Oklahoma)
Richard S. Schweiker (Republican, Pennsylvania)
Lloyd Bentsen (Democrat, Texas)
Robert T. Stafford (Republican, Vermont)
Jake Garn (Republican, Utah)
Malcolm Wallop (Republican, Wyoming)
Alan K. Simpson (Republican, Wyoming)
David L. Boren (Democrat, Oklahoma)
Howell Heflin (Democrat, Alabama)
Carl Levin (Democrat, Michigan)

MEMBERS OF THE UNITED STATES SENATE & HOUSE OF REPRESENTATIVES
ATTENDING THE MEETING WITH THE PRIME MINISTER ON CAPITOL HILL
ON MONDAY, 17 DECEMBER 1979.

UNITED STATES HOUSE OF REPRESENTATIVES

LEADERSHIP

Thomas P. O'Neill, Jr. (Democrat, Massachusetts)
Speaker of the House
Jim Wright (Democrat, Texas)
Majority Leader
John T. Rhodes (Republican, Arizona)
Minority Leader
John Brademas (Democrat, Indiana)
Majority Whip
Dan Rostenkowski (Democrat, Illinois)
Deputy Whip
Thomas S. Foley
Chairman, Democratic Caucus
Robert H. Michel (Republican, Illinois) Minority Whip
COMMITTEE ON FOREIGN AFFAIRS

Clement J. Zablocki (Democrat, Wisconsin), *Chairman*
L. H. Fountain (Democrat, North Carolina)
Lee H. Hamilton (Democrat, Indiana)
Jonathan B. Bingham (Democrat, New York)
Don Bonker (Democrat, Washington)
Gerry E. Studds (Democrat, Massachusetts)
Donald J. Pease (Democrat, Ohio)
Michael D. Barnes (Democrat, Maryland)
David R. Bowen (Democrat, Mississippi)
Larry Winn, Jr. (Republican, Kansas)
Robert J. Lagomarsino (Republican, California)
Millicent Fenwick (Republican, New Jersey)

OTHER MEMBERS, HOUSE OF REPRESENTATIVES

Jamie Whitten (Democrat, Mississippi)
Silvio Conte (Republican, Massachusetts)
Melvin Price (Democrat, Illinois)
J. William Stanton (Republican, Ohio)
Henry Reuss (Democrat, Wisconsin)
Peter W. Rodino, Jr. (Democrat, New Jersey)
Harold Johnson (Democrat, California)
Don Fuqua (Democrat, Florida)
Al Ullman (Democrat, Oregon)

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE AMERICAN SECRETARY FOR DEFENCE, DR. HAROLD BROWN, AT THE PENTAGON ON 17 DECEMBER 1979 AT 1500 HOURS

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Defence: May 79:
Nuclear Release Proc.
China: Sino-Soviet
Relations May 79
Cuba: Sept 79: Soviet
Ground Forces in Cuba
Soviet Union: June 79:
Soviet Chemical Warfare
Soviet Union: May 79
Military Expenditure: Capitalist

Present:

Prime Minister	Dr. Brown
Foreign and Commonwealth Secretary	Ambassador Komer
Sir Robert Armstrong	HE The Hon. Kingman Brewster
Sir Michael Palliser	General Jones
Sir Frank Cooper	Dr. Perry
HE Sir Nicholas Henderson	Mr. Siena
Air Marshal Sir Roy Austen-Smith	Mr. McGiffert
Mr. G.G.H. Walden	
Mr. B. Ingham	
Mr. M.A. Pattison	

* * * * *

Dr. Brown said that he was pleased to note that the Prime Minister's defence policies were the same in office as in Opposition. The Prime Minister said that defence had been one of the main features in the election, and that there had been a change in attitude in public opinion. The need to match Soviet efforts where we were behind, e.g. TNF, was now recognised. She remained worried however about conventional forces, and asked whether Dr. Brown had any intelligence on current Soviet strength. Surely the level of the Soviet defence budget could not continue at its present rate of 13% of GNP? Dr. Brown said that, depending on methods of analysis, the Soviet figure was between 11-15%; 13% seemed a reasonable judgement. He expected Soviet spending to grow at 4 or 5% in terms of roubles (3 or 4% in dollar terms) a year steadily over the next 20 years. US forecasts all suggested some slow-down, partly because of the energy shortage, inefficient economic investment, and a labour shortage. But the proportion of GNP spent on defence would

/certainly not

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certainly not decrease, and could even increase somewhat. The traditional conflict between military and capital demands on the one hand, and consumer needs on the other, would continue, and the consumer would continue to lose out. But his intelligence people argued that much depended on the succession and on political factors which were difficult to judge. The annual growth in Soviet defence spending could slow from 4 to 3%. The West could match this if it had the will. At present the momentum was against us, but our capability was not. If the United States carried through a five-year programme, at an average annual rate of increase of 5%, and if the rest of the Alliance and the Japanese achieved at least 3% real annual growth, then not only the relative, but the actual situation could be improved. The Prime Minister asked whether the 5% increase would be compound. Dr. Brown said that in real terms it would be more than 25% over five years, yearly rates being 5.6%; 4.8%; 4.4%; 4.2%; and 4.2%. This was equivalent to 4.85% compound. It would not be easy to sustain, and would raise US spending as a proportion of GDP to 5.1% at the end of five years.

The Prime Minister agreed that this was an impressive programme. The British GDP proportion would be 5½% in five years time, unless we increased our GDP, which would be difficult with an oil crisis. The Polaris replacement programme would be expensive. The Foreign and Commonwealth Secretary asked why the Soviet Union needed such a massive military effort, with such enormous conventional, aggressive capability in Europe. Was this simply a manifestation of bureaucracy and conservative Generals? Dr. Brown said that it was a bit of each. The Soviet Union was not competitive in ideology or economics, but exercised a strong military influence, e.g. by attempting to intimidate Western Europe and Japan. Only in this area could she point to real successes. But she had also been invaded often in the past. The Prime Minister said that they surely did not expect to be invaded now. Dr. Brown said that it was important to continue to give the Soviet military and security people the same slice of the pie,

/especially as

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especially as the Brezhnev succession approached. Ambassador Komer said there was also a technological imperative. The Prime Minister said that the Russians seemed to be outstandingly good at military technology, and at research and development, as our latest intelligence on Soviet tanks showed. Dr. Brown commented that, where the Russians chose to make an effort, they could do it as well as us. But they were not as good across the board, though they spent 50% more on research and development. The Prime Minister commented on the highly competitive educational system in the Soviet Union, particularly in maths and physics. Dr. Brown said that they were nevertheless still 5-7 years behind on computers, though they might close the gap, possibly with the aid of other industrialised countries. As Lenin had said, some capitalists were willing to sell rope to hang themselves.

The Prime Minister raised the problem of chemical warfare. Dr. Brown said that the Russians had very extensive chemical warfare capabilities. The United States had maintained its protective, but not its retaliatory, power. To do so required a political judgement; the Alliance would only bear so much without raising a storm of protest. There was evidence that the Russians or the Vietnamese had been trying out their rather primitive chemicals in SE Asia. He thought we should talk more publicly about Soviet CW capabilities. When the TNF decision had sunk in, the Alliance should then act to increase its own CW deterrent capability.

Dr. Brown noticed that the Japanese defence expenditure was only 0.9% of GNP. It would reach 1.5% of GNP if there were 6 or 7% increases over five years. The Americans had not encouraged these increases in the face of political constraints in Japan, based on the renunciation of war in the Constitution. There was also already enough economic fear of Japan in S.E. Asia. They had however encouraged the Japanese to defend the sea lanes and home islands by developing their air and naval equipment. He was quite impressed with Japan's naval strength.

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The Foreign and Commonwealth Secretary said that equipment in NATO had grown increasingly complex over the years. Each country, however small, had its own R. & D. programme, and was determined to have something of everything. Britain, like Germany and France, was a middle-size country, and was likely to end up with being second class in everything if it aimed at being first class in every area. We simply could not afford everything. If this continued, the European element in the Alliance would be a Second Eleven in terms of equipment. This was inevitable if everyone continued on a national basis. We needed more specialisation. It would make more sense for Britain, for example, to specialise in her Navy and Air Force rather than developing a new MBT and maintaining four divisions in Europe.

/Dr. Brown

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Dr Brown commented that all this might be heresy in Whitehall but it was orthodoxy in the Pentagon. Neartip was an example. Interoperability, at least in ammunition, was essential. The long-term prospects for this were more hopeful. Families of weapons, e.g. anti-tank weapons, were one way to make progress; Europe could build medium-range weapons, and the US long-range versions. There could be one production line on each side of the Atlantic to secure competitiveness and security. Air to surface missiles were another area. The only way was to work in teams. Each team could include American members, and vice versa.

Sir Frank Cooper said that there were real difficulties in practice. Everyone agreed in principle, until they were asked to give something up. Unless real progress were made within the next six months, we could say goodbye to hopes in this area. The Prime Minister wondered why we still kept 55,000 troops in Germany, especially since there was no offset agreement any longer. Lord Carrington said that we should switch our effort from troops in NATO into the Air Force and Navy. Dr Brown said that the US Navy, though a shrunken vestige of what it had once been, was still the biggest in the Alliance. He saw the Navies of other countries as being in the second line rather than second rate. The anti-submarine capabilities of Norway, France and Holland were useful as was British air power, where France was less impressive. He saw little sense in a German Navy. Ambassador Komer disagreed; the Germans were doing good work in the Baltic. Dr Brown observed that the reasons behind military equipment decisions were as often concerned with public works as with military factors. The Prime Minister said that Britain should stress her naval and air role on the northern frontier. Dr Brown agreed that in Europe, the main burden could not fall on the British Army. In response to a question, Sir Frank Cooper said that a tank now cost about £1 million, including R & D costs, laser sights etc.

The Prime Minister said she was concerned with the threat outside the NATO area, e.g. in the Caribbean and the rest of the Alliance's underbelly. Dr Brown said that the US and UK should co-operate in this field. It was a pity, for example, that we had left Aden. The Foreign and Commonwealth Secretary observed that the US had not been blameless in our retreat from the Middle East. The Prime Minister mentioned our role in the Trucial States. The Russians, Cubans and East Germans were infiltrating right across the board. Our friends in the Caribbean were worried, but we did not have a big enough Navy to help them. She wondered whether the

/Russians

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Russians really felt threatened by the Chinese. She had found Chairman Hua a trifle naive when he had assured her that the Russians no longer knew where China's nuclear weapons were, since they had been moved. Dr Brown said that the Russians were convinced that both China and NATO posed a military threat to them. They were paranoid about China. The Prime Minister said that they realised that the Chinese would not hesitate to press the button. They had an oriental attitude towards human life and felt that they could absorb any losses in their own population. Pakistan, Thailand, Afghanistan and Iran were all areas of crucial importance to the West.

Dr Brown said there were areas where the UK had an important political role, e.g. in Oman, where the Americans were hoping for Omani co-operation in their search for more bases in the Indian Ocean area. He realised that it was important not to talk too much about American activities in Diego Garcia. But he would like to expand these in future, perhaps on the basis of a cost-free lease for the whole island, rather than a half as at present. He gathered that there was a bird problem. The Prime Minister agreed that the Americans needed more bases in that area.

The Prime Minister asked about the American attitude to the AV8B. Dr Brown said that they had not yet made any decisions. He was still putting the finishing touches to the defence budget; the AV8B could be in or out. But there was not enough demand for two different aircraft. The United States could only go ahead in collaboration with the UK. It was possible that the AV8B would be omitted from the budget, and put back by Congress, as in the last two years. But if not enough were made, the price per aircraft would be so much that no-one would buy it even if it were to be developed. The budget did not go forward until 20 January, so a decision would have to be reached in the next two weeks. Sir Frank Cooper asked when funds would stop being available. Dr Brown said that this would not happen until well into 1980. The Prime Minister said that Britain was determined to do as much as possible on defence. However, we were concerned about the 3-1 adverse balance on purchases of arms equipment. We were also helpful to others in e.g. the Cyprus Sovereign Bases. Unless there were a lot more offset, it would be difficult for us

/to maintain

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to maintain our defence budget at the level we would wish. She asked Dr Brown to consider our case carefully, taking account not only of American lobbies, but of the defence needs of the free world. Britain made good weapons, but these were not always fairly assessed. Dr Brown referred to the Rapier deal, whereby the Americans would buy the missile if we operated it. Congress would not agree to pay the wages of UK personnel. The Prime Minister said that this was a partial offset arrangement. She stressed that Britain had been too tolerant on arms purchases, and as a result had been put upon. We wanted help to play our part in the defence of the free world. Dr Brown referred to American interest in Rapier and the JP233. They remained open minded on the AV8B, though it would be difficult to keep in the budget. Whether or not the Americans bought the AV8B in the end depended very much on how much it cost. Sir Frank Cooper stressed the importance of the AV8B project in the offset context.

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Defense: May 79: Nuclear Release
Procedures

China: Sino-British Rel.
May 79

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NOTE OF A MEETING HELD IN THE OVAL OFFICE, WHITE HOUSE, WASHINGTON, DC,
MONDAY, 17 DECEMBER, 1979, 1230 PM

Present:

The President of the United States
The Secretary of State
Dr. Brzezinski
The Prime Minister
The Foreign and Commonwealth Secretary
Sir Robert Armstrong

Middle East

In the course of a restricted meeting held after the plenary session of the Prime Minister's talks with the President, the President said to the Prime Minister that the United States Administration would like to expand its discussions with the UK Government on the need for an increased presence in the area of the Persian Gulf and on increased use of Diego Garcia. In the Gulf, they would welcome the support that the UK could give, with the benefit of its long links in that area, and they would like to consult the British on possibilities for providing bases for a US presence.

Secretary Vance added, on Diego Garcia, that the British Ambassador had stressed the importance, from the British point of view, of avoiding public references to the use of Diego Garcia; instructions had been given accordingly.

China

The President said that the Secretary for Defense would be going to China in the New Year to discuss matters of common strategic and political interest. It was not the intention

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to sell weapons to the Chinese.

The Prime Minister said that the British were prepared to sell Harriers to the Chinese if they wished to buy them. She added that the British Government had now withdrawn recognition of the Pol Pot regime in Cambodia; this decision had upset the Chinese, and the ASEAN countries. The President commented wryly that the Americans were a little upset too. He said that the American Government wished that it were possible to get Prince Sihanouk back into Cambodia; but the Chinese were clinging to Pol Pot. The Foreign and Commonwealth Secretary said that, when Chairman Hua visited the United Kingdom, he had given the impression that Chinese enthusiasm for Pol Pot was diminishing.

The President asked the Prime Minister what impression she had formed of Chairman Hua. The Prime Minister said that, as when she first met him, he had seemed very much in command. He had been very relaxed, though his entourage seemed to speak less easily in front of him on this occasion than when she had first met him. He had talked readily and at length, but when she had pressed him for an answer on a specific matter - such as Hong Kong - he had not come up with clear answers. The Foreign and Commonwealth Secretary added that Chairman Hua had not struck him as being of the same quality as Deng Hsiao-Ping: neither as incisive nor as decisive. Dr. Brzezinski commented that Chairman Hua was much more in the Imperial tradition: gentler and more general and wide-ranging than Deng Hsiao-Ping. The Prime Minister had commented that he had seemed to adapt very easily to the ways of the various countries which he had visited; but she did not think that he necessarily carried that difference of attitude back with him when he returned to China. It could well be that, like many people from non-western cultures, Chairman Hua was able to switch without difficulty between a Chinese and a western culture, without carrying his attitudes across.

The meeting adjourned at about 1250 p.m.

19 December, 1979.

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Present

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The Secretary of State Dr. Brzezinski
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/The President

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Hsiao-ping

The meeting adjourned at about 1250 pm.

17 December 1979

cc Master
Iran Situation Pt 2

CONFIDENTIAL

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF THE UNITED STATES, MR JIMMY CARTER, AT THE
WHITE HOUSE, ON 17 DECEMBER 1979 AT 1030 PART I

Present:

Prime Minister	President of the United States
Foreign and Commonwealth Secretary	Vice President Mondale
H.E. Sir Nicholas Henderson	Mr Cyrus Vance
Sir Robert Armstrong	Dr Zbigniew Brzezinski
Sir Michael Palliser	Ambassador Henry Owen
Sir Frank Cooper	Ambassador Kingman Brewster
Mr B Ingham	Mr G S Vest
Mr M O'D Alexander	Dr David Aaron
Mr G H Walden	Mr Blackwill
Mr M A Pattison	

Introductory

Having welcomed the Prime Minister, the President expressed his deep gratitude for the extraordinary help extended to the United States by the United Kingdom throughout the Iranian crisis. The crisis was of all consuming importance in the United States at present. The actions of the Iranian regime constituted a challenge not only to the United States but to the international community in general. In discussing the matter with other countries the United States had found unanimous condemnation of what had been done. The only exception seemed to be Albania!

/The President

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The President said that the help which Britain had extended had been typical of the country. So had been our handling of the Rhodesian problem for which the United States was full of admiration. There had been a "slight hiccough" on Saturday and the President was anxious to know about the latest developments. The US Government had lifted sanctions at midnight on Saturday, Britain should have no hesitation in asking for any further help that was needed from the United States. The approach of the Prime Minister and the Foreign Secretary to the Rhodesian question had shown great courage and was an example of what effective diplomacy could achieve. The President said that he hoped the discussion would range widely since he and the Prime Minister could talk easily and without restraint.

The Prime Minister expressed her gratitude for the President's reception. The ceremony on the White House lawn had been a great emotional experience. The close links and common language - happily making it possible to do without interpreters - between the two countries made it easy to discuss ~~the~~ problems together. Recalling her remarks on Iran at the arrival ceremony, the Prime Minister repeated that everything the British Government could do to help they would do. She was extremely grateful for everything that the American Government had done to help over Rhodesia. Thanks to the skill and perseverance of Lord Carrington the talks were on the verge of success. Difficulties had arisen on final details but the Prime Minister was hopeful these could be cleared out of the way. The future^{of} democracy in Southern Africa was at stake.

/Iran

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Iran

The Prime Minister said that she would be grateful if the President could say how he now saw the situation in Iran. The more she knew of his thinking, the more quickly she could respond in time of need. She had said in a TV interview earlier in the morning that if the President opted for action under Chapter 7, the British Government would, of course, support him. No other course of action was thinkable. But it was necessary to consider what would happen next. The wave of popular anger in the United States was only too natural. But every action had to be judged against the overriding need to get the hostages out safely. Toughness with the Iranian regime could take various forms.

The President said that he had been reasonably encouraged by the latest developments. At first there had seemed to be a real possibility of the rapid trial and even execution of some of the hostages. At that stage the US naval forces had been moved in. The US Government was prepared to use them. But they wished to avoid bloodshed if at all possible. As Mr. Vance had told European Governments on his recent visit, the US Government had plans to interrupt Iranian commerce if the hostages were put on trial. There were a range of options: further action against bank assets; foreclosure on mortgages; sanctions; a multilateral embargo; or a blockade. However it looked increasingly as though neither execution or trials would take place. There was some evidence that Khomeini had decided that holding the hostages was proving counterproductive. Iranian thinking now seemed to be turning to the possibility of a multinational tribunal. Qotbzadeh had talked not of a trial but of a grand jury to decide

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whether there should be a trial. The students might not like this but the US Government's judgment was that Khomeini would prevail in a show-down with them. The tribunal might pass sentence on the Shah in abstentia and find the hostages guilty of offences meriting expulsion. The American Chargé, Mr. Laingen, who was still in the Ministry of Foreign Affairs and with whom the State Department were now finding it easier to get in touch, thought that the Shah's departure would help. The Iranians had been able to claim that as a victory. The President said that he did not want the situation to be frozen or to become fixed as a sort of status quo. Later in the day he hoped to establish a timetable for the implementation of more stringent measures, including sanctions, against the Iranians. He would discuss the matter further with the Prime Minister at dinner.

Mr. Vance said that both Qotbzadeh and his representative, Farhang, had said that the Shah's departure might be a needed first step in finding a way out of the present situation. The President said that he had always meant to move the Shah out of the country once he was well enough. He deeply appreciated President Sadat's offer. But it would have been embarrassing for President Sadat if the Shah had gone to Egypt. Moreover there would have been danger in trying to move the Shah closer to Iran. The Panamanian Government had invited the Shah to go to Panama 9 or 10 months previously. It had been a courageous action on their part. It would be helpful if the British Government could find some way to show that they also appreciated what the Panamanians had done. The Panamanian decision contrasted with the disappointing performance of the Mexicans. President Portillo had "pulled the rug" from under the Americans.

/The Prime Minister

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The Prime Minister asked the President for his views of the nature of the trial or tribunal. What shape would it take and how long would it last? The West's strategy was presumably to assist the Iranians to extract themselves from their present position without humiliation. But were the Iranians looking for a way out? The President commented that there was little rationality apparent in Tehran. But he thought that Khomeini was indeed trying to save face. The Iranians had accepted that the American Government were prepared to take strong action. They might use a tribunal to reveal the adverse relationship which had existed between the United States and Iran since the time of Dr. Mosadeq. He hoped they would not call the hostages before the tribunal even as witnesses. There could be no question of the US Government lending any kind of authenticity to the tribunal.

Mr. Vance said that the Iranians were all at sea about the grand jury idea. The State Department had been in touch over the weekend with various Iranian academics. It was clear that confusion reigned. The Prime Minister commented that this did not make for speed. But it increased the possibility that the Iranians would feel humiliated and do something which would cause a strong reaction in the United States. None the less she understood that the US administration would neither support nor oppose a tribunal. The President said that they would deplore it and criticise it publicly. But behind the scenes they would acknowledge that it might be a way out. He repeated that if the Shah and the hostages were found guilty and the hostages expelled he would accept that. Khomeini found it difficult to admit mistakes. He was inclined to attack the US and the Soviet Union and anyone else he could plausibly blame for the situation in Iran. He had evidently been disappointed at the outcome of the referendum on the Constitution.

/Mr Brzezinski

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Mr. Brzezinski said that during his trip to Europe, Mr. Vance had discussed specific steps which the allies could take prior to the passing of a Chapter 7 determination. The US Government hoped that these measures could be implemented without delay. As regards the trial or tribunal, the world was witnessing a struggle for the future of Iran. There was an internal contest going on: one of the groups involved was determined to sever links between the US and Iran. The future of Iran was at issue. There was a real risk that the country would become destabilised and that it would begin to fragment at the periphery. The question for the West was how to influence events so that the country neither broke up nor became a satellite of the Soviet Union. The Foreign and Commonwealth Secretary said that if the tribunal were to go back to the time when the Shah was returned to power in the early 1950s, the United States would not be the only country in the dock. The British Government would have to think of their position. As for the specific steps mentioned by Mr. Brzezinski, these had been discussed at the quadripartite meeting in Brussels the previous week. It had been agreed then that it would be easier to take the actions in question after a Chapter 7 determination than before. None the less the British Government was examining them. How long did the American Government intend to wait after the judgement of the International Court at The Hague, given that the Security Council had already passed one resolution, before taking further action? The President said that it would be a matter of days. He hoped that the United Kingdom, France and Germany would back the United States from the outset. The Prime Minister asked what sanctions the United States would seek under Chapter 7. The President said he would decide in the course of the day and that his present inclination would be to take action in the United Nations towards the end of the week. Action in the UN at some stage was inevitable. The offence to the international community could not be ignored. The Soviet Union had voted with the United States in the Security Council and the International Court. Their attitude to a Chapter 7 determination was yet uncertain. Mr. Brzezinski asked again about financial measures in advance of UN action. The Prime Minister reminded him that Governments

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would have more powers once Chapter 7 determination had been made. Mr. Brzezinski described Chapter 7 action as "a further stage".

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17 December 1979

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Rhodesia Sitⁿ Pt 11
Middle East Sitⁿ Pt 2
Energy Policy Pt 3
Israel Nov 79: Oil for Israel
USA July 79: Peace
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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF THE UNITED STATES, MR JIMMY CARTER, AT THE
WHITE HOUSE, ON 17 DECEMBER 1979 AT 1030: PART II

Present:

Prime Minister	President of the United States
Foreign and Commonwealth Secretary	Vice President Mondale
H.E. Sir Nicholas Henderson	Mr Cyrus Vance
Sir Robert Armstrong	Dr Zbigniew Brzezinski
Sir Michael Palliser	Ambassador Henry Owen
Sir Frank Cooper	Ambassador Kingman Brewster
Mr B Ingham	Mr G S Vest
Mr M O'D Alexander	Dr David Aaron
Mr M A Pattison	Mr Blackwill
Mr G G H Walden	

Rhodesia

The Prime Minister asked the Foreign and Commonwealth Secretary to explain to the President the position reached in the Lancaster House Conference. The Foreign and Commonwealth Secretary said that the Conference had cleared all the major hurdles. But the final hurdle was proving the most difficult. The conference was sticking on the question of assembly areas between the time the ceasefire was declared and the holding of the election. Broadly speaking the areas controlled by the Patriotic Front, and consequently their assembly areas, were around the outside edge of the country. The Patriotic Front wanted assembly areas nearer the centre. Also they were anxious not to be surrounded by the Rhodesian Security Forces. We had thought it right to locate the Patriotic Front assembly areas in areas where they were already. The British assessment that there were

/17/18,000

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17/18,000 members of the Patriotic Front in Rhodesia. This suggested that 15 assembly areas was about right. Moreover since the British Government would be responsible for feeding and housing them, it would be difficult to take on a greater number.

The Foreign and Commonwealth Secretary said that he had been surprised at the Patriotic Front's unwillingness to accept. The reason probably was that they saw political advantage in moving closer to the centre. The British compromise proposal consisted:-

- (a) of offering the Patriotic Front one additional assembly area nearer the centre of the country; and
- (b) taking advantage of the fact that the Patriotic Front's claim to have 35,000 guerrillas in the country was clearly unrealistic, of saying that if our assessment of the numbers was wrong, the Governor would reconsider the number of assembly areas.

There was a good chance that these offers would do the trick. President Michael had been extremely helpful and had told Mr. Mugabe that he could not continue the struggle from Mozambique territory. President Kaunda had told Mr Nkomo to sign and Mr. Nkomo clearly wished to do so. President Nyerere had been more equivocal. Mr. Mugabe did not wish to sign but was under great pressure. The situation looked promising but throughout the negotiations it had proved difficult to bring the Patriotic Front to the point of decision. It had frequently been necessary to issue ultimatums while denying it. The sending of Lord Soames to Salisbury had been the final ultimatum: the Patriotic Front knew that they risked getting left behind in the preparations for the election. The Foreign and Commonwealth Secretary said that he would be misleading the President if he gave the impression that even after a ceasefire the situation would be other than very uneasy. There was a strong risk that the Patriotic Front in the event would not assemble in their assigned areas. If so the

/Rhodesian

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Rhodesian Security Forces could not be expected to ignore the situation. It was for these reasons that it was so urgent to hold the election. The President asked whether Bishop Muzorewa was genuinely opposed to any extension in the number of assembly areas or whether he regarded that as bargaining cards. The Foreign and Commonwealth Secretary said that it was a bit of both. On the whole he thought that the amended British position was fair. The Prime Minister commented that Bishop Muzorewa and his colleagues had throughout the negotiations done whatever had been asked of them. He had given up the post of Prime Minister and agreed to hold a new election a few months after having won one. Mr. Vance asked whether there would be a problem over the infiltration of Patriotic Front guerrillas during the period between the ceasefire and the election. The Foreign and Commonwealth Secretary said that he hoped that it would be possible to persuade President Michel and Kaunda to stop it. It was true that even if they agreed to do so a good deal of infiltration would continue. None the less there was no case for an expansion of the number of areas at present.

