

Part 3

SECRET

MT



Confidential Filming

Prime Minister's visit to  
Washington, September 1983

USA

Pt 1: Jan 1981

Pt 3: Aug. 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>12.9.83</del>							
<del>19/9/83</del>							
<del>23.9.83</del>							
<del>24.9.83</del>							
<del>3.10.83</del>							
<del>5/10/83</del>							
<del>6/10/83</del>							
<del>11/10/83</del>							
12.10.83							
<p>PREM 19/11/83</p>							
<p>Pt ends</p>							

PART 3 ends:-

R. Hatfield to FERB 14/10/83

PART 4 begins:-

CDP to FCO 3/1/85.

SECRET



9

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

*From the Secretary of the Cabinet and Head of the Home Civil Service*

Sir Robert Armstrong GCB CVO

Ref.A083/2906

14 October 1983

*Dear Robin,*

During the Cabinet's discussion on 6 October 1983 of the Prime Minister's visits to Canada and Washington (CC(83) 29th Conclusions, Minute 1), mention was made of the number of warheads comprising the British strategic nuclear deterrent.

Sir Robert Armstrong has asked me to draw your attention to the fact that this figure is highly sensitive. It should not be quoted and should on no account be used in public.

I am copying this letter to the offices of all recipients of CC(83) 29th Conclusions, Minute 1.

*Lindsay Wigginson*

pp. (R P Hatfield)  
Private Secretary

F E R Butler Esq

SECRET

US: Pat's unit (Patrol) : A3

UNIT A3 PATROL

1- OCT 1983



1- OCT 1983



file

BM

Butler TM

10 DOWNING STREET

*From the Principal Private Secretary*

12 October 1983

Many thanks for your letter of 6 October. I enormously enjoyed sitting next to you at the Churchill Dinner and I am glad that you have got the table lists and the Prime Minister's speech.

My grandiloquent title is shown on the top left-hand corner of this letter!

E. E. R. BUTLER

Sharman Douglas



10 DOWNING STREET

*From the Private Secretary*

12 October 1983

PRIME MINISTER'S VISIT TO THE US

Mark Pellew in Washington has copied to me a letter of 3 October to Noel Marshall enclosing a summary record of the Prime Minister's breakfast meeting with US Senators.

Before the record is circulated, I should be grateful if the two following changes could be made to paragraph 4:

- (a) The second sentence should read  
"The Prime Minister made clear that at present she could see no prospect of this."
- (b) The final phrase of the fifth sentence should read:  
"It was essential to get Soviet weapons very substantially reduced first."

A. U. COLES

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

NR



10 DOWNING STREET

*From the Private Secretary*

11 October 1983

A long time ago - on 21 April - you kindly provided some material on Churchill's view of the Anglo/American relationship. The occasion for which I sought this material - the presentation to the Prime Minister of the Winston Churchill Award - had to be postponed because of the Election in June. But you may have seen in the press that the Award was made in Washington earlier this month. I thought you might like to have a copy of the speech which the Prime Minister delivered on that occasion. It is enclosed. You will see that we drew on your very helpful material.

Thank you very much for your help.

A. J. COLES

Martin Gilbert, Esq.

RM

7 Lansdowne Crescent, London W.11.

~~THE MAP HOUSE~~

~~HARCOURT HILL~~

~~OXFORD~~

~~TELEPHONE 46007~~

21 April 1983

Dear John,

I have gone through my notes on Churchill and the United States, and put together what I think are some of the more apposite themes.

I do hope it will serve you as a base for what you have in mind.

*As ever,*

*Martin*

*h.a.*

*WOL 11/10.*



## 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(83)29th Conclusions, Minute 1

Date: 6 October 1983

Signed AWayland Date 25 April 2013

**PREM Records Team**

010  
1060 Fifth Avenue  
New York, New York 10028

October 6th, 1983

Dear Robin:

Thank you for arranging to have the table list of September 29th sent to me and the copy of the Prime Minister's speech. It is even better the second time around. It is so strong, so powerful, and so real.

It was great meeting you and sitting next to you at dinner, and I look forward to seeing you again soon.

Please tell the Prime Minister that we are all in awe of her.

Very sincerely yours,

*Sharman*

Sharman Douglas

Mr. Robin Butler  
10 Downing Street  
London, England

SD:sh

P.S. I know you are very high up, but what is your title?

ABC News 1717 DeSales Street, N.W. Washington, D.C. 20036 Telephone 202 887-7373

David Brinkley  
Correspondent

Prime Minister  
To see

R10/10

October 5, 1983

The Right Honorable  
Margaret Thatcher  
Prime Minister  
London  
United Kingdom

My Dear Prime Minister:

I and all of us at ABC News want to say how pleased we were to have you as a guest on our program. It was broadcast precisely as taped, neither cut nor edited, was extremely well received in this country and was widely quoted in the press.

Again, our thanks for taking the time to talk with us, and our very best wishes to you.

Sincerely,

David Brinkley

05 Bias

GR 162

UNCLASSIFIED

FROM MOSCOW 051100Z OCTOBER

TO PRIORITY F C O

ms

TELEGRAM NUMBER 1125 OF 5 OCTOBER

INFO ROUTINE WASHINGTON AND OTTAWA.

THE PRIME MINISTER'S VISIT TO NORTH AMERICA : SOVIET COMMENT.

1. THE SOVIET PRESS HAVE REACTED SOURLY TO THE PRIME MINISTER'S NORTH AMERICAN TRIP ( ' ' A RETURN WITHOUT TRIUMPH ' ' ), AND , IN PARTICULAR, TO HER CHURCHILL MEMORIAL PRIZE SPEECH ( ' ' DANGEROUS RHETORIC ' ' , ' ' INSULTING ANTI-SOVIET ATTACKS ' ' ).
2. PRAVDA OF 2 OCTOBER SOUGHT TO CONVEY THE IMPRESSION THAT MRS THATCHER'S SPEECH HAD BEEN RECEIVED IN THE UK WITH WIDESPREAD ALARM AND CONDEMNATION. ALLEGEDLY CRITICAL REMARKS BY MR HEALEY AND MR STEEL WERE QUOTED BY PRAVDA'S LONDON CORRESPONDENT , WHO FURTHER COMMENTED THAT, ACCORDING TO THE BRITISH PRESS , MRS THATCHER'S TRIP HAD BROUGHT NO POSITIVE GAINS AND HAD FURTHER EXACERBATED THE INTERNATIONAL SITUATION.
3. IZVESTIA'S LONDON CORRESPONDENT REPORTED IN SIMILAR VEIN , ALSO ON 2 OCTOBER.

RATFORD

LIMITED  
 NAD  
 SOVIET D  
 PS  
 PS / LADY YOUNG  
 MR GIFFARD  
 MR URE  
 SIR S BULLARD  
 MR JAMES

COPIES SENT TO  
 No. 10 DOWNING STREET

THIS TELEGRAM  
 WAS NOT  
 ADVANCED



*With the compliments of*  
The British High Commissioner

WOL 5/26

h-a.

BRITISH HIGH COMMISSION  
80 ELGIN STREET  
OTTAWA KIP 5K7

ms  
EMBASSY OF THE UNITED STATES  
OTTAWA, CANADA  
October 4, 1983

10

His Excellency The Lord Moran, K.C.M.G.  
British High Commissioner  
80 Elgin Street  
Ottawa

Dear John:

I want to tell you how greatly I appreciated the opportunity to meet with Prime Minister Thatcher at Earnscliffe last week. She is a great lady and I am grateful to you for making the meeting possible. I must say that I do not think there would be many issues, if any, on which we would not be in total agreement.

With all best wishes,



Paul H. Robinson, Jr.



10 DOWNING STREET

THE PRIME MINISTER

4 October 1983

Dear Hugh,

Thank you very much indeed for all the help you gave with my speeches for North America. I thought you might like to have copies both of the address I gave to the Canadian Parliament and my speech on receipt of the Winston Churchill Award in Washington. These are enclosed.

Again, many thanks.

Yours

Margaret

The Lord Thomas of Swynnerton

HL

115



10 DOWNING STREET

THE PRIME MINISTER

4 October 1983

Dear Mr Urban,

Thank you very much indeed for all the help you gave me with my speeches for North America. I thought you might like to have copies both of the speech which I made in Washington on receipt of the Winston Churchill Award and my speech to the Canadian Parliament. These are enclosed. You will see that I drew heavily on your most helpful contributions, especially for the Winston Churchill speech. It will interest you to know that Jean Kirkpatrick was present at the Washington dinner and indeed shared a table with me.

I am most grateful to you for everything you did.

Yours sincerely

Raymond DeLeter

Mr. George Urban

HL





cc FCO

175

10 DOWNING STREET

THE PRIME MINISTER

4 October 1983

My dear Ambassador Roosevelt,

I am writing to thank you most warmly for the excellent arrangements which were made for my visit to Washington and for your personal part in escorting myself and my party. Everything went excellently from my point of view and I should be grateful if you would pass on my gratitude to those who looked after my security and to all who took part in providing escort arrangements: they were a great help in enabling me to complete a very busy schedule.

Warm regards,

Yours sincerely  
Margaret Thatcher

The Honourable Selwa Roosevelt,

HL



10 DOWNING STREET

THE PRIME MINISTER

4 October 1983

My dear Ambassador,

It was a great pleasure to see you and Mrs. Louis in Washington and I am writing to let you know how much I appreciated your making time to take part in my visit. From my point of view everything went very successfully and I have written to tell the President how much I valued the opportunity to have an exchange of views with him at this moment on the international issues which are of such concern to us both.

The dinner for the Winston Churchill award was a particularly memorable evening for me personally and I was so glad that you and your wife were able to be there.

Warm regards,

Yours sincerely

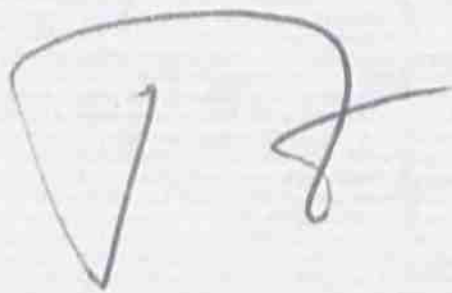
Raymond Thatcher

His Excellency the Honourable John J. Louis, Jr.

HL

PRIME MINISTER

You mentioned that you would  
like to hold a party for those  
involved with the North American  
trip. Would you be happy to do  
so for an hour or so before you  
depart for Blackpool next <sup>Monday</sup> ~~Friday~~?

A handwritten signature in black ink, appearing to be 'J. S.', written in a cursive style.

Yes  
no

3 October 1983



British Embassy

3100 Massachusetts Avenue NW Washington DC 20008

Telex Domestic USA 89-2370/89-2384

Telex International 64224(WUI)/248308(RCA)/440015(ITT)

Telephone (202) 462-1340

R/A.

N H Marshall Esq  
NAD  
FCO  
LONDON

Your reference

Our reference

Date

3 October 1983

Dear Noël

PRIME MINISTER'S VISIT: MEETING WITH US SENATORS

1. I enclose a summary record of the breakfast meeting which the Prime Minister had with members of the Senate Foreign Relations Committee yesterday. It was a useful session (for me too!), though nothing came up which we thought merited a separate telegram. Perhaps the most interesting part was Senator Glenn's question about British and French nuclear forces.

Amendments received

2. Asssuming that John Coles is happy with the record (which you might like to check with him first) I should be grateful if your Department would give it any further distribution which you think necessary in Whitehall.

Yours ever,  
Mark

M E Pellew

cc A J Coles Esq  
10 Downing Street

(1) CC: → PS/NO 10  
PS/Sir R. Armstrong  
DS 12 MOD  
PS  
PS/Lady Young  
PS / PUS  
Soviet Rep V  
Def Rep V  
ACAD  
NEWAD  
EMD  
MCAD  
FID  
RID

(2) Mr Naven  
Mr Marshall div.

(3) pm

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*[Signature]*  
12/10

PRIME MINISTER'S VISIT TO WASHINGTON: SUMMARY RECORD OF BREAKFAST MEETING WITH SENATE FOREIGN RELATIONS COMMITTEE ON 29 SEPTEMBER

1. The Prime Minister was given a very warm welcome at a breakfast meeting lasting over an hour with a group of US Senators on 29 September. Among those present on the US side were Senators Percy (Chairman Foreign Relations Committee), Baker (Majority Leader), Thurmond (President Pro Tem of the Senate), Pell (Ranking Minority Member of the Committee) and about a dozen other Committee members. Topics covered included East/West relations, arms control, the Lebanon, the Falklands, Central America, international trade, the US budget deficit, unitary taxation and Northern Ireland.

EAST/WEST RELATIONS

2. The Prime Minister spoke forcefully about the need for Western Governments to keep their nerve in dealing with the Russians. The Soviet leadership was blinkered and dedicated to expansion. But we had to go on living on the same planet with them. Experience had shown that it was possible for Western Governments to have some influence in Moscow provided we kept our lines open to them. How did the Senators think we should go about this? Senator Percy commented that we should not take measures which harmed ourselves: the US had made a mistake over the pipeline issue. Other Senators responded on predictable lines. Senator Mathias (Democrat) favoured keeping open ordinary trade in non strategic goods. Senator Helms (Republican) said that we should not forget Afghanistan, Poland and the Korean airliner.

ARMS CONTROL

3. The Prime Minister stressed that the political leadership in Europe was firm on its commitment to go ahead with INF deployment. The Russians were seeking to manipulate Western public opinion in order to undermine Western Government's resolve.

/We should

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We should stand firm and not let them succeed in this ploy. Andropov's latest public statement did not even address the three specific new points which President Reagan had put forward. On conventional weapons, the Europeans were sometimes accused of not doing enough for their own defence. The fact was that the UK was spending over 5% of GNP on defence and had consistently met the 3% NATO target. We also had 55,000 highly trained men in BAOR.

#### BRITISH AND FRENCH NUCLEAR FORCES

4. Senator Glenn (who had apparently rearranged his programme in order to be present at the meeting) asked whether the nuclear forces of Britain, France and China would not at some stage have to be included in the balance if the Russians were to be persuaded to negotiate seriously. The Prime Minister made clear that at present she could see no prospect of this in the short term. The Russians were raising the issue now purely as a diversionary tactic. British and French last-resort strategic weapons had been deployed long before the Soviet SS 20s. They were only a tiny fraction of the size of the Soviet strategic forces: it was essential to get Soviet weapons <sup>substantially</sup> very reduced first. If British and French forces were included there would be no possibility of achieving US/Soviet parity. This would surely not be acceptable to Congress.

#### LEBANON

5. The Prime Minister said that without the MNF we would not have achieved a cease fire or the present negotiations. It was important that the MNF partners should act together: it would be very damaging if one of them were to pull out. We were wary of further involvement, but we accepted that our forces must have the right to defend themselves if attacked.

/FALKLANDS

#### FALKLANDS

6. In his opening remarks, Senator Percy praised the Prime Minister for her handling of the Falklands crisis. The Prime Minister made clear that there could be no question of negotiating with the Argentinians about sovereignty. The British had been uninterruptedly in the Falklands for 150 years. The people were all British and wanted to stay British. It was inconceivable that we should seek to negotiate this away. She hoped that the US, as a democracy, fully understood this.

#### CENTRAL AMERICA

7. The Prime Minister said that she had the impression that US policy was not fully understood in Europe. She had welcomed President Reagan's speech last April. We in Britain would do what we could to help. She went on to refer briefly to the Belize/Guatemala problem.

#### INTERNATIONAL TRADE

8. Replying to Senator Nancy Kassebaum (Republican), the Prime Minister referred to the need to reduce protectionism in world trade. On agricultural surpluses, the difficulty was that US and European surpluses were both competing for Soviet markets. We needed to work closely with the US on this.

#### US BUDGET DEFICIT

9. In answer to a question from Senator Helms, the Prime Minister said that deficits could be reduced either by reducing public expenditure or by raising taxation. We in the UK had had some success with the former course. She would not presume to give the US Administration advice; but the US deficit was a worrying factor which affected the prospects for economic recovery for us all.

/UNITARY TAXATION

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UNITARY TAXATION

10. The Prime Minister warmly concurred with Senator Mathias' description of unitary assessments as an "abomination in the tax system". She made clear that we regarded the recent US decision as disastrous, not least because of the example it would set to other countries. We would continue to press for it to be reversed. There was pressure in Parliament for retaliation through repeal of the double taxation agreement.

NORTHERN IRELAND

11. In reply to a question from Senator Tsongas (Democrat, Massachusetts), the Prime Minister stressed the overwhelming wish of the majority community to remain British. All citizens of Northern Ireland had equal rights, but a Republican minority chose not to accept the ballot and to resort to terrorism. We valued our close cooperation with the Government of the Irish Republic in our efforts to deal with this problem.

British Embassy, Washington  
30 September 1983

Distribution:

Chancery General  
Mr Coles (No 10)  
NAD, FCO - 5 copies

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10 DOWNING STREET

THE PRIME MINISTER

3 October 1983

Dear Sir Oliver,

I greatly enjoyed my visit to Washington, which went very successfully from my point of view. I am writing to thank you and Lady Wright for your hospitality. The service which your staff provided for guests at the Residence is always faultless, and we could not have been made more comfortable. The two dinners which you gave were magnificent and gave me a valuable opportunity to meet and talk with the very distinguished and influential guests who had accepted your invitation. The dinner for the Winston Churchill award was a particularly memorable one for me personally and the arrangements matched the occasion.

Please will you pass on my thanks to all those in the Residence and the Embassy who must have worked very hard to make sure that everything went so well.

His Excellency  
Sir Oliver Wright, G.C.M.G., G.C.V.O., D.S.C.

Yours sincerely

Rajiv Gandhi

SUBJECT "Master  
Ops

US Declassified

607

USA : PM's visit to Washington  
A3. J



Lee

10 DOWNING STREET

THE PRIME MINISTER

3 October 1983

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T141C/83

Dear Ron,

It was a great pleasure to see you during my visit to Washington. I am very grateful to you for the time which you made available for our private talk and for your hospitality to me and my colleagues at our working lunch. I believe that it was timely for us to be able to talk together at this moment about the major issues of international relations which are of such concern to us both, and as always I greatly valued and enjoyed our exchanges.

I want to thank you also for the letter which you sent to me when I received the Winston Churchill Award in the evening following our meeting. You will understand how honoured and delighted I was to receive an Award in the name of Winston Churchill. That pleasure and pride was enhanced by your characteristically generous letter.

Yours  
Raymond

The President of the United States of America

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File  
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10 DOWNING STREET

*From the Private Secretary*

3 October, 1983.

Visit of the Prime Minister to the  
United States

I enclose a record of the conversation at a working lunch given by President Reagan for the Prime Minister at the White House on 29 September.

I am copying this letter and its enclosure to Richard Mottram (Ministry of Defence), John Kerr (HM Treasury), and Richard Hatfield (Cabinet Office)

The enclosure should be carefully protected, and should not be given wider circulation except where this is operationally essential.

A. J. COLES

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

SECRET

US Visit  
Fly

SECRET



File  
7

10 DOWNING STREET

*From the Private Secretary*

3 October, 1983.

Visit of the Prime Minister to the United States

I enclose a record of the tête-à-tête conversation between the Prime Minister and President Reagan at the White House on 29 September.

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A. J. COLES

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

SECRET

CONFIDENTIAL



huc

h7

10 DOWNING STREET

*From the Principal Private Secretary*

30 September, 1983

I enclose a note of a meeting between the Prime Minister and the Chairman of the Federal Reserve Board during her visit to Washington.

I am sending a copy of this letter and enclosure to John Kerr (HM Treasury) and the Private Secretary (Governor of the Bank of England's Office).

FERB

B. Fall, Esq.,

Foreign and Commonwealth Office

CONFIDENTIAL



10 DOWNING STREET

*From the Principal Private Secretary*

30 September, 1983

I enclose a copy of the Prime Minister's meeting with Treasury Secretary Regan during her visit to Washington on Thursday, 29 September.

I am sending copies of this letter and its enclosure to John Kerr (HM Treasury), Jonathan Spencer (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

FRFB

Brian Fall, Esq.,  
Foreign and Commonwealth Office

Return to C/F

W



# PRESS RELEASE

Issued by the British Embassy Information Department,  
3100 Massachusetts Avenue, N.W., Washington, D.C., 20008  
Telephone: (202) 462-1340

*US 29/9*

## TREATY OF PARIS ON DISPLAY AT THE WHITE HOUSE, 29 SEPTEMBER

The British copy of the 1783 Treaty of Paris, which officially ended the Revolutionary war 200 years ago, has made a notable transatlantic journey to Washington. It will be on display in the presence of President Reagan and Prime Minister Thatcher at the White House at 1.30 p.m. on Thursday 29 September. There will be a photo-opportunity for appropriately accredited representatives of the media.

It is the first time that a British treaty has been allowed to travel outside the United Kingdom, a break with precedent that involved the authority of Britain's Lord Chancellor and the cooperation of many other agencies.

Prominent among those who have helped bring the British copy of the Treaty of Paris to America has been the Foundation for the Preservation of the Archaeological Heritage Inc whose US supporters are linked to the active archaeological programmes of the City of York, and who in turn developed the link to New York in connection with the "Britain Salutes New York" festival. Mayor Koch took delivery of the Treaty at a recent ceremony at the Museum of the City of New York, where it has been on display.

...../

The Treaty of Paris, kept in mint condition at the Public Records Office in London, will be on view at the National Portrait Gallery of the Smithsonian Institution in Washington on the occasion of a dinner on Wednesday 28 September commemorating the anniversary. It will then be presented on Thursday 29 September at the meeting between President Reagan and the British Prime Minister Mrs Margaret Thatcher in the White House on Thursday 29 September.

The journey of the British copy of the Treaty, in this bicentennial year, makes another important event in the commemorative programme, coordinated and supported by the National Committee for the Bicentennial of the Treaty of Paris. David Hartley, who signed for Britain, called the agreement "the reunion of all our ancient affections and common interests"; his old American friend Benjamin Franklin described Their joint efforts as: "the best of all works, the work of peace." More details of the Treaty are attached.

For further information on the Treaty of Paris Bicentennial please contact:-

The National Committee for the Bicentennial of the Treaty of Paris  
Tel: 202 466 5430 (Ruth Jordan)

For further details of the photo opportunity at the White House at 1.30 pm on Thursday 29 September, please contact:- The White House Press Office, 456 2100 or British Embassy Information Dept., 462 1340

27 September 1983





## THE NATIONAL COMMITTEE FOR THE BICENTENNIAL OF THE TREATY OF PARIS

### THE TREATY OF PARIS

**Prelude:** On October 18, 1781, George Washington defeated Cornwallis at the battle of Yorktown, bringing an end to the hostilities between the United States and Great Britain that we refer to as the War for Independence. The fight for independence did not end at Yorktown. For two years after the battle, Great Britain, the United States and its allies, France and Spain negotiated the terms of the peace that would guarantee this country's independence.

**September 3, 1783** The Treaty of Paris, "The Definitive Treaty of Peace" was signed by John Adams, Benjamin Franklin and John Jay for the United States, and David Hartley for Great Britain. The signing took place at the Hotel de York, 56 Rue Jacob in Paris, on a desk that is now displayed at the United States Department of State. The event took place in the morning, so that a messenger could be dispatched to Versailles, where Great Britain and the other countries with whom she was at war, France and Spain, awaited word before proceeding with the signing of a second treaty.

British negotiator David Hartley, who signed for Great Britain, called this peace agreement "the reunion of all our ancient affections and common interests." Franklin, a long time friend of Hartley, called his efforts, "the best of all works, the work of peace."

**Significance of the Treaty for the United States:** The Treaty of Paris officially ended the Revolutionary War, recognized the independence of the United States, doubled the territory of the country and secured important fishing rights. Equally importantly, it marked this nation's first successful negotiated peace, and our entry onto the stage of world diplomacy.

**Specific terms of the Treaty of Paris** In the treaty, "His Britannic Majesty acknowledges the United States...to be free sovereign and Independent States." In addition, Great Britain recognized the claim of the United States to all the land south of Canada, east of the Mississippi, west of the Appalachians and north of Florida — all or part of what is today the states of Minnesota, Wisconsin, Michigan, Illinois, Indiana, Ohio, Kentucky, Tennessee, Mississippi, Alabama and Georgia. The treaty also attempted to define American fishing rights off Canada and to establish the border between Canada and Maine, but unfortunately left room for future arguments on these points.

In the treaty signed at Versailles the French and Spanish negotiators at Versailles, who agreed to officially end the war with Britain (The Netherlands, which also aided America, signed a peace treaty with Britain the following year.) These important treaties recognized Spanish possession of Florida and Minorca and French rights to fish off Newfoundland, to trade in India and to fortify the port of Dunkirk. A number of islands in the Caribbean changed hands and the next year the British accepted the return of Ceylon (now Sri Lanka) to the Dutch.

**Ratification:** The Treaty of Paris was ratified by Congress, then sitting at Annapolis, on January 14, 1783. Messengers bearing news of the ratification were immediately dispatched to London and Paris. On May 12, 1784, Franklin, Jay, Adams, and Hartley exchanged ratifications in Paris.



## THE NATIONAL COMMITTEE FOR THE BICENTENNIAL OF THE TREATY OF PARIS

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## THE NATIONAL COMMITTEE FOR THE BICENTENNIAL OF THE TREATY OF PARIS

Honorary Committee

The President of the United States of America

Her Majesty Queen Elizabeth II

The Vice President of the United States of America

Joan R. Challinor, Chairman  
Thomas B. Adams  
Mrs. Walter H. Annenberg  
William P. Blair  
Kenneth E. Boulding  
Kingman Brewster  
Ellsworth Bunker  
Henry Steele Commager  
Frazier Draper  
William H. G. FitzGerald  
Marie-Louise Friendly  
Ambassador Evan Galbraith  
Ambassador Allan Gotlieb  
Bishop Thomas J. Gumbleton  
O. B. Hardison  
W. Averell Harriman  
Olga Hirshhorn  
Bishop Raymond G. Hunthausen  
Mrs. John Jay Ide  
Louisa Livingston Kennedy  
Lane Kirkland  
James E. La Follette  
Carol C. Laise  
David Lloyd-Jacob  
Ambassador John J. Louis, Jr.  
Claude-Anne Lopez  
Senator Charles McC. Mathias, Jr.  
Abigail Q. McCarthy  
Harry C. McPherson  
Bishop L. T. Matthiesen  
Bishop Paul Moore  
Richard B. Morris  
Elliot L. Richardson  
Robert B. Ridder  
S. Dillon Ripley  
Senator Paul S. Sarbanes  
Sargent Shriver  
George P. Shultz  
Janet W. Solinger  
Roger Stevens  
Edward Streator  
Bishop Walter F. Sullivan  
Ambassador Bernard Vernier-Palliez  
Bishop John Walker  
Senator John W. Warner  
Ambassador Oliver Wright

August 11, 1983

Contact: Ruth Jordan  
Karen Lubieniecki  
(202) 466-5430

### U.S. CELEBRATES TREATY OF PARIS

President Ronald Reagan, in a proclamation signed August 11, 1983 has declared September 3 1983, the bicentennial of the signing of The Treaty of Paris, to be a day of national celebration. The treaty, which officially ended the Revolutionary War, and doubled the size of the United States, is considered one of this nation's three major bicentennial dates: 1776, the signing of the Declaration of Independence, 1783, the signing of the Treaty of Paris, and 1787, the writing of the Constitution.

The Treaty of Paris Committee is composed of internationally distinguished citizens. Her Majesty Queen Elizabeth II and President Reagan are co-chair of the Committee.

In conjunction with the proclamation National Endowment for the Humanities Chairman William J. Bennett announced that the endowment has awarded a major grant of \$202,552 to the Treaty of Paris Committee for a series of public education activities.

Five states: Delaware, Maryland, New Jersey, New York,

more

Pennsylvania, and the District of Columbia will receive funds from the Committee to underwrite Treaty of Paris-related activities in their states.

Events planned for September 3 include fireworks in Annapolis, where the Congress which ratified the treaty was sitting, a parade by reconstituted units of the Revolutionary Army up the Champs Elysees, in Paris, and bell-ringing in Philadelphia, New York and Williamsburg, Virginia. The Treaty of Paris balloon, which features the Treaty of Paris Committee seal, and the flags of the United States, Great Britain and France, will fly in Philadelphia on the 3rd. On September 2, the Postal Service will issue a Treaty of Paris Stamp featuring the balloon. The stamp will be issued on the Mall, and also in the State Department room in which the table on which the treaty was signed can be seen.

According to Dr. Joan Challinor, Chairman of the Committee: "The National Committee for the Bicentennial of the Treaty of Paris has four goals: we want to mark the abiding friendship between Great Britain and the United States; to celebrate our continuing status as an independent nation; to increase public knowledge of this historic Treaty and to pay tribute to the importance of diplomatic negotiations. Wars do not end on the battlefield, but at the peace table. In a world in which diplomatic negotiations play an increasingly important role, we need to publicize the first and most important peace treaty ever signed by the United States."

Commenting on the humanities endowment grant, Bennett said, "The bicentennial of the great treaty that recognized our status as a sovereign nation reminds us of our responsibilities in the world. As citizens study the Treaty of Paris and related matters in educational programs supported by the humanities endowment, we hope that they will gain an understanding of the role of diplomacy in American history. We applaud the initiation of this excellent project by the National Committee for The Bicentennial of the Treaty of Paris."

more

Activities celebrating the Treaty of Paris are planned throughout the country through Spring of 1984. They include symphonies, a ballet, symposia on the Treaty and the importance of diplomacy, films and public service announcements for television and radio. Extensive public reading and discussion programs tied into the Treaty of Paris are being offered by the humanities councils of the five states and the District of Columbia as part of their grant-related activities.

In addition the Committee has developed an exhibit for use in schools, libraries and museums to help educate students and adults about the importance of the Treaty in American history. More than 600 institutions across the country are planning to display the exhibition, which consists of a Treaty of Paris Poster, a book containing a replica of the original hand-written Treaty and a brief introduction to the treaty; a 19" x 25" replica of the first printed copy of the Treaty; a 1784 map showing the new American boundaries established by the treaty. Organizations interested in the exhibit will be able to purchase it for \$40.

# # #

**NOTE ATTACHED:**

1. **Fact sheet on the Treaty of Paris**
2. **Schedule of Treaty of Paris Events as of 8/10/83. Events are by country and date.**

AUGUST 8, 1983

# The Washington Post

AN INDEPENDENT NEWSPAPER

## *Another Bicentennial*

**I**F YOU'VE BEEN biding your time between the independence bicentennial in 1976 and the 200th anniversary of the Constitution to be celebrated in 1989, you may not have focused on an important anniversary to be celebrated this year. It is the bicentennial of the Treaty of Paris, America's first diplomatic victory as a nation.

Historians point out that declaring independence is not necessarily achieving it. The brave sentiments published on the Fourth of July, 1776, were validated by the nations of the world only when the peace treaty was signed seven years later in the French capital. Fortunately, our negotiators at the conference were of a star quality. Benjamin Franklin of Pennsylvania, John Adams of Massachusetts, John Jay of New York and Henry Laurens of South Carolina achieved a settlement that did more than bring the War of Independence to an end and establish the American colonies as a free and separate nation. The agreement also established borders that

doubled the size of the new nation and incorporated all or part of what is now Minnesota, Wisconsin, Michigan, Illinois, Indiana, Ohio, Kentucky, Tennessee, Mississippi, Alabama and Georgia. This land had never been conquered or occupied and was won at the bargaining table.

Celebrations of the bicentennial have been planned for Washington, Paris, London, Boston, Philadelphia and countless communities across the country. They include Smithsonian exhibitions, concerts, scholarly conferences, parades, speeches and even balloon rides. But on this anniversary we commemorate more than a political victory and the acquisition of territory. It is a reminder of our first effort, as a nation, in the world of international diplomacy. It is an occasion to reflect on our commitment to the peaceful settlement of disputes, on the value of diplomacy over war and on our responsibility as a people to continue what Franklin called "the best of all works, the work of peace."

USA  
Wing





**THE UNITED STATES SENATE  
COMMITTEE ON FOREIGN RELATIONS**

Senator Charles H. Percy, *Chairman*  
Senator Claiborne Pell, Ranking Minority Member

and

**THE LEADERSHIP, UNITED STATES SENATE:**

Senator Howard H. Baker, Jr.  
The Majority Leader

**MEETING WITH**

**THE RIGHT HONORABLE**

**MARGARET THATCHER, F.R.S., M.P.**

**PRIME MINISTER OF THE UNITED KINGDOM  
OF GREAT BRITAIN AND NORTHERN IRELAND**

Thursday, September 29, 1983  
8:30 A.M.

S-116 The Capitol  
Washington, D.C.



## BRITISH GUESTS

The Right Honorable Margaret Thatcher, F.R.S., M.P.  
Prime Minister of the United Kingdom of Great Britain and Northern  
Ireland

Sir Robert Armstrong, G.C.B., C.V.O.  
Secretary of the Cabinet

Sir Antony Acland, K.C.M.G., K.C.V.O.  
Permanent Under Secretary of State, Foreign and Commonwealth  
Office

Sir Oliver Wright, G.C.M.G., G.C.V.O., D.S.C.  
Ambassador of Great Britain to the United States

Mr. A. J. Coles  
Private Secretary to the Prime Minister

Mr. B. Ingham  
Chief Press Secretary to the Prime Minister

Mr. M. Pellew  
Counsellor, British Embassy

Mr. N. E. Sheinwald  
First Secretary (Political Affairs), British Embassy

## DEPARTMENT OF STATE

The Honorable Selwa Roosevelt  
Chief of Protocol

The Honorable John Louis  
Ambassador of the United States to the United Kingdom of Great  
Britain and Northern Ireland

## UNITED STATES SENATE

Senator Strom Thurmond (Republican, South Carolina) *President Pro Tempore*

Senator Howard H. Baker, Jr., (Republican, Tennessee) *Majority Leader*

Senator Ted Stevens (Republican, Alaska) *Assistant Majority Leader*

### MEMBERS, COMMITTEE ON FOREIGN RELATIONS

Senator Charles H. Percy (Republican, Illinois) *Chairman*

Senator Howard H. Baker, Jr. (Republican, Tennessee)

Senator Jesse Helms (Republican, North Carolina)

Senator Charles McC. Mathias, Jr. (Republican, Maryland)

Senator Nancy L. Kassebaum (Republican, Kansas)

Senator Rudy Boschwitz (Republican, Minnesota)

Senator Larry Pressler (Republican, South Dakota)

Senator Frank H. Murkowski (Republican, Alaska)

Senator Claiborne Pell (Democrat, Rhode Island) *Ranking Minority Member*

Senator Edward Zorinsky (Democrat, Nebraska)

Senator Paul E. Tsongas (Democrat, Massachusetts)

Senator Christopher J. Dodd (Democrat, Connecticut)

### OTHER MEMBER, UNITED STATES SENATE

Senator Patrick Daniel Moynihan (Democrat, New York)

### STAFF, COMMITTEE ON FOREIGN RELATIONS

Mr. Scott Cohen, Staff Director

Mr. Geryld B. Christianson, Minority Staff Director

Mr. Cranwell Montgomery, Special Counsel to the Majority Leader

Ms. Diana Smith, Professional Staff Member

Mr. John Ritch, Professional Staff Member

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND MR. PAUL VOLCKER,  
CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AT  
THE FEDERAL RESERVE BUILDING, WASHINGTON, ON THURSDAY, 29 SEPTEMBER  
1983 AT 1000 HRS

Present:

Prime Minister	Mr. Paul Volcker
Sir Robert Armstrong	
Sir Oliver Wright	
Mr. F.E.R. Butler	

The Prime Minister invited Mr. Volcker to comment on recent developments in the United States economy. Mr. Volcker said that the real economy was doing well; that recent monetary figures had been back on course; but that the fiscal deficit was too big. The Prime Minister said that she was worried about the deficit. Mr. Volcker agreed: in his view the deficit was a time-bomb. The Administration believed that economic growth would itself reduce the deficit: he did not find this argument plausible. But the President's speech to the IMF, though admirable in its support for the Bill to increase the resources of the IMF, had made clear that the Administration did not intend to take action to reduce the deficit through increases in revenue. They held the surprising view that, if the Administration was starved of revenue, the Congress would act to bring down expenditure; but there was no evidence that this would happen.

Mr. Volcker said that he did not share the complacency about the world debt problem of which he had recently seen signs. In his view it would continue to be difficult for at least another year. After Brazil, Mexico and Argentina, problems were coming up with Venezuela, the Philippines and Nigeria. Venezuela was in his view <sup>not</sup> a case for official assistance, and it should be possible to take action to deal with the other cases, although political difficulties made Argentina a cause for anxiety. On the immediate question of Brazil, he hoped that the British Government would withdraw the reservations expressed by the Chancellor of the Exchequer and take part with other members of the Group of Ten in providing export credits to fill the remaining gap in financing up to the end of 1984.

The Prime Minister said that the British Government were already playing their part in re-scheduling at some cost its borrowing requirement, and she did not wish to add further to this burden. She had understood from Mr. de Larosiere that <sup>the</sup> new Government money had been obtained. Mr. Volcker said that the Group of Ten had authorised Mr. de Larosiere to make this statement. Although the Chancellor of the Exchequer had entered reservations about Britain's part, he hoped that this would not be the final word since the package would be better balanced if Britain took part. Further export guarantees would not cost anything if all went well. It was <sup>in order</sup> necessary, /to reinforce the Brazilian Government's attempts to put the IMF programme through, to be able to say that the necessary funds would be available if they did so. They had already lost bridging funds through delay in complying with the programme: provided that

they got the programme through, IMF money would be made available in November and used to repay the Bank for International Settlements (BIS), and new money would be available from the commercial banks in December which would enable them to go forward. But the programme was very tough and if they could not get the programme through, no money would be made available and there would be default. The banking system would be able to bear such a default by itself, but it would make defaults by other countries more likely. In his view the monetary creation which would be necessary to see domestic banking systems through would be more inflationary than actions taken now to prevent default. He therefore hoped that the Prime Minister would give further consideration to the British Government's position on Brazil. The Prime Minister said that she had taken note.

F.R.B.

29 September, 1983

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND TREASURY  
SECRETARY REGAN ON THURSDAY, 29 SEPTEMBER AT 1045 HRS AT THE  
DEPARTMENT OF THE TREASURY, WASHINGTON

Present:

Prime Minister	Secretary Regan
Sir Robert Armstrong	Deputy Secretary McNamar
Sir Oliver Wright	Under Secretary Sprinkel
Mr. F.E.R. Butler	Assistant Secretary Leland

The Prime Minister said that she would like to start with the subject of unitary taxation because she was desperately worried about it. Representatives of the United States multi-nationals who had attended the Ambassador's dinner on the previous evening had shared her concern. If governments could not reach agreement on double taxation arrangements, they could not reach agreement on anything. There was a basic principle that countries taxed only the income arising in their own territory. If the United States Government went beyond this it would play into the hands of those in Great Britain who were arguing for wider action against multi-national companies, and also into the hands of developing countries who would try to make up their aid receipts through taxation of multi-national companies. She therefore felt that the decision not to intervene in the Container Corporation case was a bad decision in political terms, which might turn out to be an own goal for the U.S. Administration. It should not be supposed that by setting up the Working Group, the issue had been kicked into the long

/grass:

CONFIDENTIAL

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grass: it was essential that the Working Group should reach conclusions quickly and consult a representative range of interests.

Secretary Regan said that there would be a first meeting of the Working Group in the following week. It was not possible to include non-US citizens, but the head of the U.S. subsidiary of a major British firm was being invited to join as well as the heads of some U.S. multi-nationals, representatives of groups opposed to unitary taxation, the Governors of some States (including Illinois) and representatives of State legislatures. The Container Corporation case had not established that foreign multi-nationals could be subjected to unitary taxation: an earlier Woolworth case had suggested that they could not. But cases would be coming up in relation to Alcan, Royal Dutch and EMI within the next few months and if the case went in favour of unitary taxation in the Appellate Court, the Administration would probably file an Amicus Curiae brief in the Supreme Court.

When the Prime Minister questioned the word "probably" Secretary Reagan said that he had only used this adverb because the Administration did not want to announce its intention in advance of the verdict of the Appellate Court. But he could promise that if the Appellate Court hearing came out with the wrong result, the Administration would file an Amicus Curiae brief. One of the President's problems was that State Governors form part of the electoral college, and the President's relations with them were sensitive in advance

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- 3 -

of the Election. It was also uncertain how much cost to companies was at stake. The figure of \$650 million had been quoted, but this applied only to domestic companies: one of the discussions of the Working Group would be to find out what the figures were. But a company would be exempted if its accounting structure was sufficient to demonstrate an arms length relationship between a subsidiary and its parent or, failing this, it could produce records which justified its transfer pricing.

The Prime Minister commented that she did not see why a multi-national company should have to open its books to a State Tax Authority in this way. The costs of compliance would be enormous. Also, it would be difficult for companies to calculate what the costs of unitary taxation might be when the extent of the repercussions was unknown and the way in which the tax might be applied was uncertain. Secretary Regan said that the decision against filing an ~~Amicus~~ Curiae brief in the Container Corporation case had been taken by the President, after advice from the Solicitor General that there was less than one chance in ten that it would do any good. He was hoping that the Working Group would produce, prior to the hearing of the Alcan or Shell cases a model law which might provide a satisfactory compromise and influence the outcome of those cases. Such a compromise might be that unitary taxation only applied on profits within the United States and would not require companies to open their books about their activities beyond the water's edge.

In answer to a question from the Prime Minister whether

/such



such a system would transgress the double taxation agreement or involve a company in paying more total tax, Assistant Secretary Leland said that his provisional view was that a unitary taxation system which did not go beyond the water's edge would be consistent with the Double Taxation Treaty. It should not involve companies in paying additional taxation. Secretary Regan added that half the tax was anyway met by the Federal Government, since State taxation was deductible before Federal tax was charged.

The Prime Minister said that it would be helpful if the United States Administration could make a firm public statement that they were opposed to unitary taxation. Secretary Regan said that it would be difficult for the President to make such a statement since the Supreme Court had found that it was legal for the States to levy tax on this basis. But there were other forms of pressure upon the States. The States were banned by the US Constitution from taking action which interfered with international relations, and it was clear from the present conversation that unitary taxation was damaging international relations. Also, States were in competition for overseas investment, and some States were already advertising that they did not apply unitary taxation to overseas companies. Deputy Secretary McNamar added that a further route, if the Supreme Court case went against Shell or Alcan, would be for those companies to take action in the International Court of Justice on the grounds that unitary taxation transgressed the Friendship, <sup>Commerce</sup> and Navigation Treaty: the British Government could no doubt support the companies in taking that action, but this would be a protracted

/and

and tortuous process.

The Prime Minister emphasised again the urgency of the matter. Secretary Regan said that he would try to bring his Working Group to a conclusion within two months.

The Prime Minister said that she was worried about wider developments affecting the management of the United States economy: the fiscal policy seemed close to a reversion to Keynesism. She suggested that these matters should be pursued at the working lunch.

F.R.B.

29 September, 1983

SECRET

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRESIDENT  
OF THE UNITED STATES AT THE WHITE HOUSE AT 1137 HOURS ON THURSDAY,  
29 SEPTEMBER 1983

Present: Prime Minister  
Mr. Coles

President Reagan  
Mr. Sommer

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In a brief discussion of the situation in the Lebanon, President Reagan said that the American Commander in the Multi-National Force had said that if Suq Al-Gharb felt the position of the American contingent would be intolerable. So the Administration had taken the view that supportive action to prevent this happening could be regarded as self-defence.

He was most appreciative of the fact that the British contingent had been providing security at the location of the talks which were now proceeding in the Lebanon. The Prime Minister commented that she believed that this role was a very appropriate one. She had been telling enquirers that the participants in the MNF must work together. If one contingent pulled out unilaterally, a very difficult situation would be created.

President Reagan said that the bill placing an eighteen month limit on the presence of the American contingent had been passed by a very substantial majority in the House yesterday and would be before the Senate today.

The President then said that since this was the first time he had met the Prime Minister since the Election result he wished to convey his congratulations in person.

/ The Prime Minister

SECRET

The Prime Minister suggested that the discussion should turn to the topics of East/West relations and arms control. Later in the day she would receive the Winston Churchill Award and would be making a speech with which the Administration would agree. She felt that we had to make the most accurate assessment we could of the Soviet system and the leadership. There was plenty of evidence of the nature of both. But we all had to live in the same planet. So it was necessary to attempt to establish a reasonable relationship. When the repercussions of the Korean airliner incident had died down the question would arise of when we resumed normal relations. This would take time. The President had been right to insist that, despite the incident, the arms control negotiations on Geneva should continue. His speech to the UN General Assembly had been outstanding.

We needed to ask ourselves how we could influence Soviet thinking. It was clear that we could not do so unless we had a reasonable relationship.

President Reagan said that he had considered all these matters when the Korean airliner incident had occurred. Some of the issues concerning East/West relations had been discussed at Williamsburg. But now was not a time when we should isolate ourselves from the Soviet Union.

It was true that he had taken the view that arms talks should continue but he did not believe that he had thereby done the Soviet Union a favour because there was evidence that they were reluctant to be at the negotiating table.

He felt most strongly that the talks should continue. It was simply too dangerous for the world to live under the present nuclear threat.

As regards the British and French strategic deterrents, these had no place in the INF negotiations. With regard to START, the United States would continue to negotiate. But if agreement was reached on sizeable reductions on both sides it would be necessary to make allowances for the strategic weapons of other countries.

/ The Prime Minister

The Prime Minister said that the Soviet insistence on including British and French deterrents was a device to divert attention from the American proposal for deep reductions in strategic weapons. The facile arguments about the inclusion of the British and French deterrents were worrying. She was extremely wary of agreeing to include the British deterrent in any negotiation until it was clear what the result of that would be.

This matter had recently been discussed within the British Government. Our strategic deterrent constituted an irreducible minimum. We could not have less than four submarines. This guaranteed that one would always be on station and that two would be most of the time. This was the minimum requirement should we ever be left alone. We did not expect to be put in such a position but it was possible that the Soviet Union would try to pick off NATO countries one by one.

She and the President were agreed that the British strategic deterrent could not be included in INF. As for START, our deterrent constituted only 2½% of the numbers of Soviet strategic weapons. Unless the American and Russian holdings of strategic weapons were reduced to some 10 or 20% of what they were at the moment, our own weapons were almost immaterial.

Senator Glenn had raised this matter at her breakfast meeting with the Senate Foreign Relations Committee. She had pointed out that the inclusion of the British deterrent would mean that the United States could not have parity with the Soviet Union. Would Congress agree that the United States should have less than parity? Furthermore, if we and the French decided to increase our present numbers of weapons, the American holdings would have to <sup>be</sup> cut down by the equivalent amount. It was doubtful whether France would agree that the United States should determine how many weapons France should have. She was most anxious that people should not fall for the glib formula that our strategic weapons should be included. If the Soviet Union was really interested in strategic reductions they should take up the American proposals. If negotiations resulted in very sizeable reductions and there were comparatively few weapons

/ of this kind

of this kind left, then, in this totally different world, we should have to consider the position of the British and French deterrent. But this did not arise now.

NATO was a defensive, not an aggressive organisation. The Soviet Union had used force in the past. It was possible that it would try to pick off the allies singly. So each country needed its own means of defence. It would be a mistake to arrive inadvertently at the position where the United States had less than parity with the Soviet Union. She had recently explained all these matters to the Prime Minister of the Netherlands. She hoped that the American Administration would be very cautious in its references to British and French deterrents. President Reagan, who appeared to accept these arguments, said that they would be. With regard to START, a complex situation had arisen. The Americans had wished to attempt first to deal with the problem of the large land-based missiles. These were the destabilising elements and those which people most feared. But the Soviet Union was more dependent than the United States on land-based missiles. Washington could not dictate to Moscow what its mix of weapons should be. So the negotiations would become more complex.

The Prime Minister said that one point of concern to her was that the Soviet Union was negotiating through public statements and not at the negotiating table. Andropov's reference to the liquidation of SS20s had turned out, when checked in Geneva, to concern getting rid not of missiles but of launchers.

The INF negotiations would enter a difficult phase when we started to deploy Cruise and Pershing. There was no doubt that the United Kingdom and Germany would deploy at that time. President Reagan said that the Germans had just told him privately that they would be delaying their Bundestag debate until 21 November. This delay caused great concern. The Prime Minister said that Mr. Andropov's statement of 28 September on foreign policy was clearly designed to influence public opinion in Germany in the wake of the Elections in Hesse and Bremen. President Reagan said that he agreed with the Prime Minister that Chancellor Kohl was firm in his attitude but he was not so sure about the people around him, for example, Mr. Genscher.

/ He was convinced

He was convinced that the whole Soviet strategy had aimed at preventing deployment. When this failed, they might start to negotiate seriously. But two points worried him. First, the Russians were apparently paranoid about their own security. Did they really feel threatened by the West or were they merely trying to keep the offensive edge? Secondly, he had always assumed that in the Soviet Union the Politburo controlled the military. But did the fact that the first public comments on the Korean airliner incident had come from the military indicate that the Politburo were now intimidated by the Generals.

The Prime Minister said that she believed that the Soviet Union did worry about its security but its present military posture went far beyond its defensive needs. There had been no need for the Soviet Union to march into Afghanistan. Nor were their attempts to extend their influence into Africa and Central America necessary.

She had recently held a discussion with eight academics who specialised in the Soviet Union. In answer to her question, they had expressed the view that there was very little scope for change in the Soviet Union because of the nature of the Soviet system. But she wished to revert to the question of how far we could influence the Soviet leadership by developing contacts with them. She had seen a recent report about the American concern to resume a dialogue with Moscow.

The President said that the main reason why the Russians were at the negotiating table in Geneva was the build-up of American defences. The Russians would not be influenced by sweet reason. If they saw that the United States had the will and the determination to build-up its defences as far as necessary, the Soviet attitude might change because they knew that they could not keep pace. He recalled a cartoon which had Brezhnev saying to a Russian General "I liked the arms race better when we were the only one in it". When it was fully borne in upon the Soviet leadership that they could not match the American arms build-up they might conclude that it was better to negotiate in an attempt to retain parity. He believed that the Russians were now close to the limit in their expenditure on defence. Their internal economic difficulties were such that they

/ could not

could not substantially increase the proportion of resources devoted to military expenditure. The United States, on the other hand, had the capacity to double its military output. That was its strength. The task was to convince Moscow that the only way it could remain equal was by negotiation. They could not afford to compete in weaponry for very much longer.

The Prime Minister repeated that we were entering a difficult phase of the INF negotiations at the end of this year. We must then stay calm and make it plain that we still wanted to negotiate. She agreed that only when there was a rough equality of armaments could the negotiations take place on a basis of mutual respect and mutual interest. The Russians would respect the fact that we had deployed Cruise and Pershing. There would be a mutual interest because of economic pressures. She hoped there would be a mutual will to negotiate. We did not wish the Russian leaders to retreat into their blinkered, isolated world, refusing to talk. But when would it be right to resume a dialogue?

President Reagan said that he had seen Ambassador Dobrynin some time ago. He had told him that words were not enough. There were things on offer in Washington. But to obtain them the Russians must first display their good intentions by deeds. He had invited Moscow to demonstrate by deeds that it really wanted a good relationship. It would then see a response. This had produced a little movement. But there was still a need for Moscow to show that it could do more than talk. It must meet some of the American appeals on such matters as the violations of the Helsinki Agreement, policy on emigration and individual cases such as that of Anatoly Scharansky.

The Prime Minister said that it was worth reflecting on how the Geneva talks should be pursued between now and the end of the year. It might be better to proceed by way of quiet negotiation than by public statement and counter statement. President Reagan said that the American objective was to negotiate. They would be patient until deployment occurred and then Moscow would have real reason to negotiate. On resuming contacts part of the tragedy of

/ the Korean



the Korean airliner incident was that the Russians would now have to make a move before dialogue could be resumed. They should, for example, accept responsibility and offer compensation.

The Prime Minister commented that the handling of the incident was the first real evidence of the character of Andropov. President Reagan said that one Soviet lie had followed another. They had first claimed that no aircraft had been shot down, then that it was a spy plane.

The Prime Minister said that she was still mystified that the aircraft had been so far off course. President Reagan said that he had been too until he had seen a television programme in which senior pilots had made it plain that the computer could only give back what was put in. If the wrong information was inserted, the computer could not make corrections. The Prime Minister said that she thought this demonstrated a need for a failsafe mechanism. Another worrying aspect was the nature of the command structure and the rules of engagement revealed by the incident. President Reagan said that Soviet planes had frequently strayed over the Soviet Union. A Cuban plane had been detected over a submarine construction yard. No-one had shot at it. Soviet paranoia was again at work in the handling of the Korean airliner incident. All aircraft except Soviet aircraft had international channels for communication. The Russians refused to use these channels because it would make it easier for people to defect. If their first response had been to apologise to the world and offer compensation they would have gained great credit. The voices of those who favoured reasonable dialogue with Moscow would have been heard loud and clear.

The Prime Minister said that it was in our interest to have a reasonable relationship provided it did not jeopardise our security. President Reagan commented that it was always necessary to remember that we were dealing with people who were not like us. Gromyko had even told Shultz in Madrid that if necessary the Soviet Union would repeat their action. So the West must be strong. But America would do its best to make the Soviet Union see that it did not have offensive intentions and was not trying to obtain a first-strike capability. Nothing could have been fairer than the zero option proposal.

The Prime Minister said that the President had been right to persuade Congress to allocate more money for chemical weapons. The West had disarmed in this field without a response from the Soviet Union. President Reagan said that the Soviet Union had used chemical weapons in Cambodia and Afghanistan. One member of an Afghan delegation whom he had received had shown him the effects of chemical warfare on his own body. The Prime Minister said that she had been impressed by the anti-chemical warfare techniques adopted by the British Forces in Germany whom she had visited last week. The fact was that the West had no deterrent in this field. President Reagan said that various deserters from the Soviet Armed Forces in Afghanistan had confirmed, when interviewed separately, that every Soviet unit in Afghanistan was equipped with chemical weapons. Some had said that they had deserted both because of the nature of these weapons and because they had been ordered to kill women and children. World War II had provided a lesson - each side then knew that the other side possessed chemical weapons and had therefore not used them.

Turning to Central America, the Prime Minister said that we had consistently tried to support the Administration's policy. We had frequently quoted the President's April speech setting out his objectives. We had also given support by sending observers to the El Salvador elections. But American policy was still not understood in Europe though the visit of Vice-President Bush had been very helpful in this respect.

On Belize, we had decided that we could not take out our troops at the end of this year. (The President commented "Bless you!"). But we should have to remove the garrison some time and within 18 months. This would be after the American Elections and after the Elections in Belize in February 1985. For various reasons we were unhappy about the presence of the garrison. While it was there Belize would not negotiate seriously with Guatemala. We would tell Mr. Price of our decision and press him to negotiate. Meanwhile, British and American officials ought to discuss arrangements which could ensure Belize's security after British withdrawal.

/ President Reagan

President Reagan said that he was impressed by Mr. Price. Guatemala had said during the Presidency of Rios Montt that all it wanted was access to the sea. He agreed that American and British officials should hold discussions as proposed by the Prime Minister.

The Cubans had 2,000 military advisers in Nicaragua. But they also had several thousand teachers there who had set up schools in villages where there had previously been no education and were spreading communist propaganda among the young. The Prime Minister said that we should give more publicity to these things. The President said that there were too many people in the American media who engaged in dis-information. The Washington newspapers and the television news broadcasts were terribly slanted and carried out propaganda for the other side. El Salvador had not been in the news for a long time - because the Government was winning. At an earlier stage there were nightly stories told from the viewpoint of the guerrillas.

The Prime Minister said that she had seen Mr. Duarte a while ago. His main point had been that if democracy were not seen to work after the next Elections in El Salvador, then people would lose heart.

On another matter, she wished to ask that the President should think very carefully before the United States resumed the supply of arms to Argentina. A decision in this sense would simply not be understood in Britain. The President said that he understood the Prime Minister's concern but there would be great pressure for the resumption of arms <sup>supplies</sup> if a civilian regime were established in Buenos Aires.

The tête-à-tête conversation ended at 1235 hours and was followed by a working lunch.

A. J. C.

29 September 1983

Subject

RECORD OF A CONVERSATION AT A WORKING LUNCH GIVEN BY THE PRESIDENT OF THE UNITED STATES FOR THE PRIME MINISTER AT THE WHITE HOUSE AT 1240 HOURS ON THURSDAY, 29 SEPTEMBER 1983

Present:	Prime Minister	President Reagan
	Foreign and Commonwealth Secretary	Mr. Shultz
	Sir Robert Armstrong	Judge Clark
	Sir Antony Acland	Mr. Regan
	Sir Oliver Wright	Mr. Louis
	Mr. Butler	Mr. Burt
	Mr. Coles	Mr. Thayer
	Mr. Fall	Mr. Sommer

\*\*\*\*\*

Following introductory remarks by President Reagan, the Prime Minister suggested that the two Foreign Ministers should indicate the ground which they had covered in their own discussions. The Prime Minister then summarised the tête-à-tête conversation which she had just had with the President. Most of the time had been devoted to East/West relations. It had been agreed that there was a need to resume the dialogue with the Soviet Union though not necessarily at the highest level. On arms control, she had explained to the President our concern about the rather facile arguments that the British and French deterrents should be included in the arms negotiations. If they were ever included in the START negotiations, the implication was that the United States would have less than parity with the Soviet Union. Mr. Shultz agreed. The Prime Minister said that the Russians were putting forward this proposal to confuse the issue and to avoid a serious negotiation on reducing their own vast strategic arsenal. START should concentrate on deep reductions; if the negotiations were successful then there would be a different world.

She had also discussed with the President the question of Belize. She had told him of British support for American policy in

Central America. She had also emphasised that if the Americans resumed arms supplies to Argentina, this would not be understood in Britain.

Earlier she had spoken to Mr. Regan about the unitary taxation issue with regard to which we had serious objections. Some of the heads of US multi-nationals with whom she had dined on the previous evening seemed to agree with our views. (At this point the President left to take a telephone call). Mr. Regan said that he understood the Prime Minister's views about unitary taxation.

The Foreign and Commonwealth Secretary said that he had been in close touch with Mr. Shultz about the situation in the Lebanon. The immediate task was to arrange for the supervision of the truce by observers. Yesterday he had seen the Syrian Foreign Minister. Syria was clearly riding high. It recognised the need for supervision of the truce but was not prepared to agree to UN observers. It was not yet clear whether the Soviet Union would obstruct UN action.

The Prime Minister said that she wished to look a bit further ahead in the Middle East. When Britain had departed from Palestine the idea had been that Palestine should be partitioned. The fact was that the area now occupied by Israel constituted the whole area of the former Palestine. Jordan feared that as more and more Israelis settled on the West Bank, the Arabs would be pushed back into Jordan and Palestinians would enter Jordan from other countries. If this happened, Jordan would have no future. The Hashemite monarchy would fall. We should have lost a great friend of the West and one of the few moderates. Following the fall of the Shah, the reputation of America would be very considerably affected. She therefore hoped that the United States would consider the Jordan factor most carefully.

Mr. Shultz said that when President Reagan had devised his initiative on the Middle East it had been recognised that the problem was partly Israeli policy but that the major problem was to get the Arabs to the negotiating table, accompanied by Palestinian representatives who were ready to talk to Israel. Until this could be done, it would be difficult to persuade Israel to modify its policy.

/ Hussein

Hussein had been in principle ready to sit down with the Israelis but naturally had to be careful about the circumstances. Hussein and Arafat had almost reached agreement in April but this had been torpedoed by Syria which was determined that there should be no peace process that was not controlled by Damascus. Syria had then caused chaos in the Lebanon and thereby might have made Israeli withdrawal more difficult. It was therefore clear that Syria was a large part of the problem. Somehow it must be cut down to size.

The Prime Minister agreed that Syria had blocked many peace efforts. (At this point the President returned and the Prime Minister reiterated her concern about Jordan). Israel was now establishing more and more settlements as a matter of policy. One day there would be an Israeli majority on the West Bank and it would be incorporated into Israel. This would destabilise Jordan - and it was perhaps Israeli policy to achieve this. The Israelis argued that Jordan was Palestine. This was not true. Attention was inevitably focussed on Lebanon at the moment but we should not lose sight of the threat to Jordan. We must not let down Hussein who was shrewd and courageous. The integrity of Jordan must be maintained.

Mr. Shultz said that the President had earlier agreed with King Hussein that if he showed a readiness to negotiate with Israel, then the Americans would strenuously urge Israel to announce a modification of its settlement policy. But the factors he had already described had prevented this. The Prime Minister said that if things were simply left as they were, Jordan would disappear. Mr. Shultz said that it was not the intention to acquiesce in the present situation. America wanted to start a peace process but the situation in Lebanon prevented this for the present.

President Reagan said that he shared the Prime Minister's feelings about King Hussein. If it were possible to re-start the peace process, he felt that Israel must exchange territory for secure borders. He was sure that King Hussein did not wish to have the West Bank back and its Palestinians incorporated in Jordan. Therefore the aim should be a federation with the West Bank which

/ was autonomous

was autonomous but not a separate State. It would be for Jordan to guarantee that that autonomous unit did not become a threat to Israel. America could not impose such a settlement but the whole peace process depended on Israel being willing to give up territory for security.

The Prime Minister commented that Israel's willingness to do so was in doubt under the present Government. The Foreign and Commonwealth Secretary said that the continuing process of Israeli settlement made the prospects for peace more remote. Mr. Shultz commented that Arabs still outnumbered Israelis by ten to one on the West Bank. The Foreign and Commonwealth Secretary said that every time we in the West appeared to condone the settlement policy Israel was encouraged to proceed. Mr. Shultz said it was not yet properly realised that the President's proposals had stated that if Israeli settlements fell within the jurisdiction of the autonomous unit on the West Bank, the settlers would, if they chose to remain there, have to accept that jurisdiction.