The President asked whether the British Government had ever approached the Soviet Government for help. The Foreign and Commonwealth Secretary said that the Soviet Union had throughout been very unhelpful. He had discussed the problem with Gromyko whose attitude had been hostile. The Russians and the Romanians were both supplying arms to the Patriotic Front. Trouble in the area suited them very well. Mr. Brzezinski queried the reference to the Romanians. The Foreign and Commonwealth Secretary confirmed it. (News of the Romanian involvement clearly came as a surprise to Mr. Brzezinski.)

The Prime Minister said that throughout the conference the tension in the relation^{ship} between Mr Nkomo and Mr. Mugabe had been obvious. They had however decided not to break up the Patriotic Front at least while they were in London. It was difficult to predict what would happen when they returned to Rhodesia. In any case the British Government intended to go

/ahead

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ahead. She believed that they would get through. Lord Soames' task would not be easy. It had been essential to send someone with a powerful personality. The Governor would have little material support to fall back on.

Middle East

The President said that Mr Linowitz had just returned from a visit to the Middle East during which he had seen President Sadat and Mr. Begin. He had been much encouraged. It might be a good idea for him to visit the United Kingdom soon to talk about the detailed position in the negotiation. The US Government wanted the Israelis and the Egyptians to continue with the implementation of the terms of the Camp David agreement with a minimum of interference. Israel's return of the oil wells had been a very important gesture. He hoped that it would now be possible to proceed without further complication to the return of the remaining territory and the exchange of ambassadors. It would be desirable to get the discussions off the differences between the two sides e.g. over the numbers of people who would serve on local government councils, and on to more positive matters e.g. what the local government councils might do. Mr. Vance said that there would be a critical point at the end of January. By then all the occupied land up to the Ras Mohammed line, as well as the oil wells, would have been returned. The President said that the question of the exchange of ambassadors would then come to the forefront. Begin and Sadat had a remarkable relationship. Sadat was supremely confident. Whenever the President spoke to him on the telephone, he said that everything was going according to schedule.

The Foreign and Commonwealth Secretary asked whether, given the help the United States had received over the hostages from the PLO and King Hussein's wish to bring in a resolution amending or enlarging Resolution 242, the American Government was likely to change its position on the PLO and 242. The

/President

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President said that Resolution 242 was something of a bible. Amending it would be very difficult. But addenda or further resolutions might be possible. The Americans had explored the possibility six months previously, but had dropped the idea because of Israeli opposition. The US Government would not oppose a resolution building on 242. But if a new dimension were injected, e.g., Israeli withdrawal from the West Bank, the Americans would oppose. The Prime Minister asked whether it was public knowledge that the PLO had given help during the Iranian crisis. Mr. Vance said the Congress had been informed and indeed he had mentioned the matter publicly. The President remarked that the present altercation between Qadhafi and the PLO stemmed from Qadhafi's view that the PLO had recently been too moderate. The Israelis were, of course, aware of the PLO's role and that it had been acknowledged. However the understanding that the United States would not recognise the PLO until the right of Israel to exist had been accepted was still valid.

The Foreign and Commonwealth Secretary asked whether there was any movement in the American position on the various formulae about recognition. The President said that Mr. Linowitz had ideas. The Camp David text, like 242, was sacrosanct. But it was also very far reaching. Although Mr. Begin had reversed himself on the question of autonomy and, by excluding land and water from the ambit of the agreement, the framework of the agreement remained very useful. Jerusalem was the most difficult issue. Progress had in fact been made at Camp David on this question. There was until a relatively late stage a paragraph on the subject agreed by both Mr. Begin and President Sadat. But before the agreement was finalised, both men separately had asked for the removal of the paragraph because of the likely reactions in their own countries. It would not be easy to keep the Camp David process going in an American election year and against the background of Mr. Begin's political weakness. But Mr. Linowitz thought that Mr. Begin was back to his old form.

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The Prime Minister asked whether the American policy was in fact to exhaust the Camp David process before trying something else. The President said it might be possible to reinvolve moderate Arabs, i.e. Saudi Arabia and Jordan. Some mechanism to make this possible would be very helpful. If the PLO would accept Resolution 242 and Israel's right to exist, that would absolve the US from its commitment to Israel. The Prime Minister said that the PLO could not be expected to accept Israel's right to exist without simultaneous compensation. She had found King Hussein helpful on these problems. The President said that despite King Hussein's earnest tone, he was the most unhelpful man in the Middle East. Mr. Vance commented that the reference in the President's speech at Aswan to the right of the Palestinian people "to participate in the determination of their own future" had been very carefully contrived. President Carter said that during his Middle East tour in 1978 he had met no Arab leader who was insisting on an independent Palestinian state. He thought that that concept, like the concept of total withdrawal from the occupied territories, was dead. The problem now was how to accommodate the remaining differences between Israel and the moderate Arabs.

The Foreign and Commonwealth Secretary said that the PLO bandwagon was rolling in Europe. The British Government was virtually the only Government not already on it. The reason for the reaction against Israel was their policy of establishing settlements on the West Bank. Mr. Brzezinski asked how the move in favour of the PLO would express itself. The President said that if it were to be in the United Nations he would not deplore this. The US Government was for the moment committed to Israel but the PLO had been very helpful of late. It would however be valuable if the isolation of Israel could be avoided where oil was concerned. He hoped that the United Kingdom, along with Norway and Mexico, might be prepared to sell the Israelis some oil if they asked for it. The Prime Minister pointed out that

/ Britain

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Britain was a member of the IEA and of the EEC. We were committed to sharing our oil with the other members of those organisations if there was a shortfall of 7 per cent. The President repeated that it would help if the UK could sell Israel a few tens of thousands of barrels of oil. The Foreign and Commonwealth Secretary recalled that our EEC partners had made it plain in Dublin that they expected the UK to sell them whatever spare oil they had. The President said that it was necessary to overcome difficulties rather than to enumerate them.

Energy

The Prime Minister asked whether the West Bank issue affected the views of the major oil producers on price. Or were the producing Governments simply selling their oil for whatever they could get? The President said that in his view the Middle East problem now made a minor contribution to rising oil prices. He noted that there were signs that recent events in Iran and Saudi Arabia was causing a reassessment by Middle East countries of their strategic alignments. It was very important in everyone's interest that Egypt and Israel should be strong and on good terms with their neighbours. He had written in his own hand to both President Sadat and Crown Prince Fahd saying how helpful it would be if there could be some easing of the animosity existing between their respective governments. There were encouraging signs of movement on this front.

The American Government was determined to carry forward the discussion begun at the recent meeting of the IEA. They were seeking an arrangement at the next IEA meeting in March on the allocation of oil in a time of shortage. They did not want a free for all. They wanted a specific formula to accommodate a shortfall of 1/1.5 million barrels per day. ^{in world production} The American Government thought that next year's production would fall below this year's level by that amount. They were ready

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for draconian action to keep imports under control. They already had the authority to impose import fees. The Prime Minister said that if consumption could be reduced imports would look after themselves. As prices moved upwards every household took steps to economise on their consumption. The present price rise was caused as much by uncertainty over future supply as by anything else.

Paul

18 December 1979

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a Master
Ireland. Sitⁿ in N.I. Pt 5

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF THE UNITED STATES, AT THE WHITE HOUSE, ON
17 DECEMBER 1979 AT 1030 - PART III

PRESENT:

Prime Minister	President of the United States
Foreign and Commonwealth Secretary	Vice President Mondale
H.E. Sir Nicholas Henderson	Mr. Cyrus Vance
Sir Robert Armstrong	Mr. Zbigniew Brzezinski
Sir Michael Palliser	Ambassador Henry Owen
Sir Frank Cooper	Ambassador Kingman Brewster
Mr. B. Ingham	Mr. G. S. Vest
Mr. M. O'D. B. Alexander	Dr. David Aaron
Mr. G. H. Walden	Mr. Blackwill
Mr. M. A. Pattison	

* * * * *

Northern Ireland

The Prime Minister said she was acutely aware of the difficulties the question of the supply of arms from the United States to the RUC raised for the President. But it also created difficulties for her. The RUC was not a sectarianism force. The last Chief Constable had been a Roman Catholic. Almost all the other police forces in the United Kingdom had similar US weapons to those which had been ordered for the RUC. The RUC itself already had 3,000 of the weapons in question. It seemed very strange to deny them the remainder of the order and thereby to deprive a significant number of members of the RUC of the right to defend themselves effectively. She herself had handled both the gun which the RUC at present used and that which was on order. There was no doubt that the American Ruger was much better. It had never occurred to her there would be a problem about completing the order. The difficulties created by the absence of weapons would begin to become acute in three or four months' time. Was the difficulty for the President one of

/principle

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principle or one of timing?

The President said the difficulty was one of timing. The administration was consulting the Congress: the approval of Congress would be necessary if the sale was to take place. Mr. Vance said that at the moment the administration did not have the votes to secure the approval of Congress. The Speaker, Mr. O'Neill, had sufficient votes to prevent approval going through and was prepared to use them. The Prime Minister asked how long this situation was likely to obtain. The President suggested that she should talk to Speaker O'Neill later in the day. Mr. O'Neill had drafted a resolution on the subject and had already collected enough signatures to ensure that approval would be blocked. The President said that he himself would like to approve the sale but did not wish to be defeated in Congress or to have a major altercation with them. The political problem of handling the Northern Ireland issue in the United States would be exacerbated if he took on Congress and lost. Speaker O'Neill rarely became personally involved in policy issues. But this problem was a personal one for him.

The Prime Minister asked about the basis of Mr. O'Neill's objections. There was nothing the British Government could do that would satisfy the IRA. The people of Ulster wished to remain part of the United Kingdom while the IRA wanted a united Ireland. Presumably Mr. O'Neill's attitude was essentially an emotional one. The President made it clear that he was persuaded of the merits of the Prime Minister's case but that he thought the only way to advance the position would be to talk to Mr. O'Neill. He added that Mr. O'Neill had in general supported the policy of the present British Government on Northern Ireland.

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The Prime Minister said that it sounded as though it would be several months before the matter could be sorted out. If the sale of the revolvers was blocked, it would be a major propaganda victory for the IRA. It seemed a pity at a time co-operation with the Irish Government had been significantly improved. She expected that it would prove possible to continue with Mr. Haughey the close co-operation which had been begun with Mr. Lynch. The Foreign and Commonwealth Secretary said that if it became known that a Government request for a permit to export the arms had been rejected there would inevitably be a great deal of very adverse comment in Parliament. The President made it clear that he was aware of this. He repeated that the Prime Minister should discuss the matter with Speaker O'Neill. He would be interested to learn whether or not Mr. O'Neill showed any flexibility.

The President asked about the prospects for the forthcoming conference on Northern Ireland. The Prime Minister said that the Secretary of State for Northern Ireland had achieved a considerable diplomatic feat in securing Mr. Hume's agreement to attend the Conference without losing Dr. Paisley in the process. There was an outstanding difficulty about the official Unionist Party, who had been committed by their Party Conference to stay out of the Conference. However, it might be possible for them to agree to come into the Conference at a later stage. It was important for the Government to show both that they were trying to make political progress and how difficult it was to do so. The Conference would certainly be held. Once it was over, and whatever its outcome, the Government would have to take decisions. Some local government powers would have to be transferred to Northern Ireland. It was ridiculous to have a Secretary of State and six Junior Ministers working full time on Northern Ireland. The Government would have to look at whatever agreement was achieved at the Conference and decide in the light of that the way ahead.

/The President

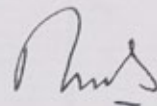
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The President asked whether there had been any reduction in the level of terrorism. The Prime Minister said that it was a question of a change of direction rather than a reduction in the level. The main focus of terrorist activity had now moved to the border. Targets were more specific: indiscriminate attacks had been abandoned in favour of attacks on the security forces. On the other hand, there were now areas where the police could cope without any help from the army. Overall co-ordination had been improved by the appointment of Sir Maurice Oldfield. Nonetheless the terrorists, inevitably, still held the initiative. They could strike where they like. Moreover, the use of remotely controlled bombs had increased the threat from them.

Reverting to the Conference, the Foreign and Commonwealth Secretary said that the return of some form of representative Government was important because this was a forum in which moderates could work. In present circumstances no moderate leaders would emerge because there was nothing for them to do. It was true, however, that John Hume was a moderate politician. His agreement to participate in the proposed Conference was very encouraging. The President asked when the Conference would meet. The Prime Minister said it would probably be on 7 January. The Conference would no doubt see a good deal of disagreement but progress had to be made. The present situation could not be allowed to continue indefinitely. The Government was bound to explore every avenue.



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cc Martin
Defence TNF Pt 2
Defence CTB, SALT Pt 3
Afghanistan Sid Pt 1

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE UNITED STATES, MR. JIMMY CARTER, AT THE WHITE HOUSE, ON 17 DECEMBER 1979 AT 1030: PART IV

Present:

Prime Minister	President of the United States
Foreign and Commonwealth Secretary	Vice President Mondale
H.E. Sir Nicholas Henderson	Mr. Cyrus Vance
Sir Robert Armstrong	Dr. Zbigniew Brzezinski
Sir Michael Palliser	Ambassador Henry Owen
Sir Frank Cooper	Ambassador Kingman Brewster
Mr. B. Ingham	Mr. G.S. Vest
Mr. M O'D Alexander	Dr. David Aaron
Mr. M.A. Pattison	Mr. Blackwill
Mr. G.G.H. Walden	

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Defence

The Prime Minister asked whether the Soviet Union was still expanding its military capacity. The President said that the Soviet Union next year would be spending 13% of its GDP on defence. The American figure was nearer 5%. After the Prime Minister had said that Britain would be going up to about 5.5%, the President commented that he found it less difficult now than two or three years previously to adopt a strong military posture. There was public support for such a policy and less and less disparity between the line advocated by the administration and by Congress. The Foreign and Commonwealth Secretary noted that the decision to deploy GCLMS had caused no difficulty. The Prime Minister said that the only difficulty on defence in the UK lay within the Labour Party. She said that the American Government were being very generous in providing the GCLMS and thereby helping the UK to defend itself.

The President said that he had been very pleased about the Alliance's decision on TNF modernisation. It was a pity that it had been impossible to secure a unanimous decision. But the Belgian position, at least, was reasonably firm. His own conviction, based by now on a great deal of experience, was that one must negotiate with the Russians from a position of strength. The only consequence of negotiating from weakness was that Soviet demands increased.

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/ The President

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The President thanked the Prime Minister for the help the British Government had given on SALT II. The Prime Minister asked about the timing of the ratification debate. The President said that Congress was bogged down on a number of very challenging pieces of legislation. He expected to get the SALT treaty on the floor of the Senate in the New Year and that five or six weeks of debate would follow. The issue was still in doubt. He himself thought that the treaty would be ratified but whatever the outcome, it would be March or April before a decision was reached. Mr. Vance said that he thought it might be possible to complete the process by the end of February.

The Foreign and Commonwealth Secretary said that there would be a timing difficulty if ratification was delayed until March or April. The weaker brethren in NATO, who attached importance to the arms control side of the TNF modernisation agreement, would be upset. It might be necessary to set up an informal internal group. This would be much worse than putting the matter into SALT III. The President described the efforts he was putting in to getting progress. He had been meeting two Senators a day for some time to talk about the problems. But support for SALT was not as strong as it had been. The discovery of a Soviet brigade in Cuba had set matters back for several weeks. However there was now a good chance that Messrs. Kissinger and Ford would rally to support of the treaty. The President said that he had a genuine concern that if the SALT II was not ratified there might be a strong move in Europe towards neutralisation. Recognition of this was affecting the mood of the Senate. Moreover the rumours that Great Britain was not in favour of SALT had been disproved. It would of course be useful if the Prime Minister could make the strongest statement possible in favour of ratification. The Prime Minister said that she had already done this. She had assumed that ratification would take place. The President said that he hoped she was right. But the SALT decision was still in the balance.

Comprehensive Test Ban

The President asked whether there was any flexibility in the British position on acceptance of National Seismic Stations (NSS) in the context of the Comprehensive Test Ban negotiations. The

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/ Prime Minister

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Prime Minister said that we could only afford to accept one NSS. If this was an insuperable difficulty, Britain was prepared to withdraw from the negotiations. The President said that he had talked to President Brezhnev in Vienna. Mr. Brezhnev had made it clear that he would object to Britain's withdrawal. The President, for his part, had told President Brezhnev, that it would be impossible for Britain to accept ten NSS. The President asked whether it would be possible for the Prime Minister either to agree to the deployment of four NSS on British territory or to try to induce the Soviet Union to agree to Britain's withdrawal from the talks. The United States would be prepared to help with the costs of the additional NSS. Both the Prime Minister and the Foreign and Commonwealth Secretary said that four NSS would be out of the question. The Prime Minister added that the United Kingdom had no wish to withdraw from the talks unless our continued presence at them was embarrassing. The President denied there was any question of embarrassment. He enquired about the cost of a NSS and on being told by Mr. Vance that it was about five million dollars per station made it clear that this was not a significant sum.

Afghanistan

The President said that Soviet troop levels in Afghanistan were building up. A new battalion had been flown in the previous day. Mr. Brzezinski said that two Soviet divisions which had previously been located just to the north of the Afghanistan frontier had disappeared. The evidence was derived from satellite photographs. It was not now known where the two divisions were but it was obviously possible they had moved into Afghanistan. The President said that the American Government had made the moves public and had expressed concern. It might be helpful if the Prime Minister could do the same e.g. by public statement or on the BBC. Mr. Vance said that the Russians now had four battalions in the area near the airstrip at Kabul, i.e. 1,800 men plus an HQ. The President noted that the group was equipped with aircraft and personnel carriers. The Soviet Union had shown they were increasingly prepared to act militarily in Afghanistan. There was evidence that they had participated in air-strikes and in suppressing groups of opposition guerrillas. If the Prime Minister would like to receive regularly reports through the CIA, this could be arranged. The Prime Minister said she

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would indeed be interested in seeing such reports. Mr. Brzezinski noted that in a recent incident a Soviet manned aircraft had dropped bombs on the Russian side of the border.

Am!

18 December 1979

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FROM RENWICK

1. ZAPU are in a positive state.
2. They are still arguing with ZANU and Mugabe is still making difficulties.
3. The Front Line observers in London have been putting pressure on the PF.
4. Machel, Kaunda and Nyerere may be meeting tomorrow and this may exercise further pressure on the PF.
5. Tongagara and Dabengwa are going to see Robin at 9am tomorrow to go through the ritual motions of hearing about the 10th place.
6. The LPS will call in Nkomo and Mugabe tomorrow and will put as much pressure on them as he can.

On the whole things are looking reasonably positive. Nkomo was on World at One today "sounding bullish". But the message as relayed by the news is that things are going well and Nkomo is quoted as saying "It seems as if agreement might be possible within a few days."

Robin added that there is always the danger that they will come up with some further demand. If they do, we will make it clear to everyone concerned that this is just not possible. There is nothing else on offer.

Nick Fenn leaves for Salisbury tomorrow.

Robin's final message was to urge the Secretary of State not to worry too much. Things don't look bad. Its just the time factor.

Note by Sui F Cooper
For meeting 17/XII/79, Pentagon.

Japanese

MEETING WITH DR BROWN

Three topics

1. How does US view Soviet Military power and intentions?
2. How does US see threat by Soviets to Western interests outside NATO and relevance of force and forces to it?
3. Need for UK to do better in Sales field and West to collaborate more.

SOVIET POWER

1. Soviet strength appears excessive. High rate of spend despite low economic growth. Continuing high rate of research, development and (not least) production. Why? What purpose? What intentions? How do you see the balance of power in military terms? What about China? Do you see a basis for change? What about chemical warfare? Where is large area of risk within NATO?

OUTSIDE NATO

2. What kind of risk do you see ^{From} ~~for~~ Soviet Union outside NATO area? What is its purpose? Will force be used and if so what kind? What kind of military forces are likely to be most relevant? What about the use of "surrogate" forces? Are coups and blackmail more likely - should we be looking harder at how to deal with them? What more should we all do?

DEFENCE SALES AND COLLABORATION

1. Could argue forever about figures - but no real debate that it is 3:1 in US favour. Not arguing for balance but three basic facts:-

a. Britain does help. Recently on Theatre Nuclear Weapons; in CYPRUS AND GIBRALTAR; IN OMAN; DIEGO GARCIA AND ASCENSION. Also in technical sphere - CHOBHAM ARMOUR; AIRFIELD DENIAL WEAPONS; VSTOL; DIGITAL LAND MASS SIMULATORS to help with CRUISE MISSILE navigation.

b. Britain buys. TO/W anti-tank guided weapon. SUB-HARPOON anti-ship guided weapon. CHINOOK helicopters. MARK 46 Torpedoes. At least \$1300 m. - and more to come. Thinking about infantry fighting vehicles and MARK 48 Torpedoes - which could be as much again((NB) Our industry has done well in sub-contracts but on a competitive basis.)

c. Britain doubts. Long term since US bought a system. What about buying RAPIER, 81 mm Mortar, Combat Support Boat, Tornado, GIANT VIPER, Mine Counter Measure vessels. Need to convince Parliament, people, industry that it is two-way street. What happens to our collaborative projects? JP 233 (an airfield ~~device~~ weapon). AV8B are dubious in US BUDGET? Will collaborative projects survive? Will US cancel?

CONCLUSION

Want to collaborate, sell and buy. This is in Western interest. But must show results for us all.

What about buying Rapier?
What about buying 81 MM ?
More drive on JP 233.
Need three months on AV8B before we can decide.
Want to move ahead on other collaborative projects with Europe and you. Let us try and work it out.

IRAN
General

Latest news on Iran. Is there evidence of relaxation in Iranian views? Would Americans settle for tribunal? If so in what form? Presume that trial of any kind would be unacceptable to American opinion?

US Plans

Is US still seeking freeze on assets? Has emphasis shifted to action in the UN? If US is thinking in terms of Chapter 7 determination, would they take it on one stage or two? When would they initiate action?

UK attitudes

UK would support Chapter 7 action. Would work with US in pursuit of convincing majority. Not yet certain that such a majority would be easy to obtain. Necessary to be clear about the contents of Chapter 7 determination.

Longer Term

How does the President see the situation developing? Intervention? Effects of events in Iran on neighbouring countries. Is there need for new policies in any of those countries, eg, Saudi Arabia?

P.T.O.

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Defensive: Other options

- a) freeze on assets: serious doubts about consequences for the world financial system. Legal difficulties. UK very exposed.
- b) oil embargo: loss of Iranian supplies damaging. Difficulty of preventing up-take by others, eg Russians. Joint action to resist high prices possible. Attitude of Japanese?
- c) arms embargo: a possibility. UK will ship no arms until hostages released.
- d) denial of credit: ECGD have been "off cover" since February.
- e) Food: community action required. Have US stopped shipments yet? Do they intend to do so?

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Arms for the RUC

Well aware of the difficulties of this subject on the President's point of view. Conscious of the congressional pressures and the awkward timing in relation to the primaries.

But this is a very sensitive issue in UK.

The Government determined to make political progress. Difficulties of course considerable. But the signs are that the Conference on the government of Northern Ireland will get underway early in January. SDLP have now agreed to attend. DUP have not pulled out. Hope news welcome in US.

Failure of US to supply arms to the RUC may jeopardise political initiative. Will cause strong reaction in Northern Ireland. Storm in UK Parliament likely. RUC is a non-sectarian police force. Garda and RUC work together against a common enemy. Will be seen as IRA propaganda victory.

Perhaps most important, practical consequences for RUC will be damaging. Have handled arms in question. Ruger clearly needed. Hope that President can see way to authorising licences.

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Energy Questions

Agree about importance of reducing dependence on oil and on need to reduce consumption. Welcome outcome of IEA meeting in Paris.

How does President Carter see the prospects for Caracas. Sheikh Yamani seemed reasonably optimistic. Believed that supply currently exceeds demand by 1 billion barrels per day (MBPD). Believes for much of next year excess between 2 and 4 MBPD. Expects major producers to sustain current production. Downward pressure on prices. Interested to hear of President's plans to reduce US consumption. Consequences for inflation?

UK consumption also down. No room for relaxation. British position less favourable than might appear because of world wide commitments on BP and Shell.

Neither Government nor BNOC trying to lead the market in oil prices. Prices of similar crudes cost to UK of not following spot prices considerable.

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RHODESIA

US help in recent days very deeply appreciated. Hope that difficulties with Congress are not serious.

Outcome still unclear but signs are encouraging. Nkomo clearly willing to settle on basis offered. Mugabe, despite plans to visit New York still in London. Coming under intense pressure from the Front Line States to sign. Indications that Front Line States plan to meet today.

Pressing other allies to lift sanctions soon. Hopeful that French and Germans will agree to do so. Momentum now existing very strong. Difficult to believe that Mugabe can resist for very long. But he may not sign until Foreign Secretary's return on Wednesday.

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MISCELLANEOUS

Caribbean

Difficult to prevent Cubans attempting to exploit the situation. The failure of the Cuban economy and the unattractive aspects of the regime should be highlighted.

Seek President's views on the situation in Caribbean. UK willing to help. Do not believe however that denial of independence to those who want it would be helpful. Greater investment might be helpful but aid should be denied to those who turn their backs e.g. Grenada and Guyana. Independence for Belize overdue. ~~is~~ *look of* Guatemala. A lessening of US support could be helpful.

Trade Issues

Hope that agreed solution can be found to the problem of US exports of synthetic textiles to the EEC. Wish to avoid having the Community impose restrictions.

Extra Territoriality

Attempts by US regulatory agencies and courts to extend jurisdiction causing difficulties. The ~~trouble~~ ^{trouble} damage action brought by Westinghouse against RTZ gravely embarrassing. UK forced to introduce legislation to improve defences of British firms. Protection of Trading Interest Bill not confrontation. Hope we shall never need to use it.

/Shipping

Shipping

Unilateral regulation of shipping services (US) leads to jurisdictional clashes.

US and UK should not be seen at loggerheads in area of such strategic importance. Bilateral negotiations must not be broken off.

PRIORITY

UNCLASSIFIED

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FM WASHINGTON 172053Z DECEMBER 79

TO PRIORITY C O I

TEL NO RETRACT 13 OF 17 DECEMBER.

ATTENTION COI NEWSROOM.

+ P.M's

HERE IS THE PRESIDENTS MESSAGE AT THE WHITE HOUSE ARRIVAL CEREMONY.