The Prime Minister said that the President's initiative had been excellent but it had been announced and then nothing much had happened. The fact was that Israel was defying the President's wishes. Mr. Shultz said that the problem was how to tackle Israel. Railing at Israel was no better than railing at Syria. The analysis of American experts was that the right announcement by King Hussein that he was ready to negotiate would have an electric effect in Israel. The Prime Minister said that there were Palestinians who could be viable negotiating partners. She had refused to allow a PLO representative in the Arab League Delegation which had visited London but a Palestinian called Walid Khalidi had been most impressive.

President Reagan said that earlier every Arab State except Egypt had denied Israel's right to exist as a nation. But American efforts had moved the Arabs a long way towards recognising Israel's right to exist. He did not believe that Israel could continue with the present combination of enormous military expenditure and fund-raising drives. The exchange of territory for security would mean that they would not live for ever in an armed camp. He agreed that Jordan held the key. The problem with Palestinian representatives

/ was that

was that those who were prepared to stand up without the PLO did not live very long. There had to be security for right-thinking Palestinians.

The Prime Minister asked whether Mr. Regan would say a few words about the US economy.

Mr. Regan said that the question which preoccupied the Administration was when a sizeable deficit began to affect investment and slow down recovery. He judged that this would not occur in the next twelve months. Businessmen were awash with cash as a result of the tax policies and the economic recovery. They could finance themselves over the next year. He did not share the prediction of many people that the American deficit would reach \$200 billion. If real growth of  $4\frac{1}{2}$  - 5% could be maintained over the next twelve months, then 10% nominal growth in GNP should be achievable. A deficit next year of \$165 - \$170 billion dollars could be reasonably prophesied. If money supply were kept within the intended bracket of 5 - 9%, then it should be possible to sustain real growth of  $4\frac{1}{2}$  - 5% without inflation. However, the deficit was huge and it would be necessary to come to grips with it eventually. If growth did not deal with the deficit then it would be necessary to cut spending or raise revenue. He preferred the former.

The Prime Minister commented that if Mr. Regan was right in his analysis, then interest rates should soon fall. Mr. Regan said that we should not look at prime rates. Large corporations were borrowing at 10 -  $10\frac{1}{2}$ %. Brokers' loans were paying only 10 -  $10\frac{1}{8}$ %. The Prime Minister said that this was a very high rate for small businessmen. High interest rates were our worst problem and were reining back recovery.

Mr. Regan said that he believed that the increase in the American trade deficit was due to global factors. A fear of an escalation in the Iraq/Iran conflict, and a consequent interruption of the oil supply, had driven oil companies to acquire much larger reserves than usual. Over 60% of the US trade deficit last month had been due to a sharp increase in oil imports.

/ The Prime Minister



The Prime Minister said that she thought that the aim should be to get interest rates down to 3 - 4% in real terms.

The President said that certain banks were now making available large sums for home mortgages at 9.9%. He had recently seen a TV advert offering car loans for 8.8%. Another factor keeping interest rates high was the fear that artificial stimulation might be used, as in the past, to bring the economy out of recession. People were not yet quite sure that it was possible to obtain growth without inflation. But inflation had been 2.6% in the last twelve months and this was the lowest for twenty three years. The need was to convince people that the recovery was real.

The Foreign and Commonwealth Secretary said that the very size of the deficit posed the risk of inflation taking off again.

The discussion ended at 1335 hours.

A.J.C.

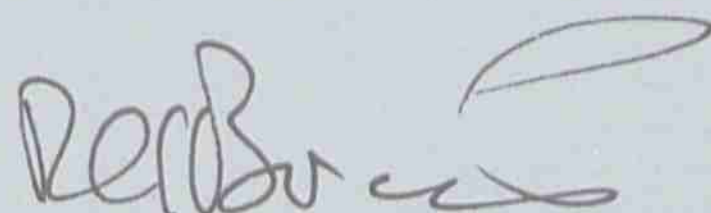
29 September 1983

Mr Coles

cc Mr Fall

EXTRATERRITORIALITY AND THE EXPORT ADMINISTRATION ACT

1. You said last night that you thought that the London briefing was unclear.
2. British and American officials have had endless discussions over the years about ways of avoiding rows. The Americans have never responded to practical proposals, pleading constitutional, political and administrative difficulties. This will continue, and future talks between officials will be a waste of time, unless the President instructs his people that they are to succeed.
3. There is no need for the Prime Minister to go into detail: I suggest she need make no more than the attached points. Practical matters (eg the suggestion that Mr Dam lead on the American side) can be handled between the Secretary of State and Mr Shultz, or their representatives, once the President has given the green light.



R Q Braithwaite

29 September 1983

Copy to HMA  
Minister

US  
King



c.c: PS/HMA  
Members of PM's party  
Minister (E)  
Minister (C)  
Mr. Walsh  
Mr. Bottrill (HM Treasury)  
Mr. Sheinwald

MR. COLES

*MR 29/9*

PRIME MINISTER'S MEETING WITH  
MEMBERS OF SENATE FOREIGN RELATIONS COMMITTEE:  
UNITARY TAX

Please find attached the information on unitary tax which you requested from the Treasury in London who passed the query onto us.

*J. Exeter*

J. EXETER

September 29, 1983

USA  
1/28/83

CONFIDENTIAL

*mm*

GR 300

CONFIDENTIAL

FM UKMIS NEW YORK 292145Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 961 OF 29 SEPTEMBER

INFO IMMEDIATE WASHINGTON

INFO ROUTINE UKDEL NATO, UKDEL IAEA VIENNA, BONN, PARIS

FOLLOWING FROM PRIVATE SECRETARY

PRIME MINISTER'S VISIT TO WASHINGTON

1. PRIME MINISTER'S TALKS AND LUNCH WITH PRESIDENT REAGAN TODAY AND THE SECRETARY OF STATE'S PRE-LUNCH MEETING WITH SHULTZ ARE BEING REPORTED SEPARATELY FROM WASHINGTON. FOLLOWING ARE POINTS WHICH AROSE ON THE WAY TO LUNCH IN PRIVATE CONVERSATION BETWEEN SECRETARY OF STATE AND SHULTZ.

BRITISH AND FRENCH SYSTEMS

2. SHULTZ RAISED THE QUESTION OF WHEN AND WHERE WE ENVISAGED DISCUSSION OF BRITISH AND FRENCH SYSTEMS IN THE CONTEXT OF NUCLEAR DISARMAMENT NEGOTIATIONS. HE HAD READ THE RELEVANT SECTIONS OF THE SECRETARY OF STATE'S AND PRESIDENT MITTERRAND'S SPEECHES TO UNGA, BUT FELT THE NEED FOR SOMETHING THAT HE COULD SAY IN ANSWER TO THE QUESTION HE HAD POSED. THE SECRETARY OF STATE EXPLAINED OUR POSITION BRIEFLY AND UNDERTOOK TO LET SHULTZ HAVE A NOTE ON THE SUBJECT. IN PASSING, THE SECRETARY OF STATE MADE IT CLEAR THAT WE WERE BY NO MEANS COMMITTED TO PRESIDENT MITTERRAND'S IDEA OF FIVE-POWER TALKS: SHULTZ MADE CLEAR THAT HE HAD RESERVATIONS.

3. THERE WAS A BRIEF DISCUSSION OF BRITISH AND FRENCH SYSTEMS ALSO AT THE DINNER OF THE THE TEN ON 27 SEPTEMBER WHERE ELLEMAN JENSEN SAID THAT WE SHOULD MAKE MORE USE IN PUBLIC OF THE ARGUMENT THAT IT WAS NOT ACCEPTABLE FOR THE RUSSIANS TO BE LEFT WITH AS MANY MISSILES AS THE REST OF THE WORLD PUT TOGETHER. THE SECRETARY OF STATE FEELS THAT THIS COULD BE GIVEN A HIGHER PROFILE IN OUR PUBLIC LINE.

ARMS CONTROL/OUTER SPACE

4. SECRETARY OF STATE DID NOT HAVE THE OPPORTUNITY TO RAISE, BUT THE NOTE TO SHULTZ REFERRED TO ABOVE MAY PROVIDE A CONVENIENT PEG.

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/ ISRAEL/IAEA

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ISRAEL/IAEA

5. SECRETARY OF STATE DEPLOYED THE ARGUMENTS IN HIS BRIEF, WITH PARTICULAR EMPHASIS ON SAFEGUARDS. SHULTZ RECOGNIZED THEIR FORCE, BUT INDICATED THAT THE POSITION WOULD BE IMPOSSIBLE TO HOLD IF ISRAEL WERE TO BE SQUEEZED OUT OF THE ORGANISATION.

THOMSON

LIMITED  
DEFENCE D  
ACDD  
EESD  
NAD → NENAD  
WED  
PS  
PS/LADY YOUNG

PS/MR LUCE  
PS/PUS  
SIR J BULLARD  
MR WRIGHT  
MR CARTLEDGE  
MR JAMES

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<sup>2</sup>  
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PRIME MINISTER

YOUR MEETING WITH SECRETARY REGAN

CHECK-LIST

ECONOMY

- WELCOME - RECOVERY IN U.S. ECONOMY  
- RECENT US MONETARY FIGURES CLOSER TO TARGET

- EXPRESS CONCERN ABOUT -  
US "DOUBLE DEFICIT" - BUDGET AND BALANCE OF PAYMENTS  
INTEREST RATES - EFFECT ON WORLD RECOVERY, PARTICULARLY  
I.D.C.S.

UNITARY TAXATION

REGRET DECISION AGAINST FILING AMICUS CURIAE BRIEF IN  
CONTAINER CORPORATION CASE

ASK THAT AMICUS CURIAE BRIEF SHOULD BE FILE IN FORTHCOMING CASES  
INVOLVING FOREIGN PARENTS - SHELL, ALCAN, EMI

ASK THAT REGAN'S TRIPARTITE WORKING GROUP SHOULD

- INCLUDE WIDE REPRESENTATION OF STATES (PARTICULARLY  
ILLINOIS WHICH HAS A FAVOURABLE UNITARY TAX SYSTEM)
- INCLUDE FOREIGN MULTINATIONALS
- SET UP PANEL OF TRADING PARTNERS TO ADVISE, INCLUDING UK

IMF

- WELCOME  
- PRESIDENT'S COMMITMENT TO BILL INCREASING IMF RESOURCES  
- AGREEMENT

- AGREEMENT ON BORROWERS' ACCESS (102% OF NEW QUOTAS WITH VERY EXCEPTIONAL SECOND TIER UP TO 125% - THIS WAS BRITISH PROPOSAL)

BRAZIL (ONLY IF RAISED)

- BRITISH PLAYING PART IN PARIS CLUB RESCHEDULING
- NOT WILLING TO GO FURTHER ON NEW ECGD MONEY
- UNDERSTAND THAT PACKAGE HAS BEEN PUT TOGETHER TO COVER \$11 BILLION NEEDED UP TO END 1984

F.R.B.

29 SEPTEMBER 1983

SWASTRA



*With the compliments of*  
THE BRITISH EMBASSY

NOV 5/6

v.a.

WASHINGTON, D.C.



no

Mr Coles

C. McMaster

## NOTE ON THE AMBASSADOR'S DINNER FOR THE PRIME MINISTER AND AMERICAN INDUSTRIALISTS, 28 SEPTEMBER

1. The Prime Minister opened the discussion after dinner with a description of British domestic economic policy. This had been successful in its main objectives: reducing inflation, bringing down interest rates, controlling the money supply, increasing productivity, and encouraging growth. The trades unions had been brought to be much more cooperative, and the government would be passing further legislation to regulate their activities. Nationalised industry was being sold off or brought into a healthier condition: though there was still a good way to go with steel and cars. Only unemployment remained a serious and distressing problem. In the international field, the main problem was debt. The developing countries now faced three constraints on their growth: the burden of servicing their excessive debt; the obstacles in the developed countries to their exports, which made it harder for them to pay off their debts (and incidentally damaged our own export prospects); and at the root of all this the high interest rates in the United States, which stemmed from US budget deficits, and which limited the prospects for economic growth of America's developed partners as well as the developing world. The Prime Minister said that her own economic policies were based on the principle that expenditure had to be paid for: the government had not been able to get public expenditure down as far as it wished at the beginning of its term: they had therefore reluctantly increased taxation. To do otherwise was to mislead people into thinking they could have something for nothing.

2. The Prime Minister spoke in particular of the damaging consequences of protectionism; and of the effect which the spread of unitary taxation in the United States could have both on the interests of foreign governments and companies, and on the interests of American companies. These remarks were greeted with particular enthusiasm by the American industrialists.

3. After some welcoming remarks by Agricultural Secretary Block, Mr Feldstein spoke. The performance of the American economy had exceeded the best expectations of the Administration. Growth was now running at 6½% and unemployment was down to 9½%. The recovery should continue through 1984 and beyond. His expectation was that inflation would remain at about 4.6%. Government expenditure had been brought down remarkably, except in the fields of defence and social security (someone remarked at this point that this was a very big exception). Nevertheless there was no doubt that the huge budget deficits in prospect were doing "tremendous damage .... I don't know what the Administration's position is any more". The deficits would absorb two-thirds of the net private saving for the next five years. This was bound to keep up interest rates and there were three bad consequences: the matching strong dollar had already resulted in a trade deficit of \$40 billion in the first eight months of

this year; the expansion in the construction industry was being dampened down; and business fixed investment was bound to suffer because of worries about future deficits and interest rates. Nevertheless there was danger in the conventional wisdom that the Administration should act soon. The deficits could only be run down quickly by massive and damaging deflationary action. There was no alternative to waiting until 1985.

4. The Prime Minister interjected that the US budget and trade deficits would nevertheless meanwhile limit growth in all the rest of the world.

5. Senator Wilson (Republican, California) endorsed Mr Feldstein's analysis. But a solution to the "double deficit" problem required a bipartisan approach. The Administration could not adopt the British solution of a tax increase, since this had simply produced increased spending by Congress in the past, and would do so in future. Nothing could be done unless the Democrats agreed to support controls on expenditure. Senator Wilson agreed that protectionism was a risk. However United States firms found themselves competing all over the world against foreign government subsidies. Such unfair competition had to be countered. Meanwhile Senator Wilson agreed with Mr Feldstein that there was no prospect of a tax increase or expenditure cuts until 1985.

6. Mr Trowbridge (Chairman of the National Association of Manufacturers) said that the spectre of the deficit presaged a crowding out of private investment, increased real interest rates, and a continuing high dollar. The business community were much concerned both with the spread of unitary taxation, and with the possible implications of the new Export Administration Act.

7. Roger Smith (General Motors) said that American car manufacturers were now doing well. They had achieved an all time record in the first two quarters of the year for sales abroad. He was concerned about the prospects for a strike at the General Motors factory in the UK: he hoped that labour relations there were not returning to the bad old days. The Prime Minister remarked that the Vauxhall management had made the mistake of offering a 7% wage increase, which was too high. She had agreed to give 3% to public servants for the next year, and would have preferred to give less even than that. One had to be honest with people: one could not pay them more than was economically justified.

30 September 1983

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AMBASSADOR'S DINNER IN HONOUR OF THE PRIME MINISTER ON  
WEDNESDAY 28 SEPTEMBER AT 8.00 PM IN THE RESIDENCE (INFORMAL)

Host

Prime Minister

Mr Denis Thatcher

Mr Mark Thatcher

Sir R Armstrong

Sir A Acland

Mr R Butler

Mr J Coles

Mr B Ingham

The Hon J Block, Secretary for Agriculture

The Hon P Wilson, US Senate (R-California)

The Hon M Feldstein, Chairman, President's Council of  
Economic Advisers

Mr R Anderson, Chairman, Rockwell

The Hon W Annenberg, President, Triangle Publications

Mr C L Brown, Chairman, AT&T

Mr R J Buckley, Chairman, Allegheny

Mr O B Butler, Chairman, Procter and Gamble

Mr W Butcher, Chairman, Chase Manhattan

Mr P Caldwell, Chairman, Ford

Mr J L Ferguson, Chairman, General Goods

Mr J Guilfoyle, President, ITT Telecommunications

Dr A Hammer, Chairman, Occidental Petroleum

Mr J Opel, Chairman, IBM

Mr P F Orefice, President, Dow

Mr R B Smith, Chairman, General Motors

The Hon A B Trowbridge Jr, President, National Association  
of Manufacturers

Sir A Walters

Mr D Weatherstone, Chairman, Executive Committee,  
Morgan Guarantee

Mr D M D Thomas, Minister, British Embassy

Mr R Q Braithwaite, Minister (Commercial), British Embassy

Mr N L Wicks, Minister (Economic), British Embassy

Mr F Kennedy, Her Majesty's Consul General, New York

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Prime Minister's Visit File, BE

JH 662



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PS/ Secretary of State for Trade and Industry

28 September 1983

A J Coles Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Dear Sir,

*After  
10/30  
h.a.  
with ASD*

PRIME MINISTER'S VISIT TO WASHINGTON: EXTRATERRITORIALITY

My Secretary of State has seen Sir Oliver Wright's telegram No 2708 of 21 September, and Brian Fall's letter to you of 22 September.

2 Mr Parkinson will be in Washington on 18 and 19 October and, in the light of President Reagan's response to whatever the Prime Minister may have said to him on this subject, will have the opportunity to pursue these matters further with Kenneth Dam, with the Commerce Secretary Baldrige and with the US Attorney General French Smith. That may have a bearing in due course on the idea of a special visit by a Foreign Office Minister.

3 I am copying this letter to Brian Fall (FCO) and Richard Hatfield (Cabinet Office).

*Yours sincerely,  
Jonathan Spencer*

J P SPENCER  
Private Secretary



Prime Minister

The attached new brief  
on unitary taxation is  
especially useful.

PERSONAL AND CONFIDENTIAL

A.J.C. <sup>28.</sup>/<sub>9</sub>

PRIME MINISTER

You may find it useful, before you see the Americans tomorrow, to glance at the attached notes updating your brief on the IMF/IBRD issues, and Brazil; and a revised brief on unitary taxation.

The Administration ought to be fairly happy with the outcome of the IMF/IBRD meetings. The proposal which we put forward on access, and which was eventually agreed, is one which should help, rather than hinder, their efforts to get the IMF Bill, ratifying Geoffrey Howe's February IMF agreement on increased quotas, through Congress. (And it is of course very important that it should go through.)

On Brazil, the heat was on us early on, as I mentioned to you on the telephone on Sunday. But our position seems, at least for the present, to have been accepted. Regan and Larosière know that we shall not be contributing any new government money, in addition to the Paris Club arrangements; and Larosière has told the bankers, in Volcker's hearing, that the financial gap is filled. Regan's final request to me was only that we should not come out against the "package": that creates no problem. I had an hour with him in his office yesterday, and the word Brazil was not mentioned. The President may, I suppose, still decide to press the matter with you, perhaps as much in order to reduce the bill for the Americans as to reduce the risk of the "package" collapsing. But I am sure you will wish to hold the line.

I pressed Regan hard on unitary taxation. He is Chairman of the Working Group which the President has set up, and I think it would be helpful if you would make some of the points in the new brief, which reflects our meeting.

N.L.  
28th September, 1983

cc: Sir Oliver Wright

Attachments

PRIME MINISTER

YOUR MEETING WITH THE PRESIDENT

FOLLOWING OUR TALK ON THE PLANE, THIS IS THE CHECK-LIST OF POINTS TO RAISE.

EAST/WEST RELATIONS

- KEEP FOCUS ON NATURE OF REGIME
- BUILD UP PROGRAMME <sup>of</sup> AND CONTACTS
- VIEWS ON SUMMIT
- KOREAN AIRLINER

ARMS CONTROL

- INF - NEGOTIATE QUIETLY; CONTINUE AFTER CHRISTMAS
- BRITISH DETERRENT
- CHEMICAL WEAPONS

CENTRAL AMERICA

- WILL CONTINUE TO SUPPORT YOUR POLICY - OFTEN CITE YOUR APRIL SPEECH
- BELIZE - HAVE TO GET OUT; WANT DIALOGUE ON FUTURE ARRANGEMENTS

ARMS FOR ARGENTINA

UN RESOLUTION ON FALKLANDS

VISIT TO CHINA (APRIL)

/ CHINESE PREMIER



(CHINESE PREMIER COMING HERE IN FEBRUARY)

HONG KONG  
UNITARY TAXATION  
EXTRA-TERRITORIALITY

POSSIBLE OTHER SUBJECTS (PERHAPS FOR WORKING LUNCH)

- MIDDLE EAST (LEBANON AND JORDAN)
- US ECONOMIC POLICY
- PROTECTIONISM
- US/EC RELATIONS
- ZIMBABWE
- TRANSFER OF TECHNOLOGY

28 SEPTEMBER 1983

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PRIME MINISTER'S VISIT TO CANADA AND THE UNITED STATES 25-30 SEPTEMBER 1983

LIST OF BRIEFS ISSUED IN THE PMVB(83) SERIES

(B) UNITED STATES

1. GENERAL BRIEF: UNITED STATES

Brief by Foreign and Commonwealth Office

2. PERSONALITIES

Brief by Foreign and Commonwealth Office

3. BILATERAL MATTERS

a. IMPACT OF EXTRATERRITORIALITY: EXPORT ADMINISTRATION ACT

Brief by the Foreign and Commonwealth Office

b. UNITARY TAXATION

Brief by Foreign and Commonwealth Office

c. CIVIL AVIATION

Brief by Department of Transport

d. US/UK DEFENCE CO-OPERATION

Brief by the Foreign and Commonwealth Office

e. UK/US TRADE AND COMMERCIAL RELATIONS

Brief by Department of Trade and Industry

4. EAST/WEST RELATIONS (INCLUDING AFGHANISTAN AND POLAND)

Brief by Foreign and Commonwealth Office

5. EAST/WEST ECONOMIC RELATIONS AND TECHNOLOGY TRANSFER

Brief by Foreign and Commonwealth Office

6. DEFENCE/ARMS CONTROL ISSUES

Brief by Foreign and Commonwealth Office

7. INTERNATIONAL ECONOMIC ISSUES  
REVISE

a. WORLD ECONOMIC PROSPECTS

Brief by the Treasury

b. DEVELOPING COUNTRY ISSUES

Brief by Foreign and Commonwealth Office

c. US ECONOMY

Brief by the Treasury

d. INTERNATIONAL TRADE QUESTIONS

Brief by the Department of Trade and Industry

e. INTERNATIONAL DEBT - BRAZIL

Brief by HM Treasury

*Briefs PMVB(83) 1-12  
are presented in  
CAB 133/532. This set  
has been destroyed.*

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8. EC/UNITED STATES RELATIONS
  - a. EC/US RELATIONS: AGRICULTURE  
Brief by Foreign and Commonwealth Office
  - b. EC/US RELATIONS: STEEL  
Brief by Foreign and Commonwealth Office
9. INTERNATIONAL AND OTHER ISSUES WHERE THE UNITED KINGDOM HAS A DIRECT INTEREST
  - a. FALKLAND ISLANDS  
Brief by Foreign and Commonwealth Office
  - b. FUTURE OF HONG KONG  
Brief by Foreign and Commonwealth Office  
(RESTRICTED CIRCULATION)
  - c. BELIZE  
Brief by Foreign and Commonwealth Office
10. NORTHERN IRELAND  
Brief by the Northern Ireland Office
11. OTHER INTERNATIONAL ISSUES
  - a. ARAB/ISRAEL & LEBANON  
Brief by Foreign and Commonwealth Office
  - b. SOUTHERN AFRICA/NAMIBIA  
Brief by Foreign and Commonwealth Office
  - c. CENTRAL AMERICA  
Brief by Foreign and Commonwealth Office
  - d. SPAIN/GIBRALTAR/NATO  
Brief by Foreign and Commonwealth Office
  - e. OTHER INTERNATIONAL ISSUES: CYPRUS  
Brief by Foreign and Commonwealth Office
  - f. IRAN/IRAQ WAR  
Brief by Foreign and Commonwealth Office
  - g. MRS GANDHI'S UN SUMMIT PROPOSALS  
Brief by Foreign and Commonwealth Office
12. UNITED STATES EFFORTS TO STRENGTHEN DEMOCRACY  
Brief by Foreign and Commonwealth Office

Cabinet Office

21 September 1983

**CONFIDENTIAL**

Private Secretary

HMA has seen

Mr. Coles

cc Minister  
Mr Harris

PRIME MINISTER'S BRIEFING

1. The London briefs for the Prime Minister were prepared a while ago, and are therefore somewhat out of date on one or two points. I attach notes updating some particular points. There is a spare set for Mr Coles. They can serve as background for any additional oral briefing of the Prime Minister.

2. The main points are:

(a) Extraterritoriality and East-West Trade. The President told the Prime Minister at Williamsburg not to worry about the new Export Administration Act, which would give him only discretionary powers. But stories that the Administration is considering unilaterally tightening controls on oil and gas technology risks igniting fears of a new pipeline episode, and putting back useful discussions now taking place in COCOM.

(b) Trade and Protectionism. US measures directed against the Japanese risk hurting us too.

(c) Agriculture. /-The Brief does not mention that the Americans have told us that they intend to raise this with the Prime Minister or the Secretary of State: They strongly object to the Commission's proposals for reform of the CAP, and are threatening retaliation. /

(d) Steel: BSC/US Steel Deal /-The Administration seems to be trying to kill the deal Mr MacGregor has been negotiating with US Steel, designed to give Ravenscraig a long term and soundly based commercial future. They are under pressure from Unions and other US companies, and argue that the deal would undermine the US/EC steel arrangement. / We do not know details of negotiations between the companies. But neither we nor the Americans should take a position against a commercial arrangement before we know the facts.



R Q Braithwaite

28 September 1983

SUPPLEMENTARY BRIEFING FOR PRIME MINISTER'S VISIT

PMVB(83)3(a): Impact of Extraterritoriality: Export  
Administration Act

Although the current Export Administration Act expires on 30 September, Congress will not have completed its consideration of fresh legislation by then. A temporary extension of the present Act seems inevitable. This means that it is still possible to influence the Administration who have so far done little if anything to meet our concerns over extraterritoriality.

The recent publicity given to proposals for extending unilateral US controls over oil and gas technology (see briefing on East/West trade) emphasises the importance of amendment of the basic US legislation rather than relying on US assurances about its implementation by future Administrations.

Point to Make

Our concerns about the extraterritorial features of the current proposals for renewal of the Export Administration Act have been reinforced by recent reports that your Administration is considering a tightening up of controls over oil and gas technology. This is bound to provoke fears of a repetition of the gas pipeline episode so long as the US asserts a right to use export controls to govern activities in other COCOM countries.

SUPPLEMENTARY BRIEFING FOR THE PRIME MINISTER'S VISIT

PMVB(83)5: East/West Economic Relations

US/UK official discussions took place in London on 19-20 September. US team expressed satisfaction at UK efforts to tighten up enforcement of export controls. A further high level team of UK officials will visit Washington in early November for further talks.

A US interdepartmental group has recently recommended that oil and gas technology should be transferred from foreign policy export controls to those exercised on grounds of national security. This would effectively give the US Department of Defense a veto over further exports and has revived fears that by such unilateral action there could be a repeat of the oil pipeline crisis. The recommendations have yet to be approved at Cabinet level but there is intense interdepartmental debate and the Director of the Office of East-West Trade in the State Department has resigned. In a strongly worded open letter to the President and Congress he accused the Pentagon of a determination to replace COCOM with military arrangements.

Point to Make

Express serious concern at reports that Administration is considering transfer of oil and gas technology to national security controls. Can only assume intention would be to exercise such controls. Such unilateral action would put back twelve months of useful progress in multilateral discussions. Would urge that no final decisions before adequate consultations with COCOM partners.

SUPPLEMENTARY BRIEFING FOR PRIME MINISTER'S VISIT

PMVB(83)3e: UK/US Trade and Commercial Relations

UK exports to the US in the first six months of 1983 were valued at \$6,079 m (a decrease from \$6,156 m in the same period in 1982) and UK imports from the US at \$5,486 m (a decrease from \$5,554 m in 1982). Changes in the dollar-sterling exchange rate have yet to work through into a substantial increase in our exports despite the rapid increase in domestic US consumption.

US visible trade imbalance in 1983 is forecast at \$35-50 billion offset by a substantial surplus on capital account. There is no sign of any significant reduction in the budget deficit (which influences interest rates) but most observers think the dollar must fall somewhat during the next six months as the trade figures worsen.

Point to Make

Much of the current US pressure for protectionist measures stems from concern about the US-Japan trade imbalance. However, once instituted, protectionist devices (eg tightening up of US antidumping and countervailing laws) also threaten the free flow of trade across the Atlantic.

SUPPLEMENTARY BRIEFING FOR THE PRIME MINISTER'S VISIT

PMVB(83) 8(a): EC/US Relations: Agriculture

US/Commission discussions on agriculture have left a sense of frustration on US side. Cannot rule out possibility of a further raid on EC markets in October (possibly in poultry) but no details known.

US is very concerned at external implications of Commission's proposals for CAP reform. These include a tax on oils and fats (US exports of soyabean, oilseed and animal fat to EC were worth \$4 billion in 1982) and import restrictions on corn gluten feed. US officials are warning that if these proposals are approved there would be retaliation.

Point to Make

UK Ministers have already expressed our reservations over the Commission's proposals. We have made it clear that the financial crisis of CAP can only be resolved in the long run by a reduction in support prices for products in surplus. We are receiving little support from other member states.



SUPPLEMENTARY BRIEFING FOR PRIME MINISTER'S VISIT

PMVB(83)8b: EC/US Relations: Steel

The US are expected to unveil their compensation offer at the next EC/US steel meeting on 5 October. We have a particular interest in obtaining exceptions on special steel products of interest to the private-sector UK steel firms who are innocent bystanders of US action against BSC.

During recent Congressional hearings, the Department of Commerce came down heavily against the proposed BSC/USS Fairless deal which would involve imports of up to 3 m tons of steel slab from Ravenscraig. It was suggested that the Administration would take protective action against such imports even though they are not covered by the EC/US Carbon Steel Arrangement.

Point to Make

Slab steel is not covered by the EC/US Carbon Steel Arrangement and any BSC/USS deal should be treated quite separately on its merits. No detailed proposal has yet been put to HMG for approval. Regret that Administration appears to be taking a position against a commercial arrangement before details are known.

SUPPLEMENTARY BRIEFING FOR PRIME MINISTER'S VISIT

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SOVIET MILITARY APPLICATION OF IMPORTS FROM US

Possible examples as follows:-

(i) Kama Truck Plant

Legal acquisition. Now directs around 40% of production to military vehicles used in Afghanistan and Eastern Europe.

(ii) Precision Bearings

Through legal purchases in 1970s, Soviet Union acquired US precision grinding machines for production of small, high precision bearings. Purchases provided Soviet Union with large volume production capability long before this would have been possible by indigenous development. Used, inter alia, for ICBM guidance systems.

(iii) Ram-P Bomber

Wing technology for Ram-P bomber was obtained openly from NASA and much of the air frame was derived, also legally, from Boeing Super Sonic Transport documentation.

(iv) Blind rivet technology

Sold openly in late 1960s on understanding that it was for commercial application only. Subsequently incorporated in to the Foxbat.

(v) Microelectronics

The Russians had no industrial capacity to manufacture microelectronic products in the early 1970s. Since then

legal and illegal acquisitions from US and Western Europe have enabled Russians to build up their industry. Acquired equipment and know-how, if combined, could meet 100% of Soviet military needs in this area.