IT IS INDEED AN HONOR FOR ME, ON BEHALF OF THE PEOPLE OF OUR NATION, TO WELCOME TO THE UNITED STATES THE PRIME MINISTER OF THE UNITED KINGDOM, MARGARET THATCHER. OUR COUNTRY HAS IN ITS ANCESTRY PEOPLE FROM ALMOST EVERY NATION ON EARTH. WE ARE, MADAME PRIME MINISTER, INDEED A COMMONWEALTH OF ALMOST EVERY NATION, LOCATED WITHIN THE BOUNDARIES OF ONE COUNTRY.

BUT THERE IS NO DOUBT THAT FROM YOUR OWN COUNTRY HAS COME THE HERITAGE AND THE POLITICAL FAITH AND THE CIVILIZATION OF OUR COUNTRY, AS THE PREEMINENT AND THE PRIME SOURCE. WE SHARE A LOT IN COMMON. ALTHOUGH OUR CARS, OUR AUTOMOBILES, MAY DRIVE ON OPPOSITE SIDES OF THE HIGHWAY, OUR PEOPLE GENERALLY MOVE IN THE SAME DIRECTION. AND WE SHARE, OR AT LEAST WE ATTEMPT TO SHARE, A COMMON LANGUAGE. SOMETIMES WE DON'T SUCCEED. BUT IN THE MOST IMPORTANT THINGS, WE DO SEE ISSUES AND IDEAS, CHALLENGES, HOPES AND EXPECTATIONS IN THE SAME WAY

WE ARE BOUND TOGETHER WITH A COMMON BELIEF THAT OUR NATIONAL SECURITY IS INTERTWINED WITH YOURS. WHEN WE DEAL WITH IMPORTANT ISSUES OF THE PRESENT AND FUTURE YEARS, LIKE ENERGY, OUR CONSULTATIONS ARE VERY CLOSE. WE ARE BOUND TOGETHER THROUGH TRADE AND CULTURE, THROUGH TOURISM AND THROUGH BLOOD KIN. PERHAPS THE MOST IMPORTANT THINGS, HOWEVER, WHICH BIND US TOGETHER ARE A COMMON BELIEF IN FREEDOM AND DEMOCRACY: THE RIGHT OF PEOPLE TO SPEAK THEIR OWN MINDS WITHOUT INTERFERENCE; AND THE BELIEF IN EQUAL JUSTICE FOR ALL.

WE BELIEVE IN THE DIGNITY OF INDIVIDUAL HUMAN BEINGS, IN THE IMPORTANCE OF THAT, AND THE ENHANCEMENT OF HUMAN RIGHTS THROUGHOUT THE WORLD. WE ALSO SET A BENCHMARK FOR OTHER NATIONS TO STUDY AND PERHAPS TO EMULATE ON HOW GREAT AND SOVEREIGN NATIONS CAN DEAL WITH ONE ANOTHER IN A CONSTRUCTIVE AND HARMONIOUS WAY, EVEN WHEN AT TIMES THERE ARE DIFFERENCES BETWEEN US.

(M)

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/AS...

AS ANOTHER STRONG PRIME MINISTER OF THE UNITED KINGDOM SAID, WINSTON CHURCHILL: THE PRICE OF GREATNESS IS RESPONSIBILITY. IT IS OBVIOUS TO ALL AMERICANS THAT IN THE LAST SEVEN MONTHS, MADAME PRIME MINISTER, YOU HAVE EXHIBITED GREATNESS IN THE FORM OF ASSUMING RESPONSIBILITY: NOT ONLY TO DEAL WITH IMPORTANT AND DIFFICULT DOMESTIC ISSUES, WHICH WE ALSO HAVE IN OUR OWN COUNTRY, BUT IN SEARCHING FOR WAYS IN WHICH YOU CAN MEET THE CHALLENGES OF THE INTERNATIONAL WORLD.

YOU HAVE HELPED US IN THE EVOLUTION OF OUR SALT TREATY, AND YOUR STRONG SUPPORT FOR IT PLAYS A MAJOR ROLE IN SHAPING OPINION IN OUR OWN COUNTRY. THE RECENT DECISION MADE IN THE EUROPEAN COMMUNITY, ATLANTIC ALLIANCE NATIONS ON THEATER NUCLEAR FORCES HAS FELT THE BENEFIT OF YOUR STRONG LEADERSHIP. WE JOINED TOGETHER MANY MONTHS AGO IN STRENGTHENING THIS NATO ALLIANCE. AND OF COURSE WE SHARE AS WELL A DETERMINATION THAT IN THE FUTURE OUR EFFORTS ON CONTROLLING BOTH CONVENTIONAL AND NUCLEAR WEAPONS WILL BE SUCCESSFUL.

WE HAD LONG DISCUSSIONS IN TOKYO EARLIER THIS YEAR ABOUT HOW TO DEAL WITH THE INCREASING PRICE OF ENERGY AND THE PROSPECTIVE SHORTAGE OF ENERGY ON A WORLDWIDE BASIS. AND I AM VERY GRATEFUL THAT WE DO SHARE THAT RESPONSIBILITY, BECAUSE YOU ADD GREAT STRENGTH TO OUR OWN EFFORTS, AND HELP TO INDUCE OTHER COUNTRIES TO BE RESPONSIBLE AND FORTHRIGHT IN MEETING THIS CHALLENGE IN A SUCCESSFUL WAY.

OUR PEOPLE HAVE BEEN DEEPLY GRATEFUL AND FILLED WITH ADMIRATION AT THE SUCCESSFUL EFFORTS THAT YOU HAVE BROUGHT TO RESOLVING THE LONG STANDING PROBLEMS IN ZIMBABWE RHODESIA. AND WE HOPE THAT SOON THAT NATION, BECAUSE OF YOUR OWN EFFORTS, WILL BE BLESSED WITH A MAJORITY RULE GOVERNMENT, AND WILL BE FREE OF WAR AND COMBAT, AND CAN INDEED HAVE PEACE, AND JOIN THE DEMOCRATIC NATIONS OF THE WORLD.

I WANT THE AMERICAN PEOPLE TO GET TO KNOW YOU, MADAME PRIME MINISTER, AS I HAVE COME TO KNOW YOU AND ADMIRE YOU. AND I PARTICULARLY WANT TO EMPHASIZE THAT OUR PEOPLE IN GREAT BRITAIN, THE UNITED KINGDOM, AND THE UNITED STATES, HAVE ALWAYS SEEN OUR FINEST ACHIEVEMENTS IN TIMES OF CRISIS AND IN TIMES OF CHALLENGE. I PARTICULARLY WANT TO THANK YOU PERSONALLY, ON BEHALF OF ALL AMERICANS, AND REMIND ALL OF THE CITIZENS OF THIS COUNTRY THAT FROM THE VERY FIRST MOMENT WHEN AMERICAN HOSTAGES WERE CAPTURED AND HELD ILLEGALLY IN IRAN YOUR GOVERNMENT HAS BEEN IN THE FOREFRONT OF THOSE WHO HAVE HELPED US IN EVERY WAY: BOTH PRIVATELY AND THROUGH DIPLOMATIC MEANS, AND THROUGH PUBLIC MEANS YOU HAVE BEEN STAUNCH ALLIES, STAUNCH FRIENDS, STAUNCH SUPPORTERS OF OURS. AND I DEEPLY APPRECIATE IT. (APPLAUSE.)

I MIGHT SAY IN CLOSING, MADAME PRIME MINISTER, THAT THIS IS TYPICAL

OF THE INTERRELATIONSHIPS WHICH OUR TWO NATIONS HAVE ALWAYS ENJOYED IN THE PAST. YOU ARE AT HOME HERE. THIS IS NOT YOUR FIRST VISIT. MANY AMERICANS ALREADY KNOW YOU AND ADMIRE YOU FROM A DISTANCE. AND I AM VERY GRATEFUL THAT YOU HAVE COME AT THIS TIME, NOT A TIME OF DORMANCY OR A TIME OF SELF SATISFACTION, BUT A TIME OF CRISIS AND A TIME OF CHALLENGE, AS A STRONG LEADER OF ONE OF THE GREAT NATIONS ON EARTH. MADAME PRIME MINISTER, WE DEEPLY APPRECIATE YOUR VISIT: THE PEOPLE OF MY GOVERNMENT, THE PEOPLE OF OUR NATION WELCOME YOU TO THE UNITED STATES. THANK YOU VERY MUCH. GOD BLESS YOU AND THE PEOPLE WHOM YOU REPRESENT. (APPLAUSE.)

PRIME MINISTER THATCHER: MR PRESIDENT, THANK YOU VERY MUCH FOR YOUR WARM WELCOME AND FOR THE VERY GENEROUS TERMS IN WHICH YOU EXPRESSED IT. I AM DELIGHTED TO BE BACK IN WASHINGTON AND TO HAVE THE OPPORTUNITY OF MEETING YOU, MR PRESIDENT, AND MANY OTHER FRIENDS ONCE AGAIN.

I DON'T NEED TO DWELL ON THE EMOTION WHICH ANY BRITISH PRIME MINISTER MUST FEEL ON TAKING PART IN THIS CEREMONY ON THE WHITE HOUSE LAWN FOR THE FIRST TIME. THE UNITED STATES IS THE MOST POWERFUL FORCE FOR FREEDOM AND DEMOCRACY THE WORLD OVER, AND WE SALUTE AND WE HONOR YOU.

OUR MEETING, MR PRESIDENT, EXTENDS A LONG AND HISTORIC SERIES. THE FRIENDSHIP BETWEEN OUR TWO COUNTRIES STRETCHES FAR INTO THE PAST. IT RESTS ON A NATURAL AFFINITY AND AFFECTION WHICH STAND ABOVE THE BUFFETINGS OF FATE AND FORTUNE. THE REALTIONSHIP, AS YOU HAVE SAID, MR PRESIDENT, IS INDEED AN EXCEPTIONAL ONE. IT IS EXCEPTIONAL IN ITS EASE. IT IS EXCEPTIONAL IN ITS DURABILITY. IT IS EXCEPTIONAL IN ITS CONSEQUENCES, AND I LOOK TO SEE IT DEEPENED FURTHER IN THE TALKS THAT WE ARE ABOUT TO BEGIN.

MR PRESIDENT THIS ISN'T AN EASY TIME FOR THE UNITED STATES AND I WANT YOU TO KNOW THAT EVERY BRITISH HOME HAS FOLLOWED ANXIOUSLY THE EVENTS OF THE LAST SIX WEEKS IN TEHRAN. THE CRUEL ORDEAL INFLICTED ON THE HOSTAGES HAS AROUSED THE INDIGNATION OF THE CIVILIZED WORLD AND OUR HEARTS GO OUT TO THE HOSTAGES AND OUR THOUGHTS ARE WITH THEM AND THEIR FAMILIES HERE.

OUR ADMIRATION GOES TO THE AMERICAN PEOPLE FOR THEIR PATIENCE AND WISDOM AND SELF CONTROL. YOU YOURSELF, MR PRESIDENT IF I MAY SAY SO, HAVE WON ENORMOUS RESPECT IN BRITAIN FOR THE STATESMANSHIP, CALMNESS, AND COURAGE WITH WHICH YOU HAVE FACED AN AGONIZING PROBLEM. AT TIMES LIKE THIS YOU ARE ENTITLED TO LOOK TO YOUR FRIENDS FOR SUPPORT. WE ARE YOUR FRIENDS. WE DO SUPPORT YOU, AND WE SHALL SUPPORT YOU. LET THERE BE NO DOUBT ABOUT THAT. (APPLAUSE).

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MR PRESIDENT, AS WELL AS THE GREIVOUS EVENTS IN IRAN THERE IS MUCH TO DISCUSS. FOR EXAMPLE, RHODESIA, WHICH YOU HAVE MENTIONED, WHERE WE ARE DEEPLY GRATEFUL FOR YOUR UNDERSTANDING AND SUPPORT THROUGHOUT THE NEGOTIATIONS AND NOT LEAST IN THE LAST FEW DAYS, ON DEFENSE, WHERE WE APPLAUD THE PROGRAM THAT YOU HAVE JUST ANNOUNCED AND WHERE WE TAKE OUR FULL PART IN THE MODERNIZATION OF THE THEATER NUCLEAR FORCES IN NATO, ON ENERGY AND ECONOMIC PROBLEMS WHERE WE ARE BOTH ACTIVELY SEEKING TO CONTROL INFLATION AND TO USE OUR RESOURCES BETTER, AND ON EUROPE, WHERE I WILL TELL YOU OF MY CONFIDENCE THAT THE COMMUNITY WILL RESOLVE ITS PRESENT DIFFICULTIES AND EMERGE A STRONGER PARTNER FOR THE UNITED STATES.

AFTER THIS SPLENDID WELCOMING CEREMONY, MR PRESIDENT FOR WHICH I DO INDEED THANK YOU, I LOOK FORWARD TO TACKLING OUR FORMIDABLE AGENDA AND ON REACHING A BROAD MEASURE OF AGREEMENT. WE BRING YOU AFFECTIONATE GREETINGS AND GOOD WISHES TO ALL THE PEOPLE OF THE UNITED STATES OF AMERICA. (APPLAUSE).

END (AT 10:20 A.M. EST)

HENDERSON

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HMA

Mr Alexander

PRIME MINISTER'S VISIT TO WASHINGTON: BILATERAL ECONOMIC ISSUES

1. You asked me to prepare a note on how the Prime Minister might be advised to handle bilateral economic issues in her discussions with President Carter and Congressional representatives, given the shortness of time and the focus of the Americans on the Iranian problem.

2. From the view point of this Embassy, it is important to mention only two of the bilateral economic issues covered in the briefs:-

- i) US exports of synthetic fibres
- ii) anti-trust and other problems of extraterritorial jurisdiction.

A third bilateral problem, Shipping, is also important, but should, I suggest, only be raised by the Prime Minister if President Carter raises the problem of the US/UK Air Services Agreement.

Synthetic Fibres (PMVY (79) 11)

3. The brief suggests that this subject should not be raised but gives a Line to Take if President Carter should raise it.

4. The situation has moved on since the brief was written and I think the Prime Minister should now take the initiative in raising it:-

- a) because the EEC/US consultations on US exports of synthetic fibres took place on 14 December and got nowhere. The Commission will report this to the Council of Ministers on 18 December. The UK may soon have to press for safeguard action.
- b) So that the Americans are aware at the highest political level of the seriousness of the political problems we face;
- c) So that afterwards we are able to say publicly that the question did not go by default.

5. The line suggested in PMVY (79) 11, paragraphs (i) and (ii) seems right.

Anti-Trust and Problems of Extraterritorial Jurisdiction (PMVY (79) 13)

6. The Prime Minister's visit is a good opportunity to impress on American political leaders the growing importance of this problem. But it will be important to avoid giving the impression that it is being put forward as a cover for not going along with US requests for support over the freezing of Iranian assets. The line suggested in PMVY (79) 13 is broadly enough cast to avoid this risk.

If the Prime Minister is asked how she sees this problem in relation to US action in freezing Iranian assets of US banks and their subsidiaries abroad, she might say:

- i) it is obvious that conflicts may arise where banks are operating within the jurisdiction of several different countries;
- ii) as far as the UK is concerned, the Courts are at present looking at a number of cases where this problem may arise. While they are sub-judice, it would be inappropriate for the Prime Minister to comment.

7. There is one important point which the brief does not bring out, but which the Prime Minister might usefully make, especially when speaking to Congressional leaders. This is that where such problems of parallel or over-lapping jurisdictions arise, our preferred course has always been to proceed through discussion and negotiation. We shall continue to pursue this course and hope we can look to the United States to adopt a similar approach in the interests of avoiding the development of new barriers to trade through excessive regulations or the fear of litigation.

D M D Thomas

D M D Thomas

16 December 1979

copied to:
Mr Walden
Sir R Armstrong
Sir M Palliser
Mr Ryrrie
Mr Morland

From: THE PRIVATE SECRETARY

se Ireland 1 Sit in N.I. PLS
Ireland: Oct 79: Eire Sit



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

M. Pattison Esq
10, Downing Street
London
SW1.

14 December 1979

Dear Mike,

Following yesterday's briefing meeting for the Prime Minister's visit to Washington, you asked for details of Mr. Lynch's remarks in condemnation of the IRA and in support of cross-border security cooperation, during his recent visit to the US; and also of Mr. Haughey's comments on these subjects at his first press conference. I attach a note of these, together with a report of the latter's remarks to the same point in the Dail yesterday (taken from the Irish Times).

You also asked for advice about background reading on Northern Ireland before the visit. There is remarkably little recent suitable literature, but I am sending you Richard Rose's "Governing without Consensus" (1971), which is still sensible on the underlying political themes. (Please return in due course). We are looking around for further ideas, and will let you know if any seem worth following.

I am also enclosing a note headed 'RUC - Personal Protection' about Rugers and Walthers which was prepared by RUC officers and summarises yesterday's oral briefing.

Yours sincerely,

Clare A. Harra.

for M. W. Hopkins

MR LYNCH'S CONDEMNATION OF IRA

Throughout his visit to the United States both in public and in private Mr Lynch emphasised his condemnation of terrorism and of those who supported it, directly or indirectly. Speaking at the National Press Club on 9 November, Mr Lynch said that a small hard-core minority remain who, though fully aware of the circumstances, continue to support the killing either by contributing their dollars, or, in an even more sinister fashion in recent years, lending their political and moral support. To those few and those whom they support, I wish to say: "The Provisional IRA are the real enemies of Ireland and the Irish people. Their supporters are the real obstacle to the achievement of peace and reconciliation. You are putting off the union of peoples which we seek". He went on to say, "It has become abundantly clear that the overwhelming majority of the people of Ireland, North and South, reject violence as a means of achieving political objectives. Voting in free elections on both sides of the border, the Irish people have decisively rejected those candidates who have any association with violence. At no election in the last ten years have such candidates won more than derisory support, less than 2% in most cases we utterly and unreservedly reject violence as a method of bringing about political change. We have been and remain fully resolved to prevent use of our jurisdiction as a base for attacks on Northern Ireland or for the deeds which are repudiated and abhorred by the overwhelming majority of the Irish people, North and South. The deeds are of a savagery which seems always to seek to outdo its own horror - like bombs in a crowded restaurant or the killing of a father before his children".

In a separate interview in Time magazine on 12 November, Mr Lynch said "it is well known that the Provisional IRA are associated with international terrorism We abhor entirely the manner in which they are pursuing their activities - placing bombs in crowded areas, killing indiscriminately, doing acts of violence that make Irish people ashamed. These men are not fighting for a United Ireland; they are maintaining the division of Ireland - the fear and bitterness that exist in the North. It is brutal and horrific gangsterism".

SECURITY CO-OPERATION: HELICOPTER OVERFLIGHTS

Speaking at the National Press Club about Security co-operation between Ireland and Britain, Mr Lynch stressed the need to tackle what he saw as the root cause of the problem, but confirmed that he had agreed to improve security co-operation. He said that the two Governments had agreed not to disclose the terms of their agreement but went on to say that allegations about a so-called air corridor were without foundation. There was no question of a free corridor. The Irish Government had decided, however to make some very slight modifications to existing procedures under 1952 legislation providing for foreign flights near the border with prior permission from Dublin. Nor had the Irish Government given agreement to so-called "hot pursuit". This had been raised before his talks with Mrs Thatcher and Mr O'Kennedy's with Mr Atkins, but had not been pursued.

COMMENTS FROM MR HAUGHEY'S PRESS CONFERENCE: 7.12.79

- Q. Mr Haughey, do you envisage your policy on Northern Ireland differing in any way from that of Mr Lynch?

Mr Haughey: No. The Fianna Fail policy on Northern Ireland has been quite clear enunciated in the 1975 declaration by the party and that will remain our policy. There may be perhaps differences on particular aspects I see differences of emphasis here and there, the thrust of our policy will be the same - the reunification of our country by peaceful means, the bringing together of the traditions in the country and the pursuit of unifying the Irish people.

- Q. Do you place greater emphasis on British withdrawal from Northern Ireland?

Mr Haughey: The Fianna Fail 1975 policy declaration is quite specific on that matter and I might suggest perhaps that it has not been as closely read as it might have been. It begins with a declaration that we want to bring about the re-unification of the country by peaceful means that we abhor violence, we condemn violence and then it goes on to say that towards this end we would like the British to enter into a commitment to disengage from Northern Ireland - from this country.

- Q. Do you accept the recent agreement between Mr Lynch and Mrs Thatcher about cross border security?

Mr Haughey: The security arrangements which are in existence will be maintained.

- Q. Could you state unequivocally your attitude towards the Provisional IRA?

Mr Haughey: I condemn the Provisional IRA and all their activities. I want to make it clear that I have never done anything else.

- Q. Why have you not in the past made such an unequivocal statement?

Mr Haughey: This is the first time that I have been asked in this position. Up to now the responsibility for making Fianna Fail party policy statements on these matters belonged to others.

- Q. What is your feeling about the pursuit of terrorists across the border from north to south?

Mr Haughey: I believe very strongly that our Army and our Garda Siochana are totally capable of dealing with security matters in so far as the territory of this state is concerned.

- Q. Does that mean that you would not support the idea of helicopter overflights from the north to the south in pursuit of terrorists?

Mr Haughey: Only with permission.

- Q. Would that permission be granted in normal circumstances?

Mr Haughey: That would depend on the circumstances. Yes. But by and large I want to make it absolutely clear that I believe that the responsibility for the preservation of peace and security in the territory of this state belongs with the Garda and the Army.

- Q. What is your attitude to the Humphrey Atkins document?

Mr Haughey: I think it has already been shown to be inadequate.

- Q. What is your attitude to power-sharing and the Irish dimension that is much talked of?

Mr Haughey: The 1975 Fainna Fail policy document indicates that pending the withdrawal or disengagement of Britain from Irish affairs that we should pursue the peaceful coming together of the communities by means of interim institutions. Any such interim institution would be welcome.

Q. What are your priorities?

Mr Haughey: I would regard the peaceful unification of the people of Ireland as my primary political priority. Naturally, allied to that I have the very clear priority to promote the economic development of the country in every possible way.

Q. Will you be asking for a meeting with Mrs Thatcher to discuss Northern Ireland?

Mr Haughey: I have no such plans. It would obviously be of importance and either I and the British Prime Minister or any of my Cabinet colleagues should maintain the greatest possible level of contact and communication with our British counterparts.

Q. I imagine you would get on well with Mrs Thatcher?

Laughter exclamation marks.

Mr Haughey: I could not possibly imagine any reason why I wouldn't.

Q. Would you talk to Ian Paisley?

Mr Haughey: Certainly, I will, of course.

Q. Do you intend to be spokesman on Northern Ireland like Mr Lynch?

Mr Haughey: We have a tradition in the party that Northern Ireland responsibility is restricted - anything like major pronouncements on Northern Ireland matters - are restricted to the Foreign Minister and the Taoiseach. I will probably continue that.

MR C HAUGHEY'S SPEECH TO THE DAIL: 13.12.1979

In his first major speech to the Dail in his reference to Northern Ireland the Taoiseach said he totally rejected violence. It had been and would be the constant endeavour of the Government to achieve Irish Unity by peaceful means, by agreement and in harmonious relationship with our neighbour Great Britain. The Government would concern itself with full civil rights and equality in Northern Ireland and with the impartial enforcement of the law. All people regardless of class or creed under the common name of Irishman, who were constructive in their approach in relation to Northern Ireland would find his door always open. The fundamental principles of FF, as restated in the 1975 policy document, was for an independent, democratic, 32-county Republic by agreement. There might be a change of emphasis in the Government approach. The ways of progress were not always fixed or unchanged. There had been changes within Northern Ireland over the past ten years and changes in the international context, but the basic principles were the same. The security forces would maintain maximum security on the border, preventing totally, as far as was within their capacity, all cross-border incursions of a subversive nature within the rule of law.

RUC - PERSONAL PROTECTION

OBJECTIVE: A weapon for personal protection which is reliable, effective and simple to handle and maintain. Must lend itself to a training programme embracing 10,000 members and encompass the simplest and most effective safety procedures.

CHOICE: The Walther semi-automatic 9 mm pistol, in use for 5 years, has proved unsatisfactory. Eleven weapons tested - 7 revolvers and 4 pistols. Professional assessment indicated that the Ruger .357 magnum revolver best met RUC needs.

	<u>Revolver</u> (Ruger .357 magnum)	<u>Semi-Automatic Pistol</u> (Walther 9 mm short)
Muzzle velocity	1,168 feet per sec.	970 feet per sec.
Muzzle energy (impact energy)	457 feet lb.	195 feet lb.
Accurate range	55 metres.	40 metres.
Projectile range	2,200 metres.	1,000 metres.
Reliability and Effectiveness	Simple to use and safe; Training straightforward; Greater stopping power;	Complex to load, activate and shoot; Prone to jam; More liable to accidental discharge;

AMMUNITION: The type of ammunition used has a considerable bearing on stopping power. A wider range of ammunition can be used in the revolver.

BATCH ORDER: In good faith through Ruger UK Agent. No reason to suppose there was any problem.

1. September 1978 - Ruger - 3,000 revolvers)
500 rifles) Received
2. November 1979 - Ruger - 3,000 revolvers - embargo.

The total RUC order highlighted by its size - 9,000 revolvers in three consignments of 3,000 each. Could take outstanding 6,000 revolvers in one batch.

OTHER POLICE FORCES: Other UK police forces are known to hold revolvers manufactured in the USA.

Personal selection in many USA forces. A variety of weapons in use. Control of weapons in UK police forces appears to be much more strict.

THE TERRORIST: Uses a variety of weapons, many of which have a longer range and are more powerful than the Ruger revolver which, in itself, could not be described as 'more offensive than the Walther'. All weapons can kill.

LOGISTIC PROBLEMS FOR RUC Fewer than one third of the RUC (Regular and Reserve) carry the Ruger. Issued to those in most dangerous areas, thus creating difficulties in redeployment.



From the Secretary of State

M Alexander Esq
Private Secretary
10 Downing Street
London, SW1

Ans 14 December 1979

Michael. MS + your copy
I have amended in manuscript

STBVB
14.12.

Dear Michael

PRIME MINISTER'S VISIT TO WASHINGTON
BRIEF ON CUBA - PMVY(79)8E

The reference, in the brief on Cuba for the Prime Minister's visit to Washington, to the US proposal for a ban on credits for Cuba suffers in our view from undue compression. Departments have in fact advised strongly against the American ideas.

We think that the position could be clarified by two small amendments to the brief as follows:

Points to Make - Paragraph 7. Amend to read:

"7 As Mr Ridley explained through the US Embassy in London, while we sympathise with the American objective of wishing to discourage Cuban adventurism we have serious doubts about their proposal to use the limitation of credits for this purpose."

Essential Facts - Paragraph 3, First sentence
Delete, and substitute:

"The UK has sympathy with the US objective of wishing to discourage Cuban adventurism. However, we share doubts with France and Canada about the US ideas for limitation of credits for this purpose."