(vi) Aircraft Design

Many similarities between Soviet and US/Western aircraft designs. For example, Russians legally acquired plans and drawings for US C-5A giant transport aircraft, which contributed towards development of new Soviet strategic military cargo plane.

All except items (iii) and (iv) above are taken from a published CIA report. (iii) and (iv) were passed on intelligence channels.

USA Visit Blisfield  
Mr Coles *W. 29/9*  
(PS/Prime Minister)

(with att)  
cc: Sir R Armstrong  
Sir A Acland  
Mr Butler  
Mr Ingham  
PS  
Minister  
Minister Commercial  
Minister Economic

PERSONALITY NOTES

/ 1. We sent to you in Canada a number of personality notes additional to those included in the Prime Minister's briefing. In case they did not reach you, and for ease of reference, I attach the originals of PRs on:


- (a) those attending the dinner on 28 September;
- (b) the principal guests at the Churchill Award dinner on 29 September;
- (c) two Treasury officials attending the meeting with Mr Regan;
- (d) Admiral Murphy, who will accompany the Vice President and Mrs Bush at tea.

/ 2. I also attach notes on the Board of Governors of the FRS, whom Mr Volcker will briefly introduce to the Prime Minister at the conclusion of their meeting; and a note on Senator Byrd (sent to London separately last week) who will attend the breakfast meeting with the Senate Foreign Relations Committee.

*Nigel Sheinwald*

N E Sheinwald

27 September 1983



DINNER ON 28 SEPTEMBER

The Honourable Walter Annenberg

Aged 75. President of Triangle Publications (a successful publishing business). 1969-74 Ambassador to Great Britain. Contributes generously to charitable, cultural and educational institutions, and to the Republican Party.

Married twice (his son from his first marriage committed suicide in 1962). He and his wife are old and close friends of the Reagans.

The Honourable John Block  
Secretary of Agriculture.

Born in 1935, the son of an Illinois farmer. Graduated from West Point Military Academy in 1957, and completed US Army Service as an infantry officer in 1960. Returned to Springfield, Illinois to take over the family farm. Served on various agricultural export teams travelling abroad. Appointed Secretary of Agriculture in December 1980. Principal advocate in the Administration of resumed grain exports to USSR. A forthright defender of US farm interests. Married with two children.



Senator Pete Wilson (Republican, California)

Born in Illinois in 1933. Graduate of Yale and the University of California Law School. 1955-58, served as infantry officer in the US marine corps, then moved to San Diego and joined a law firm. Elected Mayor of San Diego in 1971, Senator in 1982, beating Governor Jerry Brown. Strongly anglophile. Separated from his wife in 1981.

Mr Roger Smith

Chairman of General Motors

Met the Prime Minister in London in 1981. There has been a remarkable turn around at Vauxhall, GM's once ailing UK subsidiary, and the Cavalier is now the fifth best selling car in Britain.

Mr Owen Butler

Chairman of Procter and Gamble

The giant of the US household consumer products business. Mr Butler told us at the end of last year that he is optimistic about the substantial UK operations of his group (at Newcastle, Manchester and London) and had been struck by the new spirit about in Britain.

Mr Robert Anderson

Chairman of Rockwell International

A multi-industry high-tech group; will be taking Mr Thatcher to visit their aircraft plant in Columbus, Ohio. They have substantial investments in Britain. Mr Anderson is an engineer by profession.



Mr Robert Buckley

Chairman of Allegheny International

A dynamic conglomerate involved in consumer products, metals, electronics and other fields. He met the Prime Minister in 1981. British subsidiaries include Wilkinson Sword and Sunbeam. Mr Buckley is particularly well disposed towards Britain.

Mr Philip Caldwell

Has been Chairman of Ford since 1980 when Henry Ford II retired. 1983 will be an excellent year for Ford as for the other US auto makers, reflecting higher sales and lower costs. In the 2nd quarter after tax, profits at Ford were \$406 million compared with \$23 million last year. In Britain Ford are the market leader with about 30 per cent followed by BL with 18 per cent.

Mr John Robert Opel

Chairman and Chief Executive of IBM Corporation. With company since 1949, after army service and MBA from University of Chicago. CEO since 1980 and succeeded Frank Cary as Chairman in February 1983. Married with 5 children

Mr Charles L Brown

Chairman of American Telephone and Telegraph (AT and T). With company for 37 years. Chairman since February 1979. Naval and engineering background. Married, one son.

Mr Jack Guilfoyle

President ITT Telecommunications Corporation which is one of the four corporations into which ITT have recently been restructured. Reports directly to Chairman and CEO Rand Araskog. Has served with ITT since 1951. Now responsible for telecommunications, equipment and services.





Dr Armand Hammer

Aged 85, Chairman and Chief Executive of Occidental Petroleum since 1957. Major patron of the Arts. Married; one son. Occidental selling assets to reduce debt burden following last year's \$4 bn acquisition of Cities Service. Major overseas interests in UK North Sea (operator for Piper and Claymore fields) and Libya. Also longstanding commercial interests in Soviet Union (Dr Hammer met Lenin and has sometimes acted as an unofficial East/West emissary).

The Hon Martin Feldstein


Chairman of the President's Council of Economic Advisers. A highly respected academic economist who gained degrees from, and held posts at, Harvard and Oxford Universities. Critical of current Administration fiscal policy. Has consistently urged the reduction of US budget deficits.

Mr Willard Butcher

Chairman, Chase Manhattan Bank. Joined Chase National Bank (now Chase Manhattan) in 1947. Appointed President in 1972 and gradually given more responsibility until succeeding David Rockefeller as Chairman in 1981. Married with two daughters by first wife who died 1955, son and daughter by second wife who died in 1978. Third marriage 1979.

Mr Denis Weatherstone

Chairman of Executive Committee, Morgan Guaranty Trust. British. Joined the Bank's London office in 1946. Assigned to New York 1971. Appointed to present position 1980. Married.



Mr Alexander Trowbridge

President of the National Association of Manufacturers since 1980. President of Esso Standard Oil Co (Puerto Rico) 1963. Secretary of Commerce in the Johnson Administration, 1967-68. A Director of the World Wildlife Fund.

Mr Paul Oreffice

President of Dow Chemical Co since 1978. Dow have plants at Barry, Wales, and King's Lynn. Mr Oreffice was born in Venice and moved to the US when he was 12.



Mr James L Ferguson

Chairman, General Foods. With the company since 1962!  
Previous experience in marketing and advertising. Director  
of Union Carbide. Married with three children.

CHURCHILL AWARD DINNER, 29 SEPTEMBER 1983

Ambassador John L Loeb Jr

Public Delegate to the 38th UN General Assembly

Born in New York City in 1930. Graduated from Harvard, 1954. Mr Loeb served in the US Air Force from 1954-56, then as a partner and later President of Loeb, Rhoades and Co in New York, 1956-73. Also served as Special Adviser to Governor Nelson Rockefeller on Environmental Matters (1967-73), as Chairman of New York State Council of Environmental Advisers (1970-75), and as Chairman of the Board of Holly Sugar Corporation (1969-71). He was United States Ambassador to Denmark from 1981-September 1983. He has just been appointed Public Delegate to the 38th United Nations General Assembly.


He is a trustee of Montefiore Hospital and Medical Centre, the Museum of the City of New York, the Frances and John L Loeb Foundation, and the Winston Churchill Foundation.

Divorced with two children.

Ambassador Jeane Kirkpatrick

US Permanent Representative to the United Nations

Born in Oklahoma in 1926. After graduating from Columbia University, spent a year studying in France. 1962-67, Assistant Professor at Trinity College; 1967-78 Professor in the Department of Government at Georgetown University; 1978-80 Leavy Professor (American values) at Georgetown. Appointed US Permanent Representative to the UN in December 1980. Married with three children.



Senator John Tower (Republican, Texas)  
Chairman, Senate Armed Forces Committee

Born in 1925 in Houston. After graduation, he served in the US navy during World War II then spent a year at the London School of Economics from 1951-52. Political Science Professor at Midwestern University until elected to the Senate in 1961. Highly respected Senator and Chairman of the Armed Services Committee. Married with three children. He announced in August that he will not seek reelection in 1984. Anglophile; has been very helpful to us on defence issues.

Congressman Clement Zablocki  
Chairman, House Foreign Relations Committee

Born in 1912, the son of Polish immigrants. After graduation he taught at a local high school before being elected to Congress in 1948. Chairman of the Foreign Affairs Committee since 1977. Sympathetic towards Britain. Widowed with 2 children.

Prime Minister's Call on Mr Donald Regan: 29 September

Mr Regan will be accompanied by:

Dr Beryl Sprinkel

Under Secretary of the US Treasury for Monetary Affairs

Aged 59. Educated at the Universities of Oregon and Chicago. Taught economics at the University of Columbia 1948-49, and at the University of Chicago 1950-52. Joined the Harris Trust and Savings Bank in Chicago in 1952, starting as a junior economist and becoming executive vice-president in 1974. President Reagan appointed him Under Secretary for Monetary Affairs in January 1981. Married with 4 children.

Mr Marc Leland

Assistant Secretary of the US Treasury for International Affairs

Aged 45. Educated at Harvard, St John's College, Oxford and the University of California. 1963-64, Ford Foundation Fellow at the Institute of Comparative Law of the University of Paris.

From 1964, Associate and partner of a San Francisco law firm. 1970-71, General Counsel of the Peace Corps; then 1971-72 General Counsel of ACTION, an agency including the Peace Corps, Foster Grandparents and the Service Corps of Retired Executives. 1976-78, Arms Control and Disarmament Agency representative to the MBFR talks in Vienna.

Prior to his nomination to Assistant Secretary of the Treasury in May 1981, Mr Leland was a resident partner in the London office of Prosskauer, Rose, Goetz and Mendelsohn, a New York law firm with a large international practice. Separated with 2 children.



ADMIRAL DANIEL J MURPHY

Chief of Staff to the Vice President

Born 1922. Educated at St John's University, the University of Maryland and the Naval War College. Enlisted in the Navy in 1942.

His early assignments included three years as Assistant Director of Long Range Planning (directing a series of studies on strategic nuclear warfare). He commanded the Navy oiler, USS Guadelupe, and the airforce carrier USS Bennington. Both ships were deployed to the South China Sea and provided combat support to the US and Allied Forces in action in Vietnam.

1969-73 Admiral Murphy served as Military Assistant to Secretaries of Defense Laird and Richardson. Then Commander of the US Sixth Fleet. 1974-76, Director of Antisubmarine Warfare and Ocean Surveillance Programs. 1976-77, Deputy to the Director of Central Intelligence for the Intelligence Community. Promoted to Full Admiral in 1976.

Admiral Murphy retired from the US Navy in June 1977 and assumed the position of Deputy Under Secretary of Defense for Policy Review. He was appointed Chief of Staff to the Vice President in January 1981.

Married with four children.

AUGUST 1983

MEMBERS OF THE BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

The seven Members of the Federal Reserve Board are nominated by the President and confirmed by the Senate. A full term is 14 years. One term begins every two years, on February 1 of even-numbered years. A Member who serves a full term may not be reappointed. A Member who completes an unexpired portion of a term may be reappointed. All terms end on their statutory date regardless of the date on which the Member is sworn into office.

The Chairman and the Vice Chairman of the Board are named by the President from among the Members of the Board, and are confirmed by the Senate. They serve a term of four years. A Member's term on the Board is not affected by his status as Chairman or Vice Chairman.<sup>1/</sup>

\* \* \* \* \*

VOLCKER, Paul A. -- Sworn in August 6, 1979 to fill the unexpired portion of a term as a Member of the Federal Reserve Board ending January 31, 1992. Mr. Volcker was designated Chairman of the Board for a four-year term beginning August 6, 1979, and was redesignated for a further four-year term as Chairman, beginning August 6, 1983.

PAUL A. VOLCKER was born September 5, 1927 at Cape May, New Jersey. He earned his B.A. at Princeton University in 1949 and an M.A. in political economy and government at the Harvard University Graduate School of Public Administration in 1951. He attended the London School of Economics in 1951-52. Mr. Volcker has received honorary degrees from a number of institutions, including LL.D., Adelphi University, 1980; LL.D., Notre Dame University, 1980; LL.D., Fairleigh Dickinson University, 1981; LL.D., Princeton University, 1982; LL.D., University of New Hampshire, 1982; Doctorate in Business Administration, Bryant College, 1983; LL.D., Dartmouth College, 1983, and LL.D., New York University, 1983.

Mr. Volcker's first association with the Federal Reserve System was as a summer employee at the Federal Reserve Bank of New York in 1949 and 1950. He returned to the New York Bank in 1952 as a full time economist, and remained with the Federal Reserve until 1957, when he became a financial economist at Chase Manhattan Bank. In 1962 Mr. Volcker joined the United States Treasury as Director of Financial Analysis and in 1963 he became Deputy Under Secretary of the Treasury for Monetary Affairs. From 1965 to 1969 he was a Vice President of Chase Manhattan Bank. In 1969 he was appointed Under Secretary of the Treasury for Monetary Affairs, where he remained until 1974. During this time Mr. Volcker was the principal United States negotiator in the develop-

<sup>1/</sup> A history of the membership of the Board and of its chairmen and vice chairmen, as well as an account of changes in the Federal Reserve Act affecting the Board, is attached.



ment and installation of a new international monetary system departing from the fixed exchange rate system installed following World War II. He spent the academic year 1974-75 at Princeton University as a Senior Fellow in the Woodrow Wilson School of Public and International Affairs.

Mr. Volcker became President and chief executive officer of the Federal Reserve Bank of New York on August 1, 1975. He continued in that office until he became Chairman of the Federal Reserve Board. As President of the Federal Reserve Bank of New York Mr. Volcker was a continuing Member of the Federal Reserve System's principal monetary policy making body, the Federal Open Market Committee. He was elected Vice Chairman of the FOMC August 19, 1975. As Chairman of the Federal Reserve Board Mr. Volcker is Chairman of the FOMC.

MARTIN, Preston -- Sworn in March 31, 1982 to a four year term as Vice Chairman of the Board of Governors of the Federal Reserve System and to a full term as a Member of the Board ending January 31, 1996. Mr. Martin is Chairman, Bank Activities Committee and a Member of the Group of Experts on the Payments Systems, Bank for International Settlements, Basle.

PRESTON MARTIN was born December 5, 1923, at Los Angeles, California. He was graduated from the University of Southern California with a B.S. degree in 1947 and received an M.B.A. degree from the same university in 1948. In 1952, Mr. Martin received a doctorate in monetary economics from Indiana University.

Mr. Martin was Chairman of the Federal Home Loan Bank Board, 1969-1972. He founded the Federal Home Loan Mortgage Corporation. Earlier, Mr. Martin was California Savings and Loan Commissioner, 1967-1969.

Prior to becoming California Savings and Loan Commissioner, Mr. Martin was active in homebuilding, development of shopping centers, and in organization of banks, mortgage finance, and savings and loan businesses. He is a former Member of the Federal National Mortgage Association National Advisory Committee and the Federal Home Loan Mortgage Corporation Advisory Committee.

Mr. Martin founded PMI Mortgage Insurance Co. after leaving the Home Loan Bank Board. He subsequently founded Seraco Enterprises, Inc., a Sears Roebuck company, to provide capital and planning to subsidiary financial services and development companies.

Mr. Martin was a member of the Board of Directors of Sears, Roebuck and Co., and several other companies, prior to joining the Federal Reserve Board.

Prior to his appointment to the Board, Mr. Martin was Senior Advisor on Housing, Reagan Administration Transition Task Force, 1980-81, and at the time of his appointment to the Board, Commissioner, and Chairman of the Taxation Task Force, of President Reagan's Committee on Housing.

Mr. Martin is the author of a textbook on real estate finance. He has written for various financial and mortgage publications. His public affairs activities include service on a number of commissions and committees in California and at the national level.

Mr. Martin has an extensive academic as well as business and public service career. He was a Professor of Finance and Director of Executive Programs at the University of Southern California. He was a Visiting Professor at universities in Italy and Pakistan, and Director of the USC Pakistan Project. He is currently a Member of the Visiting Committee, Joint Center for Urban Studies of the Massachusetts Institute of Technology and Harvard University; and a Member of the Advisory Committee, The Wharton School, University of Pennsylvania.

WALLICH, Henry C. -- Sworn in March 8, 1974 to a full term as a Member of the Federal Reserve Board ending January 31, 1988.

HENRY C. WALLICH was born on June 10, 1914. He was educated in Germany, at Oxford University in England (1932-35) and Harvard University (Ph.D. Economics 1944). Mr. Wallich was in the export business in Argentina and Chile and was a securities analyst in New York City 1933-40. He was on the staff of the Federal Reserve Bank of New York during 1941-51, and was chief of the Bank's Foreign Research Division from 1946. He was a professor of economics at Yale University from 1951 to 1970 and was Seymour H. Knox Professor of Economics at Yale, 1970-74. He was on leave from Yale as Assistant to the Secretary of the Treasury 1958-59 and from 1959 to 1961 as a Member of the President's Council of Economic Advisers.

Mr. Wallich served as a Senior Consultant to the Treasury from 1969 until his appointment to the Federal Reserve Board and has served also with the Advisory Board of the Arms Control and Disarmament Agency (1972-73), as U.S. Representative of the United Nations Experts Panel on Economic Consequences of the Arms Race (1971-72) and as a Member of the Research Advisory Board of the Committee for Economic Development. Mr. Wallich was a member during 1981-82 of the Gold Commission established by Congress. He is a former director of a number of business firms and has written as editorialist or columnist for the Washington Post and Newsweek magazine. Mr. Wallich's published works include five books: Monetary Policy and Practice (D.C. Heath and Company), 1982; The Cost of Freedom (Harpers), 1960; Mainsprings of the German Revival, 1955; Public Finances of a Developing Country (John Adler), 1951; and Monetary Problems of an Export Economy, 1950.

Mr. Wallich is a member of The American Economic Association, The American Finance Association and The Council on Foreign Relations.

PARTEE, J. Charles -- Sworn in January 5, 1976 to fill an unexpired term as a Member of the Federal Reserve Board ending January 31, 1986.

J. CHARLES PARTEE was born October 21, 1927 in Defiance, Ohio, and was graduated from Indiana University, where he received a B.S. in Business (with distinction) in 1948 and an MBA (in finance) in 1949. Mr. Partee joined the Federal Reserve Bank of Chicago in 1949 as an economist specializing in consumer finance, mortgage markets and savings. In 1956 he went to the Northern Trust Company of Chicago as Associate Economist and (1958-61) as Second Vice President.

Mr. Partee became a member of the staff of the Board of Governors in 1962, where he served as Chief of the Capital Markets Section, Division of Research (1962-63); Adviser in charge of financial sections, Division of Research (1964-65); Associate Director (1966-69) and Director of the Division of Research and Statistics and Adviser to the Board, 1969-74. In November 1973 Mr. Partee became Managing Director for Research and Economic Policy, which office he held until he became a Member of the Board. He was the second member of the Board's staff to be appointed to the Board.

Before becoming a Member of the Board, Mr. Partee also served as Senior Economist to the System's Federal Open Market Committee and as the System's representative on the Board of Directors of the Securities Investor Protection Corporation. He was the U.S. Representative to (and Vice Chairman of) the Committee on Financial Markets, O.E.C.D., Paris, from 1970-75.

Mr. Partee is the Board's representative on the Federal Financial Institutions Examination Council (a statutory body devoted to seeking greater uniformity in supervision, examination and reports among the five Federal agencies regulating depository institutions). He also serves as Chairman of the Board of Directors of the Neighborhood Reinvestment Corporation, a Government-sponsored activity largely supporting neighborhood revitalization through self-help in many communities across the nation. Mr. Partee served during 1981 and 1982 as a member of the Gold Commission established by Congress.

TEETERS, Nancy Hays -- Sworn in September 18, 1978 to fill an unexpired term as a Member of the Federal Reserve Board ending January 31, 1984.

NANCY HAYS TEETERS was born July 29, 1930 in Marion, Indiana. She attended public schools in Marion and in 1952 she received an undergraduate degree in economics from Oberlin College.

In 1954 Mrs. Teeters received an M.A. in economics from the University of Michigan, where she was a Teaching Fellow and did further graduate work in economics in 1956 and 1957. In 1955 and 1956 she was an instructor at the University of Maryland's overseas division, in Stuttgart, West Germany. She was a Staff Economist in the Government Finance Section of the Federal Reserve Board's Division of Research and Statistics from 1957 to early 1966. During this time she was on leave from the Federal Reserve as an economist for the President's Council of Economic Advisers in 1962 and 1963.

Following her service on the staff of the Federal Reserve Board, Mrs. Teeters became a Fiscal Economist with the Planning and Analysis staff of the Bureau of the Budget (which became the Office of Management and Budget), from 1966 to 1970. She was a Senior Fellow at The Brookings Institution from 1970 to late 1973, when she became a Senior Specialist with the Congressional Research Service of the Library of Congress. From late 1974 to the time she joined the Federal Reserve Board, as its first woman member, Mrs. Teeters was Assistant Staff Director and Chief Economist for the Committee on the Budget of the House of Representatives of the U.S. Congress.

She was a member of the Committee on the Status of Women of the American Economic Association, a Member of the Board of the American Finance Association and President and Member of the Board of the National Economists Club. Her publications include a series of studies, of which she was co-author, for the Brookings Institution on "Setting National Priorities," and on the U.S. Budget. Other publications include work on Social Security taxation and fiscal policy.

RICE, Emmett J. -- Sworn in June 20, 1979 to fill an unexpired term on the Federal Reserve Board ending January 31, 1990.

EMMETT J. RICE was born in Florence, South Carolina on December 21, 1919. He was educated at the City College of New York where he received an undergraduate degree in 1941 and an MBA in 1942, and at the University of California at Berkeley, where he received a doctorate in economics in 1955. From 1954 to 1960, Mr. Rice was a member of the Department of Economics, as an Assistant Professor, at Cornell University.

Mr. Rice was in the United States Air Force from 1942 to 1946 and held the rank of captain at the time of his discharge. At the time of his appointment to the Federal Reserve Board Mr. Rice was Senior Vice President of the National Bank of Washington, where he had worked since 1971. Mr. Rice was also a member of the board of directors of a number of business firms. Prior to entering commercial banking he had an extensive career in public service and served in a broad range of civic and non-profit organizations.

Mr. Rice first became associated with the Federal Reserve System as an economist at the Federal Reserve Bank of New York, 1960-62. In 1962 he went to Nigeria as a member of a group of advisers from foreign central banks who assisted in establishing the Central Bank of Nigeria. During his stay in Nigeria, until 1964, he taught part-time at the University of Lagos. Mr. Rice became Deputy Director, Office of Developing Nations, United States Treasury, in 1964 and in 1966 became Acting Director. During this period he was a U.S. delegate to a number of international conferences on trade, international finance and development. In 1966 he was appointed by the President and confirmed by the Senate to be Alternate Executive Director for the United States at the International Bank for Reconstruction and Development (World Bank), the International Development Association and the International Finance Corporation. He served in these offices until 1970, and was a member of the United States negotiating team at a series of international conferences considering replenishment of the lendable funds of the International Development Association. During 1971 Mr. Rice was Executive Director of the Mayor's Economic Development Committee, making long-range plans for urban development of the nation's capital. In 1981 and 1982 Mr. Rice was a member of the Gold Commission established by Congress.

GRAMLEY, Lyle E. -- Sworn in May 28, 1980 to a full term as a Member of the Federal Reserve Board, ending January 31, 1994.

LYLE E. GRAMLEY was born on January 14, 1927 in Aurora, Illinois. He was educated at Aurora College and at Beloit College, where he received a B.A. in 1951. He performed graduate work at Indiana University, where he received an M.A. in 1952 and a Ph.D (Economics) in 1956. Mr. Gramley was elected a member of Phi Beta Kappa for his undergraduate work.

Mr. Gramley first became associated with the Federal Reserve System when he joined the Federal Reserve Bank of Kansas City as a financial economist in 1955. He remained at the Kansas City Bank until 1962. In that year he joined the faculty of the University of Maryland as Associate Professor of Economics. In 1964 he became a staff economist at the Federal Reserve Board and was subsequently the director of the Board's Division of Research and Statistics.

In 1977 Mr. Gramley became a member of the President's Council of Economic Advisers, where he continued until his appointment to the Federal Reserve Board.

Mr. Gramley is a Member of the American Economic Association, American Finance Association, National Economists Club and Conference of Business Economists.

# Membership of the Board of Governors of the Federal Reserve System, 1913-82

## APPOINTIVE MEMBERS<sup>1</sup>

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership <sup>2</sup>
Charles S. Hamlin	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936. <sup>3</sup>
Paul M. Warburg	New York	do	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago	do	Resigned July 21, 1918.
W. P. G. Harding	Atlanta	do	Term expired Aug. 9, 1922.
Adolph C. Miller	San Francisco	do	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936. <sup>3</sup>
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936. <sup>3</sup>
Edward H. Cunningham	Chicago	do	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black	Atlanta	May 19, 1933	Resigned Aug. 15, 1934.
M. S. Szymczak	Chicago	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J. J. Thomas	Kansas City	do	Served until Feb. 10, 1936. <sup>3</sup>
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	do	Served until Apr. 4, 1946. <sup>3</sup>
Ronald Ransom	Atlanta	do	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950. <sup>3</sup>
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954. <sup>3</sup>
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	do	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	Apr. 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A. L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J. L. Robertson	Kansas City	do	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G. H. King, Jr.	Atlanta	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.
George W. Mitchell	Chicago	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976. <sup>3</sup>

For notes, see next page.

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership <sup>2</sup>
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974. <sup>3</sup>
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	
Emmett J. Rice	New York	June 20, 1979	
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	
Lyle E. Gramley	Kansas City	May 28, 1980	
Preston Martin	San Francisco	Mar. 31, 1982	

*Chairmen<sup>4</sup>*

Charles S. Hamlin	Aug. 10, 1914–Aug. 9, 1916
W. P. G. Harding	Aug. 10, 1916–Aug. 9, 1922
Daniel R. Crissinger	May 1, 1923–Sept. 15, 1927
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930
Eugene Meyer	Sept. 16, 1930–May 10, 1933
Eugene R. Black	May 19, 1933–Aug. 15, 1934
Marriner S. Eccles	Nov. 15, 1934–Jan. 31, 1948
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978
G. William Miller	Mar. 8, 1978–Aug. 6, 1979
Paul A. Volcker	Aug. 6, 1979–

*Vice Chairmen<sup>4</sup>*

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J. J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1936–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J. L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–

*EX-OFFICIO MEMBERS<sup>1</sup>**Secretaries of the Treasury*

W. G. McAdoo	Dec. 23, 1913–Dec. 15, 1918
Carter Glass	Dec. 16, 1918–Feb. 1, 1920
David F. Houston	Feb. 2, 1920–Mar. 3, 1921
Andrew W. Mellon	Mar. 4, 1921–Feb. 12, 1932
Ogden L. Mills	Feb. 12, 1932–Mar. 4, 1933
William H. Woodin	Mar. 4, 1933–Dec. 31, 1933
Henry Morgenthau, Jr.	Jan 1, 1934–Feb. 1, 1936

*Comptrollers of the Currency*

John Skelton Williams	Feb. 2, 1914–Mar. 2, 1921
Daniel R. Crissinger	Mar. 17, 1921–Apr. 30, 1923
Henry M. Dawes	May 1, 1923–Dec. 17, 1924
Joseph W. McIntosh	Dec. 20, 1924–Nov. 20, 1928
J. W. Pole	Nov. 21, 1928–Sept. 20, 1932
J. F. T. O'Connor	May 11, 1933–Feb. 1, 1936

1. Under the provisions of the original Federal Reserve Act the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex-officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to 12 years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be composed of seven appointive members; that the Secretary of the

Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936; that the appointive members in the office on the date of that act should continue to serve until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be 14 years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

2. Date after words "Resigned" and "Retired" denotes final day of service.

3. Successor took office on this date.

4. Chairman and Vice Chairman were designated Governor and Vice Governor before Aug. 23, 1935.



Senator Robert Byrd (Democrat, W Virginia)  
Senate Minority Leader

Before entering politics, Robert Byrd worked as a butcher during the Depression and as a welder during the War. He served in the West Virginia state legislature and the US House of Representatives (for six years) before election to the Senate in 1958. He is now Senate Minority Leader, and a member of the Committees on the Judiciary, Appropriations, Rules and Administration, and Intelligence.

He is a powerful figure, operating largely behind the scenes. A Baptist, he has frequently served as a lay preacher. By contrast, the Senator entertains his guests by playing the violin (fiddle) country-style. Married for 40 years, the Senator and Mrs Byrd have two married daughters.



Mr Coles  
(PS/Prime Minister)

cc: Mr Ingham  
PS  
Mr Anson

PRIME MINISTER'S VISIT TO WASHINGTON, 28-30 SEPTEMBER 1983

1. We have sent you separately copies of the detailed programme produced by the State Department, our own comprehensive transport schedule and a copy of the local Administration notes.

/ 2. I now attach a copy of the outline programme, which includes a few items not covered in the State Department programme. You may find useful the following notes on the Prime Minister's meetings on 29 September:

(a) Meeting with the Senate Foreign Relations Committee, 0830 hours:

There is little to add to the description in the Prime Minister's steering brief. The Committee staff have received acceptances from all but two members (Lugar and Biden). Senators Glenn and Cranston, the two Presidential candidates on the Committee, are likely to be out of town, but have not declined the invitations. A few other Senators, including Senator Moynihan, have asked to attend. The Prime Minister will be met at the Senate Carriage Entrance by Senator Baker and Senator Percy and escorted to the Committee Hearing Room. The press will be invited into the room to take photographs briefly on the Prime Minister's arrival. The room will then be cleared for the meeting itself. The press will be outside the Hearing Room after the meeting for farewell photographs.

(b) Call on Mr Volcker, 1000 hours:

The Prime Minister will be escorted by elevator to the FRS board room where Mr Volcker will show the Prime Minister two plaques marking the fact that the board room was used during the Second World War for important meetings between the British and US Chiefs of Staff. Mr Volcker will then take the Prime Minister into his office for the meeting, after which he will introduce the Prime Minister to members of the FRS board in the board room prior to departure from the building.

(c) Call on Secretary Regan, 1045 hours:

Mr Regan will meet the Prime Minister at the Treasury entrance and escort her by elevator to the reception room where he will introduce Dr Sprinkel and Mr Leland. The elevator is very small and will take only the Prime Minister, Mr Regan, the Ambassador and a US Secret Service agent. After the introductions in the reception room the Prime Minister will be escorted to Mr Regan's office where there will be a brief photo opportunity before the meeting begins.

(d) Meeting and lunch with the President, 1130 hours:

Full details are given in the State Department programme. The composition of the US side at the lunch will not be decided until /the



the morning of 29 September, but we have been told that the Vice President, Mr Shultz and Mr Regan will attend. Others are likely to include Judge Clark, Mr Michael Deaver (Deputy Chief of Staff), Mr Burt (State Department) and Ambassador Louis.