Copies of this go to the Private Secretaries to the Foreign Secretary, the Chancellor of the Exchequer and to Sir Robert Armstrong.

Yours Sincerely
Hugh Bartlett.

H W BARTLETT
Private Secretary



14 DEC 1978



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Foreign and Commonwealth Office

London SW1A 2AH

14 December 1979

Dear Michael,

Prime Minister's Visit to Washington:
Talk to Congressmen

You asked last night for speaking notes for the Prime Minister's meeting with Congressmen on Iran, Northern Ireland, Rhodesia and Economic Policy. I now enclose such notes. / Those on Northern Ireland and Economic Policy have been prepared in consultation with the Northern Ireland Office and HM Treasury respectively.

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

Notes for use in talking to
Congress: probably better than a formal
text.

PRIME MINISTER'S VISIT TO WASHINGTON
SPEAKING NOTES

Print 14/11

RHODESIA

Government decided soon after taking office to make determined effort to solve Rhodesian problem. Intractable problem - continually soured our relations with African and other non-aligned countries for 14 years, more recently threatened to start conflagration in South Africa, possible East/West confrontation.

Extensive consultations - CHGM Lusaka - recognition that April elections had changed situation - Constitutional Conference Lancaster House. We were faced with two parties: Bishop Muzorewa, who had power, control over forces, considerably popular support; Patriotic Front, convinced they could win power by continuing war. We had to persuade both to submit their political aspirations to the will of the people of Rhodesia in free and fair elections supervised by us. No easy task. Both sides had to make concessions.

Now we have agreed Constitution providing for genuine majority rule; agreed arrangements for elections, with Rhodesia under British Governor, once again a legally constituted British dependent territory; and arrangements for cease-fire which we are satisfied with good will on all sides, can be made to work. [Grateful for support of US Government with whom we have worked closely throughout.]

Our approach has carried risks - eg sending Governor to Rhodesia before final cease-fire details agreed - but convinced risks of inaction would have been greater. Prize is peace and future stability for Rhodesia and surrounding countries. We have not won it yet, but we are in with a chance.

IRAN

Developments in Iran have given us all cause for great anxiety. At the time of the revolution US Administration and British Government of the day took every step available to assure the new Iranian leaders that we wished to remain in good relations with them, continue trade and co-operate in adjusting to changing circumstances of that part of the Middle East. Both Governments demonstrated the maximum amount of goodwill. Also sure that the time our attitude was reciprocated by many Iranian officials. They realised it was not in Iran's own interest to sever connexions with the West.

Recent events a tragedy for Iran too. The violent seizure of US Embassy, condoned by the Iranian leadership, has brought about the international isolation of Iran and alarmed Iran's own neighbours. US Administration has reacted throughout with restraint and firmness. You have had, and will continue to have, our full support. I said so in the House of Commons on 6 November within hours of it becoming clear that your diplomatic personnel were to be held as hostages. Since then, my colleagues and I have made a number of statements condemning Iranian action. Wish to draw attention in particular to the declarations issued by the European Community (Foreign Ministers in Brussels on 20 November; heads of Government in Dublin on 30 November). Also note that at a meeting of the Commonwealth convened in London on 27 November, the same call for the release of the hostages was made. Since then, the unanimous Security Council resolution of 4 December. Our Governments now continuing consultations about further steps.

Europe has no quarrel with Islam. What we deplore is irrational violence. All governments must accept obligation to protect lives and property of diplomatic representatives whom they have accepted in their country. But we must not make the mistake, (which our enemies would

would like) of equating reprehensible Iranian behaviour with the revival of true Islamic feeling throughout the Muslim world. We respect religious values and traditions and expect other countries to respect our own.

NORTHERN IRELAND

Much misunderstanding in America. Not a colonial problem. Deeply divided community. But substantial majority determined to remain as British as the Scots, the Welsh and the English. So "Brits out" and "British withdrawal" meaningless slogans.

If ever majority were to opt for Irish unity, no British Government would stand in the way. But we shall not abandon Northern Ireland to terrorist gunmen and bombers.

IRA not the heirs of Irish nationalist tradition. Enemies of democracy in both parts of Ireland. The people do not support them and will never vote for them.

Welcome part played by responsible Irish American politicians, notably Sepaker O'Neill, in discouraging support for IRA and its front organisations.

How are we dealing with terrorism? We stand firmly with Irish Government - under Mr Haughey as much as under Mr Lynch - in our commitment to fighting terrorism by the rule of law: painstaking police work: trial in open court: conviction if the evidence is sufficient. That is how the Irish convicted one of the IRA men who murdered Lord Mountbatten. All credit to them. And that is how we do it in Northern Ireland. Army are there in support of police.

Politically, determined to transfer real power and responsibility to elected representatives of the people of Northern Ireland. We want to do this with the agreement of the main political parties, and shall be holding a Conference in January. Parties have widely /different

different views and it will not be easy. But this is what the people of Northern Ireland want.

UK/US ECONOMIC POLICIES

Although there are many differences between our two economies, I am struck by similarities between our economic strategies. In Britain we have three fundamental objectives. First to achieve a durable reduction in inflation, as without that all other objectives will fail; second to improve incentives to work and risk taking; and thirdly to reduce the size and scope of the public sector and the extent of government regulation.

At the heart of the battle to reduce inflation is the need to ensure strict control of the money supply. We announced targets in June and are determined to stick to them, as is evidenced by the recent painful decision to raise our discount rate to 17 per cent. This is not a costless policy; as in the US, our output/expected to fall next year. But to try to avoid this while letting inflation continue can only create greater problems. To improve incentives we have cut income tax at all levels but in particular we have made substantial reductions in the rates at the top end of the scale. We have swept away a panoply of controls; on wages, prices, dividends and foreign exchange. We have made substantial cuts in the public expenditure programmes we inherited.

I see close parallels to all this here in the United States. There is the same perception that the upward surge of inflation has to be stopped and reversed; the same desire to reappraise government regulation and the same need for restraint^{of} public expenditure. I have watched with admiration the decisive way you have acted to bring the money supply under control.

Both our countries will be solely tested in the coming year. No early solution is in sight to the problems of energy, inflation and slow growth. There will need to be close co-operation between us if they are to be surmounted, but I am confident this will be forthcoming on both sides.

NORTHERN IRELAND

Notes for Questions

What about the conditions in Long Kesh/The Maze Prison/ the H Blocks?

These are convicted criminals engaged in a protest orchestrated by the IRA. It is they who create the filthy conditions. They demand special privileges as political prisoners. Why should a terrorist murderer be treated better than any other criminal?

What about RUC brutality - forced confessions

Rubbish. Enormous admiration for RUC. Highly disciplined force. If individual police officers misbehave they are dealt with under the law. The Bennett Report did not find evidence of widespread brutality! No police force in the world without occasional black sheep. But far fewer in RUC than in most.

Why does RUC need to buy arms from US?

Why not? US are leading manufacturer of police revolvers. RUC need them for self defence against terrorists armed with the most modern weapons. Why should we suppose that a close ally should see any difficulty in supplying weapons to a legitimate police force?

What about discrimination against Catholics?

In the past many Catholics perceived discrimination. But last ten years has seen enormous change; discrimination unlawful; wide range of institutions to prevent it. Now very rare.

Why aren't IRA invited to the Conference (cf the Patriotic Front)

Because they are only a tiny minority. The SDLP are the real representatives of the Catholic community: they've proved this by the ballot box.

Will the Conference discuss Irish Unity?

It's a legitimate aspiration if pursued peacefully. But no chance whatever of Conference agreeing on it. So let's concentrate on democratic institutions in Northern Ireland itself. Of course elected body in Northern Ireland could and would deal with Dublin over issues for which it was responsible.

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MO 26/11/5

(Washington file)

L. J. P. [Signature]

PRIME MINISTER

HARRIER/AV8B

You will be aware that the Americans earlier bought some one hundred Harriers from us, and more recently have been developing themselves a further improved version for the US Marine Corps, known as the AV8B. The main interest in this for us has been the prospect of substantial work for Rolls-Royce and to a lesser extent British Aerospace and certain equipment companies, in making those parts of each AV8B which we could expect to be sub-contracted here. We have been looking to this as a major element in redressing the very unequal balance of defence equipment trade which lies substantially in favour of the US.

2. However, the AV8B programme has had an unstable history with strong backing from Congress and the US Marines being countered by a lack of enthusiasm in the Administration. Dr Harold Brown told me in July that he does not regard the programme as cost effective, if the US were the only purchaser, and raised the question of possible UK procurement of the aircraft. In his view if Britain did not buy enough aircraft to reduce the AV8B unit cost significantly, the US was unlikely to buy any. He indicated he would need to address such considerations in early December 1979 during the final phases of putting their FY 81 defence budget together.

3. It so happens that the Royal Air Force and British Aerospace have also been considering future improvements to Harrier, since it is clear that its unique short take off and vertical landing performance will continue to provide a vital operational capability for the Royal Air Force and Royal Navy for a long

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time to come. Studies of a British design, known as the Harrier Mark 5, are well advanced but before reaching decisions on this I agreed with the Americans that we should look at their AV8B to see whether this might provide a sensible alternative.

4. In the last eight weeks, assisted by British Aerospace, we have been undertaking such an evaluation, but it is not yet possible to take a final view on the operational, cost and industrial implications of choosing the AV8B. In particular, we need further studies on the manoeuvre performance of the AV8B in air-to-air combat. This is a feature of real importance for RAF operations in the Central European environment, for which the UK Mk 5 Improved Harrier is specially designed. I shall also need to look most carefully at the cost of joining an AV8B programme since such information as we have suggests that it could be more expensive than continuing our own development. Against that we shall have to weigh the likely benefit to UK industry of a joint US/UK AV8B programme, which could be initially in the order of £450M more than for a Mark 5 Harrier programme, with perhaps further increases if there were additional Government orders and foreign military sales.

5. The political implications are likely to be complex and difficult. Much could depend on what industrial arrangements appear to be negotiable on such things as work shares, data rights and sales, but, even if all else should prove reasonably satisfactory a fundamental issue would be the extent to which the US could give assurances about the longer term stability of the programme within their system which demands annual budgetary and Congressional approval.

6. I need to consider these and other issues further before I can come to a conclusion but, knowing the US DOD budgetary timetable, I thought it was sensible to write to Dr Brown explaining this situation and expressing my hope that he would not find it necessary to close the option before we could give our decision. We shall try and get further information we require as quickly as possible and I will then circulate a further note. Meanwhile I thought you would wish to be aware of what is happening.

7. I am copying this minute to the other members of OD, to the Secretary of State for Industry and to Sir Robert Armstrong.

14th December 1979

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Foreign and Commonwealth Office

Monday

London SW1A 2AH

PA

14 December 1979

MJS

Sir Robert Armstrong KCB CVO
CABINET OFFICE

PRIME MINISTER'S VISIT TO WASHINGTON

1. I have now seen Frank Cooper's letter to you of 14 December containing an additional brief on the Soviet threat which the Prime Minister might use in her discussions with Harold Brown. I thought I would let you have a quick reaction.
2. Frank Cooper has already suggested some useful material which the Prime Minister could use in discussing the threat to Western interests outside the NATO area and how we can best respond to it (his letter of 12 December). That seems to me perhaps a more useful approach. I wonder whether, in practice and in the light of our meeting this afternoon, the Prime Minister will want to indulge in speculation and rather vague crystal-gazing with Brown rather than tackling him on the kind of practical matters, such as the kinds of British equipment which the Americans might purchase from us, on which the Ministry of Defence have already been commissioned to produce further briefing.
3. It does also seem to me that the more the Prime Minister goes on about the Soviet threat and the need for Western strength to counter it, the greater the temptation for the Americans to press her for an increased UK defence effort. I am sure you and Frank Cooper will have this consideration in mind.
4. If it is decided to advise the Prime Minister along the lines which Frank Cooper has suggested, we should like to see a few changes made in the brief. I enclose a note of these.
5. I am copying this letter and enclosure to Frank Cooper and Clive Whitmore.

Michael Palliser

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SUGGESTED AMENDMENTS

Points to Make

Para 2, line 2: Replace 'bureaucratic' by 'psychological'.

Para 4: Replace last two sentences by:

'New Soviet leaders are unlikely to make early changes in foreign policy.'

Para 5: First sentence is very questionable. Remainder is speculative and raises very big issues without offering any prescriptions. Better to omit this paragraph.

Para 6, final sentence: '... but by refusing to negotiate from a position of inferiority on long range theatre nuclear forces we can turn the principle of parity to our advantage.'

Background Note

Para 5: In penultimate sentence delete all after '1985'.



47 DEC 1979
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cc USA, Dec 79
US Monetary Policy



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14th December 1979

Dear Michael,

.....
You asked for a brief on recent US monetary policy for the Prime Minister's meeting in the United States with the Chairman of the US Federal Reserve System. This is attached, along with a copy of Mr. Volcker's statement on 13th November before the relevant Sub-committees of the House Committee on Banking, Finance and Urban Affairs.

I am copying this to Martin Vile in the Cabinet Office.

Yours ever,

A.M.W. Battishill

(A.M.W. BATTISHILL)

M. Alexander, Esq.
No.10, Downing Street

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US MONETARY MEASURES

Background

1. For much of 1979, policy makers in the US laboured under the belief that a recession was just around the corner. Therefore they were reluctant to push interest rates, already considered high, even higher for fear of intensifying it. A consistent picture seemed to be emerging in the first and second quarters when output advanced only slowly and then declined and the monetary aggregates appeared to be moving near the bottom of the target ranges.

2. By the late summer this picture had been shattered. It was obvious that the second quarter was affected by special factors such as the gasoline shortage and that the economy still had a great deal of strength left in it. Bank credit grew very rapidly; inflation was continuing to accelerate; output in the third quarter more than recovered the fall in the second; the dollar was weak. Most worrying of all, the climate of expectations was deteriorating rapidly. Speculative activity was appearing in commodity markets, not least gold; consumers instead of, as expected, drawing their horns in were buying now and paying later. The most widely watched price index, the CPI, was increasing at around 13 to 14 per cent.

3. In these circumstances, the Fed and, Mr Volcker in particular, decided that decisive action was needed to break this process. Mr Volcker has said "there was in early October no conflict or meaningful trade-off between domestic and international objectives. Nor was there any real trade-off between inflation and employment".

The Measures

4. On 6 October, a comprehensive package of measures was introduced:

- a) The discount rate was increased by 1 per cent to 12 per cent.

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b) Establishment of an 8 per cent reserve requirement on increases in "managed liabilities" above the level reached at the end of September or \$100 million whichever is the larger. Managed liabilities include large certificates of deposit, eurodollar borrowings, repurchase agreements and borrowings from banks outside the Fed system. It was increases of these funds which were considered to have financed the rapid expansion in bank credit.

c) A change in the method used to conduct monetary policy. Though the existing monetary targets were not revised, in achieving them greater emphasis would be placed in day to day operations on the supply of bank reserves and less emphasis on confining short term fluctuations in the Fed funds rate (ie the rate of interest in the interbank market where banks trade surplus reserves to banks whose position is short).

5. The package was very favourably received, both at home and abroad and Mr Volcher was widely praised for having seized the initiative and made a clean break with the gradualist policies of his predecessor, Mr Miller.

Commentary

6. Most attention has been attracted by 4(b). Under the old system, the Fed set every two months a range for the Fed funds rate which it thought consistent with the monetary target. However, it had become apparent that in times of rising inflationary expectations an interest rate objective was a faulty compass as rising interest rates could variously be interpreted as a sign of increasing monetary tightness or an increase in demand due to rising expectations. In practice the Fed found itself supplying reserves to the banks and so permitting a rapid expansion of the money supply.

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7. Under the new system, the Fed still takes as its starting point a target growth of the monetary aggregates but instead of calculating the interest rate which is thought to be consistent with it and operating on that, the Fed calculates the required growth in bank reserves and through its open market operations seeks to supply the desired amount of reserves.

8. When this was announced, some observers claimed that the Fed had adopted a fully fledged system of monetary base control, in which interest rates were left to find their own level. This is however, an exaggeration. The Fed is still concerned about the development of interest rates but is now prepared to accept a much wider variation. A range of 4 percentage points (from $11\frac{1}{2}$ to $15\frac{1}{2}$ per cent) was to be permitted, which compared with the range of $1\frac{1}{2}$ points typically set before. If it becomes apparent that the objectives for reserves cannot be achieved even within the expanded range for interest rates, the Fed will reconsider the position. The key phrase is then "change of emphasis".

9. One advantage claimed for the new system is that the emphasis on reserves could be expected to produce a shift towards easier conditions in money markets more promptly whenever the demand for money and credit abated significantly in response to a weakening in economic activity.

Subsequent developments

10. The Fed has expressed satisfaction with subsequent developments. The monetary aggregates have grown more slowly and interest rates have fluctuated within the desired range. After rising very sharply immediately after announcement, bank prime rates have even eased a little. There has been a decline in speculative activity and the dollar has remained reasonably firm even in the face of uncertainties about Iran.

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11. The development of the economy remains as confusing as ever. Output was expected to fall in the fourth quarter but is still growing; and there is no easing in the rate of inflation.

Prospects

12. Although most observers still expect a fall in output in the first half of 1980, with a recovery perhaps towards the end of the year, there is little consensus on the severity of the recession. Similarly there is little agreement on how long interest rates will remain high. There are few however who doubt Mr Volcker's determination to continue present policies until there is an easing of inflation.

13. Attached is a copy of a statement by Mr Volcker to the House Banking Committee. It sets out very clearly his views on a number of issues.

Statement by

Paul A. Volcker

Chairman, Board of Governors of the Federal Reserve System

before the

Subcommittee on Domestic Monetary Policy

and

Subcommittee on International Trade, Investment and Monetary Policy

of the

Committee on Banking, Finance and Urban Affairs

House of Representatives

November 13, 1979

662411

I am pleased to participate in these hearings on the goals and conduct of monetary policy. As you know, this is a subject that has been the focus of considerable public attention and debate recently. That attention is symptomatic of the widespread concern and uneasiness about the performance and prospects of our economy. All of us -- members of this Committee, members of the Federal Reserve Board, and citizens generally -- would no doubt prefer more equable economic conditions, with the performance of financial markets and financial policies relegated to the back pages of the newspapers. But conditions being what they are, I can only welcome this opportunity to contribute to general understanding of the problems we face and the approaches we are taking to their solution.

I would like to set the stage for our dialogue this morning by reviewing briefly the decisions taken by the Federal Reserve on October 6, indicating both the circumstances that prompted those decisions and the objectives of our actions. In the process, it should be possible to address in a fairly concrete way some of the broader issues of monetary strategy that you have indicated you wish to examine.

Viewed from virtually any vantage point, economic developments in the weeks and months immediately preceding the Federal Reserve's October 6 announcement were disturbing. The level of business activity had dropped in the second quarter, and virtually

all economists were either predicting a recession or felt a recession had already started. As the summer ended, however, signs began to emerge of a surprising degree of strength in spending. Subsequently available information, such as the 2-1/2 percent annual rate of increase in real GNP for the third quarter, the large increase in retail sales in August and September, and the record increase in consumer installment credit for September, has in fact confirmed this assessment.

In retrospect, the suspicion that the second quarter performance was heavily affected by the shortage of gasoline seemed confirmed. But the subsequent burst in spending was troubling because it seemed to reflect in considerable part a "buy now" attitude spurred by an intensification of inflationary expectations. Savings dropped to historically low levels, and some inventory imbalances seemed to be developing. Such a pattern could temporarily provide some strength to business activity. But, if extended, the clear threat was that the ultimate result would be to deepen and prolong anticipated adjustments in production and employment -- adjustments that in part are related to the oil price shock.

These unsettling developments were plainly related to the inflationary situation. The most widely watched price index had advanced to the range of 13 to 14 percent increase at an annual rate. Many Americans, as they struggled to balance their family budgets and suffered a continuing erosion in the value of

their savings, began to doubt the prospects for a return to greater stability. While the acceleration of inflation this year has in large part been a reflection of a surge in energy prices, the question remained as to whether the higher rate of inflation would not be built into wage and other cost elements in the economy, defeating the prospects for some relaxation in price pressures as the bulge in energy prices passed. Consequently, in the absence of firm action to deal with inflation and inflationary expectations, there was a clear risk that the run-up in energy prices would work its way into wages and prices generally, thereby raising the nation's underlying inflation rate and, among other things, contributing to pressures on oil prices.

That risk was underscored by an apparent build-up of speculative pressures in commodity markets in September, carrying with it the potential of aggravating economic instability. Rapid price movements in gold and silver markets, while not of critical importance in themselves, seemed to reflect discouragement over our ability to deal with inflation, and the atmosphere began to affect movements in the prices of other metals. The danger was that the bidding up of prices in commodity markets not only would in itself reinforce the inflationary trends, but that it would lead to a brief and unsustainable surge of buying.

These same expectational forces were reflected in an atmosphere of increasing uncertainty in foreign exchange markets, and in September the dollar weakened against a number of other major currencies. The external value of the dollar is sensitive

to perceptions and expectations about our economic prospects and policies, and especially to concern about our ability to deal with inflation. And, given the central position of the dollar in international financial markets, as well as the direct impact of a decline in the value of the dollar on the prices of imports, renewed instability in foreign exchange markets could undercut prospects for dealing with inflation generally and for achieving moderation in oil prices in particular.

Under these circumstances, there was in early October no conflict or meaningful "trade-off" between the domestic and international objectives of economic policy. Nor was there any real trade-off between inflation and unemployment. The clear and present danger was that failure to deal with inflation and inflationary expectations would in time produce more -- not less -- economic instability, ultimately with higher prices and greater unemployment.

In that setting, the priority for policy was decisive action to deal with inflationary pressures and to defuse the dangerous expectational forces that were jeopardizing the orderly functioning of financial and commodity markets. The Federal Reserve clearly had a key role to play in this situation. Although the solution to the problem of inflation should not reside with monetary policy alone, control over money and credit is an essential part of the overall policy framework. In the long run, inflation can continue only if it is nourished

by excessive monetary expansion; in the short run, it was clear by early fall that the growth in money and credit was threatening to exceed our own targets for the year, and was nourishing inflationary expectations.

Efforts had been made during the summer to slow this excessive rate of money and credit expansion, largely by permitting money market interest rates to rise, a process accompanied by several increases in the discount rate. The October 6 actions involved a change in instruments and tactics to reinforce, and underscore, our intention to achieve moderation in the growth of money and bank credit.

The new steps taken did not reflect any change in our basic targets for the various monetary aggregates for 1979; they did provide added assurance that those objectives will be achieved. In doing so, the new measures should make abundantly clear our unwillingness to finance an accelerating inflationary process and our desire to "wind down" inflationary pressures.

One component of the October 6 package was a change in our operating procedures. In recent years, with the support of this Committee and others, explicit targets for the growth of money have been a central feature of our approach toward monetary policy. However, the operational guide from day-to-day in conducting open market operations has typically been the so-called federal funds rate -- the rate established in inter-bank trading of reserve balances. Translation of money stock objectives into day-to-day management of the federal funds rate

is effective if the relationship between the public's demand for cash balances and short-term market interest rates is relatively stable and predictable. But in an environment of high and relatively volatile inflation rates, the relationship between interest rates and money (or for that matter, between interest rates and economic activity) is more difficult to appraise. Moreover, the operating techniques over time may have contributed to excessive supplies of credit by encouraging a view by banks or others that they could count on access to liquidity at interest rates reasonably close to whatever levels were currently prevailing.

Consequently, we are now placing more emphasis on controlling the provision of reserves to the banking system -- which ultimately governs the supply of deposits and money -- to keep monetary growth within our established targets. In changing that emphasis, we necessarily must be less concerned with day-to-day or week-to-week fluctuations in interest rates, because those interest rates will respond to shifts in demand for money and reserves. I would emphasize that, in an important sense, our objective has remained the same: to achieve the growth of money that we believe suitable to the nation's economic goals. What is involved is a tactical change in the approach to control of the money stock. We did not before, as we do not now, attempt to maintain a fixed or predetermined pattern of interest rates over time. But changes in interest rates will necessarily be observed and evaluated over time, along with the entire array of economic and financial variables, in reaching policy judgments.

We took two other actions, on October 6. The Board approved a 1 percentage point increase in the discount rate so that restraint on bank reserves would not be offset by excessive borrowing from the Federal Reserve Banks. And we placed a special marginal reserve requirement of 8 percent on increases in managed liabilities of larger banks (including U.S. agencies and branches of foreign banks) because that source of funds (which is not included in the usual definition of the money supply) has financed much of the recent excessive build-up in bank credit.

Let me highlight a few points about our current approach, particularly as they bear on the broad issues of monetary strategy raised in Chairmen Mitchell and Neal's letter of invitation. First, the effort to restrain monetary expansion in the face of strong credit demands and rising levels of economic activity has initially entailed increases in market rates of interest. Whether those increases persist, or whether they subside rather promptly, will in the end be determined largely by the course of the economy and inflation. Control of the money supply is not synonymous with rising interest rates; it all depends upon the performance of the economy itself. In the long run, only the prospect of a lower inflation rate can create the environment for a sustained and substantial reduction in interest rates.

Second, some other important industrialized countries have recently experienced increases in their interest rates. These

events have been interpreted by some observers as implying the existence of an "interest rate war" in the pursuit of conflicting exchange rate objectives. That interpretation seems to me unwarranted in circumstances where those countries are responding reasonably to inflationary pressures in their own economies.

There is, of course, always the possibility that national economic goals and policies will not mesh. I know of no protection against that possibility, other than working continuously with our partners abroad to ensure that policies take into account our mutual interdependencies and don't move in mutually damaging directions. Within limits, all major industrial countries have several tools of economic policy at their disposal, and particular elements can be emphasized or deemphasized at particular times. Intervention in foreign exchange markets can sometimes be helpful -- although experience illustrates clearly that intervention alone cannot substitute for more fundamental actions over time if stability in exchange markets is to be maintained. We continue, on a day-to-day basis, to monitor developments in foreign exchange markets, and I am satisfied that, if and when intervention is necessary, our actions can be closely coordinated with those of key monetary authorities abroad to maximize their effectiveness. Meanwhile, we shall continue to consult with our trading partners to assure mutual clarification of our policy objectives and decisions.

In that connection, I do not anticipate, in practice, the sharp dichotomy between "foreign exchange" and "money supply" oriented monetary policy strategies outlined in your recent letter. The fact is that, for the foreseeable future, a policy looking toward attaining and maintaining a noninflationary growth in money at home would appear broadly compatible with our concern about the international position of the dollar. I do not, in any event, view our domestic and international problems as distinct and separable. Recent experience has shown -- all too clearly -- that weakness in the value of the dollar internationally is symptomatic of basic problems here at home.

It is fundamentally inflation that raises questions about the stability of holdings of dollar-denominated assets or the outlook for our balance of payments, thereby prompting recurrent downward pressures on the dollar in exchange markets. And it is inflation and the distortions it creates that constitute a major impediment to the resumption of balanced, sustainable economic expansion at home. In that sense, the problems confronting us on the domestic and international fronts demand a common response, and an essential element in that response must be a firm and credible monetary policy, seeking and attaining appropriate restraint on growth in money and credit over time.

The suggestion has been made that this process could be speeded by setting out a specific target path for growth in the money stock over a number of years ahead. Mr. Neal's bill would incorporate such a strategy in law. In examining this question, members of the Federal Reserve Board remain of the view that there are decisive drawbacks to setting out so precise a growth target over so many years ahead.

We recognize that approach is rooted in a central element of truth -- that a return to price stability will require, over time, a substantially reduced rate of monetary and credit growth. Indeed, the Federal Reserve has often reiterated in the past the need to reduce growth in money over time if we are to deal with inflation. Moreover, some observers would go further, arguing that by clarifying our intentions in a numerically precise and simple way we could more decisively change expectations about inflation, assist in achieving a national consensus, and thus change behavior in a constructive way.

However, experience shows that many forces can affect the financial requirements of the economy at any time. Other governmental policies, institutional changes, exogenous shocks to the economy -- emanating from both domestic and foreign sources -- and changes in the public's money preferences can alter the relationship between money and economic performance. Rigid adherence to a fixed money stock path set for years ahead might therefore turn out to be inappropriate, sometimes needlessly

wrenching financial markets or unduly constricting our flexibility in responding to some cyclical or other disturbances. If, on the other hand, the targets are changed, or interpreted more flexibly, unnecessary confusion could arise, and the basic rationale would then be undermined.

Furthermore, even though we hope that our new operating procedures will bring some improvement, we must recognize that monetary control will always be imprecise. Recent events indicate quite clearly that even the problem of specifying precisely the monetary variable that should be controlled over a period of years is a very knotty one; what serves as money in our rapidly changing financial system is far from a constant.

For all of these reasons -- and despite the underlying element of truth in the broad proposition relating inflation to excessive monetary growth -- I think that it would be a mistake to attempt to set rigid and narrow long-range monetary targets. A legislative approach -- even one with some built-in leeway -- would raise the further basic question as to whether Congress would want to inject itself so directly into these judgments, filled with technical complexity and doctrinal controversy. It does not seem to be consistent with the approach taken by the Congress in establishing the Federal Reserve System 65 years ago, and consistently adhered to since, that these decisions should emerge from a dispassionate, professional, deliberative process and be shielded from partisan pressures.

I would suggest strongly that the present system, under which the Federal Reserve reports its intentions and its targets to the Congress within the framework of the Humphrey-Hawkins Act, is a much more promising approach. It preserves a necessary degree of flexibility in monetary management, while providing a good basis for communication. While our experience has been limited, the present arrangement seems to be working well. The line of responsibility and accountability is clear.

I am sure other members of the Board, as myself, have profited from your attention to these important issues of monetary policy. We particularly welcome your concern with developing policies appropriate to the longer term future, and look forward to working with you as we develop and announce new monetary targets.

* * * * *

LIST OF BRIEFS

Briefs in series

PMVY (79) 1-16

to be released at TNA

in CAB 133/503

This set destroyed

W. Patterson

29.10.09

1. Steering brief
2. Defence matters (including TNF, procurement)
3. Arms control and disarmament (including SALT, MBFR/EDC, CTB)
4. International economic and monetary questions
5. International energy questions
6. Northern Ireland (including arms for RUC)
7. East-West relations (including both USSR and China)
8. Regional questions
 - (a) Rhodesia
 - (b) Iran and Gulf security
 - (c) Pakistan
 - (d) Indo-China
 - (e) Cuba and the Caribbean
 - (f) The Near East (including Arab/Israel)
 - (g) Southern Africa
9. Shipping policy
10. Aviation matters
11. Trade issues
12. United Nations matters
13. Anti-trust extraterritoriality (including Protection of Trading Interests Bill)
14. United States: internal political and economic scene
15. CYPRUS : MEETING WITH DR. WALDHEIM
16. UK/United States Double Taxation Convention.

(Covering) ~~SECRET~~



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PERMANENT UNDER-SECRETARY OF STATE

SIR FRANK COOPER GCB CMG

PUS/79/1149

61/1/38

fy Am

14 December 1979

C A Whitmore Esq
10 Downing Street
London SW1

Dear Chris

PRIME MINISTER'S VISIT TO WASHINGTON

At the Prime Minister's briefing meeting this afternoon the question was raised of the timetable for procurement of any successor system. I attach a note on this. Also attached is a note on defence equipment trade with America.

Yours sincerely
Frank Cooper

FRANK COOPER

On Defence: Pt 2: Future
of UK Nuclear Retention

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DEFENCE EQUIPMENT TRADE WITH AMERICA

1. Our defence equipment trade with America has always been heavily biased in their favour.
2. In 1975 a bilateral Memorandum of Understanding was signed; intended to help correct the position removing formal obstacles to UK entry to the market. We are working against that baseline.
3. Since that date we have bought:
 - TOW anti-tank missile
 - Sub-Harpoon anti-ship missiles
 - Chinook helicopters
 - Mk 46 torpedoes

Purchases have represented \$1300M.

4. In the same period America has bought no major system from us.
5. But the 1975 MOU has enabled British industry to obtain sub-contract business. This, although not growing fast, is now running at over \$100M per year. The total since the 1975 MOU is about \$400M. These are not "hand-outs" - it has been won in direct competition with American firms.
6. But we have further purchases in prospect. Besides Trident, we are considering as possible options:
 - Infantry Fighting Vehicles
 - Mk 48 heavyweight torpedoes.

These will be over £500M each.

7. There are a number of British equipments on offer to America to help balance the account. These are competitive, both in effectiveness and price. They have been pressed with the Americans. They are (with estimate of worth of US purchase)

Rapier for USAF bases in UK	£85M (capital only)
81 mm mortar	£100M
Combat support boat	£25M
Giant Viper mine clearance	£20M
(Naval) Mine Counter Measures Vessel	£100M (initial order for 4 vessels)

Additionally we have pressed the Americans to adopt the MRCA as a replacement for the F-111. The Americans have been examining /options

options based on existing US aircraft.

8. We are separately engaged with the Americans in two other important equipment programmes:

JP 233 A joint development of a British airfield attack weapon. Initial American requirements would be worth £100M to British industry, rising to £250M if the full prospective American requirement emerges.

AV8B An American development of the British Harrier. There have been complex developments; these are set out in Mr Pym's letter (attached). British industry would gain many hundreds of millions of pounds from the programme.

...

These projects stand on their separate merits. But we do look to them to contribute something towards balancing trade flows. However both projects have been under continuing danger from budgetary pressures in America.

9. The Americans claim that their stationing cost for US personnel in Britain should be included in the equation. At present these represent

- | | |
|-----------------------------------|-----------------|
| i) Direct receipts | £66M per annum |
| ii) Estimated private expenditure | £140M per annum |

10. Expenditure on these heads since 1976 has therefore been some £1600M, tipping the balance in our favour. But:

- i) These forces contribute to the Alliance as a whole
- ii) The argument is about American performance following the 1975 MOU, designed to improve our equipment trading position.

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Foreign and Commonwealth Office

London SW1A 2AH

14 December 1979

Sir Robert Armstrong KCB CVO
CABINET OFFICE

Dear Robert,

PRIME MINISTER'S VISIT TO WASHINGTON

1. I have read with interest Frank Cooper's letter of 12 December to you and its enclosures.
2. The material on out-of-area activities is thought-provoking and useful. But I have reservations about the section on nuclear strategy which Frank himself recognises is a more problematical area and could lead to misunderstanding with the Americans. The Americans will be chary of any strategic debate within the Alliance while the fate of SALT II is still uncertain. I doubt if, in their present mood, the US Administration would respond in the right way to the sort of questions that are posed at the end of paragraph 4. Some of the other questions which are raised ought logically to be discussed during the 'shift' study, on which the NPG is about to embark.
3. My inclination would be to leave these subjects on one side until we have been able to discuss them further among ourselves in the New Year.
4. I am sending a copy of this letter to Frank Cooper and Clive Whitmore.

Michael
Michael Palliser

M. Alexander

*Lg
PWS*

Wise.

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14 DEC 1979

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C A Whitmore Esq



With
the Compliments of
Sir Frank Cooper, G.C.B., C.M.G.
Permanent Under-Secretary of State

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PERMANENT UNDER-SECRETARY OF STATE

SIR FRANK COOPER GCB CMG

M Alexander

*John
Kosia*

PUS/79/1145
61/1/38

14 December 1979

Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall

Dear Sir Robert,

Further to my letter of 12 December, we have worked up some additional material on the Soviet threat which might be helpful to the Prime Minister for her talk with Harold Brown and Davy Jones. This is attached.

...

I am copying this letter and attachment as before to Michael Palliser and Clive Whitmore.

Yours sincerely,

Frank Cooper

fr FRANK COOPER

*Approved by Sir
Frank and signed in
his absence.*

1. The Soviet Union has built its armed forces up to levels well in excess of those that we would regard as necessary for defensive purposes. They spend 11-13% of GDP on defence, with emphasis on quality of equipment as well as quantity and on developing forces capable of offensive operations. What is the real explanation for what we regard as excessive strength?

2. Several possible causes: historical, ideological, geo-political, bureaucratic? 20 million dead in the 2nd World War must still be in the minds of Politburo members, who are all old enough to remember. Marxist/Leninist ideology may perhaps be treated cynically, but a perceived duty to preserve the heartland of the revolution and to promote conditions for it to take root elsewhere clearly has an impact on policy. The Soviets probably also feel threatened by Western Society and by the challenge of an alternative Socialist regime in China. They fear the two-front war. These factors probably predominate over the momentum of the system, though this is no doubt considerable.

3. What about intentions? The Russians regard military means as an extension of politics and their strategy calls for an offensive and war-winning capability. They aim to dominate the West and would no doubt prefer to do so without war and by exploiting weakness. But either way the clear lesson is that the West must be visibly strong and must plan on the basis of known Russian capabilities not more speculative analysis of intentions. Outside Europe Russian activities seem to be conducted on an opportunistic basis and not according to a global plan for expansion. Do you agree?

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4. Can we expect changes? Despite likely economic difficulties, it seems probable to us that the long term aim of Russian leadership will continue to be to achieve a shift in the balance of forces in favour of the Soviet Union: and that they will keep up their military effort. Do you agree? This was the conclusion of NATO's Study of East-West relations last year. Obviously there are uncertainties especially over changes in the leadership which must come soon. Are these likely to bring any great change of emphasis in Soviet policies?

5. Economic problems could, however, lead to increasing difficulties in keeping their European satellites in line. This might lead in turn to over-reaction by the Soviet leadership. How should the West react for example to another Czech invasion or Russian involvement in Yugoslavia post-Tito? Is there in practice anything we could do?

6. It is clearly in our interests to encourage the pursuit of arms control agreements with the Soviets, in order to inhibit the growth of their military capability, and to reduce the burden on ourselves. But are they serious about arms control? So far they have only been prepared to consider the discussion of parity in the context of strategic forces, but our insistence on providing a position of strength from which to negotiate in other areas might bear fruit.

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BACKGROUND NOTE

1. Soviet military expenditure has been growing at an average rate of 4% per year in real terms and absorbs 11-13% of GNP. The emphasis is increasingly on quality as well as on quantity. Nearly 60% of the Soviet defence budget is allocated to military R&D and to procurement of equipment.
2. Besides achieving broad strategic parity, Russian conventional capability continues to grow. Of 173 divisions available, 31 in East Europe (including 20 in GSFG) and 32 in the Soviet Western Military Districts are deployed against NATO. One quarter are deployed in the Far East with the remaining forces in Southern and Central Russia posing a threat to Southern neighbours and constituting a strategic reserve. Although the actual number of Soviet divisions facing NATO in Central Europe has remained the same since 1968, in terms of men and equipment they have grown by the equivalent of six divisions.
3. Tactical aircraft are deployed in a similar ratio with over 3000 (60%) deployed directly against NATO. Soviet thinking on the use of air power has developed in the last ten years from the concept of air support to the land battle towards a view of air power as a vital independent element in both tactical and strategic operations. Consequently more and more complex aircraft have been deployed designed to deliver heavier weapon loads over longer ranges with greater accuracy than ever before. Two thirds of the Tactical Air Forces comprise dual capable aircraft. Helicopter forces have been trebled in the past decade to over 2000 providing close air support, and releasing fixed wing aircraft for other tasks.

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4. The Soviet Navy is now a force with a world-wide capability which includes the largest submarine force ever known, with the proportion which are nuclear powered, including attack submarines for the anti-submarine role, continuing to rise. Over the past decade a new nuclear powered submarine has been completed on average every 5-6 weeks. The recent introduction of Kiev class aircraft carriers, fast amphibious assault ships and replenishment ships have enhanced the Soviet capability to project power around the world, in accordance with declared Soviet intentions to build a blue-water navy.

5. Although we do not see any change in the priority accorded to defence in Soviet spending, in the longer term the size of the military budget will inevitably affect overall economic growth. Soviet GDP has been rising since the war mainly because of increased inputs of capital and labour. But productivity is unimpressive and the central planning system of the Soviet command economy is unable to respond to the need to stimulate growth. The Agricultural Sector is a major Soviet problem where large investments are not matched by output. Difficulties lie ahead in obtaining raw materials, particularly energy. Soviet oil output will decline after 1985 and they will be unable to supply the needs of their satellites from their own sources. The Soviets will face hard choices between supplying raw materials to Eastern Europe or earning much needed foreign exchange to finance imports of Western technology and foodstuffs.

№ 4 DEC 1979



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TO IMMEDIATE F C O

TELEGRAM NUMBER 4218 OF 14 DECEMBER, 1979.
PRIME MINISTER'S VISIT: THE U S POLITICAL SCENE.

YOU WILL KNOW THE GENERAL IMPACT OF THE IRANIAN HOSTAGE ISSUE ON THE US/POLITICAL SCENE, BUT LET ME RECAPITULATE THE MAIN FEATURES THAT WILL BE RELEVANT FOR THE PRIME MINISTER'S AND YOUR VISIT HERE:

- (I) CARTER'S RECOVERY, THANKS TO HIS HANDLING OF THE HOSTAGE BUSINESS, HAS BEEN DRAMATICALLY ILLUSTRATED BY THE LATEST GALLUP POLLS SHOWING HIM AHEAD OF KENNEDY FOR THE FIRST TIME AND WITH A GREATLY INCREASED LEAD OVER THE TOP REPUBLICAN CANDIDATE, REAGAN. PUBLIC APPROVAL OF HIS PERFORMANCE AS PRESIDENT HAS SOARED FROM 30-61 PERCENT IN A MONTH.
- (II) THE APPEAL TO NATIONAL UNITY IN A CRISIS HAS BEEN REMARKABLE HERE, PARTICULARLY WHEN YOU THINK OF THE DIVISIONS AT THE END OF THE VIETNAM WAR: IT HAS KEPT THE OTHER CANDIDATES FROM CRITICISING CARTER AND ENABLED HIM TO ASSUME THE MANTLE OF NATIONAL LEADER THAT HAS HITHERTO ELUDED HIM.
- (III) KENNEDY'S INTERVENTION ON IRAN HAS HARMED HIM AND HAS REVIVED DOUBTS THAT WILL NOT BE QUICKLY STILLED ABOUT HIS JUDGEMENT. CARTER'S RECOVERY UNDERMINES THE ARGUMENT HITHERTO HELD BY MANY DEMOCRATS THAT KENNEDY COULD ALONE BEAT THE REPUBLICANS: AND HE IS BEING HELPED BY THE PARADOXICAL FACT THAT WHILE REAGAN REMAINS THE PROBABLE REPUBLICAN CANDIDATE TO EMERGE FROM THE PROLONGED PARTY PRIMARIES, HE IS NOT THOUGHT LIKELY TO BECOME PRESIDENT, EVEN BY A CONSIDERABLE BODY OF OPINION WITHIN HIS OWN PARTY WHO CONSIDER THAT THE REPUBLICANS SHOULD BE ABLE TO WIN THE ELECTION.
- (IV) FINALLY IT MUST BE STRESSED THAT EVEN IF CARTER CAN SECURE THE SAFE RELEASE OF THE HOSTAGES HE WILL PROBABLY FACE A BACKLASH OF OPINION AND RECRIMINATION FROM HIS POLITICAL OPPONENTS FOR HAVING BROUGHT THE CRISIS ABOUT. MOREOVER, ENERGY, INFLATION AND OTHER ECONOMIC ISSUES WILL SURFACE AT A CRITICAL TIME IN THE ELECTORAL CALENDAR: A RECESSION IS EXPECTED IN THE FIRST HALF OF 1980. THERE ARE THE IMPORTANT IOWA DEMOCRATIC PARTY DISTRICT CAUCUSES AT THE END OF JANUARY AND PRIMARIES IN TEN STATES INCLUDING ILLINOIS AND NEW YORK IN THE FIRST QUARTER OF THE YEAR.

HENDERSON

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PS/MR RIDLEY
PS/PUS
LORD N G LENNOX

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SIR R ARMSTRONG
MR R WADE-GERY } CABINET OFFICE

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Mr Alexander
MR. INGHAM

cc. Ms. Ann Grant, F.C.O.

PRIME MINISTER'S VISIT TO THE USA

Jonathan Davidson in the Embassy, Washington, telephoned yesterday to say that the State Department have produced a draft press statement which, with amendments, they would like to issue at the end of the Prime Minister's visit. The draft contains the following points which are being used discreetly by the State Department and which constitute useful additional guidance for us at this afternoon's background briefing.

Draft Press Statement

President and Prime Minister met: official visit.

Exceptionally close relationship between US and UK - useful to exchange views on a range of key world issues in President's/Prime Minister's discussions in Washington.

Subjects included:-

Crisis in Iran.

Southern Africa.

Northern Ireland.

Defence - nuclear forces, SALT and the Comprehensive Test Ban Treaty.

Arms control.

Strategic co-operation.

Energy.

Common approaches to the Caribbean.

Aid to developing countries.

Transatlantic defence.

Bilateral trade and commercial issues.

[Obviously this list will be revised, depending on what is actually discussed.]

/The

The draft press statement will go on to make the following points about the talks:

- (a) The President expressed his appreciation for Britain's support on the Iran crisis;
- (b) President congratulated Prime Minister and Lord Carrington on the handling of the Lancaster House Conference;
- (c) Northern Ireland - [form of words still to be agreed - highly sensitive, as you will have seen from the telegrams];
- (d) security/defence: Prime Minister/President applauded decision of NATO on TNF and agreed on desirability of earliest possible ratification of SALT II Treaty which would significantly contribute to a safer and more stable international security environment;
- (e) modernisation of UK strategic nuclear force - [form of words still to be agreed];
- (f) Prime Minister invited President to visit UK and he gladly accepted in principle.

C.A.

C. V. ANSON

14 December, 1979

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GPS 500

IMMEDIATE

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FM WASHINGTON 132253Z DEC 79

TO IMMEDIATE F.C.O.

TELEGRAM NUMBER 4197 OF 13 DECEMBER.

MY TELEGRAM NO 3926: PRIME MINISTER'S VISIT : MEETING WITH MEMBERS OF CONGRESS.

1. THE MEETING WILL OPEN WITH BRIEF WELCOMING SPEECHES BY THE PRINCIPAL HOSTS, VIS SENATE MAJORITY LEADER ROBERT BYRD, SPEAKER OF THE HOUSE TIP O'NEILL, SENATOR FRANK CHURCH AND CONGRESSMAN CLEMENT ZABLOCKI (CHAIRMEN OF THE SENATE FOREIGN RELATIONS COMMITTEE AND HOUSE FOREIGN AFFAIRS COMMITTEE, RESPECTIVELY). EITHER CHURCH OR O'NEILL WILL FORMALLY INTRODUCE THE PRIME MINISTER AND INVITE HER TO SPEAK (FOR ABOUT 10-15 MINUTES). THERE WILL THEN BE QUESTIONS.
2. THIS MAY BE AN UNTIDY OCCASION, DEPENDING ON HOW MUCH ACTIVITY IS GOING ON ON THE HOUSE AND SENATE FLOORS ON MONDAY AFTERNOON (THERE MAY BE A FILIBUSTER IN PROGRESS IN THE SENATE). IRAN WILL BE AT THE FOREFRONT OF CONGRESSMEN'S MINDS AND MAY DOMINATE THE QUESTION-TIME. AMERICAN FRUSTRATION AT THEIR OWN INABILITY TO RESOLVE THE HOSTAGE PROBLEM HAS LED TO A CROWING TENDENCY TO ACCUSE AMERICA'S ALLIES OF NOT DOING ENOUGH TO SUPPORT HER.
3. MEMBERS OF CONGRESS WILL BE PARTICULARLY INTERESTED IN THE P.M.'S ECONOMIC PHILOSOPHY AND H.M.G.'S ECONOMIC POLICIES AND IN NORTHERN IRELAND.
4. ON NORTHERN IRELAND THE P.M. WILL NO DOUBT WISH TO BRING HOME THE OVERRIDING IMPORTANCE OF COMBATTING THE TERRORIST THREAT (ALTHOUGH THERE IS LITTLE DISPOSITION IN CONGRESS IN PRESENT CIRCUMSTANCES TO CONDONE TERRORISM, THERE IS SYMPATHY IN SOME QUARTERS FOR WHAT IS THOUGHT TO BE THE LEGITIMATE NATIONALIST

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PS/PWS

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IM WADE-GERY
CAB/DEF

[FILES]

Handwritten marks: 'X' and '0-27' with a circled '9'.

MOTIVATION OF THE IRA). THE BEST APPROACH WITH THIS AUDIENCE MIGHT BE TO SET THE TERRORIST THREAT WITHIN THE CONTEXT OF H.M.G.'S DETERMINATION TO PROMOTE POLITICAL PROGRESS IN NORTHERN IRELAND, AND TO CONTRAST THE BRITISH GOVERNMENT'S COMMITMENT TO SELF DETERMINATION FOR THE INHABITANTS OF THE PROVINCE, AND THE IMPARTIALITY OF THE SECURITY FORCES, WITH THE IRA'S CONTEMPT FOR THE WISHES OF THE PEOPLE AND THEIR DEMOCRATIC EXPRESSION. ALTHOUGH IT MIGHT WELL GO AGAINST THE GRAIN TO HAVE TO SAY SO, IT MIGHT BE GOOD TACTICS FOR THE P.M. TO ACKNOWLEDGE THE PART PLAYED BY RESPONSIBLE IRISH AMERICAN POLITICIANS, NOTABLY SPEAKER O'SNEILL, IN DISCOURAGING IRISH AMERICANS FROM GIVING SUPPORT TO THE IRA AND ITS FRONT ORGANISATIONS.

5. THERE MAY BE CRITICAL QUESTIONS ABOUT ALLEGED VIOLATIONS OF HUMAN RIGHTS (E.G. THE MAZE PROTEST, AND THE AMNESTY INTERNATIONAL AND BENNETT REPORTS) AND DISCRIMINATION AGAINST THE MINORITY COMMUNITY IN SUCH FIELDS AS EMPLOYMENT AND HOUSING. IT MAY ALSO BE SUGGESTED (BY ANALOGY WITH THE PATRIOTIC FRONT'S PARTICIPATION IN THE LANCASTER HOUSE CONFERENCE) THAT ANY CONFERENCE ON NORTHERN IRELAND SHOULD INCLUDE ALL THE PARTIES, I.E. INCLUDING THE PROVISIONALS AND PROTESTANT PARAMILITARIES.

6. ON SALT, THE WHITE HOUSE AND SENATE MAJORITY LEADER BYRD HOPE THAT THE PRIME MINISTER WILL REPEAT IN UNAMBIGUOUS TERMS H.M.G.'S SUPPORT FOR THE TREATY AND ITS EARLY RATIFICATION; AND THAT SHE WILL RESIST EFFORTS BY TREATY OPPONENTS TO PROBE FOR EVIDENCE, WHICH THEY COULD EXPLOIT IN THE RATIFICATION DEBATE, THAT BRITAIN AND OTHER NATO ALLIES ARE UNHAPPY WITH THE TREATY.

7. THERE IS LIKELY TO BE WIDESPREAD PRAISE FOR YOUR AND THE PRIME MINISTER'S HANDLING OF RHODESIA. THERE MAY BE QUESTIONS ABOUT THE TIMING OF THE LIFTING OF BRITISH AND U.S. SANCTIONS (THIS QUESTION IS DUE TO BE DEBATED IN THE HOUSE OF REPRESENTATIVES THAT VERY DAY).

8. ON INTERNATIONAL ECONOMIC ISSUES, THE MEETING WOULD PROVIDE AN OPPORTUNITY TO GET ACROSS TO THIS AUDIENCE (WHERE SECTORAL INTERESTS AND PRESSURES TEND TO PREDOMINATE) THE IMPORTANCE FOR ALL OF US, INCLUDING THE U.S., OF MAINTAINING THE OPEN TRADING SYSTEM DURING THE DIFFICULT MONTHS AHEAD. IT WOULD BE HELPFUL TO REMIND U.S. LEGISLATORS THAT AS WE EACH TRY TO RESTORE THE DYNAMISM OF OUR ECONOMIES, WE SHOULD AVOID DOING SO AT ONE ANOTHER'S EXPENSE.

HENDERSON

NNNN

C A Whitmore Esq


FW



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the Compliments of
Sir Frank Cooper, G.C.B., C.M.G.
Permanent Under-Secretary of State*

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PERMANENT UNDER-SECRETARY OF STATE
SIR FRANK COOPER GCB CMG

PUS/79/1135
61/1/38

12 December 1979

Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall

fr
Am

Dear Robert.

PRIME MINISTER'S VISIT TO WASHINGTON

We have sent you in the normal way a brief on defence matters for the Prime Minister's visit which covers a number of points of current bilateral interest. When the Prime Minister talks with Harold Brown and General Davy Jones, she may however wish to raise more wide ranging and general defence issues. An obvious theme in this category is the threat to Western interests outside the NATO area and I attach some points to make on this which expand on paragraphs 6 and 7 of our brief. I also attach further points which might be raised about Alliance nuclear strategy, though I recognise that this is both a more difficult and much more controversial area where there is a risk that the Americans could misunderstand the Prime Minister's purpose in raising it.

...
...

2. As he has been away in Brussels, the Defence Secretary has not yet seen the attachments. I should perhaps also add that, though the FCO are aware that we were preparing this additional material, we have not agreed it with them.

3. I am copying this letter and attachments to Michael Palliser and Clive Whitmore.

Yours ever
Frank Cooper

FRANK COOPER

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OUTSIDE THE NATO AREA

1. Very conscious of your great difficulties in Iran. Interested to hear how you view this in wider context of the developing threat to Western interests.

2. Within NATO's boundaries, the position is clear. Soviet military strength poses a direct threat to the vital interests of the member states of the North Atlantic Alliance, and this threat is widely perceived by public opinion which generally supports the need for Alliance military strength.