*Nigel Sheinwald*

N E Sheinwald

27 September 1983

da

26 September 1983

I enclose a copy of a letter to the Prime Minister from Senator Charles Percy. I should be grateful if you could arrange for someone in our Embassy in Washington to speak to Senator Percy and to explain why the Prime Minister has been unable to accept Senator Lugar's invitation.

W F S RICKETT

John Holmes, Esq.,  
Foreign and Commonwealth Office.

500



INF (exp. by. letter)

Foreign and Commonwealth Office

London SW1A 2AH

23 September 1983

The Prime Minister's Visit to the United States

The briefing for the Prime Minister's visit to Washington is necessarily voluminous. The Foreign Secretary wrote on 19 September about the way the Prime Minister might wish to approach the discussion of East-West relations. If she had time to make only a handful of other points, Sir Geoffrey's choice would be as follows.

(i) Lebanon

Will stand by the United States at a difficult time, but concerned at the dangers of escalation and polarisation. Gemayel must make real efforts towards reconciliation.

(ii) Arab/Israel

Stalemate undermining the moderates, particularly Jordan. Must not let them go under. Maintain pressure on Israel: settlements, withdrawal from Lebanon.

(iii) Zimbabwe

Only Soviet Union will benefit from a sharp reduction in Western influence. US and British aid still paying off in strategic terms.

(iv) Latin America

British garrison in Belize won't withdraw this year, but will go soon: need to consider with US security thereafter. Certification of US arms supplies for Argentina. Falklands at the UN General Assembly.

(v) World Economy/Summits

US interest rates: and Federal deficit. Protectionism. US/EC relations.

/(vi)

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(vi) Bilaterals

Export Administration Act, unitary taxation etc.  
Need a political input to get officials working on right  
lines. FCO Ministers for talks with Dam?

*[Handwritten signature]*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

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JU580

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

23 September 1983

John Coles Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Dear John,

*Handwritten initials and date: M 22/9*

PRIME MINISTER'S VISIT TO USA

... I attach additional briefing for the Prime Minister's visit to the USA. We apologise for submitting this at such a late stage but the circumstances requiring it have only just arisen. The Prime Minister's approach to the New Zealand Prime Minister on this subject was recommended by our High Commissioner in Wellington (see telegram attached).  
...

2 We appreciate that the Prime Minister may not meet Mr Muldoon in the USA, but if she does we hope that the attached can be brought to her attention beforehand.

*Yours sincerely,*  
*Ruth Thompson*

RUTH THOMPSON  
Private Secretary



BRIEFING FOR THE PRIME MINISTER IN THE EVENT THAT SHE MEETS THE  
NEW ZEALAND PRIME MINISTER ON HER VISIT TO USA

NEW ZEALAND STEEL DEVELOPMENT STAGE II

Line to take

If the Prime Minister meets Mr Muldoon in USA (he will be there at the same time): to ask that the decision on the awarding of a major steel plant contract should not be taken until he can brief himself on a revised British offer.

Background

Davy McKee of Sheffield have been pursuing a £350 million (UK content about 25%) contract for rolling mills to be supplied to New Zealand Steel with official support and good prospects for success. On 9 September the contract was conditionally awarded to IHI of Japan. We believe that the evaluation has not been fair, particularly as regards the vital element of New Zealand content. Davy have since improved their bid, including increasing New Zealand content.

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Foreign and Commonwealth Office

London SW1A 2AH

22 September 1983

*Dear John,*

*WJH 22/9*

The Prime Minister's Visit to North America

Please refer to your letter of 27 July, in particular concerning your contacts with the York Archaeological Trust and their proposed ceremony to mark the 200th anniversary of the Treaty of Paris.

We had hoped to arrange a ceremony during the UN General Assembly in New York, in which the Foreign Secretary had agreed in principle to take part. Unfortunately this has come to nothing because in the event Mr Shultz will not be available to participate.

The Ambassador in Washington has now suggested that, subject to the Prime Minister's agreement, the Treaty could perhaps be temporarily transferred from New York to Washington during her visit there for display at the White House during her own and President Reagan's departure statements at about 1330 hours on 29 September. This will naturally also depend upon the President's agreement; and upon clearance by the Lord Chancellor for the document's transfer.

We share the Ambassador's view that display of the Treaty in this manner would be most appropriate and would give useful additional publicity at the White House photocall. No speeches would be required.

I should be grateful to learn as soon as possible whether the Prime Minister agrees in principle to what is proposed. If so, the Embassy will pursue the possibility urgently with the White House. Additionally, the Public Record Office will have to seek clearance from the Lord Chancellor before the end of this week, so that the necessary security and other arrangements for the transfer of the document can be completed within the time available.

*Yours ever*  
*John Holmes*

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AH

22 September 1983

USA  
Visit  
File

Dear Sir,

M 29/9

Prime Minister's Visit to Washington: Extraterritoriality

The Foreign and Commonwealth Secretary has seen Sir O Wright's telegram No 2708 of 21 September, which the Prime Minister may wish to discuss at her briefing meeting this afternoon. Sir G Howe agrees with the line the Ambassador proposes for handling our extraterritorial problems with the US Administration.

/ For ease of reference, I enclose a copy of the telegram,  
// together with copies of Washington telegram No 2583 and FCO telegram No 1540.

Sir Geoffrey thinks it would be right for the Prime Minister to raise this issue as now proposed with the President. If the President agrees to issue a political directive to the US agencies to work out with us practical remedies to our problems in this field, we could decide later how best to follow up the Prime Minister's talk with the President. Sir Geoffrey is inclined to favour the idea of a special visit by an FCO Minister for political talks with Mr Dam; and he hopes that Mr Parkinson would be able to pursue the matter during his visit to Washington in October.

I am copying this letter to Jonathan Spencer (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

*Am, Eva,*

(B J P Fall)  
Private Secretary

A J Coles Esq  
10 Downing Street

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EXTRA TERRITORIALITY

ADVANCES

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ED/TRED  
ED/NAD  
MR EVANS  
MR THOMAS  
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MR ADAMS

17  
+ MR ROBERTS } DTI  
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MISS LAMBERT CABINET OFFICE }  
SIR I SINCLAIR LEGAL ADVISERS }  
MR KNIGHTON } D/TRENK/  
MR STEVENS }

CONFIDENTIAL  
FM WASHINGTON 220320Z SEP 63  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 2708 OF 21 SEPTEMBER

ADVANCE COPY  
IMMEDIATE

YOUR TELNO 1540: PRIME MINISTER'S VISIT: EXTRATERRITORIALITY

1. I THINK THAT OUR IDEAS ARE CONVERGING.  
MY MAIN CONCERN IS THAT THE OFFICIAL TALKS WHICH WE HAVE HAD IN THE PAST ON ISSUES OF EXTRATERRITORIALITY (SUCH AS THOSE WHICH RESULTED IN THE CORRESPONDENCE BETWEEN KNIGHTON AND ROBINSON TO WHICH YOU REFER) HAVE NOT YET LED ANYWHERE BECAUSE OF INERTIA, CONFUSION AND PERHAPS DELIBERATE PREVARICATION BY THE VARIOUS WASHINGTON AGENCIES INVOLVED. IT IS FOR THIS REASON THAT I THINK THAT THE MOST IMPORTANT OUTCOME OF THE DISCUSSIONS BETWEEN THE PRESIDENT AND THE PRIME MINISTER ON STRESS RELATED SUBJECTS SHOULD BE A DIRECTIVE TO OUR RESPECTIVE BUREAUCRACIES TO GET TOGETHER AND GET THINGS DONE. THE ESSENTIAL POINT IS THAT, CONSTITUTIONALLY, THE PRESIDENT IS THE SOLE SOURCE OF EXECUTIVE POWER. WITHOUT A CLEAR DIRECTIVE FROM THE PRESIDENT TO THE AGENCIES UNDER HIS CONTROL, I FEAR THAT OUR TALKS IN FUTURE, WHETHER ON EXPORT CONTROL OR ON ANTITRUST (INCLUDING THE VERY SPECIAL CASE OF AVIATION) WILL CONTINUE TO GET NOWHERE.

2. MOREOVER, THERE IS A PROVISION IN ALL VERSION OF THE REVISED EAA FOR "CONSULTATIONS WITH ALLIES". THE PRIME MINISTER COULD WELL TAKE THIS AS A PEG ON WHICH TO HANG A SORT OF PROPOSAL I HAVE IN MIND. I WOULD THEREFORE THINK IT IS RIGHT FOR THE NEXT ROUND OF TALKS TO TAKE PLACE AT A POLITICAL LEVEL,

MECHANISMS  
ENTIRELY:

ADVANCE

1 WHICH OUR CONCERNS CAN BE GOT ACROSS TO PEOPLE ON THE AMERICAN SIDE MORE SENSITIVE THAN SOME OF THEIR PREDECESSORS TO THE DAMAGE WHICH CAN BE DONE IF THESE THINGS ARE MISHANDLED. HENCE MY RECOMMENDATION THAT WE SHOULD TRY TO ENSURE THAT, FOR THE NEXT STAGE, THE AMERICAN TEAM IS LED BY SOMEONE LIKE DAN. ON OUR SIDE, LADY YOUNG MIGHT TAKE THIS ON WHEN SHE COMES IN NOVEMBER: IF THAT IS TOO LATE, PERHAPS MR RIFKIND WOULD CONSIDER A SPECIAL VISIT WITH THIS AGENDA.

3. THERE IS NO NEED FOR THAT ROUND OF TALKS TO GET IN THE WAY OF OUR CONTINUING EXCHANGES WITH THE AMERICANS ON THE CONTROL OF MILITARILY SENSITIVE TECHNOLOGY TO THE RUSSIANS: INsofar AS WE ARE DEALING WITH PRACTICAL MATTERS OF DEFINITION AND ENFORCEMENT, THE QUESTION OF EXTRATERRITORIALITY DOES NOT HAVE TO ARISE IN THAT CONTEXT ANYWAY. SIMILARLY IT IS RIGHT THAT OUR EXCHANGES ON AVIATION MATTERS SHOULD CONTINUE TO TAKE FULL ACCOUNT OF BERMUDA 2 AND THE OTHER SPECIAL CONSIDERATIONS WHICH APPLY. MOREOVER, I DO NOT BELIEVE THAT WE NEED, OR COULD, NEGOTIATE A SIGNLE FORMAL DAMAGE LIMITATION MECHANISM TO COPE WITH EVERY CASE. WHAT WE NEED IS TO GET THE AMERICANS MOVING TOWARDS ACCEPTANCE OF PRACTICAL PROPOSALS WHICH, IN MANY CASES, WE HAVE MADE TO THEM ALREADY IN PARTICULAR CONTEXTS. FOR THIS A POLITICAL INPUT IS NECESSARY.

4. NONE OF THIS IS INCOMPATIBLE WITH THE PRIME MINISTER BEING VERY FIRM WITH THE PRESIDENT ABOUT OUR OBJECTIONS TO EXTRATERRITORIALITY IN GENERAL FOLLOWING THE LINE OF PARAGRAPH 2 OF YOUR TELEGRAM UNDER REFERENCE AND TO THE WORDING OF THE EXPORT ADMINISTRATION ACT IN PARTICULAR. NOR NEED IT GET IN THE WAY OF CONCERTED ACTION WITH OUR PARTNERS: INDEED I AM SURE THAT WE SHOULD CONTINUE TO DO EVERYTHING WE CAN IN BRUSSELS AND IN CAPITALS TO KEEP THE EUROPEANS ON THE MOVE. THE FORCES OF INERTIA ON BOTH SIDES ARE VERY POWERFUL.

5. WITH THE OPPORTUNITY OF GIVING A POLITICAL IMPULSE WHICH THE PRIME MINISTER'S VISIT OFFERS AND VARIOUS KINDS OF FOLLOW-UPS WHICH I HAVE SUGGESTED, WE STAND A REASONABLE CHANCE OF GETTING THE AMERICANS TO FACE UP SERIOUSLY TO THE NEED TO SEND WAYS OF ENSURING THAT WE AVOID THE COLLISIONS OF THE PAST AS FAR AS THAT IS POSSIBLE. I HAVE NO ILLUSION THAT ANY MECHANISMS CAN ELIMINATE THE RISK OF FUTURE CLASHES

MECHANISMS CAN ELIMINATE THE RISK OF FUTURE CLASHES  
ENTIRELY: WE HAVE TO HAVE THE POLITICAL WILL AS WELL.

ADVANCE COPIES TO : EVANS, J C THOMAS, J ADAMS AND SIR I SINCLAIR  
(FCO) ROBERTS, SUNDERLAND, HEALEY AND BECKETT (DT10)  
KNIGHTON, STEVENS (DEPT OF TRANSPORT)

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AMENDED DISTRIBUTION - 14 SEPTEMBER 1983

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FM WASHINGTON 132331Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NO 2583 OF 13 SEP

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RECORDED IN REGISTRY NO. 47		
14 SEP 1983		
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PRIME MINISTER'S VISIT: EXTRATERRITORIALITY

1. AS THE POLITICAL SEASON IN WASHINGTON BEGINS AFRESH, I HAVE BEEN THINKING AGAIN ABOUT THE LINE THAT THE PRIME MINISTER MIGHT TAKE WITH THE PRESIDENT WHEN SHE SEES HIM.
2. OUR POINTS OF DEPARTURE MUST BE THAT WE HAVE A PRESIDENT WITH VERY FIRM IDEAS ABOUT THE NATURE OF THE SOVIET UNION AND AN ADMINISTRATION WHICH, IN TURNING HIS INSTRUCTIONS INTO ACTION, HAS A VERY HAWKISH ATTITUDE TO THE WHOLE QUESTION OF HOW WE DEAL, ECONOMICALLY AS WELL AS POLITICALLY, WITH THE SOVIETS. OUR DIFFICULTIES ARE NOT ONLY WITH EXTRATERRITORIALITY, BUT WITH TECHNOLOGY, COCOM ETC. IT IS ALL ONE BALL OF WAX.
3. THAT BEING SO, IT IS NOT SURPRISING THAT OUR OWN LOBBYING AND PRESSURE FROM THE AMERICAN BUSINESS COMMUNITY, HAVE SECURED FEW USEFUL IMPROVEMENTS IN SOME OF THE VERSIONS OF THE NEW EXPORT ADMINISTRATION ACT, NOW BEFORE CONGRESS. THERE WAS NEVER MUCH HOPE THAT WE WOULD GET WHAT WE NEEDED ON THE CENTRAL ISSUE OF EXTRATERRITORIALITY. WITH THE DOWNING OF THE KOREAN AIRLINER EVEN THAT HOPE HAS RECEDED. WE MAY BE LUCKY NOT TO END UP WITH SOMETHING AS LEAST AS BAD AS THE PRESENT ACT.
4. BUT THE AMERICAN CLAIM THAT THE WRIT OF THEIR LAW RUNS BEYOND THEIR BORDERS GOES AS I SAY FAR BEYOND EXPORT CONTROLS. THE LAKER ANTITRUST CASE WAS BUT THE LATEST OF A SERIES, AND WE HAVE LONG-STANDING OBJECTIONS TO THE CLAIMS OF AMERICAN REGULATORY BODIES TO AFFECT THE OPERATIONS OF BRITISH FIRMS (WHILE THERE IS HOWEVER A TRADE-OFF WITH AMERICAN READINESS TO CONTINUE TO TRANSFER TECHNOLOGY TO US).  
OVER THE YEARS BRITISH OFFICIALS HAVE MADE DETAILED PROPOSALS ABOUT PRACTICAL WAYS OF REDUCING FRICTION. IN OCTOBER 1981 WE PUT FORWARD IDEAS ABOUT EXPORT CONTROLS WHICH WERE FULLY COMPATIBLE WITH EXISTING AMERICAN LAW. IN THE LAKER TALKS WE SUGGESTED FURTHER NEGOTIATIONS ABOUT PRACTICAL WAYS OF PREVENTING FURTHER ROWS OVER ANTITRUST IN AVIATION. THE AMERICANS HAVE NOT RESPONDED. THEY PLEAD THE DIFFICULTY OF GETTING AGREEMENT AMONG WASHINGTON AGENCIES, THE JEALOUSY OF CONGRESS, AND MORE RECENTLY THE NEED TO ALLOW THE PIPELINE AND LAKER ROWS TO SIMMER DOWN, AND TO GET THE EXPORT ADMINISTRATION ACT RENEWED.
5. I BELIEVE THAT THIS AMERICAN VIEW STEMS FROM DEEP ROOTS: FROM THE PRACTICAL PHILOSOPHY OF THIS ADMINISTRATION, FROM A GENUINE INABILITY TO UNDERSTAND WHY FOREIGNERS OBJECT TO AMERICAN PRACTICES: FROM A PROFOUND CONVICTION THAT THE ALLIANCE HAS MADE MATTERS MORE DIFFICULT FOR ITSELF BY THE PURSUIT OF TRADE WITH THE RUSSIANS REGARDLESS OF THE CONSEQUENCES FOR DEFENCE: FROM A DEEP

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/ BELIEF

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BELIEF IN THE SUPERIORITY OF AMERICAN LAW, AND FROM A NATURAL, (IF REGRETTABLE) FEELING THAT THE MOST POWERFUL NATION IN THE WESTERN WORLD HAS LITTLE REASON TO CHANGE WAYS WHICH IT SEES AS NECESSARY, AND WHICH SO FAR HAVE GONE COMPARATIVELY UNCHALLENGED THIS MAY BE UNREASONABLE, BUT LEFT TO THEMSELVES, AMERICAN OFFICIALS AND LAWYERS WILL FEEL LITTLE INCENTIVE TO DEVELOP EVEN THE MODEST PRACTICAL DEVICES WHICH OUR PEOPLE HAVE PROPOSED. THEY MAY BE A BIT MORE CIRCUMSPECT FOR A WHOLE. BUT SOME OF THEM ARE ALREADY LOOKING FOR WAYS OF REASSERTING THE OUTREACH OF AMERICAN LAW THROUGH STRONGER ENFORCEMENT OF EXTRATERRITORIAL MEASURES THROUGH THE COURTS AND TIGHTER CONTROLS OVER THE EXPORT OF US GOODS AND TECHNOLOGY. THERE IS, IN ADDITION A CLEAR CORRELATION BETWEEN THE EXTENT OF AMERICAN OUTREACH WHICH THEIR ALLIES ARE PREPARED TO LIVE WITH AND THE EXTENT TO WHICH THEY WILL BE PREPARED TO ALLOW TECHNOLOGY TRANSFER TO THEIR ALLIES. WE SHALL HAVE TROUBLE AGAIN, UNTIL THE AMERICANS FINALLY RECOGNISE HOW MUCH DAMAGE THEY ARE DOING TO THEIR OWN COMMERCIAL AND OTHER INTERESTS, AND UNTIL WE AND OUR ALLIES TAKE AMERICAN PREOCCUPATION SERIOUSLY AND CONVINCING THEM THAT WE DO SO.

6. IN THE MEANTIME WE SHALL NEED MECHANISMS FOR DAMAGE LIMITATION BASED ON THE PROPOSALS THAT WE HAVE ALREADY PUT IN THE FIELDS OF EXPORT CONTROL, ANTITRUST (INCLUDING AVIATION) AND REGULATION: WHICH THEY HAVE ALREADY PUT FORWARD ON STRENGTHENING COCOM AND ON ANY NEW IDEAS FOR ENSURING EARLIER NOTIFICATION AND CONSULTATION AND A GREATER PREPAREDNESS BY THE US TO TAKE ACCOUNT OF THE INTERNATIONAL IMPLICATIONS OF THESE ACTIONS. AMERICAN OFFICIALS ARE UNLIKELY TO NEGOTIATE ABOUT THESE SERIOUSLY UNLESS THEY ARE GIVEN A VERY CLEAR POLITICAL DIRECTIVE FROM THE TOP, AND A DEADLINE FOR SUCCESS.

7. I THEREFORE RECOMMEND THAT WHEN SHE SEES THE PRESIDENT, THE PRIME MINISTER SHOULD GO BEYOND THE EXPORT ADMINISTRATION ACT AND ADDRESS HIS FUNDAMENTAL CONCERNS OF HOW TO DEAL WITH THE RUSSIANS. SHE MIGHT SAY THAT EAA THE LAKER CASE AND OUR PROBLEMS IN COCOM HAVE DEMONSTRATED THAT THERE ARE SEVERAL AREAS IN WHICH THE AMERICANS AND THEIR BEST FRIENDS CAN GET INTO A POLITICAL TUSSLE BECAUSE OF THE WORKINGS OF AMERICAN ECONOMIC LAW AND THE PRACTICE OF THE AMERICAN ADMINISTRATION. SHE MIGHT POINT TO THE LONG BUT FRUITLESS HISTORY OF DISCUSSION AMONGST OFFICIALS, AND

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/ SAY THAT

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SAY THAT THE TIME HAD SURELY COME FOR US TO LOOK FOR PRACTICAL REMEDIES . SHE MIGHT THEN PRESS THE PRESIDENT TO ISSUE THE KIND OF POLITICAL DIRECTIVE OF WHICH I HAVE SPOKEN. BUT SHE MUST ALSO BE READY TO SAY THAT WE TAKE THE PROBLEM OF TECHNOLOGY TRANSFER SERIOUSLY AND CONVINCHE HIM THAT WE HAVE TAKEN PRACTICAL STEPS TO DEMONSTRATE OUR SERIOUSNESS OF PURPOSE. I SUGGEST THAT, HAVING MADE THIS BROAD POLITICAL POINT, SHE SHOULD NOT GO INTO DETAIL. NOR IN PRESENT CIRCUMSTANCES DO I THINK IT WOULD BE EFFECTIVE FOR HER TO HAVE TWO BITES AT THE CHERRY AS WE ENVISAGED EARLIER (PARA 8 OF FCO TEL 1366). OUR AIM SHOULD BE TO HAVE A COMPREHENSIVE ROUND OF TALKS BY LATE AUTUMN, COVERING THE WHOLE RANGE OF PROBLEMS AND WITH OUR INTERESTS IN RETAINING ACCESS TO US TECHNOLOGY FIRMLY IN MIND. YOU MIGHT WISH TO FLOAT WITH SHULTZ THE IDEA THAT DAM SHOULD LEAD FOR THE AMERICANS (WASHINGTON TELEGRAM 2352). AND THE SECRETARY OF STATE FOR TRADE AND INDUSTRY COULD FOLLOW UP IN MORE DETAIL IN OCTOBER (WHEN I HOPE HE WILL SEE DA M AND THE ATTORNEY GENERAL AMONG OTHERS).

ADVANCE COPIES TO FCO: SIR I SINCLAIR I THOMAS, ADAMS, MARSHALL (NAD)  
D/TPT: STEVENS, FOSTNAM  
DTI: SUNDERLAND, HEALEY, BECKETT

WRIGHT

[ADVANCED AS REQUESTED]

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PS/MR LUCE  
PS/MR RAISON  
PS/LADY YOUNG  
PS/MR RIFKIND  
MR EVANS  
MR THOMAS

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MR G R SUNDERLAND OT2 } DOT  
MR M BOURKE }  
MR AYLING (LEGAL ADVISER) }  
MISS S LAMBERT CABINET OFFICE  
MR C W ROBERTS BOTB/DOT  
LORD COCKFIELD DUCHY OF LANCASTER  
MR KNIGHTON DEPT/TRANSPORT  
(2 Marsham St)

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OO WASHINGTON

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FM FCO 211100Z SEP 83

TO PRIORITY WASHINGTON

TELEGRAM NUMBER 1540 OF 21 SEP

YOUR TEL NO 2583: PRIME MINISTER'S VISIT: EXTRATERRITORIALITY

1. WE WERE GRATEFUL FOR THIS ANALYSIS.
2. WE SHALL BE BRIEFING THE PRIME MINISTER WITH YOUR ADVICE MUCH IN MIND. WE ARE PROPOSING TO RECOMMEND THAT, IN THE CONTEXT OF EWER, SHE SHOULD TELL THE PRESIDENT THAT WE SUPPORT THE AMERICANS IN WISHING TO GIVE THE RUSSIANS NO UNCOVENANTED BONUS BY WAY OF TECHNOLOGY TRANSFER AND THAT WE SHARE THEIR WISH TO MAKE OUR ENFORCEMENT MACHINERY MORE EFFECTIVE. THE PRIME MINISTER WOULD THEN REHEARSE OUR OBJECTIONS TO THE EAA AND WARN THE PRESIDENT THAT, IF THE NEW ACT DOES NOT MEET OUR CONCERNS, WE MIGHT BE OBLIGED TO DEFEND OURSELVES BY LEGAL MEASURES. THE PRIME MINISTER WOULD REMIND THE PRESIDENT THAT US LEGISLATION IN THIS EWER AREA HAS HAD, AND CONTINUES TO HAVE, IMPORTANT IMPLICATIONS FOR THE ALLIES. THERE COULD, AS WE HAD SEEN, BE REAL PROBLEMS FOR OUR BILATERAL RELATIONSHIP AND FOR THE UNITY OF THE ALLIANCE AS A WHOLE. WE NEEDED TO SEEK PRACTICAL REMEDIES TO THESE PROBLEMS AND WOULD WELCOME THE OPPORTUNITY OF TALKING TO THE AMERICANS AT A POLITICAL LEVEL TO SEE HOW ACTION TAKEN IN THE CONTEXT OF EAST-WEST RELATIONS COULD BE PREVENTED FROM DAMAGING WEST-WEST RELATIONS. THE PRIME MINISTER WOULD THEN BE BRIEFED TO TELL THE PRESIDENT THAT THERE WERE OTHER (NOT EAST-WEST) AREAS OF US LEGISLATION (IN THE CIVIL AVIATION FIELD AND UNITARY TAXATION) WHICH ALSO CAUSED US SERIOUS CONCERN AND WHERE PRACTICAL WAYS OF RESOLVING OUR DIFFERENCES NEEDED TO BE FOUND.
3. THIS LINE FOLLOWS THE THRUST OF YOUR ADVICE, ALTHOUGH WE HAVE NOT THOUGHT THE PRIME MINISTER SHOULD ADVOCATE THE ESTABLISHMENT OF FORMAL DAMAGE LIMITATION MACHINERY. AS YOU SAY, EXTRATERRITORIALITY IS 'ONE BALL OF WAX', BUT IT



HAS SEPARATE ELEMENTS (WHICH THEMSELVES FALL INTO TWO CATEGORIES: ELEMENTS WHICH ARISE FROM AMERICAN ACTION IN THE FIELD OF EAST-WEST RELATIONS OR OTHER US FOREIGN POLICY CONCERNS, AND ELEMENTS WHICH DO NOT). WE WILL WANT TO GO ON HANDLING THE ELEMENTS, WITH PROPER CONSISTENCY, IN THE VARIOUS SEPARATE FORA (E.G. BERMUDA 2 FOR THE APPROPRIATE CIVIL AVIATION ISSUES, AND TECHNOLOGY TRANSFER BOTH BILATERALLY AND IN COCOM). IN ALL THIS OUR OBJECT WILL BE TO ENSURE THAT THE POLITICAL REPERCUSSIONS OF THE WAY THE US AGENCIES INTERPRET AND APPLY US LEGISLATION ARE PROPERLY TAKEN ACCOUNT OF BEFORE DECISIONS ARE TAKEN IN WASHINGTON.

4. WE SHOULD ALSO LIKE TO GET THE AMERICANS TO ACCEPT THE NEED TO CONSULT IN THE EVENT OF PROBLEMS LOOMING ON THE HORIZON. IN FACT WE HAVE BEEN TRYING TO DO THIS FOR YEARS (SEE KNIGHTON'S LETTER OF OCTOBER 1981 TO ROBINSON). BUT GIVEN THE WAY WASHINGTON WORKS AND THE PRESSURES ON THE PRESIDENT, PARTICULARLY IN A CRISIS ATMOSPHERE, WE HAVE SOME RESERVATIONS ABOUT PROPOSING THE CREATION OF FORMAL DAMAGE LIMITATION MACHINERY. OUR INCLINATION, THEREFORE, IS TO BRIEF THE PRIME MINISTER TO ADDRESS THE ISSUE IN THIS GENERAL WAY, AND SEE HOW THE PRESIDENT REACTS. WE CAN THEN CONSIDER HOW BEST TO TAKE FURTHER CONTACTS FORWARD. MR PARKINSON'S VISIT IN OCTOBER WOULD OFFER ONE POSSIBILITY.

5. IN TALKING TO THE AMERICANS WE MUST OBVIOUSLY BE CAREFUL NOT TO GIVE THEM THE IMPRESSION THAT WE HAVE IN ANY WAY ABANDONED OUR BASIC OBJECTIONS TO THOSE EXTRATERRITORIAL FEATURES OF THEIR LEGISLATION WHICH INFRINGE OUR SOVEREIGNTY AND HARM OUR COMMERCIAL INTERESTS. NOR WOULD WE WANT TO GET OURSELVES INTO A FALSE POSITION WHERE WE WERE DRAWN INTO DISCUSSIONS WITH THE AMERICANS WHICH CAUSED US DIFFICULTIES WITH OUR PARTNERS OR INHIBITED US FROM CONCERTING WITH THEM TO PRESS THE AMERICANS NOT TO TAKE ACTION AGAINST OUR INTERESTS OR TO MODIFY OR REVERSE SUCH ACTION IF IT WERE TAKEN.

6. GRATEFUL FOR COMMENTS.

*Howe*

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PS/MR RIFKIND  
MR EVANS  
MR THOMAS

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(2 Marsham St)

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TO IMMEDIATE DTI

TELEGRAM NUMBER OTTER 67 OF 21 SEPTEMBER

INFO PRIORITY AUCKLAND

TH DTI / OTDIV

FOR PEP 2: GLENBROOK STAGE 11

1. TEXT OF DR RAPER'S LETTER (YOUR OTTER 86) SENT YESTERDAY TO HOMEWOOD (NZDTI) UNDER COVER LETTER FROM DHC, AND COPIED TO MR TEMPLETON AND TO HENSLEY (PERMANENT HEAD, PM'S DEPARTMENT).

2. HOMEWOOD SAYS NO FORMAL SUBMISSION YET RECEIVED FROM NZSD FOR CABINET ECONOMIC COMMITTEE: CEC CAN THEREFORE NOT NOW CONSIDER MATTER UNTIL TUESDAY 4 OCTOBER AT EARLIEST.

3. HENSLEY SAYS HIS PM NOT DUE BACK IN NZ UNTIL 10 OCTOBER, BUT THAT MR MULDOON WILL BE IN WASHINGTON FROM 26 SEPTEMBER, AND THEREAFTER NEW YORK.

4. I RECOMMEND THAT THE PRIME MINISTER SHOULD ASK MR MULDOON (PERHAPS PERSONALLY IN WASHINGTON OR NEW YORK) TO ASK HIS MINISTERIAL COLLEAGUES NOT TO MAKE A DECISION ON THIS MATTER BEFORE HE HAS RETURNED TO NZ AND BEEN ABLE TO BRIEF HIMSELF ON DAVY'S LATEST OFFERS (OF WHICH WE ARE KEEPING MR HENSLEY INFORMED).

STRATTON

29th Sept

NNNN

31/9

Ref.A083/2701

PRIME MINISTER1984 Economic SummitMeetings with Mr Trudeau and President Reagan

You may want briefly to mention the forthcoming London Economic Summit when you meet Mr Trudeau and President Reagan next week.

2. Mr Trudeau may well take a rather detached interest in the matter, given the strong possibility that he will have resigned before then.

3. President Reagan is unlikely to want to enter into detailed discussion; but you will want to let him know that you were glad to learn, from your Personal Representative's report of his recent meeting with the President's Personal Representative, that American thinking and our thinking about the next Summit was running on very similar lines. You may want to indicate that you recognise that (as the President's Personal Representative indicated to me the other day) the President may be somewhat inhibited at the Summit by domestic electoral considerations and will be looking to you to take the lead at the Summit. You will also want to say that you are aiming at a quiet, workmanlike conference, without too much razz-ma-tazz; though, if the President is running again, there is likely to be a huge and persistent corps of United States pressmen.

4. To both Mr Trudeau and the President you could speak on the following lines:

(i) It is still too early to make definite predictions and plans about the next Economic Summit. There are possibilities of upsets in the world economy of a kind which could change the situation and prospect: for instance, if progress in handling international debt problems were not maintained, or if the Iranian Government acted on the Ayatollah Khomeini's implied threat that in certain circumstances (for example, if

some of the industrialised countries continued to sell arms to Iraq) Iran would take steps to stop the flow of Gulf oil through the Straits of Hormuz. But, if there are no such major upsets, there is a reasonable prospect that the economic recovery, of which the Williamsburg declaration saw signs, will have continued and grown, albeit gradually, and that the world economic situation will be marginally easier in 1984 than it was in 1983. In that event it will be important not to depart from or relax the strategy laid down at Williamsburg, which was itself derived from the work of previous Summits.

(ii) The aims will still be: to achieve and maintain lower inflation, to reduce interest rates, to reduce structural budget deficits, to promote conditions conducive to productive investment and greater employment opportunities, to reduce the strains on the international financial system created by large debtor countries, and to liberalise and extend international trade.

(iii) The London Summit will need:

- (a) to reassert these objectives;
- (b) to note the progress made since Williamsburg;
- (c) to take stock of the development of the consultation process to promote convergence of economic performance and greater stability of exchange rates based on the annex on the Williamsburg declaration and taking it further as appropriate;
- (d) to take stock of Finance Ministers' consultations on improving the international monetary system;
- (e) to review the management of the international debt situation, and the links between debt and trade;

- (f) to give renewed impetus and emphasis to the pursuit of trade liberalisation;
- (g) to take stock of the progress made in the recovery of developing as well as of developed countries, and to send a constructive and helpful signal to the developing countries;
- (h) to allow time for discussion of political issues of interest and importance at the time of the Summit.

5. President Reagan will no doubt be looking for a further review of the development of East/West economic relations. It is to be hoped that continuing progress in COCOM and in the other fora in which these matters are being pursued will enable the President at the London Summit to express satisfaction with that progress as a result of the American initiative first taken at the time of the Versailles Summit.

6. You could say you will be asking your Personal Representative to give a lead in these directions in the proposed work for the London Summit; and (to Mr Reagan) that you have noted with satisfaction, from the recent talks between your Personal Representative and his, that United States thinking is very much on the same lines, and that we can count on United States support in seeking to lead the work in that direction.

7. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

23 September 1983

CONFIDENTIAL



USA visit  
Canada visit  
~~Adm. Lit~~

Ref. A083/2703

MR COLES ✓

Taber. AB 26/9

cc Sir Clive Whitmore  
Mr Middleton  
Sir Brian Hayes  
Sir Antony Acland  
The Lord Moran  
Mr Goodall

Prime Minister's Visit to Canada and the United States

In the light of the discussion at the Prime Minister's briefing meeting yesterday afternoon, I see no need for any change to the Game Plan for Canada enclosed with Sir Antony Acland's letter to me of 21 September of which you have a copy. But I think it would be worth making a small change to the Game Plan for Washington to take account of the greater emphasis which it was decided to give to Lebanon and the Middle East. I enclose a revised version accordingly.

Re  
Approved by  
ROBERT ARMSTRONG  
and signed in his absence.

23 September 1983

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PRIME MINISTER'S VISIT TO CANADA AND THE UNITED STATES:  
25-30 SEPTEMBER 1983

GAME PLAN: WASHINGTON (29 September)

1. Washington telegrams 2659, 2660 and 2661 attached, set the scene for the Prime Minister's visit.

MEETING WITH PRESIDENT REAGAN

2. The Prime Minister will have a one-hour tête-à-tête with the President.

3. In this part of the meeting the main subjects to be covered are:-

- (a) A substantial session on East/West relations, including Arms Control issues, INF and START;
- (b) Summits: Williamsburg follow-up, particularly the US performance; handling of 1984 Economic Summit. The Prime Minister could also mention her intention to go to New York for meetings with Mrs Gandhi and the UN Secretary-General.
- (c) Belize/Central America/Falklands, seeking to establish implicit linkage between the retention of the garrison (if decided) and the US role in finding a long-term solution to the problems of Belize. In the same context raise US support for Argentina.
- (d) Bilateral Issues, make the general point that disagreements over the use of the Export Administration Act, unitary taxation, and the use of anti-trust laws in the Laker case (as well as some EC/US disagreements) seriously affect UK interests and are not in the interests of the Alliance. Suggest further high-level discussion on the implications for UK/US relations. Spell out our specific concerns on individual subjects, particularly the Export Administration Act and unitary taxation. An important objective here is to strengthen our hand in the follow-up with US officials. Reassure the President that we share his determination to make our control of technology transfer more effective.

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4. One objective of the visit is to give the Americans a high-level briefing on our negotiations with the Chinese over Hong Kong. The Prime Minister could speak to the President if time allowed. On its merits, however, it might be preferable for her to cover this subject with the Vice-President in view of his previous involvement with it. But Mrs Thatcher's meeting with Mr Bush will be in part a social occasion and may not provide an opportunity to deal frankly with such a delicate subject. If Sir O Wright advises that this is likely to be the case, the Foreign and Commonwealth Secretary could brief Mr Shultz.

5. If time permits other international questions such as The Lebanon and Namibia can be raised with the President.

6. While the Prime Minister is talking to the President, the Foreign and Commonwealth Secretary and Mr Shultz will hold a parallel meeting with officials present. This will tackle aspects of East/West and disarmament subjects not covered in depth in the Prime Minister's talks, as well as other major international issues such as the situation in Lebanon and Namibia. It would also be appropriate to reiterate the main British concerns in bilateral subjects.

#### WORKING LUNCH

7. Over lunch, to be attended by eight from each side, the Prime Minister and President Reagan might go over some of the ground covered in their tête-à-tête - (this has the advantage of ensuring that other members of the Administration know what is in the President's mind).

#### MEETINGS WITH MR VOLCKER AND MR REGAN

8. The Prime Minister will be accompanied by the Ambassador, Sir R Armstrong and Mr Butler. Economic subjects, particularly the prospects for the US and world economies will predominate. Unitary taxation should be raised with Mr Regan.

#### MEETINGS WITH VICE-PRESIDENT BUSH

9. This will be an informal meeting over tea at the Vice-President's residence with Mrs Bush, Sir Oliver and Lady Wright present. Talks should cover the same ground as with the President and might possibly include Hong Kong (see paragraph 4 above).





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**BREAKFAST WITH MEMBERS OF THE SENATE**

10. The Prime Minister will be asked to speak to members of the Senate Foreign Relations Committee for 10 minutes followed by questions and answers. Raise East/West relations, defence including US and UK roles in NATO and the two-way street. Mention UK concerns about the Export Administration Act and Unitary Taxation. Possibly also brief on Northern Ireland.

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Foreign and Commonwealth Office

London SW1A 2AH

22 September 1983

*John Major*

Prime Minister's Visit to Canada and the United States:  
Separate Programme in Washington

/ I enclose a programme for Mr Thatcher's visit to Rockwell on 29 September, together with some background briefing on the City of Columbus and on Rockwell. Personality notes on senior Rockwell staff will be available for Mr Thatcher on arrival.

*John Major*  
*R B Bone*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

PROGRAMME FOR MR DENNIS THATCHER ON 29 SEPTEMBER

- 0900 Hrs Depart by Rockwell aircraft from Washington National Airport. (Accompanied by a member of the Embassy. Mr Hime, Consul-General Cleveland will also join the party)
- 1030 Hrs Arrive Columbus, Ohio. Visit Rockwell's North American Aircraft Operations Facility: The Rockwell staff principally involved will be: Mr R Anderson (Chairman), Mr James A McDivitt (Former Astronaut, Senior Vice President, Research And Technology), and Mr A Smith (Vice President and General Manager in Columbus).
- 1215 Hrs Lunch at the Columbus Country Club, followed by discussion of US and world business prospects.
- 1500 Hrs Depart Columbus for Washington.
- 1630 Hrs Arrive Washington.



## ROCKWELL INTERNATIONAL CORPORATION

1. Rockwell International Corporation is a major multi-industry company employing over 100,000 people in twenty six countries. Headquartered in Pittsburgh, Rockwell has numerous manufacturing facilities throughout the USA. They manufacture a wide range of high technology products in four major sectors:

Automotive - components for trucks and cars;

Aerospace - Principal products are space systems and rocket engines, aerostructures and the US Air Force's new B-1B long range combat aircraft. They are also building the NAVSTAR satellites and are involved in developing precision navigation receivers for the Department of Defense's Global Positioning Systems;

Electronics - this division is engaged in the research, development and manufacture of a broad range of electronics equipment for defence and commercial applications. They are a major supplier of digital and analog microwave systems to the telecommunications industry and are the world's largest supplier of high-speed integral modems that transmit digital information over telephone lines;

General Industries - manufacture printing presses, high technology valves, gas and water meters, industrial sewing machines and industrial power tools. They are also involved in nuclear and other energy related programmes and in pollution control.

2. Sales in 1982 were \$7.4 billion compared with \$7 billion in 1981. The company is ranked no 42 in the Fortune list. Profits increased in 1982 to \$49.4 million from \$17.5 million in 1981 but were still far below the 1979 profits of \$212 million. The small overall sales increase was attributable to high sales in the Aerospace sector, reflecting accelerating efforts on the B-1B programme and the increased activities in the Space Shuttle programme. International sales were \$1.29 billion, slightly less than 1981 figures of \$1.34 billion. It is of interest to note that, although sales of the General Industries Businesses Sector were only down slightly in 1982, earnings in that sector fell by almost 50% from \$208.7 million to \$115.4 million in 1982, reflecting the depressed capital goods markets.



3. According to very recent media reports, Rockwell has lost a major \$2.5 billion contract for support of space shuttle services to a consortium of companies led by Lockheed Aerospace Company. Rockwell has been largely responsible for the space shuttle construction programme and loss of the maintenance and servicing contract will be a major disappointment.

4. Rockwell's British operations began 15 years ago as part of a strategy to penetrate the European market. Subsidiaries include: Rockwell International Ltd, Hounslow; Rockwell Collins (UK) Ltd, Reading; Rockwell Graphic Systems Ltd, Preston and London; Rockwell International SA, Slough; Rockwell Maudslay Ltd, Alcester; Rockwell-Rimoldi (Great Britain) Ltd, Oadby, Leics; Rockwell Thompson Ltd, Wolverhampton; Wescom (UK) Ltd, High Wycombe; and Wilmot Breeden Ltd, Birmingham. These subsidiaries are primarily concerned with producing components for the automotive, electronics and printing industries.

5. Mr Thatcher will be visiting the North American Aircraft Operations facility which was acquired when Rockwell merged with North American Aviation Company in 1967. The plant has been used for many years for the production of military aircraft and at present, in addition to missile developments, is being used for the production of approximately 30% of the B-1B combat aircraft. Final assembly of this large supersonic aircraft (in configuration somewhat similar to the Concorde) will take place in California.

6. Mr A H (Al) Smith has recently been named Vice President and General Manager of this facility. He comes to Rockwell from the Boeing Company where he has spent his entire professional career.

British Consulate General  
Cleveland, Ohio  
September 1983



## COLUMBUS

1. Columbus is the capital of Ohio, situated on the Scioto River nearly in the centre of the State. The population of Columbus is 564,871, and the metropolitan area 1,093,293.
2. Columbus came into being as a planned political centre. When the young State of Ohio decided to seek a centrally located site for its capital, a number of pioneer settlements contested for the prize. In 1812 the legislators accepted a syndicate's offer to build the Capital on the "high bank east of the Scioto River" directly opposite the town of Franklinton. The Legislature adopted the name "Columbus" for the new capital in honour of America's discoverer. Within a few years, Columbus quickly forged ahead of older towns of central Ohio. It absorbed its former rival, Franklinton, and in 1824 the seat of Franklin County was moved from that village to the east side of the river.
3. The city long presented the aspects of a quiet Southern community. But by 1831 it had become an important transportation centre and during the rest of the century the establishment of State government bureaus and institutions became a major factor in the City's growth. In March 1913, Columbus suffered a disastrous flood. In the aftermath, the city transformed the entire river front, widening the Scioto's channel, building levees, retaining walls and modern bridges and laying the foundation for the Civic Center. In this period Columbus modernised the form of its city government, adopting a new charter that provided for the election of the city officials on nonpartisan ballots, for a seven-member City Council to be chosen at large, and for municipal office terms of four years.
4. Port Columbus Airport was opened in 1929 and the new airport provided Columbus with its first transcontinental air service.
5. The city developed rapidly as an industrial centre after 1940. Low wages, compared with northern Ohio, and a continuing labour supply from adjacent areas were factors in the establishment of many new industrial plants. The expansion of governmental services and the increasing number of highly trained technical and professional personnel in the community later attracted newer types of industry.
6. A number of well-known literary figures have lived in Columbus. James Thurber, the humourist, often wrote of his boyhood in Columbus, and William Sydney Porter (O. Henry) gathered plots for his stories while serving a term for embezzlement in the Ohio State Penitentiary (a rather unique form of government subsidy to the arts).

Continued.....



7. Two of the Fortune 500 largest industrial corporations are located in the Columbus area, Worthington Industries (No. 486) and Anchor Hocking (No. 314) in nearby Lancaster. American Electric Power, located in Columbus, generates more power than any other electric company. There are seven British subsidiaries in the Columbus metropolitan area.
8. As a result of its industrial growth, Columbus encountered many of the problems of other industrial centres and, beginning in 1952, efforts were made toward slum clearance and urban renewal. Many old neighborhoods were either improved (the German district) or cleared and replaced with new projects (the expansion of Ohio State University and the building of Thurber Village). The skyline of Columbus changed dramatically during the 70's with the addition of nearly 20 new buildings downtown. There has also been a surge in the building of homes, apartments and shopping centres.
9. Columbus is a seat of learning and research, the home of Ohio State University with over 60,000 students, and six other colleges. Scientific research in the fields of industry and business is conducted by several Columbus institutions of national reputation. These include Ohio State University, Battelle Memorial Institute, the Edward Orton Jr Ceramic Foundation, and the Chemical Abstracts Service (the world's largest non-governmental source for scientific information).
10. The Battelle Memorial Institute, the largest private industrial research organisation in the world, began its activities in 1929. Through endowment, the Institute was founded for the encouragement of research in metallurgy, coal, iron, steel, zinc and allied industries.
11. Columbus is known as 'Test Market USA' and provides a microcosm of the nation for marketing studies.
12. The arts are well represented in Columbus by The Columbus Gallery of Fine Arts (founded in 1878) and The Columbus Symphony Orchestra. Drama and musical shows are presented at the Hartman Theatre, and there are numerous summer theatres.
13. Ohio State University teams make Columbus a great sports town. The traditional rivalry between Ohio State and Michigan State can become quite fierce during the football season, as the two teams are usually frontrunners in the 'Big Ten' and compete for the honour of representing the east in the Rose Bowl championship game in Los Angeles on New Year's Day. Muirfield, the famous golf course designed by Jack Nicklaus, is just outside Columbus.
14. The present Mayor of Columbus is Tom Moody.

MR INGHAM

cc Mr Coles ✓

PRIME MINISTER

U.S. Visit

I think that you should be aware of the following story which, as it was reported in a Mississippi newspaper, might possibly be mentioned in casual conversation while you are in America.

A Mr William Love of Brookhaven, Mississippi, wrote to you about his 3½ year old daughter, Kathy, who is suffering from cancer. She saw you on television, outside No.10, and was very attracted by the helmet of the nearby policeman. She asked her father if he could get her one. He, naturally enough, explained that this would not be possible but she persisted. Her father therefore wrote to you.

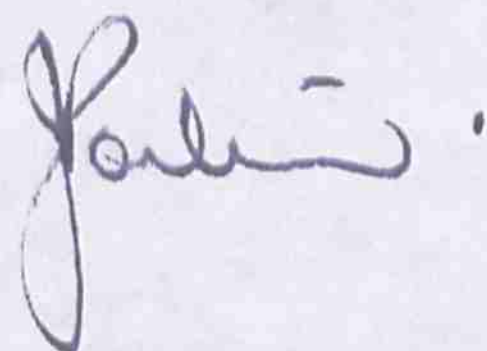
Copies of these helmets are on sale in souvenir shops here and Kay Dover and I arranged for one to be sent, on your behalf, to Kathy. It reached her safely and her father has now written to you as follows:-

"There are no adequate words to express our gratitude for the kindness you have shown Kathy. She has proudly worn her hat everywhere. The happiness on her face when she opened the box and saw her hat, surpasses any other she has ever shown.

We thought you might like to see the article our local paper did about her. She's quite an actress when she feels good.

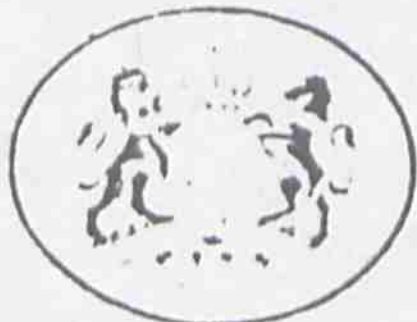
Our family will always remember you with love for your thoughtfulness to our little girl."

I attach the article to which Mr Love refers. You may not wish to read all of this, but I have sidelined the references to you and the helmet.



22 September 1983





London SW1A 2AH

21 September 1983

*Dear John,*Prime Minister's Visit to US: Nuclear Matters

This letter is intended to augment the brief (PMVB 83/6) submitted for the Prime Minister's discussions with President Reagan on the more sensitive nuclear arms control issues.

The discussion with the President will present a timely opportunity for the Prime Minister to review the political difficulties facing European allies in the run-up to INF deployment; and to sound the President on how he intends to handle bilateral negotiations with the Russians as he moves into election year.

The President will certainly be interested in the Prime Minister's views on how, in light of her recent meetings with the German Chancellor and the Dutch and Italian Prime Ministers, she sees key Allies standing up to the political pressures ahead in the run-up to Cruise missile and Pershing 2 deployment. The President will be particularly interested in the Prime Minister's judgement of Chancellor Kohl's position; and to hear how the Prime Minister thinks that the shooting down of the Korean airliner will have affected political opposition in Europe to INF deployment.

President Reagan will just have made (on 26 September) a speech to the UNGA reaffirming the US commitment to the arms control process and disclosing a flexible approach to the INF and START negotiations. The Prime Minister will no doubt wish to congratulate him on having resisted pressure to suspend arms control negotiations in the wake of the airliner outrage, and on having taken a politically bold step in going ahead, so soon after the incident, with consultations with allies on adjustments to the INF negotiating position (FCO telegram No 1536 to Washington attached). This shows that he has not lost sight of the long term need to work towards more soundly based relationship with the

/Russians.



S E C R E T

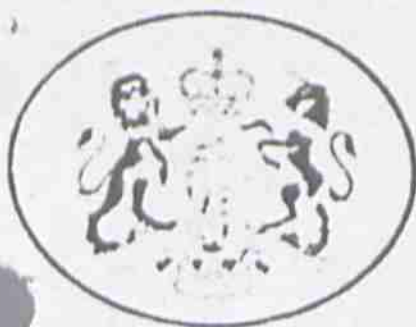
Russians. But at the same time he has taken advantage of the present climate in the United States to get Congressional approval for a further 5% real term increase in defence spending and to advance the prospects for Congressional funding of key programmes such as MX and the B1 bomber. An INF agreement or a new Vladivostok-type framework agreement for START could be a significant electoral bonus if the President seeks a second term. But the Russians have no cause to assist him in this respect and their continued blocking of US disarmament initiatives might strengthen criticism of the President from both the right and the left. This will therefore be a good moment to underline once again to President Reagan the important Alliance stake in being seen to maintain genuine efforts to achieve arms control objectives.

The brief (paragraph 3 of PMVB(83)6) touches on the issue of British and French nuclear weapons in relation to arms control. In the Foreign Secretary's view it would be useful to have an exchange with President Reagan on the subject and to explore American thinking. The Prime Minister will be aware (Roger Bone's letter of 13 September on the London meeting of the Special Consultative Group) that we have been warned in strict confidence that the President is concerned over the problem of how in due course these weapons might be associated with the arms control process. We can be quite confident that the President will remain firm on the issue as far as INF talks are concerned. It is also clear from various discussions with US officials that there is no question of the Americans being attracted by the notion of direct inclusion in the START negotiations. But, equally, there is little doubt that the President will have come under pressure from Chancellor Kohl and perhaps other European Allies to urge on us the need to develop a rather fuller public explanation of how the UK strategic deterrent might relate to the arms control process in the longer term. The Prime Minister will have an opportunity to discover just how much the President is concerned about this and whether he has any ideas of his own.

The Prime Minister can also expect to be asked questions in public on this subject whilst in Washington. She will no doubt wish to draw on the holding formula which she has agreed to include in her reply to Andropov's recent message, subject to French and US views. (The French have been consulted and are content: we are also in touch with the Americans.) The formulation is:

/'I must

S E C R E T



'I must say in all frankness that it is difficult to understand your preoccupations with British strategic weapons. They represent a tiny fraction of yours (the British deterrent is less than three per cent of the size of your strategic missile and bomber force). In that they constitute our ultimate national deterrent, they are weapons of last resort which are in no sense comparable to your SS20 force. They are the minimum necessary for effective deterrence. But it is worth adding that we are not trying to claim that British nuclear weapons should never be relevant to any arms control negotiations. If Soviet and United States strategic arsenals were to be very substantially reduced and no significant change had occurred in Soviet defensive capabilities, Britain would of course want to review her position and to consider how best she could contribute to arms control in the light of the reduced threat'.

The other nuclear arms control issue which the Prime Minister might usefully broach with the President is START. The debate on INF has tended to obscure public attention on START. In fact, objectively speaking, the prospects for progress in START remain better than in INF (although the Russians are most unlikely to move towards an agreement during the run in to INF deployment in the months ahead). It would be timely to remind the President of the importance that we attach to achieving progress towards strategic arms reductions for sound security reasons as well as for presentational reasons in the nuclear debate. If the Prime Minister were to speak in these terms it could be highly valuable in the context of discussions currently going on within the Administration on options in START.

I am copying this letter to Richard Mottram in the Ministry of Defence and to David Goodall in the Cabinet Office.

*John, even*  
*[Signature]*

B J P Fall  
Private Secretary

A J Coles Esq  
10 Downing Street

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FM FCO 201530Z OF 20 SEPT 83

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 1536 OF 20 SEPTEMBER

INFO PRIORITY NATO POSTS, UKREP BRUSSELS (FOR PS), MOSCOW  
AND TOKYO

INF : MODIFIED US POSITION

SUMMARY

1. A SPECIAL RESTRICTED MEETING OF THE SCG IN BRUSSELS ON 19 SEPTEMBER GAVE BROAD ENDORSEMENT (ALTHOUGH GREECE REMAINED SILENT) TO US PROPOSALS FOR FILLING OUT THE US NEGOTIATING POSITION ON INF. THE MODIFIED US POSITION, COMMUNICATED TO NATO HEADS OF GOVERNMENT (AND TO THE JAPANESE PM) IN MESSAGES FROM PRESIDENT REAGAN PRIOR TO THE MEETING, WILL BE TABLED IN GENEVA ON 22 SEPTEMBER AND PUBLICLY UNVEILED BY THE PRESIDENT IN HIS SPEECH TO THE UNGA ON 26 SEPTEMBER. THE US WILL EXPRESS ITS READINESS TO:-

(I) AGREE, IN THE CONTEXT OF AN AGREEMENT ON OVERALL INF REDUCTIONS, TO PROPORTIONATE REDUCTIONS IN PERSHING 2S AS WELL AS GLCMS.

(II) CONSIDER, IN THE CONTEXT OF AGREEMENT ON EQUAL GLOBAL LIMITS ON LRINF MISSILES, A US COMMITMENT NOT TO MATCH IN EUROPE THE TOTAL SOVIET GLOBAL LRINF DEPLOYMENT (WHILE RETAINING THE RIGHT TO DEPLOY THE BALANCE ELSEWHERE).

(III) EXPLORE LIMITS ON LRINF AIRCRAFT.

DETAIL

2. THE SCG DISCUSSED BOTH THE SUBSTANCE OF THE US PROPOSALS AND THEIR PUBLIC HANDLING.

3. ON BEGIN UNDERLINING SUBSTANCE CEASE UNDERLINING, BURT (US CHAIRMAN) EXPLAINED THAT THE US OBJECTIVE WAS TO SHOW SENSITIVITY TO SOVIET PREOCCUPATIONS AND TO WESTERN PUBLIC CONCERNS WITHOUT COMPROMISING THE BASIC PRINCIPLES OF THE

ALLIANCE POSITION AGREED IN 1979. THE NEW PROPOSALS WOULD FIRST BE PRESENTED BY AMBASSADOR NITZE ON 22 SEPTEMBER AS GENERAL PROPOSITIONS, LEAVING DETAILS UNDER EACH HEAD TO BE SPELLED OUT SUBSEQUENTLY AND AFTER FURTHER ALLIANCE CONSULTATION WITHIN THE SCG. BURT EXPLAINED THE RATIONALE OF THE US MOVE ON THE FOLLOWING LINES:-

(I) BEGIN UNDERLINING WEAPONS MIX CEASE UNDERLINING. US WILLINGNESS TO GIVE AN ASSURANCE OF PROPORTIONATE REDUCTION OF PERSHING 2S IN ANY OVERALL REDUCTIONS AGREEMENT WAS INTENDED TO RESPOND TO SOVIET CONCERN THAT THE P2 REPRESENTS A PARTICULARLY SERIOUS THREAT TO ITS SECURITY SEMI-COLON AND TO PUBLIC CONCERN IN THE FRG THAT REDUCTIONS MIGHT BE CONFINED TO GLCMS. (RUTH, FOR THE FRG, EXPRESSED THE HOPE THAT THE PROPORTION OF P2S RELATIVE TO GLCMS AFTER REDUCTIONS WOULD NOT BE GREATER THAN THAT ENVISAGED IN THE 1979 DECISION.)

(II) BEGIN UNDERLINING DE FACTO LIMITATIONS ON US INF DEPLOYMENTS IN EUROPE CEASE UNDERLINING. THE US WISHED, WHILE ADHERING TO THE PRINCIPLE OF GLOBAL LIMITS, TO SHOW READINESS TO MEET SOVIET CONCERNS THAT SOME SOVIET INF DEPLOYMENTS WOULD BE OUT OF RANGE OF EUROPEAN TARGETS. AT THE SAME TIME, THE AMERICANS ARE RELUCTANT TO BE DRAWN TOWARDS COMMITMENT TO QUANTIFIED REGIONAL SUB-CEILINGS OR TOWARDS CONCEPTS OF REGIONAL STRATEGIC BALANCE (WHICH COULD BE APPLIED UNHELPFULLY TO REGIONS OTHER THAN EUROPE): CONSEQUENTLY, THEIR AIM IS TO PUT THE ONUS ON THE RUSSIANS (ONCE THEY HAVE ACCEPTED PRINCIPLE OF GLOBAL LIMITS) TO DECIDE HOW MUCH OF THEIR INF QUOTA THEY WISH TO DEPLOY IN ASIA, UNDERTAKING SIMPLY TO COUNTERBALANCE SOVIET DEPLOYMENTS TARGETED ON EUROPE. THE US WOULD OF COURSE RETAIN THE RIGHT TO DEPLOY THE BALANCE OF ITS GLOBAL QUOTA ELSEWHERE, EG IN THE US ITSELF.

(III) BEGIN UNDERLINING AIRCRAFT CEASE UNDERLINING. THE OFFER TO DISCUSS LIMITS ON LRINF AIRCRAFT RESPONDS TO THE SOVIET WISH TO INCLUDE THESE IN THE NEGOTIATION (ALTHOUGH THE SOVIET UNION DISPOSES OF MANY MORE NUCLEAR CAPABLE AIRCRAFT THAN THE US). NITZE WOULD NOT BE AUTHORISED TO DISCUSS AIRCRAFT TYPES OR NUMBERS AT THIS STAGE. (WE REITERATED THE UK'S CONCERN THAT

DISCUSSION OF AIRCRAFT SHOULD BE USED TO ESTABLISH THE PRINCIPLE OF GLOBALITY AND THUS STRENGTHEN ITS APPLICATION TO MISSILES: BURT TOOK THE POINT, BUT INDICATED DIFFERENCES OF VIEW IN WASHINGTON ON THE ISSUE. THE FRG EXPRESSED, WITHOUT EXPLAINING, A PREFERENCE FOR REGIONAL RATHER THAN GLOBAL LIMITS ON AIRCRAFT.)

4. BURT EMPHASISED THAT, PARTICULARLY AGAINST THE BACKGROUND OF CURRENT US POLITICAL CLIMATE ON EAST/WEST ISSUES, PRESIDENT REAGAN'S PROPOSALS ARE A SIGNIFICANT DEMONSTRATION OF GENUINE FLEXIBILITY OF THE US APPROACH TO THE INF NEGOTIATION. THE US WOULD NOT WISH TO DEVELOP THE WHOLE OF ITS NEGOTIATING POSITION BEFORE THE END OF THE YEAR, SINCE TO DO SO MIGHT STRENGTHEN THE ARGUMENTS FOR DEFERRING DEPLOYMENT. THERE WAS GENERAL SUPPORT WITHIN THE GROUP FOR THE US PROPOSALS AND APPROACH, ALTHOUGH THE DANE DOUBTED WHETHER THEY WENT FAR ENOUGH TO SATISFY PUBLIC OPINION IN DENMARK AND THE GREEK HAD NO INSTRUCTIONS.