3. Outside the NATO area, the position is much more complex. Encroachment by anti-Western (not necessarily only the Soviet Union) powers must be resisted, but such encroachment:
 - a. may not involve interests that are perceived to be vital by all Western governments or electorates;

 - b. to be successful, may not require the use of military forces (eg internal coups) - and where it does may not require the use of Soviet (as distinct from eg. Cuban) military forces;

 - c. may be at the expense of regimes which though pro-Western may nevertheless not command local support.

4. These factors make it difficult to formulate policies for resisting encroachment that are consistent, persuasive and effective: and they raise questions about the role of military forces as an effective instrument of such policies.

5. Looking ahead do you see the balance of the threat to Western interests shifting away from the Atlantic and continent of Europe with a consequent shift in your own defence priorities? What do you think Western policies should be outside the NATO area? What kind of forces do you see as most relevant? Is our thinking too hidebound?

6. Soviet forces must continue to be deterred outside NATO boundaries as well as inside: and only US military strength, plainly capable of world-wide deployment, can effectively do that. But Soviet military forces are not the only, perhaps not even the most important, problem. How, for example, best to tackle the problem of proxy forces? How best to signal where Western vital interests are involved - and to protect those areas where they are not? How best to create and preserve the crucial combination of pro-Western governments that also command full popular support?

7. Economic assistance and direct political support are clearly crucial. On the military side I see the British contribution to such policies being made in two main ways. We do not permanently deploy major forces outside NATO's boundaries: but we retain some flexibility to make temporary deployments from our forces committed to NATO and we shall, as we are able, increase our flexibility. But the scope for doing this will be limited.

8. Secondly, we can seek to promote the right local conditions by making available military training, advice and materiel, hence preventing encroachment and pre-empting the much more difficult task of reversing it once it has occurred.

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9. In addition, we can help by making our Allies more aware of the threat outside the NATO area and of how we can all give support to the primary role that you must play (which in our case includes, for example, the provision of facilities for your forces at Diego Garcia).

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Background

1. US Forces. The US has permanently stationed naval and air forces (with infantry contingents in S. Korea and Hawaii) in the Pacific and Indian Ocean areas, the Caribbean and the Gulf. The Americans are currently increasing the frequency of their naval deployments to the Indian Ocean and Caribbean; and have notified us of plans to improve the staging and refuelling capacity of the facilities they use by UK/US agreement at Diego Garcia. They have been preparing for several years to form a "Limited Contingency Capability" Force which would give added capability to intervene in far-flung areas - the Gulf, Middle East and Korea are main candidates - with minimum dependence on local staging or base facilities. It would include elements from all Services with a potential total strength of up to 300,000 men but smaller contingents could be detached depending on the nature of the task. No new combat forces will be formed and the units involved are committed to NATO, but at a relatively late phase of reinforcement.

2. UK Forces. Since 1974 the UK has had only a limited capability to intervene militarily outside Europe: the majority of our forces are committed to NATO. The Royal Navy undertakes a Task Group deployment outside NATO roughly once a year visiting ports and exercising with friendly navies; this year's seven-month deployment has taken in Australasia, the Far East and the Indian Ocean and next year's will also proceed into Asian waters. In the current year a total of 23 training exercises are taking

/place

place outside the NATO area, including the naval Task Group deployment referred to. In addition, there are some 600 British Loaned Service Personnel in non-NATO countries and some 6,000 non-NATO students receive military training in the UK in the course of a year.

3. Improving Flexibility. Improvements in the world-wide capability of UK forces currently under consideration include: provision of extra transport aircraft and crews; additional afloat support; a logistic stockpile; and manpower and equipment to render a Home Defence formation headquarters capable of undertaking world-wide tasks. A second "in-role" parachute battalion comes into service in April 1980. All these are relatively low-cost measures.

NUCLEAR STRATEGY

Points which could be Raised

1. With the achievement of rough strategic parity between the Soviet Union and the US, attention has turned increasingly from "mutual assured destruction" to "counterforce" capability. This presumes the possibility of a pre-emptive strategic attack by the Soviet Union. We don't accept some of the wilder statements about this possibility but should we not be more concerned about the possibility of such action at a theatre nuclear level?

2. In particular, is the current concentration of our theatre nuclear stockpile in Europe on relatively few sites not an invitation for Soviet pre-emptive attack? Is it credible to rely on our strategic systems to deter that threat? How could we make these systems less vulnerable?

3. Now that the Alliance has taken action to modernise its capability at a long-range theatre nuclear level, should we be turning our attention to the medium-range and battlefield nuclear systems?

4. The LRTNF debate - following on the "neutron bomb" controversy - has shown the misgivings in some European countries about the nuclear components of NATO strategy - though this is not matched by a willingness to enhance conventional forces to raise the nuclear threshold. Do we need to review our

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presentation of the Alliance's doctrine on nuclear weapons and ways of putting it over more effectively to the people of Europe. Should such a strategic debate - which is essentially political rather than military - be initiated? How can we best deal with the doubts of many Europeans - wrongly held in my view - about whether the US would risk strategic nuclear war on Europe's behalf; but would instead seek an accommodation with the Soviet Union or, alternatively, so limit the use of nuclear weapons that Europe was turned into a nuclear battlefield while Soviet territory was avoided.

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Background

1. The advent of strategic parity between the Soviet Union and the US, as codified in SALT II, has thrown attention on the nuclear balance below the strategic level. Over the last two years the Alliance has been absorbed with long-range theatre nuclear modernisation, but there are also worries about NATO's capability at shorter ranges ie medium-range aircraft/ missiles with ranges below 1000 km and battlefield systems such as nuclear capable artillery. Many of these delivery systems are vulnerable to pre-emptive attack - particularly those which rely on airfields. The nuclear warhead stockpile although large (7000 in Europe) is concentrated at relatively few storage sites, and many of the weapons are old and have yields which are too large for controlled use. The 'neutron bomb' debacle showed the political difficulty in Europe of introducing improved short-range systems. This reflects a traditional European opposition to nuclear 'warfighting' - ie the widespread use of nuclear weapons for direct military purposes. They fear that this would lead to massive use of weapons on Alliance soil following a Soviet invasion with large collateral damage to civilian populations; from the US point of view 'warfighting' has some advantages through delaying the President's decision on whether to use US strategic systems in defence of Europe. Recognising this the Europeans have argued that limited nuclear strikes should be seen more as a political signal aimed at restoring deterrence.
2. The doctrinal difficulties are likely to stand in the way of further theatre nuclear modernisation, and it will be a substantial political task to overcome them.



12 DEC 1979



Foreign and Commonwealth Office

London SW1A 2AH

13 December 1979

Dear Michael,

Prime Minister's Visit to the United States

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/ You wrote on 13 November asking for a draft of a short speech for the Prime Minister to give on arrival at the White House. I attach a draft.

/ The Embassy have told us that the Prime Minister will also need to make a short and "fairly light-hearted" response to the President's toast at the White House dinner. I attach a draft for this also. The Embassy have told us that neither speech need be longer than about five minutes.

Yours ever

Paul

(P Lever)
Private Secretary

M O D B Alexander Esq
10 Downing Street
LONDON

13 DEC 1979



SPEECH OF THE WHITE HOUSE LAWN
17 DECEMBER 1979

Mr. President, Mrs Carter, Ladies and Gentlemen.

Thank you for your ~~kind words of~~ welcome. I am delighted to be back in Washington ~~the more so since I return in a different capacity from last time~~ and to have the opportunity of meeting you Mr. President, and many other friends, again.

~~The warmth of your greeting, Mr. President, conquers the coolness of the morning. Nonetheless, I would not wish to detain you or Mrs Carter here too long. Nor is there any reason for me to do so. For~~ I do not need to dwell on the emotion which any British Prime Minister must feel on ~~finding himself~~ ^{standing before} ~~or herself here~~ ^{in this ceremony} (on the White House lawn for the first time. ^{The United States is the most powerful force for peace & democracy we could ever have. And a salute and honour to you}

Our meeting, Mr. President, extends a long and historic series. The friendship between our two countries stretches far into the past. ^{It rests on a shared history of common values} ~~It~~ stands above the buffetings of fate and fortune.

^{Obviously} ~~Although the phrase keeps cropping up, it was long since deemed~~ ^{clear} ~~unfashionable to talk of a special relationship between Britain and the United States. I have no wish to coin a new phrase.~~ ^{and} But I do regard the relationship between our two countries as a very particular one: particular in its ease, particular in its longevity ^{durability} and ~~stability~~, particular in its ^{importance} ~~importance~~. I look to see it deepened further in the talks we are about to begin.

/Mr. President,

Mr. President, this is not an easy time for the United States. ^{Every British home has} ~~I have~~ followed with ^{anxiously} distress the events of the last six weeks in Tehran. The cruel ordeal inflicted on the hostages has aroused the indignation of the civilized world. ^{One} ~~My~~ heart goes out to them and to their families here; ~~my own~~ ^{Joan} admiration ~~to~~ the American people as ~~a whole~~ for the patience and self control ~~they have shown in the face of seemingly~~ ~~endless provocation~~.

^{Was enormous respect in Britain}
 You yourself, Mr. President, have ~~shown statesmanship of~~ ^{for the statesmanship} a ~~high order in the~~ calmness and courage with which you have ^{faced} ~~tackled~~ an agonising and ~~impossible~~ problem. ^{It is at} ~~The British~~ Government have, I hope, ^{such a limit} ~~been able to be of some assistance~~. ^{we shall} ~~For the future let me say no more than that we shall stand~~ ~~with you.~~ ^{must stand together. And we are friends.}

Mr. President ^{as well as} ~~even part from~~ Iran ^{there is} ~~we have~~ much to discuss. Our talks with ~~touch~~

^{For example.} on Rhodesia, where ^{we are} ~~I am~~ deeply grateful for ~~the~~ ^{your understanding and} support you have given us throughout the negotiations and not least in the last few days;

on defence, where ^{we} ~~I~~ applaud the ~~realistic~~ programme that you have just announced;

/on economic

on economic and energy problems, where we are both actively seeking to control inflation and ~~achieve the more effective~~ ^{use our own} use of ~~our~~ resources *better*.

[on Northern Ireland, where the British Government remain determined to secure political progress and the defeat of the terrorists;]

and on Europe, where I will tell you of my confidence that the Community will ^{emerge} ~~emerge~~ ^{will resolve and} from its present difficulties strengthened and a ^{stronger} ~~better~~ partner for the United States.

It is a formidable agenda, Mr. President. I would not wish to keep you from it.

*Mr. President intended welcome ceremony
I look forward to making this formidable and to
reaching a broad agreement - the way ahead*



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DRAFT SPEECH RESPONDING TO THE PRESIDENT'S REMARKS WELCOMING
 THE PRIME MINISTER - SOUTH LAWN OF THE WHITE HOUSE, 17
 SUBJECT: DECEMBER 1979

.....In Confidence

CAVEAT.....

THE PRIME MINISTER: Mr President, ladies and gentlemen,
 I am most grateful for these very kind -
 and generous - words of welcome. I am delighted to
 be here again in Washington and to renew my friendship
 with you, Mr President. This is not my first visit to
 the United States; but the first time I have been able to
 come here as Head of the Government of a country which,
 after some very early vicissitudes, has enjoyed the warmest
 and closest relations with the United States for the
 last 165 years. The friendship between our two countries
 is something which has stood above all the buffetings of fate
 and fortune.

?!

Mr President, I came here at a time when we in the
 West face a number of major difficulties and
 challenges. Your major preoccupation is the plight of
 the American hostages in Tehran. I must say at once how
 deeply we sympathise with your Government and people
 and, indeed - most of all - with the hostages
 themselves in their predicament. We hope and pray they
 will soon be released from their ordeal. We strongly
 support your Government in the efforts you are bringing
 to bear against this violation of international law.
 We have admired your courage and restraint during this
 testing time. We for our part are deeply grateful for
 your encouragement and support to our efforts to bring
 peace to Rhodesia.

Enclosures—flag(s).....

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The way in which each one of us faces today's complex challenges provides an indication, it seems to me, not only of the quality of individual countries themselves but also of the strength and cohesion of our relationship with friends and allies. We in Britain have in comparatively recent years forged new links in Europe. A strong and united Europe is something which has been favoured by successive United States Presidents. Close European links on the one hand and friendship and alliance with the United States on the other, are in our view, complementary; and they have indeed flourished and developed in parallel. Recent events have illustrated how we in Europe can co-operate with the United States. The collective voice of the European Community can often make more impact than approaches by individual countries. This single voice has spoken out and spoken strongly in condemning the treatment of the American hostages in Tehran.

There are many other ways in which the network of our ties in Europe can contribute to the warm and friendly relationship which we have so long enjoyed with your country. Within NATO and the Alliance to which your country makes such a unique contribution, we continue to work together and to maintain a close identity of view. Our two Governments have kept in close touch over the SALT II negotiations. The British Government has welcomed their conclusion and hopes that the Agreement will soon enter into force. But our desire for peace and co-operation with other nations should not make us ignore reality. In view of the greatly increased capacity of the weapons which face us, we regard the updating and improvement of NATO weaponry in Europe as an urgent necessity. We have been playing our full part in helping to bring this about. We know that America's commitment to the defence of the freedom of the West is wholehearted; our own is no less so. I am glad, Mr President, to have had this opportunity to have discussions with you.

The unhappy situation in Iran is one aspect of the difficult times we are going through. On the economic side, immediate prospects for both our countries are hardly reassuring; the energy problem bedevils us all. I am confident, however, that through the continuance of close consultation and co-operation the countries of the West can and will master their problems.

Mr President, I look forward to the United States and Britain continuing to work together. My visit here today demonstrates the importance I attach, and we have always attached, to the continuance of the close relationship and friendship between our two countries.

DRAFT SPEECH

PRIME MINISTER'S RESPONSE TO THE PRESIDENT'S TOAST AT THE
WHITE HOUSE DINNER: 17 DECEMBER 1979

THE PRIME MINISTER: Mr President, Mrs Carter, ladies and gentlemen: first may I thank you, Mr President, and Mrs Carter, for inviting me to be your guest today. It is a very great pleasure to meet you again, and a particular pleasure to be here in this historic mansion, the home of every President of the United States since Thomas Jefferson. I last visited this beautiful city in September 1977 - a slightly warmer time of year. This time, my briefing told me that Washington could be extremely cold in winter. Moreover, I was warned that the President had ordered temperature controls in the White House to be turned well down. My informants were doubtless basing themselves on the assumption that the President would want to make me and my delegation feel at home. It is of course well-known that the British spend most of their lives in cold and draughty houses. In the event, I find the temperature here extremely pleasant - and certainly not out of line with the 68 degree level which you, Mr President, have so wisely put forward as a fuel saving norm.

In any event, the pleasure of visiting you in this city has been increased by the warmth of the welcome you and Mrs Carter have given to me, Mr President. I value immensely the opportunity to come here and talk over common problems and policies. Difficult decisions lie ahead of us all. I am glad to be able to share thoughts with you at this time and honoured to be your guest tonight.

Our two countries have enjoyed a long and close relationship. It is enhanced today by the opportunity for

/personal

personal contact, and, I hope I may say friendship, between a British Prime Minister and a United States President. A nineteenth century wag once described Britain and America as two countries divided by a common language. That may have been the case then, it is certainly not true now. Despite some learned talk about a tendency for a language to develop in new directions when a people are geographically separated, I am happily able to confirm that we were able to understand each other very well at this morning's talks - and entirely without resorting to interpreters.

But our common language does continue to act as a bond, not only between Governments but also between private citizens. We in Britain have the pleasure of welcoming more American visitors to our country than any other in Europe. I am glad to say that the reverse traffic is increasing too. Precisely because our friendship has been and is so close, Britons in America immediately feel at home when they come here as visitors. It should not be surprising, given our shared history. Across America, Mr President, one sees portraits of a very great Englishman who also loved America. At the age of 44, he, like many others since, became an American citizen. His name was George Washington. The warmth of the welcome given to me today by his thirty-ninth successor in the office of President of the United States of America has certainly meant that I have been made to feel very much at home.

Ladies and gentlemen, I would like you to join me in a toast. To the President of the United States and to the continued prosperity and well being of his country.....

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10 DOWNING STREET

From the Private Secretary

MR. VILE

PRIME MINISTER'S VISIT TO THE UNITED STATES

The Prime Minister has agreed that there should be a briefing on the defence aspects of her visit to the United States at 1500 hours on Friday. In addition to those listed in your minute of 11 December, she would be grateful if the Chancellor of the Exchequer could attend.

M. O'D. B. ALEXANDER

12 December 1979

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 TO IMMEDIATE F C O
 TELEGRAM NUMBER 4160 OF 12 DECEMBER

PRIME MINISTER'S VISIT: BRIEFING

1. WITHOUT HAVING SEEN THE BRIEFS BEING PREPARED IN LONDON, I OFFER THE FOLLOWING THOUGHTS ON THE SUBJECTS LIKELY FOR DISCUSSION.
2. I AM SURE THAT THE PRESIDENT WILL WANT TO HEAR ABOUT THE UK ECONOMY AND THE PRIME MINISTER'S VIEWS ON THE WORLD ECONOMIC OUTLOOK: HE MAY ALSO SHOW INTEREST IN HOW THE BUDGET PROBLEM AFFECTS HMG'S ATTITUDE TO THE COMMUNITY GENERALLY.
3. NEEDLESS TO SAY, IN THE ABSENCE OF SOME BREAKTHROUGH, THE PRESIDENT'S THOUGHTS ARE LIKELY TO BE ON IRAN. HE WILL HOPE THAT THE VISIT CAN DEMONSTRATE SOLIDARITY NOT ONLY FOR DOMESTIC POLITICAL PURPOSES BUT ALSO TO STRENGTHEN HIS HAND IN TRYING TO DEAL WITH THE IRANIANS.
4. WE MUST EXPECT SOME FURTHER PROBING OVER THE ISSUES RAISED BY MR VANCE IN LONDON ON 10 DECEMBER. IN ADDITION, ON THE DEFENCE SIDE, THERE MAY BE A DESIRE TO EXPLORE (PERHAPS AT THE PENTAGON) HOW THE US AND THE UK COULD ACT TOGETHER TO ASSURE WESTERN SECURITY INTERESTS BEYOND THE NATO AREA.
5. ON THE WIDER DEFENCE ISSUES, SALT II MAY NOT FIGURE PROMINENTLY IN THE PRIME MINISTER'S DISCUSSION WITH THE PRESIDENT, BUT SHE SHOULD BE PREPARED FOR THE QUESTIONS ON THE HILL. SALT OPPONENTS WILL BE LOOKING FOR EVIDENCE OF LESS THAN WHOLE-HEARTED SUPPORT. THE PRESIDENT MAY, HOWEVER, BE BRIEFED TO RAISE THE CTB, PARTICULARLY THE NUMBER OF SEISMIC STATIONS. (ALTERNATIVELY MR VANCE MAY RAISE THE SUBJECT WITH YOU.)
6. OF THE GENERAL ECONOMIC ISSUES, ENERGY WILL BE VERY MUCH ON PEOPLES MINDS, NOT ONLY BECAUSE OF IRAN BUT ALSO WITH THE OPEC MEETING IN CARACAS TAKING PLACE WHILE THE PRIME MINISTER IS HERE. BUT GIVEN THE REASONABLY SATISFACTORY OUTCOME OF THE RECENT IEA MINISTERIAL MEETING, THERE WILL BE NO MAJOR DIFFERENCES TO BE RESOLVED. THE RESULTS OF THE OPEC MEETING ARE UNLIKELY TO BECOME

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KNOWN WHILE THE PRIME MINISTER IS IN WASHINGTON. THE PRESIDENT WILL NEVERTHELESS NO DOUBT WISH TO REGISTER COMMON CONCERN ABOUT OIL PRICE ESCALATION AND THE EFFECT THAT THIS WILL HAVE (ESPECIALLY IN ELECTION YEAR) ON THE RATE OF INFLATION.

7. ON EAST-WEST RELATIONS THE MOOD HERE IS ONE OF CONSIDERABLE UNCERTAINTY, INDUCED BY THE DEBATE ON SALT AND SOVIET BEHAVIOUR AROUND THE WORLD PARTICULARLY OVER THE IRAN CRISIS. THERE IS LIKELY TO BE INTEREST IN THE PRIME MINISTER'S VIEW ON EAST-WEST MATTERS AND THE PLACE OF CHINA (FOLLOWING HUA'S RECENT VISIT). US CONCERN ABOUT CUBA MAY ALSO COME UP. IT IS SEEN PARTLY AS A SOVIET SURROGATE IN AMERICA'S BACKYARD AND PARTLY AS A SELF-GENERATING SOURCE OF SUBVERSION AND INSTABILITY IN THE CARIBBEAN.

8. THE PRESIDENT WILL BE EXPECTING THE PRIME MINISTER TO RAISE THE MAJOR POLITICAL PROBLEMS OF RHODESIA AND NORTHERN IRELAND UPON WHICH I AM TELEGRAPHING SEPARATELY.

9. BEYOND THIS I UNDERSTAND THE PRIME MINISTER MAY BE BRIEFED TO RAISE A NUMBER OF BILATERAL PROBLEMS ON THE TRADE POLICY SIDE, SUCH AS US EXPORTS OF SYNTHETIC FIBRES AND SHIPPING PROBLEMS. THE PRESIDENT SHOULD BE SYMPATHETIC IF THE PRIME MINISTER IS ABLE TO BRING OUT THE POLITICAL IMPORTANCE OF THESE ISSUES IN THE UK. IN THE FURTHER DISCUSSIONS THAT NEED TO TAKE PLACE ON BOTH QUESTIONS, IT WOULD BE USEFUL IF THE AMERICAN RECORDS SHOWED AT LEAST THAT THE PRESIDENT HAD RECOGNISED THE DIFFICULTIES WE FACED AND OUR COMMON INTEREST IN FINDING SOLUTIONS.

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COPIES TO:

SIR R ARMSTRONG	}	CABINET
MR WADE-GERY		OFFICE



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

11th December, 1979

Dear Sir,

Handwritten initials/signature

PRIME MINISTER'S VISIT TO NEW YORK

... As promised in my letter of 7th December I now enclose background notes for the Prime Minister's visit to New York. The material covers the following subjects:-

- (a) General economic situation and prospects.
- (b) Monetary policy.
- (c) Public expenditure.
- (d) Balance of Payments.
- (e) Exchange rate and external debt.
- (f) The world economy.

(g) inward investment from the U.S.

I do not imagine the Prime Minister will want any further briefing on the EEC budget in the wake of the European Council.

... I also enclose a revised draft of paragraphs 30 - 32 - *not attached.*
of the speaking notes enclosed with my earlier letter.

Yours ever,
A. M. W. Battishill

A. M. W. BATTISHILL

T. P. Lankester, Esq.,

BACKGROUND NOTE

Current Economic Situation and Prospects

1. GDP recovered in the second quarter but preliminary estimates of the output measure suggest a fall in the third quarter largely as a result of strikes. The underlying level of GDP, excluding North Sea oil, appears to have been flat since the end of 1978.

Consumer spending rose substantially in the second quarter ahead of the Budget tax changes, but fell back in the third and underlying growth may be slowing.

Private investment was lower in the first half of 1979 than in the second half of 1978 and a cyclical downturn may have begun.

Exports of goods and services continue to show widespread recovery from the depressed levels of the early part of the year but underlying growth remains sluggish. The level of imports remains high but growth appears to have slowed recently.

Industrial production in the third quarter was $2\frac{1}{2}$ per cent below the second quarter, mainly reflecting the engineering disputes in August and September. The downward trend in unemployment appears to have ended. The number registered unemployed in November (seasonally adjusted, excluding school leavers), was 1,282 thousand (5.3 per cent). Notified vacancies unfilled fell for the fifth successive month to 234,000.

2. Average earnings rose by $14\frac{1}{2}$ per cent in the 12 months to September, but this figure has been distorted by the impact of disputes in the engineering industry. The underlying increase over the year is estimated at 15-16 per cent. The rate of retail price inflation has accelerated this year. The index rose by $17\frac{1}{4}$ per cent in the 12 months to October. This figure includes an increase of slightly more than 3 per cent due to the Budget tax changes. The tax and price index rose by $14\frac{3}{4}$ per cent over the year to October.

3. Prospects

Industry Act forecast, November 1979

The latest official forecast indicates a substantial fall in

domestic demand - notably for stocks - and, with exports forecast to change little the prospect is inevitably for some fall in economic activity in 1980. However, largely for cyclical reasons, there may be no further growth next year in the share of demand met from overseas. The forecast, subject to a large margin of error in both directions, is for a fall in GDP of the order of 2 per cent. The implication is that there is likely to be some rise in unemployment.

Outside Forecasters

4. Most forecasters agree that output will fall over the next year but disagree about the likely extent of the fall. LBS forecast a fall in GDP of 1 per cent next year; NIESR forecast negligible growth (Treasury forecast a 2 per cent fall). Both expect inflation at broadly similar levels to those forecast by Treasury. Both also expect 1981 to show some recovery in output and fall in inflation. LBS forecast, on current strategy, a steady improvement over the following years with firm growth in output and continuing fall in inflation.

BACKGROUND NOTE

Monetary Policy

Factual

1. £M3 growth in four months to mid-October - 14 $\frac{1}{4}$ % at an annual rate. First indication of banking November figures will come with publication of eligible liabilities figures on 11 December.

2. 15 November package

i. MLR increased to 17%.

ii. £M3 target of 7-11% extended to cover 16 months to mid-October 1980. Implies 7.4% for 12 months to mid-October 1980 if growth at centre of range.

iii. SSD scheme extended to mid-June 1980.

iv. Advancement of PRT payments to bring PSBR back to £8.3bn.

v. National Savings Bank investment account rate raised to 15% from 1 January.

Defensive

1. Increase in MLR necessary to secure slower monetary growth. No prospect of lower rates until sure monetary growth under control.

2. New target implies deceleration of monetary growth. Though tight, should be room for necessary finance for industry provided pay bargains reasonable.

3. Additional direct controls merely distort system. No substitute for getting fundamentals of monetary policy right - PSBR and interest rates.

4. SSD scheme. Government aware of limitations, does not see as permanent. Still a role to play.

5. Monetary base. Might improve response of interest rates to monetary conditions. Discussion document to be published shortly.

3. Exchange control abolition. Monetary control not significantly affected. Main methods of control remain PSBR and interest rates.

Money market developments since 15 November

1. 3 month rates (which had risen 2% to about 16% in preceding weeks) moved up to 17% following MLR increase. Since 26 November 3 month interbank rate just below 17%. Downward sloping money market yield curve, implying market expectation of fall in short-term rates.

2. Gilt-edged yield curve downward sloping beyond 5 years; implying expectation of fall in inflation. Late November and early December 5 year gilts at 15 $\frac{3}{4}$ % and 20 year gilts at 14 $\frac{3}{4}$ %. 20 year gilts still below record levels of October 1976.

3. Following MLR increase heavy sales of gilts - existing taps exhausted on 15 November, another new stock exhausted on 16 November. Two further stocks issued since. Sales in banking November (ended 21 Nov) after MLR increase totalled £0.7bn; in banking December to 6 December totalled £1.2bn. Further £100m to come in part payment in banking January.