5. ON BEGIN UNDERLINING PUBLIC HANDLING CEASE UNDERLINING, BURT SAID THAT PRESIDENT REAGAN'S SPEECH AT THE UNGA ON 26 SEPTEMBER WOULD HAVE A STRONG ARMS CONTROL EMPHASIS AND WOULD DISCLOSE THE NEW US POSITION ON INF IN TERMS SIMILAR TO THOSE IN HIS MESSAGES TO HEADS OF GOVERNMENT. THE US HOPED THAT THE PRESIDENT'S SPEECH WOULD EVOKE PROMPT AND EMPHATIC STATEMENTS OF ENDORSEMENT AND SUPPORT IN ALLIED CAPITALS, STRESSING THE INTENSITY AND EFFECTIVENESS OF ALLIED CONSULTATION ON THE INF ISSUE. THERE WAS SOME PRESSURE, PARTICULARLY FROM THE FRG AND SCANDINAVIANS, FOR AN INTERIM ANNOUNCEMENT BEFORE 26 SEPTEMBER OF ALLIANCE AGREEMENT ON A NEW NEGOTIATING POSITION: THE UK ARGUED AGAINST ANY MOVE WHICH WOULD REDUCE THE IMPACT OF THE PRESIDENT'S SPEECH OR EVOKE A PRE-EMPTIVE SOVIET STATEMENT, WHILE BURT INDICATED THAT A PUBLIC STATEMENT BEFORE 26 SEPTEMBER WAS UNLIKELY TO FIND FAVOUR IN WASHINGTON. AN SCG'S CHAIRMAN'S STATEMENT WOULD BE ISSUED ON 26 SEPTEMBER, SIMULTANEOUSLY IN BRUSSELS AND WASHINGTON SEMI-COLON AND IT WAS HOPED THAT A DISCUSSION OF THE ISSUE BY THE NAC ON 28 SEPTEMBER WOULD BE FOLLOWED BY AN APPROPRIATE PRESS RELEASE.

6. THERE WAS GENERAL RECOGNITION IN THE GROUP THAT THE NEW

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ELEMENT IN THE US POSITION SUMMARIZED IN PARA 3(II) ABOVE  
WOULD REQUIRE PARTICULARLY CAREFUL PUBLIC HANDLING AND IT WAS  
AGREED THAT THE SCG SHOULD PURSUE THIS AT ITS NEXT MEETING  
(IN BONN) ON 7 OCTOBER.

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MR. RICKETT

Briefing Meeting for Canada and America Visit

Cabinet Office say the following people will attend:-

Foreign Secretary (1 hour only)

S/S Defence

Economic Secretary to the Treasury

Mr. Kenneth Baker (DTI)

Mr. Middleton (HMT)

Sir Antony Acland (FCO)

Mr. Blelloch (MOD)

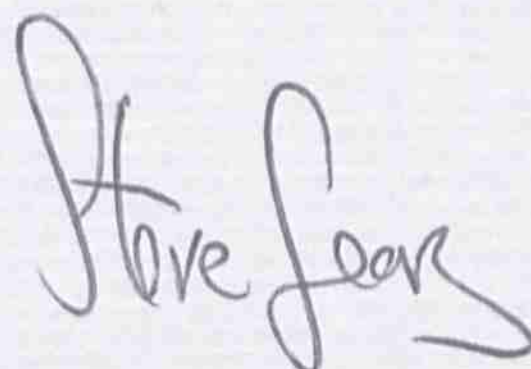
Sir A. Rawlinson (DTI)

Lord Moran

Sir Robert Armstrong

Mr. Goodall

Mr. Williamson



Steve Geary  
Duty Clerk

21 September 1983





Sir Antony Acland KCMG KCVO  
Permanent Under-Secretary of State

Foreign and Commonwealth Office

London SW1A 2AH

*cc - USA: Visit by PM  
Canada: Visit by PM*

21 September 1983

Sir Robert Armstrong GCB CVO  
CABINET OFFICE

*My dear Robert,*

**PRIME MINISTER'S VISIT TO CANADA AND THE UNITED STATES:  
25-30 SEPTEMBER**

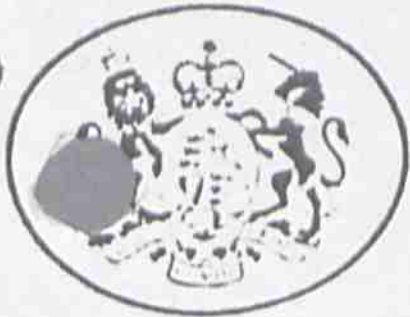
- ... 1. I enclose draft Game Plans for the Prime Minister's visit to Canada and the United States in preparation for the briefing meeting at No 10 on 22 September. Under the revised arrangements for major Summits, the Game Plans will be finalised immediately after the meeting by the Cabinet Office in consultation with the FCO.
- ... 2. I enclose copies of Ottawa and Washington's scene setting telegrams which form an annex to the respective Game Plans. Also enclosed is the latest version of the Prime Minister's programme in both countries since this may not be familiar to all those attending the briefing meeting.
- ... 3. A copy of this letter goes to the Permanent Secretaries of the other Departments who, I understand, have been invited to take part in the briefing meeting, and to Lord Moran.

*Yours ever  
Antony*

Antony Acland

cc: Sir Clive Whitmore KCB CVO, MOD  
P E Middleton Esq, HM Treasury  
Sir Brian Hayes KCB, DTI  
A D S Goodall Esq CMG, Cabinet Office  
A J Coles Esq, No 10 Downing Street  
The Lord Moran KCMG

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PRIME MINISTER'S VISIT TO CANADA AND THE UNITED STATES:  
25-30 SEPTEMBER 1983

GAME PLAN: CANADA

1. This visit is in response to Canadian initiative but we can use it to our advantage. The High Commission's scene-setting telegram, and update (both attached) make it clear that there are important public relations aspects to the visit. We expect considerable public interest and the Prime Minister's speeches to the Canadian Parliament and in Toronto will be widely reported.
2. Against this background our aims are:-
  - (a) to underline the political importance which we attach to the Canadian link;
  - (b) to emphasise that we wish to do business with Canada, both trade and investment;
  - (c) to use the opportunity given by the Prime Minister's visit to exchange views on major international issues with the Canadian Government.

HANDLING OF MEETINGS

Prime Minister Trudeau

3. The Prime Minister will have 45 minutes or so tête-à-tête with Mr Trudeau. She might usefully put the emphasis on:-
  - (a) Summits: including the follow-up to Williamsburg; preparations for the 1984 Economic Summit and related economic questions; the November Commonwealth Heads of Government Meeting; Mrs Gandhi's summit proposal (Mr Trudeau plans to go to New York on 29 September).
  - (b) Hong Kong - we are ready to brief Mr Trudeau in greater detail than hitherto on negotiations with Chinese.
  - (c) Other international issues as appropriate, though substantive discussion is probably best left for the plenary meeting with other Ministers present. (This is particularly so for East/West relations).

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Meeting with Cabinet Ministers and Working Lunch

4. There is no agreed agenda for the working session with other Canadian Ministers present. The Canadian side will be briefed on a wide range of topics. Our particular interest is to raise:-

- (a) East/West relations and arms control questions. It would be particularly useful to expose members of the Canadian Cabinet to an alternative to Mr Trudeau's idiosyncratic views;
- (b) Other international issues such as Belize, Central America and the Falkland Islands. Possibly also Lebanon, depending on developments;
- (c) International economic questions, including prospects for the global economy as well as for the UK and Canada. The Canadians may also raise developing country issues;
- (d) Bilateral relations. No need to go into depth but in the context of trade and economic relations mention, in low key, our concern about some Canadian protectionist policies. At this point the Canadians will almost certainly wish to raise EC/Canada relations.

Leader of the Opposition

5. This will be the Prime Minister's first meeting with Mr Mulroney, who may well be the next Prime Minister of Canada.

Meetings with the Premiers of Ontario and Alberta

6. The UK has significant commercial interests in both provinces. In her conversations, the Prime Minister might underline our interest in strengthening trade and investment links. Both Premiers also have an interest in world affairs and both will welcome briefing on the future of Hong Kong. In Alberta there may also be interest in North Sea Oil pricing policy.

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PRIME MINISTER'S VISIT TO CANADA AND THE UNITED STATES:  
25-30 SEPTEMBER 1983

GAME PLAN: WASHINGTON (29 September)

1. Washington telegrams 2659, 2660 and 2661 attached, set the scene for the Prime Minister's visit.

MEETING WITH PRESIDENT REAGAN

2. The Prime Minister will have a one-hour tête-à-tête with the President.

3. In this part of the meeting the main subjects to be covered are:-

- (a) A substantial session on East/West relations, including Arms Control issues, INF and START;
- (b) Summits: Williamsburg follow-up, particularly the US performance; handling of 1984 Economic Summit. The Prime Minister could also mention her intention to go to New York for meetings with Mrs Gandhi and the UN Secretary-General.
- (c) Belize/Central America/Falklands, seeking to establish implicit linkage between the retention of the garrison (if decided) and the US role in finding a long-term solution to the problems of Belize. In the same context raise US support for Argentina.
- (d) Bilateral Issues, make the general point that disagreements over the use of the Export Administration Act, unitary taxation, and the use of anti-trust laws in the Laker case (as well as some EC/US disagreements) seriously affect UK interests and are not in the interests of the Alliance. Suggest further high-level discussion on the implications for UK/US relations. Spell out our specific concerns on individual subjects, particularly the Export Administration Act and unitary taxation. An important objective here is to strengthen our hand in the follow-up with US officials. Reassure the President that we share his determination to make our control of technology transfer more effective.

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4. One objective of the visit is to give the Americans a high-level briefing on our negotiations with the Chinese over Hong Kong. The Prime Minister could speak to the President if time allowed. On its merits, however, it might be preferable for her to cover this subject with the Vice-President in view of his previous involvement with it. But Mrs Thatcher's meeting with Mr Bush will be in part a social occasion and may not provide an opportunity to deal frankly with such a delicate subject. If Sir O Wright advises that this is likely to be the case, the Foreign and Commonwealth Secretary could brief Mr Shultz.

5. If time permits other international questions such as The Lebanon and Namibia can be raised with the President.

6. While the Prime Minister is talking to the President, the Foreign and Commonwealth Secretary and Mr Shultz will hold a parallel meeting with officials present. This will tackle aspects of East/West and disarmament subjects not covered in depth in the Prime Minister's talks, as well as other major international issues such as the situation in Lebanon and Namibia. It would also be appropriate to reiterate the main British concerns in bilateral subjects.

#### WORKING LUNCH

7. Over lunch, to be attended by eight from each side, the Prime Minister and President Reagan might go over some of the ground covered in their tête-à-tête - (this has the advantage of ensuring that other members of the Administration know what is in the President's mind).

#### MEETINGS WITH MR VOLCKER AND MR REGAN

8. The Prime Minister will be accompanied by the Ambassador, Sir R Armstrong and Mr Butler. Economic subjects, particularly the prospects for the US and world economies will predominate. Unitary taxation should be raised with Mr Regan.

#### MEETINGS WITH VICE-PRESIDENT BUSH

9. This will be an informal meeting over tea at the Vice-President's residence with Mrs Bush, Sir Oliver and Lady Wright present. Talks should cover the same ground as with the President and might possibly include Hong Kong (see paragraph 4 above).



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**BREAKFAST WITH MEMBERS OF THE SENATE**

10. The Prime Minister will be asked to speak to members of the Senate Foreign Relations Committee for 10 minutes followed by questions and answers. Raise East/West relations, defence including US and UK roles in NATO and the two-way street. Mention UK concerns about the Export Administration Act and Unitary Taxation. Possibly also brief on Northern Ireland.

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AMENDED DISTRIBUTION 6 SEPT. 1983

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TO PRIORITY FCO

TELEGRAM NUMBER 398 OF 01 SEPTEMBER

INFO ROUTINE TO WASHINGTON

INFO SAVING TO UKMIS; NEW YORK UKDEL NATO AND NATO POSTS

## PRIME MINISTER'S VISIT TO CANADA

1. BILATERAL VISITS TO CANADA BY BRITISH PRIME MINISTERS ARE RARE. THE LAST WAS SIX YEARS AGO. MRS THATCHER'S VISIT GIVES US A UNIQUE OPPORTUNITY TO REVITALISE OUR RELATIONSHIP AND TO ADVANCE BRITISH INTERESTS, POLITICAL, ECONOMIC AND MILITARY.
2. CANADA IS DOMINATED COMMERCIALY AND CULTURALLY BY THE UNITED STATES, BUT IS INCLINED TO RESENT THIS. THOUGH SUPPORT FOR THE MONARCHY REMAINS STRONG (EXCEPT IN QUEBEC) CANADA'S HISTORIC TIES WITH THE UK HAVE GRADUALLY ERODED. IN PARTICULAR TRADE IN BOTH DIRECTIONS HAS DECLINED DRAMATICALLY OVER THE PAST 25 YEARS, BEING REPLACED TO SOME EXTENT BY INVESTMENT. THE ORDINARY CANADIAN TENDS TO THINK THAT BRITAIN HAS TURNED HER BACK ON CANADA AND IS NOW ONLY INTERESTED IN EUROPE. THIS BELIEF IS STRENGTHENED BY THE SWITCH IN BRITISH TRADE AWAY FROM CANADA AND TOWARDS WESTERN EUROPE, THE DISAPPEARANCE OF BRITISH CARS, ONCE NUMEROUS IN CANADA, THE NOTICES AT BRITISH AIRPORTS INDICATING THAT COMMUNITY PASSPORT HOLDERS ARE NOW TREATED AS FAMILY WHILE CANADIANS ARE NOT, THE DECLINE IN THE NUMBER OF CANADIAN STUDENTS IN BRITAIN, THE ABSENCE OF ANY BBC OR BRITISH NEWSPAPER STAFF CORRESPONDENT IN CANADA, AND THE MARKED REDUCTION IN THE SIZE OF THIS HIGH COMMISSION.
3. THERE IS NEVERTHELESS ENORMOUS INTEREST IN THE UNITED KINGDOM, REFLECTED IN THE MEDIA, AND GREAT AFFECTION TOO, STRICKINGLY MANIFESTED DURING THE FALKLANDS WAR, WHEN CANADIAN SUPPORT FOR BRITAIN WAS OVERWHELMING. ABOUT 40 PER CENT OF THE CANADIAN POPULATION IS OF BRITISH ORIGIN AND THERE ARE INNUMERABLE FAMILY TIES BETWEEN THE TWO PEOPLES, AS IS SHOWN BY THE TOURISM FIGURES FOR LAST YEAR. 409,000 CANADIANS CAME TO BRITAIN AND 329,000 BRITONS TO CANADA. IN PROPORTION TO POPULATION THIS IS OVER DOUBLE THE UNITED STATES RATE.
4. AGAINST THIS BACKGROUND THE KEY IMPORTANCE OF THE PRIME MINISTER'S VISIT WILL, IN MY VIEW, BE ITS PUBLIC RELATIONS ASPECT, NOTABLY HER TWO SPEECHES, WHICH WILL AROUSE GREAT EXPECTATIONS (MY TELNO 359) AND HER TELEVISION INTERVIEWS. THESE ALL GIVE US AN UNREPEATABLE OPPORTUNITY TO PERSUADE CANADIANS THAT WE DO MIND ABOUT THEM, DO VALUE OUR RELATIONSHIP WITH THEM AND HAVE NOT TURNED OUR BACKS ON THEM.

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5. THE PRIME MINISTER'S TALKS WITH MR TRUDEAU'S GOVERNMENT SHOULD NOT PRESENT PROBLEMS. THERE ARE AT PRESENT NO MAJOR BILATERAL POINTS OF CONTENTION. MR TRUDEAU'S COMPLEX PERSONALITY (MY DESPATCH OF 3 FEBRUARY) AND HIS UNSOUND PERSONAL VIEWS ON EAST/WEST, PROBLEMS AND THE STRATEGIC BALANCE (THE WILLIAMSBURG DISCUSSIONS AND MORE RECENTLY WESTON'S LETTER OF 8 JULY AND MY LETTER OF 18 AUGUST TO WESTON) WILL BE FAMILIAR TO THE PRIME MINISTER. BUT IT WILL BE WORTH PUTTING OUR VIEWS TO HIM IN FRONT OF HIS SENIOR COLLEAGUES WHOM WE CAN HOPE TO INFLUENCE. NOTWITHSTANDING HIS WOBBLINGS THE CANADIAN GOVERNMENT HAS AGREED TO THE TESTING OF UNARMED CRUISE MISSILES IN CANADA, DESPITE A MASSIVE PUBLIC CAMPAIGN AGAINST THIS. CANADIAN MINISTERS AND OFFICIALS ARE CRITICAL OF AMERICAN POLICIES, BOTH ECONOMIC (THE ENORMOUS DEFICIT AND HIGH INTEREST RATES) AND POLITICAL (ESPECIALLY CENTRAL AMERICA).

6. MR TRUDEAU MAY WELL RETIRE THIS YEAR. THE STANDING OF THE LIBERALS IS NOW SO LOW (27 PER CENT OF PUBLIC SUPPORT AGAINST 55 PER CENT FOR THE CONSERVATIVES) THAT THE PARTY IS BECOMING DESPERATE AND THERE IS INCREASING AND NOW OPEN PARTY PRESSURE ON HIM TO STEP DOWN. AN ELECTION MUST BE HELD BEFORE FEBRUARY 1985. THE CONSERVATIVES, UNDER THEIR NEW, UNTRIED LEADER, BRIAN MULRONEY, WHO HAS JUST BEEN ELECTED TO PARLIAMENT AND WHOM MRS THATCHER WILL MEET, ARE FIRM FAVOURITES TO WIN. THERE ARE NO GREAT IDEOLOGICAL RIFTS BETWEEN THE PARTIES. THE LIBERALS PUT MORE EMPHASIS ON SOCIAL WELFARE AND STATE INTERVENTION, THE CONSERVATIVES ON FREE ENTERPRISE AND COLLECTIVE SECURITY.

7. THE FEDERAL GOVERNMENT HAS BAD RELATIONS WITH NEARLY ALL THE PROVINCIAL GOVERNMENTS. AS MR TRUDEAU WANTS TO ACCOMPANY MRS THATCHER THROUGHOUT HER VISIT, THIS WILL AFFECT THE NATURE OF THE VISITS TO TORONTO AND ESPECIALLY EDMONTON. BOTH ONTARIO AND ALBERTA HAVE CONSERVATIVE GOVERNMENTS - ONTARIO UNDER A LEFT WING PRAGMATIC CONSERVATIVE, BILL DAVIS, ALBERTA UNDER PETER LOUGHEED, WHO IS MORE TO THE RIGHT, AND LIKE MOST WESTERNERS SUSPICIOUS OF EVERYTHING COMING FROM EASTERN CANADA. BOTH ARE MAJOR POLITICAL FIGURES AND EITHER MIGHT BY NOW HAVE BEEN LEADER OF THE FEDERAL CONSERVATIVES HAD THEY NOT CANCELLED EACH OTHER OUT. TORONTO IS NOW THE MAIN FINANCIAL AND BUSINESS CENTRE AND A THRUSTING AND VIGOROUS CITY, HIGHLY DEPENDANT ON OIL AND GAS. ALBERTA HAS HAD SENSATIONAL GROWTH, HAS BEEN HARD HIT BY THE RECESSION BUT WILL RECOVER BEFORE LONG. MORGAN GRENFELL AND WARBURGS ARE INVOLVED IN THE MANAGEMENT OF THE 13 BILLION DOLLAR ALBERTA HERITAGE FUND.

8. I TOLD THE PRIME MINISTER LAST OCTOBER THAT WHEN THE UPTURN CAME, THE CANADIAN ECONOMY WOULD BOUNCE BACK. IT IS INDEED NOW PULLING ROUND AFTER A VERY SEVERE SET-BACK. GROWTH IN THE FIRST HALF OF THIS YEAR WAS AT AN ANNUAL RATE OF 7.2 PER CENT. BUT UNEMPLOYMENT IS HIGH - MUCH THE SAME AS OURS. BRITISH EXPORTS ARE DEPRESSED (NOW ONLY 2.2 PER CENT OF THE MARKET) BUT BRITISH INVESTMENT IS SECOND ONLY TO THAT OF THE UNITED STATES. THE



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LIBERAL GOVERNMENT'S ECONOMIC NATIONALISM, UNDERSTANDABLE TO SOME EXTENT BECAUSE SO MUCH OF THE ECONOMY IS AMERICAN OWNED, AND MANIFESTED IN THE FOREIGN INVESTMENT REVIEW AGENCY (FIRA), AND THE NATIONAL ENERGY POLICY (NEP) WAS TONED DOWN WITH THE TURN DOWN IN THE ECONOMY. BUT THE BRITISH OIL COMPANY ULTRAMAR HAS RECENTLY RUN INTO DIFFICULTIES WITH FIRA, WITH WHICH I AM TRYING TO HELP THEM, AND THERE ARE STILL RESTRICTIONS ON FOREIGN (INCLUDING BRITISH) BANKS, AND PROTECTIONIST TRADE MEASURES AND POLICIES, FEDERAL AND PROVINCIAL, WHICH HURT OUR INTERESTS.

9. THROUGH A COMPREHENSIVE SYSTEM OF EXCHANGE PERSONNEL, REGIMENTAL AFFILIATIONS, USE OF TRAINING FACILITIES AND LONG HISTORICAL ASSOCIATION, THERE REMAINS AN EXCELLENT RELATIONSHIP BETWEEN THE BRITISH AND CANADIAN ARMED SERVICES. THIS HAS BEEN SOURED SOMEWHAT IN RECENT TIMES THROUGH WHAT THE CANADIANS SEE AS EXCESSIVE CHARGES FOR TRAINING COURSES AND OTHER RELATED ITEMS. MUCH OF THE ACRIMONY HAS, HAPPILY, BEEN REMOVED FROM THIS ISSUE BY A SERIES OF CAREFULLY NEGOTIATED MEMORANDA OF UNDERSTANDING WHICH EASE THE FINANCIAL BURDEN BUT THE CANADIANS STILL REGARD OUR CHARGES AS TOO HIGH. OVER A PERIOD THIS MAY REDUCE THE EXTENT OF CANADIAN TRAINING IN THE UK AND THEREBY OUR INFLUENCE BUT MIGHT ALSO RESULT IN INCREASED CHARGES FOR THE EXCELLENT TRAINING FACILITIES THAT WE ENJOY IN CANADA - MOSTLY IN ALBERTA. ALREADY CANADA BUYS LITTLE OF ITS MILITARY HARDWARE FROM BRITAIN. THERE ARE SOME SALES POSSIBILITIES, SUCH AS SUBMARINES, RAPIER AND MAYBE SEA WOLF, BUT THE BEST PROSPECTS ARE FOR COMPONENTS RATHER THAN COMPLETE SYSTEMS AND EVEN THEN INDUSTRIAL OFFSETS WILL REMAIN A PROBLEM. THE CANADIAN DEFENCE EFFORT IS MINIMAL, BUT THIS WILL NOT CHANGE AS LONG AS MR TRUDEAU IS PRIME MINISTER.

10. I HAVE SUGGESTED SEPARATELY (MY TELELETTER OF 4 AUGUST TO MACGREGOR, PLANNING STAFF, AND MY TELNO 359) LINES FOR THE PRIME MINISTER'S TWO SPEECHES AND WE ARE SENDING YOU A LIST OF LIKELY QUESTIONS WHICH MAY BE PUT TO THE PRIME MINISTER BY TELEVISION AND PRESS INTERVIEWERS. I THINK THAT SHE CAN, IF SHE WISHES, SPEAK CRITICALLY ABOUT SUCH MATTERS AS THE INADEQUATE CANADIAN DEFENCE EFFORT, RESTRICTIONS ON BRITISH BANKS (THERE ARE, OF COURSE, NONE ON CANADIAN BANKS IN LONDON) AND PROTECTIONIST TRADE BARRIERS

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("BUY CANADIAN" PROVISIONS, FIRA, QUOTA RESTRICTIONS, ANTI-DUMPING MEASURES, THE DISCRIMINATORY AND RETROACTIVE PROVISIONS OF THE NEP, ETC) PROVIDED THAT THAT IS NOT DONE IN TOO BLUNT A WAY (CANADIANS ARE INORDINATELY SENSITIVE) AND IS BALANCED BY POSITIVE POINTS, ABOVE ALL CANADIAN HELP DURING THE FALKLANDS, AND A REALISATION THAT CANADIANS HAVE THEIR COMPLAINTS TOO (THE NOTICES AT PORTS OF ENTRY, THE DESTRUCTION BY THE COMMUNITY OF THE TRADE IN SEALKINS, THE FISHING AGREEMENT WITH THE COMMUNITY, THE THREAT TO NEWSPRINT EXPORTS).

11. WE ARE ALL GREATLY LOOKING FORWARD TO SEEING THE PRIME MINISTER HERE.

FCO PLEASE PASS SAVING TO ALL

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[REPEATED AS REQUESTED]

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TO IMMEDIATE FCO

TELEGRAM NUMBER 461 OF 19 SEPTEMBER

INFO SAVING WASHINGTON

OUR TELNO 398

PRIME MINISTER'S VISIT TO CANADA

1. SINCE TUR WAS SENT ON 1 SEPTEMBER TWO EVENTS HAVE SLIGHTLY ALTERED THE CLIMATE FOR MRS THATCHER'S VISIT, AND INCREASED THE INTEREST WITH WHICH IT WILL BE FOLLOWED HERE.
2. THE SHOOTING DOWN OF THE KOREAN AIRLINER WITH THE LOSS OF CANADIAN LIVES HAS REMINDED CANADIANS OF THE EXISTENCE OF THE USSR, AND THE NATURE OF ITS REGIME. THOSE OPPONENTS OF THE CRUISE MISSILE WHO LIKE TO REPRESENT THE SOVIETS AND THE AMERICANS AS EQUAL THREATS TO PEACE ARE FINDING IT HARDER TO SELL THEIR MESSAGE. AND MANY CANADIANS WHO HAVE GROWN USED TO A LOW LEVEL OF DEFENCE SPENDING MAY BE READIER TO THINK AGAIN. THE HALF-LIFE OF SUCH SHOCKS IS SURPRISINGLY SHORT, BUT SOME EFFECTS WILL STILL BE PRESENT DURING THE VISIT.
3. THE NEW LEADER OF THE OPPOSITION, MR MULRONEY, HAS TAKEN HIS SEAT IN PARLIAMENT AS AN MP FOR THE FIRST TIME, AND HAS BEGUN TO DO BATTLE WITH THE GOVERNMENT. THIS HAS RAISED THE POLITICAL TEMPERATURE, AND REMINDED PEOPLE THAT A GENERAL ELECTION IS DUE BY FEBRUARY 1985 AT THE LATEST. NO ONE IS LIKELY TO CONFUSE MRS THATCHER WITH MR MULRONEY, BUT A SUCCESSFUL CONSERVATIVE PRIME MINISTER IS CURRENTLY AN OBJECT OF PARTICULAR LOCAL INTEREST.
4. THE CANADIANS ARE A PEOPLE OF THE EXTREME CENTRE. THEY HAVE NOT BEEN AVERSE TO THE QUIET LIFE OFFERED BY TRUDEAU, NOR KEEN TO SPEND MORE MONEY ON DEFENCE OR EFFORT ABROAD. THEY HAVE BEEN READY TO BELIEVE THAT THEY CAN RIDE OUT THE RECESSION AND BENEFIT FROM A SUBSEQUENT RECOVERY WITHOUT TIGHTENING THEIR BELTS. BUT THE POLLS SHOW THAT THEY ARE NOW TIRED OF TRUDEAU.
5. BOTH GOVERNMENT (WHETHER TRUDEAU OR A SUCCESSOR) AND OPPOSITION WILL BE SEEKING, IN THE MONTHS AHEAD, TO MATCH THE COUNTRY'S MOOD AND COIN THE CLICHES THAT WILL DOMINATE THE POLITICAL SCENE HERE FOR THE NEXT TWO YEARS. IT WOULD BE WRONG TO OVERSTATE THE EXTENT TO WHICH MRS THATCHER'S VISIT IS LIKELY TO AFFECT THIS PROCESS: THE FACTORS THAT TEMPT, AND ALLOW, CANADA TO TAKE A BACK SEAT WILL STILL BE AT WORK. BUT THERE IS DEBATE IN THE AIR, AND THE MOMENT IS UNUSUALLY PROPITIOUS TO INFLUENCE THAT DEBATE IN OUR INTERESTS, AND AT LEAST FOR ATTENTIVE RECEPTION OF MRS THATCHER'S VIEWS ON DEFENCE AND ECONOMIC POLICY. (ON THE LATTER MANY CANADIANS PROBABLY CONSIDER THE JURY IS STILL OUT ON THE EXACT MIX OF OUR POLICIES, ESPECIALLY IN THE LIGHT OF UNEMPLOYMENT LEVELS, BUT THERE IS WIDESPREAD ADMIRATION FOR HMG'S RESOLUTION).

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6. YOUR DEPARTMENT OFTEN COMPLAINS OF THE CANADIANS' SENSITIVITY WHEN TOLD WHAT WE WOULD LIKE THEM TO DO. THAT SENSITIVITY IS A FACT OF LIFE, WITH ORIGINS GOING BACK TO THE COLONIAL PAST AND KEPT ALIVE BY THEIR VAST AND OFTEN HAM-FISTED NEIGHBOUR TO THE SOUTH. THE RESULT IS THAT OUR VIEWS ON WHAT CANADA SHOULD DO CAN OFTEN BE MOST EFFECTIVELY PUT ACROSS IN TERMS OF HOW WE SEE THE WORLD, WHAT WE ARE DOING AND WHY.

7. ON THE POSSIBILITY OF DEMONSTRATIONS BY SUPPORTERS OF THE IRA, OPPONENTS OF CRUISE AND OTHERS, PLEASE SEE MIFT.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 2659 OF 19 SEPTEMBER

YOUR TELNO 1485: THE PRIME MINISTER'S VISIT TO WASHINGTON:  
US ECONOMY

1. IN THE FIRST HALF OF THE YEAR THE US ECONOMY SHOWED GROWTH AT A RATE (5.5 PERCENT) WHICH, TOGETHER WITH RAPID GROWTH IN THE MONEY SUPPLY, PRODUCED FEARS AMONG THE TOP FINANCIAL MANAGERS IN THE ADMINISTRATION OF A SERIOUS RISK OF OVER-HEATING. WITH A TIGHTENING OF THE MONEY SUPPLY BY THE FED SINCE MAY, THE RATE OF GROWTH APPEARS TO BE MODERATING. THE ADMINISTRATION EXPECTS GNP TO GROW BY ABOUT 3 PERCENT FOR 1983 AS A WHOLE.
  
2. INDUSTRIAL PRODUCTION IS 10 PERCENT UP ON THE NOVEMBER 1982 LOW. UNEMPLOYMENT HAS FALLEN BY ABOUT 1 MILLION (FROM 10.8 TO 9.5 PERCENT). INFLATION PROBABLY WILL BE HELD DOWN TO ABOUT 4.5 PERCENT THIS YEAR. THE TRADE DEFICIT IS EXPECTED TO BE DLRS 60-70 BILLION, RISING TO DLRS 100 BILLION IN 1984. INTEREST RATES HAVE EDGED UP AS THE FED TIGHTENED CREDIT. THREE-MONTH TREASURY BILL YIELDS ARE JUST OVER 9 PERCENT AND LONG RATES ON TREASURY BONDS 11.6 PER CENT. SHORT TERM RATES COULD FALL SLIGHTLY NOW THAT THE MONETARY AGGREGATES, INCLUDING M1, HAVE MOVED WITHIN THEIR TARGET RANGES. BUT MONETARY POLICY CONTINUES TO CARRY TOO MUCH STRAIN BECAUSE OF FISCAL POLICY. THE BUDGET DEFICIT FOR FY84 IS PROJECTED AT DLRS 200 BILLION OR 5 PER CENT OF GNP.
  