BACKGROUND NOTEPublic Expenditure

The Government's plans for public expenditure in 1980-81 were published on 1 November in Cmnd 7746. They provided for expenditure to be held in 1980-81 at the same level of £69.8 billion (at 1979 survey prices) as in the current year and in 1978-79.

2. Provisional decisions have also been taken to hold expenditure at broadly the same level in the subsequent three years, 1981-82 to 1983-84. The question whether to publish plans on this basis, or to seek further reductions, is currently under consideration by Ministers.

BACKGROUND NOTE

Balance of payments

The balance of payments figures for the first three quarters of 1979, compared with 1978 as a whole are set out below.

(£ m)	<u>1978</u>	<u>1979 Q1-Q3</u>	<u>Oct 1979</u>
Visible balance	-1175	-2690	-339
Invisible balance	+2207	+ 665	0*
Current balance	+1032	-2325	-339
Capital balance and balancing item	-2158	+4068	
Overall balance for official financing	-1126	+1743	

* CSO estimate.

2. More than half the trade and current account deficit this year arose in the first quarter of this year when industrial disputes reduced exports. Exports have also been depressed this year by special circumstances in Nigeria and Iran. Nevertheless the deterioration mainly reflects a fall in UK competitiveness of about 15% compared with a year ago due to a combination of a higher exchange rate and increased domestic costs. Exports fell very sharply in the first quarter of the year but recovered well thereafter. Export volume between the first three quarters of 1979 and the first three quarters of 1978 rose 3% and non-oil exports by $\frac{1}{2}$ %. However, the volume of imports rose 11 $\frac{1}{4}$ %, with much larger increases in consumer goods and particularly road vehicles where imports would account for almost 60% of the home market.

3. The invisibles surplus has been more than halved between the first three quarters of 1978 and 1979. Five major factors account for this:

- (a) An increase in foreign oil company profits.
- (b) Increased travel abroad by UK citizens.

(c) Increased Government expenditure abroad on defence, aid and contributions to the EEC Budget.

(d) An increase in interest payments to overseas holders of sterling.

(e) Lower earnings by UK banks on Euro-currency business.

4. The current account deficit has been more than offset by capital inflows, despite exchange control relaxations in June and July. As a result of the exchange control easings about £1 billion of foreign borrowing was repaid in the third quarter of this year but inflows, mainly into gilts, more than offset it. As a result our reserves have risen nearly £1.1 billion this year.

BACKGROUND NOTES

The exchange rate

Sterling stood at \$2.074 on the day the Government entered office or 67.3 per cent in effective terms. The exchange rate remained fairly flat in the month to the Budget but then rose rapidly until late July, reflecting the UK's favourable position as an oil producer, our comparatively high interest rates and market confidence in the Government's economic policies. By 26 July, the rate had reached a peak of \$2.329 (74.0 per cent effective) but then fell back. Having remained stable around \$2.25 (71½ per cent effective) during August, it drifted down slowly until mid-October when sterling came under strong pressure, following the abolition of exchange control and record US interest rates. It reached a low of \$2.064 (66.1 per cent effective) on 5 November but bounced back in the middle of the month on the announcement of the MLR increase, coupled with the weakness of the dollar.

2. We wish to see the European Monetary System succeed and are already participating in certain aspects of it. We cannot say when conditions will permit us to take a decision on joining the exchange rate mechanism. On that, we have to take account of all the conditions affecting the position of sterling.

External debt

3. Over 1979 as a whole, the UK will have repaid about \$4.7 billion gross of our external debt, (including prepayments of \$2.5 billion) and about \$2½ billion net, leaving around \$21 billion outstanding. Over the next five years, maturities total nearly \$12 billion:

						\$ billion
1980	1981	1982	1983	1984	Total	
2.4	2.9	2.3	1.8	2.3	11.7	

and Treasury Ministers have agreed that the UK should aim at a net repayment target of \$6 - \$12 billion over the period, leaving a maximum of \$6 billion to be raised by fresh borrowing.

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4. The previous administration made an HMG Yankee bond issue in 1978 for \$350 million. This went very well. The present Government has made no decision on whether or not to make further Government borrowings in New York.

THE WORLD ECONOMY

The prospects for the world economy next year are sombre: growth in the major countries could slow down to 1 per cent, inflation could be around 10 per cent. The US is expected to enter a recession and growth in other countries is likely to be modest. Inflation denies these countries the elbow room to stimulate demand to offset the US recession.

The combined current account deficit of the OECD area is expected to reach about \$30 billion in 1980. But the pattern of current balances has improved considerably. Japan is likely to be in deficit next year, and the US and Germany in broad balance. However, a disproportionate part of the growing OPEC surplus could fall on the shoulders of the LDC's; Debt servicing problems are likely to increase.

There are risks that even this scenario may be too optimistic. The possibility of a further large oil price increase is the most important of them.

But an encouraging development is the uniformity of policy response to higher oil prices. This contrasts with experience after 1973-74 when countries went their separate ways and there were major disparities in inflation and current balances, leading to currency instability. This year, most countries have tightened policies to contain the inflationary impact of higher oil prices. And so far, with one or two exceptions, they have had some success in avoiding a wage-price spiral.

The testing time for Governments will come next year. By the spring, activity could be very weak and unemployment rising. Little relief from inflation is likely to be apparent, but political pressures for policy relaxation could be strong.



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With the Compliments of the
Private Secretary to the
Secretary of State for
Industry



INWARD INVESTMENT FROM THE UNITED STATES

The dinner in New York on 18 December, hosted by David Rockefeller, will be attended by a large number of prominent US industrialists. US Corporations provide the lions share of inward investment to the UK (60%/65%) and they are a significant source of new technology and important providers of jobs in the Assisted Areas.

This occasion will provide a unique opportunity for a public statement of the Government's welcome to US investors, and our hope that those who are already here will expand their operations and that others, not yet represented in the United Kingdom, will join them.

Points which might be made either in conversation, or as part of any address to the gathering as a whole, are:

- (a) There is a long history of American investment in the United Kingdom, and over 1000 American Corporations have manufacturing facilities here. To our knowledge, the vast majority of these have prospered and are profitable.
- (b) This Government continues to welcome inward investment and its economic policies are aimed at improving the climate for, and in increasing the profitability of, efficient companies. The US investor in the UK can expect therefore to be even better in the future.
- (c) Before taking any decisions on investment in Europe it is worthwhile taking a hard look at what the UK of today has to offer.

Ref: A0925

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MR. ALEXANDER

Prime Minister's Visit to the United States

Prime Minister

Agree?

Would you like the Chancellor of
the Exchequer to attend as well?

If he is free - yes *no* *Philly*

A general briefing meeting for the above visit has been arranged for 4.00 pm on Thursday. Sir Robert Armstrong suggests that the handling of the deterrent aspects be covered at a separate meeting at 3.00 pm on Friday, when the Foreign and Commonwealth Secretary will be back from Brussels and able to attend. This meeting could indeed cover the defence aspects of the visit as a whole i.e. the consequential of this week's NATO meetings, the Prime Minister's call on Mr. Harold Brown, procurement and matters covered in the briefs. If the Prime Minister agrees, this separate briefing meeting could be attended by the Foreign and Commonwealth Secretary (and Sir Michael Palliser), the Secretary of State for Defence (and Sir Frank Cooper) and Sir Robert Armstrong.

MJV

(M. J. Vile)

11th December 1979

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TO IMMEDIATE F C O

TELEGRAM NUMBER 4147 OF 11 DECEMBER, 1979,
INFO DUBLIN.

THE PRIME MINISTER'S TALK WITH THE PRESIDENT ABOUT ARMS FOR THE RUC.

1. I REALISE THAT YOU HAVE BEEN GETTING CONFLICTING SIGNALS FROM HERE ABOUT WHAT THE U S DECISION IS GOING TO BE ABOUT THE SUPPLY OF U S ARMS FOR THE RUC. THE PRESENT POSITION IS THAT THE PRESIDENT HAS NOT TAKEN A DECISION ON THIS SUBJECT AND WILL NOT DO SO UNTIL HE HAS TALKED WITH THE PRIME MINISTER ABOUT IT.

2. I CANNOT SAY THAT I THINK THAT THE PROSPECTS OF HIS AGREEING TO AUTHORISE THE EXPORT OF THESE ARMS AS A RESULT OF THE PRIME MINISTER'S TALK WITH HIM ARE ROSY. THE REASON WHY THE AMERICANS ARE BEING SO OBSTRUCTIVE ABOUT THIS IS CLEAR: SPEAKER O'NEILL IS IRRETRIEVABLY OPPOSED TO IT: THIS STEMS FROM VISCERAL FEELINGS RATHER THAN ANY NEED FOR VOTES ON O'NEILL'S PART: HE HAS COME OUT OPENLY AGAINST ANY HELP FOR THE IRA AND PROTESTS THAT HE CANNOT CREDIBLY ACCEPT THE SUPPLY OF U S ARMS FOR WHAT HE AND MANY IRISH/AMERICANS REGARD, HOWEVER INADEQUATELY, AS THE OTHER SIDE: THE U S ADMINISTRATION HAVE GIVEN HIM SOME COMMITMENT THAT THEY WILL NOT AUTHORISE ARMS EXPORTS TO THE RUC WITHOUT HIS APPROVAL. ON FOREIGN POLICY GROUNDS THERE IS NO DOUBT WHATEVER THAT BOTH THE STATE DEPARTMENT AND THE WHITE HOUSE WOULD LIKE, FOR THE SAKE OF THEIR RELATIONSHIP WITH THE U K, TO SEE THESE ARMS PROVIDED: THEY DO NOT CONCEAL FROM US PRIVATELY THAT THEY THINK WE HAVE A VERY STRONG CASE: BUT THEY ASK US TO ACCEPT THE POLITICAL REALITIES OF THE MOMENT WHICH ARE THAT THE PRESIDENT'S DOMESTIC POLITICAL REQUIREMENTS HAVE TOP PRIORITY AND THESE WOULD BE INCOMPATIBLE WITH A ROW WITH O'NEILL WHICH COULD IMPAIR CARTER'S CHANCES OF RENOMINATION. O'NEILL'S BACKING IS ALSO NEEDED TO GET LEGISLATION THROUGH THE CONGRESS.

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3. AN ADDITIONAL ELEMENT IS THAT CONGRESSMAN BIAGGI, WHO IS CHAIRMAN OF THE CONGRESSIONAL AD HOC COMMITTEE ON IRISH AFFAIRS AND CLOSELY LINKED WITH THE IRISH NATIONAL CAUCUS, IS PLAYING A MAJOR ROLE AS A CONGRESSIONAL STRATEGIST IN CARTER'S RENOMINATION CAMPAIGN. HE THUS HAS ACCESS TO CARTER'S INNER CIRCLE.

4. THIS MEANS THAT THE PRESENT IS A BAD MOMENT IN WHICH TO HOPE THAT WE CAN GET OUR WAY ON WHAT SEEMS TO US AN UNANSWERABLE CASE. WHAT INDEED MAKES IT EVEN MORE UNANSWERABLE IS THAT WE ARE GIVING THE USA A LOT OF HELP OVER IRAN AND THEY RECOGNISE THIS. IT IS DIFFICULT OF COURSE TO KNOW WHAT THE STATE OF AFFAIRS OVER IRAN IS GOING TO BE NEXT MONDAY WHEN THE PRIME MINISTER SEES THE PRESIDENT. BUT ASSUMING THAT THE IRAN HOSTAGE PROBLEM HAS NOT BEEN SOLVED I DO NOT DOUBT THAT THE LINKAGE OF THESE TWO ISSUES WILL BE IN THE PRESIDENT'S MIND. THE MORE WE CAN DO TO HELP THEM IN THE WAYS THEY ASK, THE MORE DIFFICULT IT IS GOING TO BE FOR THE PRESIDENT TO RESIST OUR REQUESTS TO HIM TO HELP US OVER OUR TERRORIST PROBLEM IN NORTHERN IRELAND. BUT THERE ARE CLEARLY LIMITS TO WHAT WE CAN IN PRACTICE DO OVER IRAN AND I DOUBT WHETHER WE WILL BE ABLE TO DO SO MUCH IN THE IRAN CONTEXT AS TO MAKE IT IMPOSSIBLE FOR THE PRESIDENT TO REFUSE OUR IRISH REQUESTS.

5. THOUGH IT MAY BE EXPEDIENT TO AVOID RAISING PUBLIC EXPECTATIONS IN ADVANCE AND THOUGH INDEED THE OUTCOME MAY FALL SHORT OF WHAT IS HOPED, I AM IN NO DOUBT THAT THE PRIME MINISTER MUST RAISE THIS SUBJECT IN THE FIRMEST POSSIBLE WAY WITH THE PRESIDENT. IT WOULD SURELY BE BEST IF THIS DISCUSSION TOOK PLACE IN RESTRICTED SESSION WITH THE PRESIDENT; HE WILL BE WANTING TO GET AT THE TRUTH AND THE PRIME MINISTER WILL KNOW FROM HER PREVIOUS TALK WITH HIM IN TOKYO THAT HE RESPONDS WELL TO DISPASSIONATE ARGUMENT.

6. IT IS JUST POSSIBLE THAT THE PRESIDENT WILL SAY QUOTE YES UNQUOTE BECAUSE, AS I HAVE SUGGESTED ABOVE, THE PROBLEM IS REALLY THAT OF ONE MAN, THOUGH A VERY IMPORTANT ONE. BUT IF HE CAN UNDERTAKE NO POSITIVE COMMITMENT AT THE MOMENT IT DOES NOT FOLLOW FROM THIS THAT HE WILL NEVER BE ABLE TO DO SO. INDEED ONE MUST ALLOW FOR SENTIMENTS CHANGING. MOREOVER, IF HIS RENOMINATION BECOMES CERTAIN, OR, IF IT IS OBVIOUS THAT HE IS NOT GOING TO BE NOMINATED UNDER ANY CIRCUMSTANCES, THE WAY COULD BECOME OPEN FOR HIM TO DISREGARD O'NEILL. IT WOULD SEEM REASONABLE THEREFORE

SECRET

FOR THE PRIME MINISTER TO PRESS HIM TO KEEP AN OPEN MIND ON THE SUBJECT AND TO AVOID A NEGATIVE COMMITMENT: AND SUCH AN ATTITUDE WOULD AT LEAST BE OF SOME HELP SO FAR AS OPINION IN NORTHERN IRELAND IS CONCERNED. IT MIGHT BE POSSIBLE ALSO TO GET THE PRESIDENT TO AGREE THAT IF THE IRA INTENSIFY THEIR ACTIVITIES THIS WILL MAKE HIM MORE DISPOSED TO GIVE A POSITIVE DECISION ON THE ARMS: AND IT MIGHT BE POSSIBLE AT LEAST TO HINT AT THIS AFTERWARDS IN PUBLIC.

7. SO FAR AS THE LINE THE PRIME MINISTER MIGHT USEFULLY TAKE WHEN SHE VISITS THE CONGRESS I SHALL BE TELEGRAPHING SEPARATELY.

8. ASSUMING THAT THE UPSHOT OF THE MEETING WITH THE PRESIDENT IS A READINESS ON HIS PART TO COME OUT WITH A CLEAR CONDEMNATION OF TERRORISM AND ITS IRISH AMERICAN SUPPORTERS IN RELATION TO NORTHERN IRELAND AND THE AVOIDANCE OF A DEFINITE QUOTE NO UNQUOTE TO ARMS SUPPLIES AND AN UNDERTAKING TO KEEP THE SUBJECT UNDER REVIEW PARTICULARLY IN THE LIGHT OF THE SECURITY SITUATION IN ULSTER, A LOT WILL HANG ON HOW THIS SUBJECT IS HANDLED PUBLICLY AFTERWARDS. THE PRIME MINISTER WILL OF COURSE KNOW MUCH BETTER THAN I DO HOW TO DEAL WITH THIS FROM THE POINT OF VIEW OF BRITISH OPINION, AND IT IS OF COURSE DIFFICULT TO TELL IN ADVANCE EXACTLY HOW THE RESULTS CAN BEST BE FORMULATED, BUT IT SEEMS TO ME THAT IF WE CAN WORK FOR SOME PUBLIC FORMULA SUCH AS IS CONTAINED IN M I F T, IT MIGHT BE POSSIBLE TO MAKE SOMETHING OF THE ISSUE.

HENDERSON

FILES

RID
NAD
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NEWS D
SEC D
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PS
PS/LPS

PS/MR HURD
PS/MR RIDLEY
PS/MR BLAKER
PS/PUS
SIR A DUFF
CHIEF CLERK
MR FIGG
MR BULLARD
MR FERGUSSON
LORD N G LENNOX
MISS BROWN

ADDITIONAL DISTRIBUTION
NORTHERN IRELAND

USA
H
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10 DOWNING STREET

From the Private Secretary

Mr. Vile

Prime Minister's Visit to the
United States

You will be glad to know, for the record, that the Prime Minister has approved the proposals in Sir Robert Armstrong's minute to me of 28 November.

4 December, 1979.

CONFIDENTIAL
TWR

CONFIDENTIAL

*fc
Ant*

Cabinet Office,
Whitehall,
London, SW1.

29th November, 1979

PS(79) 39

Dear Private Secretary,

Prime Minister's Visit to the United States - 17th-18th December 1979

This letter sets out the briefing arrangements for the Prime Minister's visit to Washington and New York on 17th-18th December 1979.

The objectives for the visit are at Annex A. The list of briefs to be prepared, with indication of Departmental responsibility is at Annex B. These have not yet been approved by the Prime Minister. Any amendments which she wishes to make will be promulgated after the weekend.

Instructions on format are at Annexes C and D.

Seventy-five copies of each brief should be sent to the Cabinet Office, 70 Whitehall, to arrive no later than 11.00 hours on Friday, 7th December. They should be addressed to Mrs. Wagner in Committee Section here, who should be consulted (on 233 7628) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Michael Palliser, Sir Douglas Wass, Sir Frank Cooper, Sir Jack Rampton, Sir Peter Carey, Sir Kenneth Clucas, Mr. Ken Stowe, and Sir Kenneth Couzens, and to Michael Alexander, No. 10.

Yours sincerely,

(Signed) M.J. VILE

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United Kingdom Objectives

1. To underline the importance we attach to our relationship with the United States (which is wholly consistent with the new Government's more forthcoming attitude towards Europe) and the value we attach to keeping in close contact with our most powerful ally.
2. To ensure that the United States continues to adopt a helpful attitude towards our policies on Southern Africa, particularly Rhodesia.
3. To discuss with President Carter world economic issues, including energy.
4. To ensure that the United States Administration at a high level is in no doubt about the realities of the Northern Ireland situation and about the Government's conviction to bring about a transfer of responsibilities in an acceptable way, while fulfilling our duty to protect citizens of all denominations against terrorism; also, to apply pressure on the Americans over arms for the RUC.
5. To discuss defence and arms control matters, including prospects for a SALT III Agreement and TNF.
6. To demonstrate to the American public that Britain is under new management and following new policies but that the close relationship between Britain and the United States continues.
7. To continue the working relationship begun with President Carter at Tokyo.

Probable United States Objectives

1. President Carter will see the visit primarily as an opportunity to show himself to the Americans as a President who is not a lame duck but in command of affairs and working closely with and enjoying the confidence of one of America's principal allies.
2. To maintain British support for the ratification of SALT II - and specifically to ask the Prime Minister to take a helpful line with the members of Congress she meets. Also, perhaps to discuss arms control and defence matters including TNF modernisation.
3. To discuss worldwide economic and energy issues and the economic outlook in the USA and the United Kingdom against the background of United States preoccupations with inflation and dependence on imported oil.
4. To exchange views on the Middle East and maintain British support over Iran and Pakistan.
5. To continue the working relationship between the President and the Prime Minister.
6. To learn how Her Majesty's Government see the way ahead on Rhodesia and Southern Africa.
7. To seek a more active British role in the Caribbean area.

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ANNEX B

LIST OF BRIEFS FOR PRIME MINISTER'S VISIT TO
WASHINGTON AND NEW YORK: 17-18 DECEMBER

<u>PMVY(79)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1	Steering Brief	FCO	
2	Defence Matters (including TNF, procurement)	MOD	FCO
3	Arms Control and Disarmament (including SALT, MBFR/EDC, CTB)	FCO	MOD
4	International Economic and Monetary Questions	Treasury	FCO, Trade
5	International Energy Questions	Energy	Treasury, FCO
6	Northern Ireland (including Arms for RUC)	NIO	FCO
7	East-West Relations (including both USSR and China)	FCO	
8	Regional Questions	FCO	
	(A) Rhodesia		
	(B) Iran and Gulf Security		
	(C) Pakistan		
	(D) Indo-China		
	(E) Cuba and the Caribbean		
	(F) The Near East (including Arab/Israel)		
	(G) Southern Africa		
9	Shipping Policy	Trade	FCO
10	Aviation Matters	Trade	FCO
11	Trade Issues	Trade	FCO, Industry
12	United Nations Matters	FCO	
13	Anti-Trust/Extraterritoriality (including Protection of Trading Interests Bill)	Trade	FCO
14	United States: Internal Political and Economic Scene	FCO	Treasury

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INSTRUCTIONS ABOUT FORMAT

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex D. Those preparing briefs should note the following:-

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained and with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.
- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) The top page only should bear the symbol and number of the briefs in the top left-hand corner (e. g. PMVY(79) 5), with the date of production below; a copy number in the top right-hand corner; and the visit heading, the title of the brief (in capitals) and the name of the Department responsible (as in Annex D).
- (f) Briefs should bear at the foot of the last page, on the left-hand side, the name of the originating Department and the date of origin.
- (g) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the standard way with the brief number (e. g. PMVY(79) 5 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation.
- (h) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.

[CLASSIFICATION]

ANNEX D

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PMVY(79) [Serial No.]

COPY NO

[Date]

PRIME MINISTER'S VISIT TO WASHINGTON
17-18 DECEMBER 1979

[Leave 1½"
margin]

[SUBJECT] [Insert subject in capitals]

Brief by [name of originating Department e. g. Foreign and
Commonwealth Office]

[At the foot of the last page:-]

[Department of origin e. g. Foreign and Commonwealth Office]

[Date]

①

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Prime Minister

Apex Annexes A to B?

Yes not

Print - 20/11

MR. ALEXANDER

Prime Minister's Visit to the United States:
17th-18th December

The Prime Minister is to visit Washington and New York on 17th and 18th December. During her visit she will have about 1 $\frac{3}{4}$ hours substantive talks with President Carter in Washington on the morning of 17th December and will also attend a dinner given by the President that evening. Among her other engagements, she will be meeting the Secretary of Defence and the Chairman of the Joint Chiefs of Staff at the Pentagon, Congressmen and Mr. Volcker of the Federal Reserve Board.

2. On 18th December the Prime Minister's programme in New York will include calls on Dr. Waldheim and the President of the General Assembly, a speech to the Foreign Policy Association and dinner with a group of 'opinion formers'. She will be accompanied throughout by Lord Carrington.

3. Mrs. Thatcher has met President Carter twice before, once when she visited Washington while Leader of the Opposition and more recently at the Tokyo Economic Summit in June. This will however be her first visit to Washington as Prime Minister. Her election and subsequent period in office have aroused considerable public interest in the United States. So have the policies of the new Government. Her visit will provide a valuable opportunity to exploit this interest and to gain further American understanding for our policies, both foreign and domestic.

4. It seems unlikely that there will be a formal agenda for the talks with President Carter. But both the Prime Minister and the President will no doubt want to exchange views on questions of particular concern to each country, notably in our case Rhodesia and other Southern African issues and a wide range of defence matters including SALT. The Americans may still be much preoccupied with Iran and Pakistan. The two leaders will also want to discuss worldwide economic issues, particularly energy. Depending on progress made meanwhile, the most important items of bilateral business

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are likely to be the new generation of the British nuclear deterrent and the situation in Northern Ireland, with particular reference to the question of arms for the RUC. In addition, the Prime Minister will no doubt want, publicly as well as privately, to demonstrate that Britain is under new management and following new policies.

5. I attach at Annex A a draft assessment of British and probable American objectives and at Annex B, a suggested list of briefs. A brief on nuclear matters, including the deterrent, will be prepared outside the normal series. If the Prime Minister is content, we shall proceed on this basis, aiming to get briefs to you on 7th December.



for (Robert Armstrong)

28th November 1979

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UNITED KINGDOM OBJECTIVES

- ✓ 1. To underline the importance we attach to our relationship with the United States (which is wholly consistent with the new Government's more forthcoming attitude towards Europe) and the value we attach to keeping in close contact with our most powerful ally.
- ✓ 2. To ensure that the United States continues to adopt a helpful attitude towards our policies on Southern Africa, particularly Rhodesia.
- ✓ 3. To discuss with President Carter world economic issues, including energy.
- ✓ 4. To ensure that the United States Administration at a high level is in no doubt about the realities of the Northern Ireland situation and about the Government's conviction to bring about a transfer of responsibilities in an acceptable way, while fulfilling our duty to protect citizens of all denominations against terrorism; also, to apply pressure on the Americans over arms for the RUC.
- ✓ 5. To discuss defence and arms control matters, including prospects for a SALT III Agreement and TNF.
- ✓ 6. To demonstrate to the American public that Britain is under new management and following new policies but that the close relationship between Britain and the United States continues.
7. To continue the working relationship begun with President Carter in Tokyo.

PROBABLE UNITED STATES OBJECTIVES

1. President Carter will see the visit primarily as an opportunity to show himself to the Americans as a President who is not a lame duck but in command of affairs and working closely with and enjoying the confidence of one of America's principal allies.
2. To maintain British support for the ratification of SALT II - and specifically to ask the Prime Minister to take a helpful line with the members of Congress she meets. Also, perhaps to discuss arms control and defence matters including TNF modernisation.
3. To discuss worldwide economic and energy issues and the economic outlook in the USA and the United Kingdom against the background of United States preoccupations with inflation and dependence on imported oil.

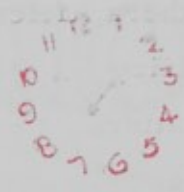
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4. To exchange views on the Middle East and maintain British support over Iran and Pakistan.
5. To continue the working relationship between the President and the Prime Minister.
6. To learn how Her Majesty's Government see the way ahead on Rhodesia and Southern Africa.
7. To seek a more active British role in the Caribbean area.

LIST OF BRIEFS

1. Steering Brief
2. ✓ Defence matters (including TNF, procurement)
3. ✓ Arms Control and Disarmament (including SALT, MBFR/EDC, CTB)
4. ✓ International Economic and Monetary Questions
5. ✓ International Energy Questions
6. ✓ Northern Ireland (including Arms for RUC)
7. ✓ East-West Relations (including both USSR and China)
8. Regional Questions
 - (A) Rhodesia ✓
 - (B) Iran and Gulf Security ✓
 - (C) Pakistan ✓
 - (D) Indo-China ✓
 - (E) Cuba and the Caribbean ✓✓
 - (F) The Near East (including Arab/Israel) ✓✓
 - (G) Southern Africa
9. Shipping Policy ✓
10. Aviation Matters ✓
11. Trade Issues ✓
12. United Nations Matters !
13. Anti-Trust/Extraterritoriality (including Protection of Trading Interests Bill)

29 NOV 1978





DEPARTMENT OF ENERGY
Thames House South
Millbank
London SW1P 4QJ

Tel: 01 211 4391

With the Compliments of

the

Permanent Under-Secretary of State

CONFIDENTIAL

WMA



SIR JACK RAMPTON KCB
PERMANENT UNDER-SECRETARY OF STATE

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

~~XXXXXXXXXXXX~~
01-211 4391

27 November 1979

Dea Michael

H. P. - 28/11

PRIME MINISTER'S VISIT TO THE UNITED STATES:
17/18 DECEMBER 1979

Your letter of 22 November to Robert Armstrong about the Prime Ministerial visit to the United States on 17/18 December.

I would think it highly likely that international energy questions will be a major item on the agenda. We shall not know for some time however the precise form which any American interest may take. This will depend very much on future developments in Iran, the course of the IEA Ministerial meeting in Parris on December 10, and on possible associated developments in OPEC during the period leading up to their Caracas meeting.

We will make such preparations as we can without delay, but will aim to complete the brief in the light of the Paris meeting.

Copies to the recipients of yours.

Jan
Par

Sir Michael Palliser GCB
Foreign & Commonwealth Office
London SW1A 2AH

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28 NOV 1979

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H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3620

Sir Douglas Wass KCB
Permanent Secretary

Sir Michael Palliser GCMG
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AH

la. Amt: 27/11

27 November 1979

Dear Michael,

PRIME MINISTER'S VISIT TO THE UNITED STATES: 17-18 DECEMBER

We are content with the drafting of the objectives and the list of briefs circulated with your letter of 22 November. In addition to the brief on the international economic scene, we may well want to prepare a note on the blocking of Iranian assets, particularly as the Prime Minister will be seeing Mr David Rockefeller. As this subject is evolving continuously we would prefer to leave the drafting of this note as late as possible, and hence exempt it from the normal time-table for the preparation of briefs. We also think the brief on the US economic scene should be prepared in consultation with the Treasury, and would like an early sight of the draft brief on defence matters.

I am copying this letter to the recipients of yours.

Yours ever
Douglas Wass
DOUGLAS WASS



27 NOV 1978

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NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

Permanent Under Secretary

K R Stowe CB, CVO

PUS/1962/L

26 November 1979

NBPA

Amth
27/11

Sir Robert Armstrong KCB CVO,
Cabinet Office,
Whitehall.

Dear Robert,

PRIME MINISTER'S VISIT TO THE UNITED STATES :
17/18 DECEMBER

I agree with Michael Palliser's comment in his letter of 22nd November that "Arms for the RUC" will be an important and difficult bilateral issue when the Prime Minister meets President Carter. You will be aware that action has been taken, following consultation between Kingman Brewster, The Foreign & Commonwealth Secretary and the Prime Minister, to establish a firm order by the RUC for the second tranche of supplies before the Prime Minister arrives in Washington.

The "Arms for the RUC" aspect should be fully covered in the briefing, of course. I suggest however that the briefing will need to go wider than is implied by the fourth paragraph in the draft objectives. The realities of the Northern Ireland situation are, as we envisaged, speaking for themselves in the discordant response to the Government's Consultative Document. Our objective must be not only to make them even clearer to President Carter and the US administration, but also to convince them of the Government's determination to bring about a transfer of responsibilities in an acceptable way, while fulfilling our duty to protect citizens of all denominations against terrorism.

I am copying this letter to the other recipients of Michael Palliser's letter of 22nd November.

Your sincerely,
Ken Stowe

K.R. STOWE

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CONFIDENTIAL



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

Permanent Under Secretary

K R Stowe CB, CVO

PUS/1962/L

26 November 1979

NR/PA

Handwritten initials
27/x

Sir Robert Armstrong KCB CVO,
Cabinet Office,
Whitehall.

Dear Robert,

PRIME MINISTER'S VISIT TO THE UNITED STATES :
17/18 DECEMBER

I agree with Michael Palliser's comment in his letter of 22nd November that "Arms for the RUC" will be an important and difficult bilateral issue when the Prime Minister meets President Carter. You will be aware that action has been taken, following consultation between Kingman Brewster, The Foreign & Commonwealth Secretary and the Prime Minister, to establish a firm order by the RUC for the second tranche of supplies before the Prime Minister arrives in Washington.

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I am copying this letter to the other recipients of Michael Palliser's letter of 22nd November.

Handwritten signature
Ken Stowe

K.R. STOWE

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FILE

VLS

B/R 4-12-79

USA

No papers
'required

26 November 1979

Thank you for your note of today's date. As you will probably already have heard, an appointment has been made for you to call on the Prime Minister here at No. 10 at 0900 on the morning of Wednesday, 5 December.

Like you I hope that we will be able to meet at more leisure one of these days. Needless to say I recall my days at Yale with great pleasure and increasing nostalgia.

M. O'D. B. ALEXANDER

His Excellency the Honourable Kingman Brewster



EMBASSY OF THE
UNITED STATES OF AMERICA
LONDON

November 26, 1979

Mr. Michael Alexander
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

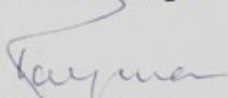
Dear Mr. Alexander:

Just a note to remind that I would very much appreciate a half hour of the Prime Minister's time at her convenience the first week of December.

The purpose is to touch on matters on which I might be helpful in anticipation of her Washington visit on 17 December. I shall be in Washington most of the second week of December. I would like to be sure that her priorities are given adequate attention well in advance of her arrival, despite the distractions and harassments of Islamic troubles.

I do hope you and I can get together when your busy life permits. In addition to our common causes of the moment, I am glad to notice that we overlapped at Yale in my provostial days.

Sincerely,



Kingman Brewster
Ambassador



26 NOV 1973



Caroline

10 DOWNING STREET

(a) Yes

(b) No.

From the Private Secretary

Mr Alexander.

Paul

(a) Wd it be possible
for the USA with briefing
to be put into the P.M.
over the W/F December 8/9.
The reason for this is that
she is attending a dinner
of American Correspondents
on the 10th so she will
not have had her briefing
meetings.

(b) Do you wish to
go as well? Papers attached.

Told B.I.
E.L. 26/11

23/11

See MODBA to FLO
19.11.79

6/F 7.12.79

CF

to note.

P

26/11

Mr. Whitman



With the Compliments of

Mr. Wade-Gery

CABINET OFFICE

Whitehall

London SW1A 2AS

Telephone: 01-233

Ref: B05854

SIR ROBERT ARMSTRONG

c Mr Whitmore

Prime Minister's Visit to Washington

Sir Michael Palliser, with whom I had a word in the margins of another meeting this morning, says that his letter to you of 22nd November deliberately omitted from the visit's agenda any mention of the Polaris replacement issue. He thought this issue too delicate to mention in such a letter but agrees that, in terms of demands on the Prime Minister's 105 minutes with the President, it will in fact be the most important bilateral issue (ahead of arms for the RUC, to which the letter gives pride of place); and that though the President may not be too difficult on its substance, he will need careful pinning down on timing, procedure and presentation.

2. Sir Michael Palliser also agrees that the Cabinet Office should co-ordinate the brief on this subject. I am in touch with the Ministry of Defence and Foreign and Commonwealth Office on what will need to be included.

R. L. WADE-GERY

26th November 1972

R L WADE-GERY

100
100



26 NOV 1979

R.L. WILKINSON

CONFIDENTIAL

USA



Foreign and Commonwealth Office

London SW1A 2AH

22 November 1979

Sir Robert Armstrong KCB CVO
CABINET OFFICE

Lg
[Handwritten signature]

Dear Robert,

PRIME MINISTER'S VISIT TO THE UNITED STATES:
17/18 DECEMBER

1. The Prime Minister is to visit Washington and New York on 17 and 18 December. During her visit she will have about 1³/₄ hours substantive talks with President Carter in Washington on the morning of 17 December and will also attend a dinner given by the President that evening. Among her other engagements, she will be meeting the Secretary of Defence and the Chairman of the Joint Chiefs of Staff at the Pentagon, Congressmen and Mr Volcker of the Federal Reserve Board.
2. On 18 December the Prime Minister's programme in New York will include calls on Dr Waldheim and the President of the General Assembly, a speech to the Foreign Policy Association and dinner with a group of 'opinion formers'. She will be accompanied throughout by Lord Carrington. I enclose a copy of the draft programme as it stands at present.
3. Mrs Thatcher has, as you know, met President Carter twice before, once when she visited Washington while Leader of the Opposition and more recently at the Tokyo Economic Summit in June. This will however be her first visit to Washington as Prime Minister. Her election and subsequent period in office have aroused considerable public interest in the United States. So have the policies of the new Government. Her visit will provide a valuable opportunity to exploit this interest and to gain further American understanding for our policies, both foreign and domestic.
4. Because of the Iran crisis the Embassy in Washington have not yet been able to discuss with the State Department what topics might be covered in the talks. But I attach a copy of Washington telegram number 3845 which gives the flavour of what we may expect to be the American approach to the visit.
5. It seems unlikely that there will be a formal agenda for the talks with President Carter. But both the Prime Minister and the President will no doubt want to exchange views on questions of particular concern to each country, notably in our case Rhodesia and other Southern African issues and a wide range of defence matters including SALT. The way things look today, the Americans may still be much preoccupied with Iran and Pakistan. The two leaders will also want to discuss worldwide economic issues, particularly energy. Depending on progress made meanwhile,

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/by

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by far the most important item of bilateral business is likely to be the question of arms for the RUC. In addition, the Prime Minister will no doubt want, publicly as well as privately, to demonstrate that Britain is under new management and following new policies.

6. I attach at Annexes A and B our draft assessment of British and probable American objectives and at Annex C, a suggested list of briefs, the preparation of which might, if you and the other recipients agree, be coordinated by the Cabinet Office.

Yours ever,

Michael Palliser

cc: Sir Douglas Wass KCB
HM TREASURY

Sir Frank Cooper GCB CMG
MINISTRY OF DEFENCE

Sir Jack Rampton KCB
DEPARTMENT OF ENERGY

Sir Kenneth Clucas KCB
DEPARTMENT OF TRADE

Sir Peter Carey KCB
DEPARTMENT OF INDUSTRY

K R Stowe Esq CB
NORTHERN IRELAND OFFICE

C A Whitmore Esq
NO 10



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DRAFT PROGRAMME FOR THE PRIME MINISTER'S VISIT TO THE UNITED STATES

Sunday 16 December

Arrive Washington from London

Monday 17 December

- ? 0900 - 0930 Record interview with Barbara Walters (ABC) - Blair House
- 1000 - 1040 Arrival Ceremony - White House
- 1045 - 1230 Talks with President Carter at the White House
- 1300 - 1430 Lunch at the British Embassy
- 1445 - 1545 Call on Secretary of Defense and Chairman of the Joint Chiefs of Staff at the Pentagon
- 1600 - 1700 Meeting with Congressmen at Blair House
- 1715 - 1745 Call by Mr Volcker of the Federal Reserve Board
- 1745 - 1830 Briefing for international press, Blair House
- 1930 Dinner given by President Carter, White House.

Tuesday 18 December

- 0710 - 0730 Live interview for the "Today" programme, (NBC) Blair House
- ? 0830 - 0915 Briefing for British press, Blair House
or 0900
- (0945) 0930 Leave Washington for New York
- (1045) 1030 Arrive New York
- (1115-1230) 1100 - 1215 Calls on Dr Waldheim and the President of the General Assembly
- 1300 Lunch with the Foreign Policy Association - on-the-record speech on foreign policy
- 1530 - 1730 Visit Exxon Chemicals Research and Development Establishment, New Jersey
- 2000 Dinner organised by Mr David Rockefeller with "ad hoc" group of opinion formers
- 2300 Depart for London

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USA

FM WASHINGTON 212035Z NOV 79

TO IMMEDIATE F C O

TELEGRAM NUMBER 3845 OF 21 NOVEMBER 1979

YOUR TELNO 1698: PRIME MINISTER'S VISIT: BRIEFING FOR SUBSTANTIVE TALKS

1. IT IS STILL TOO EARLY TO SAY HOW CARTER WILL WANT TO PLAY HIS HAND AT HIS TALKS WITH THE PRIME MINISTER HERE NEXT MONTH. THE IRANIAN ISSUES INCREASE THE IMPONDERABLES. BUT YOU MAY LIKE TO HAVE A TENTATIVE ASSESSMENT AT THIS STAGE. I WILL ADD TO IT LATER.
2. CARTER WILL BE SEEING THE PRIME MINISTER ON HIS HOME GROUND, AND WILL SEE THE VISIT PRIMARILY AS AN OPPORTUNITY TO SHOW HIMSELF TO THE AMERICAN PUBLIC AS A PRESIDENT WHO IS NOT A LAME DUCK BUT IN COMMAND OF AFFAIRS AND WORKING CLOSELY WITH AND ENJOYING THE CONFIDENCE OF ONE OF AMERICA'S PRINCIPAL ALLIES. THIS IMAGE COULD HELP CARTER IN HIS FIRST TASK WHICH IS TO DEFEAT KENNEDY FOR THE DEMOCRATIC NOMINATION.
3. SO THE PRESIDENT HAS A STRONG MOTIVE FOR MAKING THE VISIT APPEAR A SUCCESS AND FOR AVOIDING SOUR NOTES. FAILURE TO RESOLVE THE IRANIAN CRISIS SATISFACTORILY MEANWHILE WILL ONLY SERVE TO UNDERSCORE THESE OBJECTIVES FOR CARTER.
4. THE RIGHT DECISIONS BY THE ALLIANCE IN THE PREVIOUS WEEK ON TNF WILL SET THE STAGE WELL. SALT II IS UNLIKELY TO BE THROUGH THE SENATE BY THE TIME THE PRIME MINISTER GETS HERE AND CARTER WILL PROBABLY ASK THE PRIME MINISTER TO TAKE A HELPFUL LINE ON SALT II WHEN SHE MEETS MEMBERS OF CONGRESS ON 17 DECEMBER. CARTER MIGHT GO ON TO REFER TO HIS APPROACH TO SALT II, BUT PROBABLY NOT IN ANY DETAIL.
5. ENERGY POLICY SEEMS CERTAIN TO FIGURE SUBSTANTIALLY IN THE TALKS, IN THE AFTERMATH OF THE IEA MINISTERIAL MEETING. THIS WILL PROVIDE AN OPPORTUNITY FOR THE PRIME MINISTER TO MAKE PLAIN WHAT WE EXPECT OF THE UNITED STATES IN THE ENERGY FIELD. THE PRESIDENT WILL ALSO NO DOUBT WISH TO SPEAK TO THE PRIME MINISTER ABOUT THE ECONOMIC SITUATION AND OUTLOOK IN THE UK AND IN THIS COUNTRY. HE WILL ALSO SURELY SPEAK ABOUT WORLD-WIDE ECONOMIC ISSUES.
6. OUR PRESENT INFORMATION IS THAT THE PRESIDENT WILL BE ADVISED TO RAISE THE CARIBBEAN WITH THE PRIME MINISTER, AND SEEK A MORE ACTIVE BRITISH ROLE IN THE AREA.

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7. CARTER WILL ASSUME THAT THE PRIME MINISTER WILL WANT FROM HIM:
(A) GENERAL AGREEMENT ON U S HELP WITH POST-POLARIS (BUT NO AGREEMENT ON DETAILED POINTS):
(B) CONTINUING SUPPORT OVER RHODESIA:
(C) A CHANGE IN U S POLICY ON THE SUPPLY OF ARMS FOR THE RUC.
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8. ON PRESENT EVIDENCE CARTER WILL NOT WANT TO DISCUSS CTB OR NUCLEAR NON-PROLIFERATION OR CHINA. (CHINA COULD WELL COME UP WHEN THE PRIME MINISTER SEES HAROLD BROWN, SINCE BROWN WILL BE GOING SHORTLY AFTERWARDS TO CHINA).
9. I IMAGINE THAT THE ABOVE ALSO COVERS THE ISSUES WHICH WE WOULD WANT TO SEE DISCUSSED, EXCEPT POSSIBLY FOR DEFENCE SALES TO THE U S, PARTICULARLY THE AV8B AND PERHAPS THE GENERAL PROBLEM OF EXTRA-TERRITORIALITY WHICH IS ARISING ON A NUMBER OF BILATERAL ISSUES (PARTICULARLY NORTH ATLANTIC SHIPPING, ANTI-TRUST SUITS, AND AIR SERVICES).
10. IT WOULD BE HELPFUL IN DUE COURSE TO KNOW IF THERE ARE PARTICULAR POINTS WHICH THE PRIME MINISTER WOULD LIKE TO DISCUSS WITH HAROLD BROWN.
11. THE ABOVE, DRAFTED BEFORE RECEIPT OF YOUR TELEGRAM UNDER REFERENCE, COMPRISES OUR COMMENTS FROM HERE UPON IT AT THIS STAGE. BUT THE PRESENT INTERNATIONAL SCENE MAKES IT DIFFICULT TO BE CATEGORICAL ABOUT MID-DECEMBER ATTITUDES.

HENDERSON

FILES	RID
NAD	DEF, D
PCD	ACDD.
OLD	PS
NEWS. D	PS/MR RIDLEY
MED	PS/PUS
MAED	SIA A DUFF
ESSD	WLD N.G. LENNOX
RHOD. D	

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UK OBJECTIVES

1. To underline the importance we attach to our relationship with the United States (which is wholly consistent with the new Government's more forthcoming attitude towards Europe) and the value we attach to keeping in close contact with our most powerfully ally.
2. To ensure that the United States continues to adopt a helpful attitude towards our policies on Southern Africa, particularly Rhodesia.
3. To discuss with President Carter world economic issues, including energy.
4. To ensure that the US Administration at a high level is in no doubt about the realities of the Northern Ireland situation; also, to apply pressure on the Americans over arms for the RUC.
5. To discuss defence and arms control matters, including prospects for a SALT III Agreement and TNF.
6. To demonstrate to the American public that Britain is under new management and following new policies but that the close relationship between Britain and the United States continues.
7. To continue the working relationship begun with President Carter at Tokyo.

ANNEX B

DRAFT

PROBABLE US OBJECTIVES

1. President Carter will see the visit primarily as an opportunity to show himself to the Americans as a President who is not a lame duck but in command of affairs and working closely with and enjoying the confidence of one of America's principal allies.
2. To maintain British support for the ratification of SALT II - and specifically to ask the Prime Minister to take a helpful line with the members of Congress she meets. Also, perhaps to discuss arms control and defence matters including TNF modernisation.
3. To discuss worldwide economic and energy issues and the economic outlook in the USA and the UK against the background of US preoccupations with inflation and dependence on imported oil.
4. To exchange views on the Middle East and maintain British support over Iran and Pakistan.
5. To continue the working relationship between the President and the Prime Minister.
6. To learn how HMG see the way ahead on Rhodesia and Southern Africa.
7. To seek a more active British role in the Caribbean area.

DRAFTLIST OF BRIEFS FOR PRIME MINISTER'S VISIT TO
WASHINGTON AND NEW YORK: 17/18 DECEMBER

<u>Subject</u>	<u>Lead Dept</u>	<u>In consultation with</u>
1 Steering Brief	FCO	
2 Defence Matters (including TNF, procurement)	MOD	FCO
3 Arms Control and Disarmament (including SALT, MBFR/EDC, CTB)	FCO	MOD
4 International Economic and Monetary Questions	Treasury	FCO
5 International Energy Questions	Energy	Treasury, FCO
6 Northern Ireland (including Arms for RUC)	NIO	FCO
7 East-West Relations (including both USSR and China)	FCO	
8 Regional Questions	FCO	
(A) Rhodesia		
(B) Iran and Gulf Security		
(C) Pakistan		
(D) Indo-China		
(E) Cuba and the Caribbean		
(F) The Near East (including Arab/Israel)		
(G) Southern Africa		
9 Shipping Policy	DOT	FCO
10 Aviation Matters	FCO	DOT
11 UN Matters	FCO	
12 Anti-Trust/Extraterritoriality (including Protection of Trading Interests Bill)	DOT	FCO
13 United States: Internal Political and Economic Scene	FCO	

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FM WASHINGTON 212035Z NOV 79

TO IMMEDIATE F C O

TELEGRAM NUMBER 3845 OF 21 NOVEMBER 1979

YOUR TELNO 1698: PRIME MINISTER'S VISIT: BRIEFING FOR SUBSTANTIVE TALKS

1. IT IS STILL TOO EARLY TO SAY HOW CARTER WILL WANT TO PLAY HIS HAND AT HIS TALKS WITH THE PRIME MINISTER HERE NEXT MONTH. THE IRANIAN ISSUES INCREASE THE IMponderables. BUT YOU MAY LIKE TO HAVE A TENTATIVE ASSESSMENT AT THIS STAGE. I WILL ADD TO IT LATER.
2. CARTER WILL BE SEEING THE PRIME MINISTER ON HIS HOME GROUND, AND WILL SEE THE VISIT PRIMARILY AS AN OPPORTUNITY TO SHOW HIMSELF TO THE AMERICAN PUBLIC AS A PRESIDENT WHO IS NOT A LAME DUCK BUT IN COMMAND OF AFFAIRS AND WORKING CLOSELY WITH AND ENJOYING THE CONFIDENCE OF ONE OF AMERICA'S PRINCIPAL ALLIES. THIS IMAGE COULD HELP CARTER IN HIS FIRST TASK WHICH IS TO DEFEAT KENNEDY FOR THE DEMOCRATIC NOMINATION.
3. SO THE PRESIDENT HAS A STRONG MOTIVE FOR MAKING THE VISIT APPEAR A SUCCESS AND FOR AVOIDING SOUR NOTES. FAILURE TO RESOLVE THE IRANIAN CRISIS SATISFACTORILY MEANWHILE WILL ONLY SERVE TO UNDERSCORE THESE OBJECTIVES FOR CARTER.
4. THE RIGHT DECISIONS BY THE ALLIANCE IN THE PREVIOUS WEEK ON TNF WILL SET THE STAGE WELL. SALT II IS UNLIKELY TO BE THROUGH THE SENATE BY THE TIME THE PRIME MINISTER GETS HERE AND CARTER WILL PROBABLY ASK THE PRIME MINISTER TO TAKE A HELPFUL LINE ON SALT II WHEN SHE MEETS MEMBERS OF CONGRESS ON 17 DECEMBER. CARTER MIGHT GO ON TO REFER TO HIS APPROACH TO SALT II, BUT PROBABLY NOT IN ANY DETAIL.
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HENDERSON

FILES	RID
NAD	DEF, D
PCD	ACDD.
OID	PS
NEWS. D	PS/MR RIDLEY
MED	PS/PUS
MAED	SIR A DUFF
ESSD	LORD N.G. LENNOX
RHOD. D	

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Original PM Tours Abroad
July 79, visit to USA.

JE JD



10 DOWNING STREET

From the Private Secretary

19 November, 1979.

~~B/F 7-12-79~~

Dear Paul,

Prime Minister's Visit to the United States

Your letter to me of 16 November asked a number of questions about the Prime Minister's programme in Washington and New York. The Prime Minister agrees that the briefing for the British Press on 17 December should remain at its present length, and that her departure for New York should be put back by 15 minutes. The Prime Minister is willing to record the Barbara Walters interview on the morning of Monday, 17 December. I will be in touch with you further about the gap on Tuesday afternoon created by the re-timing of the interview with Barbara Walters.

I have discussed with the Prime Minister the question of the composition of the party to accompany her. She wishes the team to be as small as possible. Apart from members of the staff here at No.10, it will consist of the Foreign and Commonwealth Secretary and Private Secretary, Sir Robert Armstrong and Sir Michael Palliser.

I should be grateful if the briefing for this trip could reach me by close of play on Friday, 7 December. The briefing meeting will take place at 0930 on Friday, 14 December.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

Yours ever

Richard Alexander

Paul Lever, Esq.,
Foreign and Commonwealth Office.

Mr. Alexander



fs.
M
14/79

With the Compliments of

Mr. Wade-Gery

CABINET OFFICE
Whitehall
London SW1A 2AS
Telephone: 01-233

1. Copy to Mr Alexander (N. 10). USA

2. Sir Robert Armstrong
(he spoke)

3. Th. Hastie Smith

4. Eaten.

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Mr Moberly

RWZ 13/11

cc Mr Thomas News Department
Mr Gillmore o.r.
Mr Janvrin o.r.
Mr Legge DS 17

Cdre Hill DPS(C) MOD
DUS(P) MOD
Mr Wade-Gery Cabinet Office

THE POLARIS SUCCESSOR AND THE PM'S VISIT TO WASHINGTON

1. After an exchange of telegrams with Washington, it has now been agreed that the Americans will take the following line if asked whether the Polaris successor will be discussed during the PM's visit to Washington next month.

"We anticipate discussion on that occasion would range over the entire spectrum of US/UK cooperation. We understand that British decisions will be made some time over the coming months and do not anticipate that any decisions will be announced during the PM's visit."

P J Goulden
Defence Department

12 November 1979

CABINET OFFICE
B... 4024...
13 NOV 1979
DEFENCE INSTRUCTIONS

14 NOV 1979



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DESKBY FCO AND MODUK 090830Z
FM WASHINGTON 082345Z NOV 79
TO IMMEDIATE FCO

TELNO 3622 OF 8 NOVEMBER

INFO IMMEDIATE MODUK (FOR DUS(P) AND DS17).

MY TELNO 3607: WASHINGTON POST ARTICLE ON POST-POLARIS

1. BARTHOLOMEW TOLD ME THIS EVENING THAT THE AMERICANS WOULD
LIKE OUR CONCURRENCE IN THE FOLLOWING PRESS LINE WHICH THEY WOULD
PROPOSE TO USE IN ANSWERING QUESTIONS

BEGINS

QUESTION: WILL THIS SUBJECT BE DISCUSSED DURING PM THATCHER'S
VISIT TO WASHINGTON NEXT MONTH?

WE ANTICIPATE DISCUSSION ON THAT OCCASION WOULD RANGE OVER THE
ENTIRE SPECTRUM OF US/UK COOPERATION. WE UNDERSTAND THAT BRITISH
DECISIONS WILL BE MADE SOME TIME OVER THE NEXT 12 MONTHS, AND DO
NOT ANTICIPATE THAT ANY FINAL DECISIONS WILL BE ANNOUNCED DURING
THE PM'S VISIT.

ENDS

2. THEY PROPOSE TO FEND OFF QUESTIONS UNTIL TOMORROW MORNING, BUT
WOULD BE GRATEFUL FOR OUR AGREEMENT BY 1500Z.

ROBINSON

[COPIES SENT TO NO 10 DOWNING ST]

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Filmed at the National
Archives (TNA) in London

February 2010