3. REGAN (TREASURY SECRETARY) WHO HAS CONSISTANTLY HELD THAT SO FAR FROM OVERHEATING THE ECONOMY WAS ONLY JUST WARMING UP HAS JUST CLAIMED ONCE AGAIN THAT THERE IS NO CAUSAL CONNECTION BETWEEN HIGH DEFICITS AND INTEREST RATES - ONLY TO BE CONTRADICTED PUBLICLY BY FELDSTEIN (CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS), TO SAY NOTHING OF PAUL VOLCKER. THE ADMINISTRATION HAS NO INTENTION, IF IT CAN AVOID IT, OF TACKLING THE BUDGET DEFICIT BEFORE THE 1984 ELECTIONS AND CERTAINLY WILL NOT SEEK ANY LARGE TAX INCREASES. THE CONGRESS, HOWEVER, SEEMS TO BE PROPOSING FURTHER MODEST TAX INCREASES OVER THE NEXT 3 YEARS. UPWARD PRESSURE ON INTEREST RATES MAY NEVERTHELESS RECUR NEXT YEAR IF THE PRIVATE SECTOR DEMAND FOR CREDIT RISES TO AUGMENT THAT OF THE PUBLIC SECTOR. CURRENT MORTGAGE RATES ARE AT ABOUT 13 PER CENT AND THIS IS SLOWING DOWN THE INCIPIENT BOOM IN HOUSING CONSTRUCTION.
  
4. WHILE THERE HAS BEEN QUITE SHARP EXPANSION NOTWITHSTANDING HIGH INTEREST RATES SO FAR, THE QUESTION TO WHICH NO-ONE HERE HAS AN ANSWER IS THE EXTENT TO WHICH THIS CAN BE SUSTAINED THROUGH 1984.

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THE PRIME MINISTER'S DINNER ON 28 SEPTEMBER WILL PRODUCE AN INTERESTING DISCUSSION, BUT A FAIR DEGREE OF CONFUSION ABOUT THE PROSPECTS. WHAT IS CERTAIN IS THAT FOR WHATEVER REASON THE US ECONOMY TODAY IS PERFORMING BETTER, GROWING FASTER AND WITH MARKEDLY LESS INFLATION THAN WHEN PRESIDENT REAGAN CAME INTO OFFICE: AND THE PRESIDENT, IN THE POLLS, IS GETTING QUITE HIGH MARKS FOR HIS HANDLING OF THE ECONOMY. NO-ONE QUITE KNOWS IF THIS WILL LAST. BUT AS HE IS FOND OF SAYING ON THE STUMP THESE DAYS: QUOTE NOW THAT IT IS WORKING, HOW COME THEY DON'T CALL IT REAGANOMICS ANY MORE? UNQUOTE

5. FCO PLEASE PASS TO NO 10 DOWNING STREET.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 2660 OF 19 SEPTEMBER

MIPT: THE PRIME MINISTER'S VISIT TO WASHINGTON: PRESIDENTIAL PROSPECTS

1. THE PRESIDENT HAS RETURNED FROM HIS SUMMER BREAK IN CALIFORNIA STILL NOT DECLARING HIS INTENTIONS, BUT WITH THE ENTIRE POLITICAL ESTABLISHMENT HERE EXPECTING HIM TO RUN AGAIN. HE HAS BEEN MAKING ALL THE NECESSARY DISPOSITIONS TO DO SO, HAVING SPENT THE LAST WEEK ASSIDUOUSLY CULTIVATING THE HISPANIC COMMUNITY. BUT THERE IS STILL A RESIDUAL DOUBT AMONG ONE OR TWO OF HIS ASSOCIATES ABOUT HIS REAL APPETITE FOR A SECOND TERM. THE HILLS OF SANTA BARBARA MUST SEEM AT TIMES A MORE INVITING PROSPECT THAN THE CONSTANT HASSLES WITH CONGRESS, WHICH ARE LIKEY TO GET WORSE NOT BETTER. THE PRESIDENT HAS BEEN DRAWING THE ATTENTION OF SENATOR LUGAR, CHAIRMAN OF THE REPUBLICAN SENATE CAMPAIGN COMMITTEE, TO THE RISK THAT THE REPUBLICANS IN 1984 MIGHT LOSE CONTROL OF THE SENATE AS WELL AS THE HOUSE. THE EXPECTATION, NEVERTHELESS, IS THAT THE PRESIDENT WILL RUN, THOUGH HE WILL DELAY HIS ANNOUNCEMENT AS LONG AS POSSIBLE AND JUST MIGHT RE-CONSIDER IF HE BEGAN TO SENSE THAT THE TIDE WAS TURNING AGAINST HIM. HE WILL BE UNDER INTENSE PRESSURE FROM HIS PARTY TO STAND. GEORGE BUSH MIGHT MADE A GOOD PRESIDENT, BUT WOULD NOT BE UNCONTESTED AS THE REPUBLICAN NOMINEE AND DOES NOT HAVE REAGAN'S POPULIST APPEAL. IF REAGAN DECIDED NOT TO STAND THERE WOULD AT ONCE BE ALMOST AS MANY REPUBLICAN CANDIDATES AS THERE ARE DEMOCRATES (SIX) - BUSH, BAKER, DOLE AND KEMP FOR STARTERS.

2. THE PRESIDENT WILL ALLOW A RE-ELECTION COMMITTEE TO BE ESTABLISHED SOME TIME IN OCTOBER. THEREAFTER, WITHIN FIFTEEN DAYS, UNDER THE FEDERAL ELECTION LAW, HE WILL HAVE TO ASSOCIATE HIMSELF WITH OR DISASSOCIATE HIMSELF FROM IT, TO ALLOW IT TO RECEIVE FUNDS IN HIS NAME. BUT HE IS EXPECTED TO DEFER A FORMAL ANNOUNCEMENT OF HIS CANDIDACY UNTIL AFTER HIS RETURN FROM THE FAR EAST IN MID-NOVEMBER.

3. AMONG HIS OPPONENTS, MONDALE REPRESENTS THE LEFT OF CENTRE AND GLENN RIGHT OF CENTRE TENDENCIES WITHIN THE DEMOCRATIC PARTY. NEITHER INSPIRES GREAT ENTHUSIASM, BUT THE POLLS PERIODICALLY SHOW BOTH, AND ESPECIALLY GLENN, LEADING THE PRESIDENT. THIS IS BECAUSE OF THE PRESIDENT'S LACK OF POPULARITY AMONG THE MINORITIES, WITH THE BLACK VOTE TURNING SOLIDLY AGAINST HIM; AND HIS RELATIVELY POOR SHOWING, VERY WORRYING TO THE WHITE HOUSE POLLSTERS, AMONG WOMEN. MONDALE HAS STARTED EARLIER, IS FAR BETTER ORGANISED, HAS A BETTER HOLD ON THE DEMOCRATIC PARTY MACHINE AND MORE APPEAL TO DEMOCRATIC PARTY ACTIVISTS. HE IS DUE SHORTLY TO BE ENDORSED BY THE AFL/CIO AND THE NATIONAL EDUCATIONAL ASSOCIATION. IMPROVING AS AN ORATOR, THERE IS STILL A LACK OF REAL CONTENT TO MUCH OF WHAT HE HAS TO SAY AND ALTHOUGH AT PRESENT CAPITALISING ON FASHIONABLE

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ISSUES LIKE THE NUCLEAR "FREEZE", DEFENCE AND NATIONAL SECURITY ISSUES COULD HURT HIM IN A PRESIDENTIAL CAMPAIGN. HE HAD TENDED TO OPPOSE MOST MAJOR NEW DEFENCE PROGRAMMES AND, WHEN CONFRONTED WITH QUESTIONS ABOUT SUCH ISSUES AS THE KOREAN AIRLINER, TO SUGGEST THAT THE SOLUTION IS TO RING UP ANDROPOV.

4. GLENN IS THE CANDIDATE MANY REPUBLICANS FEAR. UNINSPIRING AND LATE IS STARTING, HIS CAMPAIGN HAS NOT YET REALLY TAKEN OFF. BUT THE APPEARANCE OF A MOTION PICTURE LATER THIS YEAR (ENTITLED "THE RIGHT STUFF") ABOUT THE EXPLOITS OF THE ASTRONAUTS IS GOING TO SHOW HIM IN A FAVOURABLE LIGHT AND INCREASE HIS ALREADY WIDE NAME RECOGNITION. HE MAY HAVE A HARD STRUGGLE TO GET THE DEMOCRATIC NOMINATION: BUT THERE ARE A GOOD MANY IN THE PARTY WHO BELIEVE THAT HE WOULD DO BETTER THAN MONDALE IN A CAMPAIGN AGAINST REAGAN. GLENN HAS OPPOSED THE MX, BUT CANNOT BE ACCUSED OF FEEBLENESS ON DEFENCE ISSUES GENERALLY AND HAS TAKEN A CLEAR-EYED VIEW OF THE RUSSIANS. THE DEMOCRATIC NOMINATION LOOKS INCREASINGLY LIKE A TWO-HORSE RACE WHICH, BECAUSE OF A SERIES OF PRIMARY ELECTIONS IN THE MIDDLE OF THAT MONTH, IS EXPECTED TO BE DECIDED BY THE END OF MARCH.

5. THE CONVENTIONAL WISDOM BEFORE THE SUMMER THAT IF THE PRESIDENT RUNS AGAIN, HE IS BOUND TO WIN, IS FAR FROM BEING QUITE AS PREVALENT NOW. IF ELECTED, HE WOULD BE ENTERING HIS SECOND TERM AT SEVENTY-THREE: AGE WILL BE AN ISSUE IN THE CAMPAIGN. REAGAN WON IN 1979 BY A 10 PER CENT MARGIN IN THE POPULAR VOTE, BUT IT WAS A VOTE AGAINST CARTER BY TRADITIONAL DEMOCRATS THAT TURNED THE TRICK. THE QUESTION NOW IS HOW MANY OF THOSE VOTES WILL STAY WITH REAGAN. HIS OPPONENTS LACK CHARISMA, BUT THE REPUBLICANS' PROBLEM IS THAT THERE IS A NATURAL DEMOCRATIC MAJORITY IN THE COUNTRY. FOREIGN POLICY ISSUES WILL FIGURE IN THE CAMPAIGN. PARTICULARLY THE HANDLING OF RELATIONS WITH THE SOVIET UNION. THE AIRLINER INCIDENT HAS SINGED THE FEATHERS OF THE DOVES. BUT THE PRESIDENT WILL NEED TO GO ON DEMONSTRATING SERIOUS EFFORTS IN ARMS CONTROL. THERE ARE CONTINUING WORRIES AMONG THE PUBLIC GENERALLY ABOUT ENTANGLEMENTS IN THE MIDDLE EAST AND CENTRAL AMERICA. BUT IT IS ON THE ECONOMY THAT THE PRESIDENT'S PROSPECTS ARE GOING TO TURN. THOUGH THE POLLS SHOW HIM RUNNING NECK AND NECK WITH HIS OPPONENTS, HE IS ENTERING THE AUTUMN BY NO MEANS IN BAD SHAPE.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 2661 OF 19 SEPTEMBER

MIPT: PRIME MINISTER'S VISIT TO WASHINGTON: FOREIGN POLICY ISSUES

EAST/WEST RELATIONS

1. PRESIDENT REAGAN'S INSTINCTIVE VIEWS ABOUT THE NATURE OF THE SOVIET UNION AND THE COMMUNIST SYSTEM HAVE BEEN STRONGLY REINFORCED BY THE SHOOTING DOWN OF THE KOREAN AIRLINER ON 1 SEPTEMBER. THIS HAS BEEN CLEARLY REFLECTED IN HIS OWN RHETORIC BUT HE HAS LEARNED SOME IMPORTANT LESSONS ABOUT THE MANAGEMENT OF EAST/WEST RELATIONS SINCE TAKING OFFICE AND IN THE LIGHT OF THESE, HIS ACTIONS TAKEN IN RESPONSE TO THE AIRLINER INCIDENT HAVE BEEN MEASURED AND JUDICIOUS. THE PRESIDENT HAS RESISTED PRESSURE FROM HIS OWN RIGHT WING TO SUSPEND THE ARMS CONTROL NEGOTIATIONS, TO REIMPOSE THE GRAIN EMBARGO OR TO WITHDRAW THE US AMBASSADOR FROM MOSCOW, RECOGNISING THAT SUCH STEPS AS THESE WOULD HAVE LOST HIM THE SUPPORT OF MANY OF HIS ALLIES AND IMPOSED UNACCEPTABLE COSTS IN FOREIGN OR DOMESTIC POLITICAL TERMS. INSTEAD HIS RESPONSES HAVE BEEN CAREFULLY TAILORED TO GENERATE THE MAXIMUM INTERNATIONAL CRITICISM OF THE SOVIET ACTION AND TO BRING HOME TO WORLD OPINION THE CALLOUSNESS AND INHUMANITY OF ITS VALUES.
2. THE ADMINISTRATION MOUNTED THIS EXERCISE QUICKLY AND EFFECTIVELY AND WITH AN ENCOURAGINGLY SURE TOUCH. IN DOING SO, IT WAS CAREFUL NOT TO LOSE SIGHT OF THE LONGER TERM NEED TO CONTINUE FEELING ITS WAY TOWARDS A LESS TENSE AND MORE CONSTRUCTIVE RELATIONSHIP WITH THE SOVIET UNION. ITS BASIC UNDERLYING OBJECTIVE REMAINS TO RESTORE THE US TO A POSITION OF GREATER MILITARY STRENGTH VIS-A-VIS THE SOVIET UNION, BOTH TO CORRECT THE PERCEIVED WEAKNESS WHICH HAD BEEN ALLOWED TO DEVELOP IN AMERICA'S DEFENCES, AND TO PROVIDE A MORE PROPITIOUS STARTING POINT FROM WHICH TO RESUME NEGOTIATIONS FOR MUTUALLY VERIFIABLE ARMS REDUCTION AGREEMENTS. THE KOREAN AIRLINE INCIDENT HAS HELPED THE PRESIDENT TO GET CONGRESSIONAL APPROVAL FOR A FURTHER FIVE PER CENT INCREASE IN REAL TERMS IN DEFENCE SPENDING. HE WILL ALSO HOPE THAT REACTIONS TO THE INCIDENT IN THE INF BASING COUNTRIES WILL HELP THEIR GOVERNMENTS TO OVERCOME POLITICAL OPPOSITION TO THE DEPLOYMENT OF CRUISE AND PERSHING MISSILES THIS AUTUMN.
3. BUT THE DOOR IS BEING LEFT CAREFULLY OPEN FOR CAUTIOUS EXPLORATION OF POSSIBLE AREAS FOR PROGRESS WHICH HAS BEEN QUIETLY TAKING PLACE SINCE THE MIDDLE OF THIS YEAR. THE TURNING POINT WAS MARKED BY SHULTZ'S STATEMENT OF 15 JUNE WHICH HERALDED A CHANGE OF EMPHASIS FROM CONFRONTATION TO DIALOGUE. SHULTZ'S FROSTY MEETING WITH GROMYKO IN MADRID HAS PREDICTABLY CHILLED THE ATMOSPHERE BUT IT HAS NOT CLOSED IMPORTANT DOORS ON THE US SIDE. FOR EMAMPLE, THE AMERICANS HAVE SOUGHT THE VIEW OF THEIR ALLIES ABOUT

THE DESIRABILITY OF MAKING SOME NEW MOVES IN THE PRESENT ROUND OF INF NEGOTIATIONS AS A MEANS OF MAKING IT CLEAR TO WESTERN PUBLIC OPINION THAT THE ALLIES ARE MAKING EVERY EFFORT TO ACHIEVE AGREEMENT. THEY HAVE ALSO STUCK BY THE EARLIER ALLIANCE DECISION IN PRINCIPLE TO TRY TO MOVE TOWARDS A RESCHEDULING OF POLISH DEBTS.

4. FROM THE STANDPOINT OF UK INTERESTS, AMERICAN POLICY HAS BEEN MOVING IN THE RIGHT DIRECTION OVER THE PAST SIX MONTHS. THE PRESIDENT HAS SO FAR HELD HIS COURSE THROUGH THE AIRLINER INCIDENT AND THE SIGNS ARE THAT HE WILL CONTINUE TO DO SO. THE PRIME MINISTER'S VISIT WILL PROVIDE AN OPPORTUNITY FOR ENCOURAGING THIS. BUT SHULTZ WAS FAR FROM KEEN ON ANOTHER ROUND WITH GROMYKO AT THIS STAGE, EVEN IF HE HAD COME TO NEW YORK. IT SEEMS UNLIKELY NOW THAT EVENTS COULD MOVE FAST ENOUGH TO PROVIDE AN ADEQUATE BASIS FOR A MEETING BETWEEN THE PRESIDENT AND ANDROPOV BEFORE THE APPROACH OF THE NEXT PRESIDENTIAL ELECTIONS.

5. IT IS THE RUSSIANS NOW WHO ARE ON THE DEFENSIVE AND WHOSE RESPONSES ARE GOING TO SET THE PACE, PARTICULARLY WHEN THE TIME COMES FOR DEPLOYMENT OF US INF WEAPONS IN EUROPE THIS AUTUMN. THE AMERICANS SEE LITTLE PROSPECT OF AN INF AGREEMENT BEING WORKED OUT BEFORE THE END OF THE YEAR, GIVEN THE RUSSIAN REFUSAL TO BUDGE FROM THEIR NON-NEGOTIABLE DEMANDS THAT THERE MUST BE NO WESTERN DEPLOYMENT AND FOR THE INCLUSION OF BRITISH AND FRENCH SYSTEMS. THEY EXPECT US TO HAVE TO FACE A COLD WINTER, WITH THE RUSSIANS MAKING MUCH OF THE COUNTER-DEPLOYMENTS THEY HAVE LONG BEEN PLANNING ANYWAY. AN INF AGREEMENT OR A NEW VLADIVOSTOK-TYPE START FRAMEWORK AGREEMENT WOULD BE AN ENORMOUS ELECTORAL BOOST FOR THE PRESIDENT NEXT YEAR. THE AMERICANS HAVE BEEN SIGNALLING FLEXIBILITY IN START AND THE RUSSIANS HAVE BEEN SHOWING INTEREST IN A NEW SALT III TYPE AGREEMENT. BUT IT WILL OF COURSE BE OPEN TO THEM TO TRY TO SIT OUT THIS ADMINISTRATION AND HOPE FOR A DEMOCRATIC PRESIDENT FROM WHOM THEY MIGHT HOPE FOR SOMEWHAT BETTER TERMS.

#### MIDDLE EAST

6. IT SEEMS IRONIC THAT AS LITTLE AS A YEAR AGO, ATTENTION WAS FOCUSED ON PRESIDENT REAGAN'S PROPOSALS FOR A FRAMEWORK FOR SOLVING THE PALESTINIAN PROBLEM AND BRINGING PEACE TO THE MIDDLE EAST. THIS IS FURTHER THAN EVER FROM ANY HOPE OF REALISATION. SO LONG AS THE PLO MAINTAIN THEIR PRESENT REFUSAL TO PERMIT KING HUSSEIN TO JOIN IN NEGOTIATIONS ON THE WEST BANK, THE AMERICANS CAN SEE NO WAY OF PROCEEDING WITH THE REAGAN PLAN. UNTIL THEY CAN FIND ARAB LEADERS WILLING TO NEGOTIATE ON THE ISSUES WITH ISRAEL, NEITHER THIS NOR I SUSPECT ANY OTHER US ADMINISTRATION WILL BE PREPARED TO FACE TO THE UNPALATABLE PROSPECT OF SEEKING TO PUT REAL PRESSURE ON ISRAEL - AND LEAST OF ALL IN AN ELECTION YEAR, WITH THE DEMOCRATIC CHALLENGERS ADOPTING ALMOST UNCONDITIONALLY PRO-ISRAELI POSITIONS. THE AMERICANS WILL NOT GIVE UP ENTIRELY, THEY ARE CONCERNED ABOUT THE HEALTH OF THEIR RELATIONS WITH THE MAJOR PRO-WESTERN ARAB REGIMES, PARTICULARLY THE EGYPTIANS, SAUDIS AND JORDANIANS. SHULTZ WOULD LIKE TO TRY TO DO SOMETHING PRACTICAL TO HELP ALLEVIATE THE SUFFERINGS OF THE PALESTINIANS. BUT THE PREOCCUPATION OVER THE NEXT FEW MONTHS WILL CONTINUE TO BE WITH THE LEBANON.

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7. HAVING COMMITTED THE US CONTINGENT OF THE PEACE KEEPING FORCE THE AMERICANS, AS SHULTZ PUT IT, ARE NOT NOW GOING TO TURN TAIL AND RUN. THEY SEE WIDER DAMAGE TO WESTERN INTERESTS AND TO THE STABILITY OF THE AREA RESULTING FROM ANY SUCCESSFUL ATTEMPT BY THE SYRIANS IN EFFECT TO DISLODGE THE MULTI-NATIONAL FORCE (PLEASE SEE MY TELNOS 2548 AND 2611). THEY REALISE THAT WE ARE FACED WITH A DE FACTO PARTITION OF LEBANON. THEY ARE CONSCIOUS OF THE COUNTRY'S ALMOST INSUPERABLE PROBELMS AND THE DANGERS OF GETTING SUCKED INTO THE CONFSSIONAL FIGHTING. THEIR AIM IS TO AVOID A COLLAPSE, GIVE THE LÉBANESE ARMY SUFFICIENT SUPPORT TO GIVE THE SYRIANS AND THEIR ALLIES SOME INCENTIVE TO AGREE TO A CEASE-FIRE AND BUY TIME FOR GEMAYEL TO REACH SOME AGREEMENT WITH HIS POLITICAL OPPONENTS. THEY ARE AT A LOSS TO KNOW WHAT MORE THEY CAN DO TO INFLUENCE THE SYRIANS, BUT ARE ENCOURAGED THAT THE SAUDIS AND EGYPTIANS HAVE BEEN CONTINUING TO SUPPORT US EFFORTS. CONGRESS IS INSISTING THAT THE US MARINES SHOULD BE BROUGHT UNDER THE WAR POWERS ACT. THE DEMOCRAT LEADERS ARE NOT SUGGESTING THAT THEY SHOULD BE BROUGHT HOME. THIS COULD CHANGE IF, OVER TIME, THE US CONTINGENT TOOK A LOT OF CASUALTIES WITHOUT BEING ABLE TO DO MUCH ABOUT IT OR US FORCES GO ON GETTING DRAWN MORE DIRECTLY INTO THE FIGHTING. THE PRESIDENT AND SHULTZ, HOWEVER, ARE DETERMINED TO DO WHAT THEY CAN TO STABILISE THE SITUATION AND ACHIEVE A CEASE-FIRE AND ATTACH GREAT IMPORTANCE TO OUR CONTRIBUTION AND THAT OF THE OTHER MEMBERS OF THE MULTI-NATIONAL FORCE.

#### CENTRAL AMERICA

8. ANOTHER MAJOR HEADACHE FOR THE WHITE HOUSE. THE ADMINISTRATION HAS BEEN ENCOURAGED BY THE IMPROVED PERFORMANCE OF THE SALVADOREAN ARMY IN THE LAST FEW MONTHS IN DEALING WITH THE GUERRILLAS. THEY ARE INCREASING US ASSISTANCE TO HONDURAS AND THE TRAINING OF SALVADOREAN FORCES THERE. THEY BELIEVE THAT THEY HAVE GOT EFFECTIVE SUPPORT AND UNDERSTANDING FOR THEIR POLICY FROM THE OTHER SMALLER CENTRAL AMERICAN COUNTRIES, THEMSELVES THREATENED BY THE SPREAD OF CUBAN INFLUCENCE. THE SUPPORT THE ADMINISTRATION HAS BEEN GIVING TO COUNTER-INSURGENTS IN NICARAGUA IS HIGHLY CONTROVERSIAL IN CONGRESS WHICH, HOWEVER, HAS NOT BEEN ABLE TO CUT OFF FUNDING FOR IT. THE WHITE HOUSE VIEW IS THAT SO LONG AS THE SANDINISTAS CONTINUE TRYING TO OVERTHROW PRO-US REGIMES IN THE NEIGHBOURING COUNTRIES, THEY MUST EXPECT TO HAVE TO FACE A FEW HEADACHES OF THEIR OWN. THE POLLS, HOWEVER, CONSISTENTLY SHOW THE LACK OF THE DESIRE OF THE US PEOPLE GENERALLY TO GET TOO DEEPLY EMBROILED IN CENTRAL AMERICA. ON THE OTHER HAND, DEMOCRATIC OPPOSITION HAS BEEN MUTED SOMEWHAT BY FEARS THAT THE ADMINISTRATION WOULD PIN ON THEM RESPONSIBILITY FOR THE LOSS OF EL SALVADOR, IF US AID WERE CUT OFF. IN THIS DIFFICULT SITUATION, THE AMERICANS ATTACH GREAT VALUE TO THE CONTINUANCE FOR SOME TIME AT LEAST OF OUR PRESENCE IN BELIZE.

9. MR HESELTINE MADE CLEAR THE IMPORTANCE WE ATTACH TO THE AMERICANS NOT RESUMING ARMS SUPPLIES TO ARGENTINA, PARTICULARLY AS THEY HAVE STILL GIVEN NO UNDERTAKING ABOUT THE ENDING OF HOSTILITIES. SHULTZ WAS NON-COMMITTAL. IF THE ARGENTINIANS HOLD REASONABLY SUCCESSFUL ELECTIONS LATER THIS YEAR AND A CIVILIAN GOVERNMENT EMERGES, THE US DISPOSITION WILL BE TO RESUME SUPPLIES. THIS WILL NEED TO BE RAISED DURING THE PRIME MINISTER'S VISIT.

10. WITH THE ADMINISTRATION PROFESSING OPTIMISM ABOUT THE PROSPECTS FOR THE US ECONOMY, THE AMERICANS REGARD GROWTH IN THE WORLD ECONOMY GENERALLY AS THE REAL SOLUTION TO THE DEBT PROBLEM. THEY REMAIN VERY CONCERNED ABOUT THE PREDICAMENT OF COUNTRIES LIKE MEXICO AND BRAZIL, BUT BELIEVE THAT IF SUFFICIENT FINANCE CONTINUES TO BE MADE AVAILABLE BY GOVERNMENTS, THE PRIVATE BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS, THERE IS A HOPE OF TIDING OVER THE PRESENT DIFFICULTIES UNTIL THE EFFECTS OF GROWTH BENEFIT THE MORE ADVANCED LDCS. THE ADMINISTRATION BILL TO INCREASE FUNDING FOR THE IMF HAS BEEN PASSED, WITH VARIOUS QUALIFICATIONS, BY BOTH HOUSE AND SENATE INDIVIDUALLY. IT NOW FACES A DIFFICULT HOUSE/SENATE CONFERENCE WITH THE ADMINISTRATION PROFESSING CONFIDENCE IN A TOLERABLE OUTCOME: BUT THERE REMAINS QUITE STRONG CONGRESSIONAL RESISTANCE TO INCREASING THE FINANCIAL BURDEN ON THE US. THE TIME IS LONG PAST WHEN THE AMERICAN ELECTRATE HAD ANY ENTHUSIASM FOR HELPING THE THIRD WORLD.

OTHER ISSUES

11. THE IMPROVEMENT IN THE US ECONOMY IN THE COURSE OF THE YEAR HAS MUTED SOMEWHAT PROTECTIONIST PRESSURES IN CONGRESS BUT DID NOT PREVENT THE ADMINISTRATION TAKING ACTION IN RESPONSE TO SECTIONAL PRESSURES AGAINST THE IMPORT OF SPECIALTY STEELS, CONTRARY TO OUR INTERESTS AND THE COMMITMENTS AT WILLIAMSBURG. THE AMERICANS HAVE BEEN MADE VERY MUCH AWARE OF THE STRENGTH OF OUR VIEWS ON UNITARY TAXATION (MY TELNO 2616), BUT WILL EXPECT THIS TO COME UP IN THE TALKS AT THE WHITE HOUSE. MY SUGGESTIONS FOR THE HANDLING OF THE QUESTION ON OUR LONG STANDING DIFFERENCES ON EXTRA-TERRITORIALITY WERE SET OUT IN MY TELNO 2563. THE AMERICANS FOR THEIR PART ARE LIKELY TO GO ON REMINDING US OF THE NEED TO DO MORE TO RESTRICT THE FLOW OF MILITARILY APPLICABLE TECHNOLOGY TO THE SOVIET BLOC. THEY ARE STILL NOT SATISFIED THAT THE WEST GENERALLY IS BEING SUFFICIENTLY RIGOROUS EITHER IN PROCESSING THE COCOM APPLICATIONS OR, ESPECIALLY, ENFORCING THE COCOM RULES.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 2660 OF 19 SEPTEMBER

MIPT: THE PRIME MINISTER'S VISIT TO WASHINGTON: PRESIDENTIAL PROSPECTS

1. THE PRESIDENT HAS RETURNED FROM HIS SUMMER BREAK IN CALIFORNIA STILL NOT DECLARING HIS INTENTIONS, BUT WITH THE ENTIRE POLITICAL ESTABLISHMENT HERE EXPECTING HIM TO RUN AGAIN. HE HAS BEEN MAKING ALL THE NECESSARY DISPOSITIONS TO DO SO, HAVING SPENT THE LAST WEEK ASSIDUOUSLY CULTIVATING THE HISPANIC COMMUNITY. BUT THERE IS STILL A RESIDUAL DOUBT AMONG ONE OR TWO OF HIS ASSOCIATES ABOUT HIS REAL APPETITE FOR A SECOND TERM. THE HILLS OF SANTA BARBARA MUST SEEM AT TIMES A MORE INVITING PROSPECT THAN THE CONSTANT HASSLES WITH CONGRESS, WHICH ARE LIKEY TO GET WORSE NOT BETTER. THE PRESIDENT HAS BEEN DRAWING THE ATTENTION OF SENATOR LUGAR, CHAIRMAN OF THE REPUBLICAN SENATE CAMPAIGN COMMITTEE, TO THE RISK THAT THE REPUBLICANS IN 1984 MIGHT LOSE CONTROL OF THE SENATE AS WELL AS THE HOUSE. THE EXPECTATION, NEVERTHELESS, IS THAT THE PRESIDENT WILL RUN, THOUGH HE WILL DELAY HIS ANNOUNCEMENT AS LONG AS POSSIBLE AND JUST MIGHT RE-CONSIDER IF HE BEGAN TO SENSE THAT THE TIDE WAS TURNING AGAINST HIM. HE WILL BE UNDER INTENSE PRESSURE FROM HIS PARTY TO STAND. GEORGE BUSH MIGHT MADE A GOOD PRESIDENT, BUT WOULD NOT BE UNCONTESTED AS THE REPUBLICAN NOMINEE AND DOES NOT HAVE REAGAN'S POPULIST APPEAL. IF REAGAN DECIDED NOT TO STAND THERE WOULD AT ONCE BE ALMOST AS MANY REPUBLICAN CANDIDATES AS THERE ARE DEMOCRATES (SIX) - BUSH, BAKER, DOLE AND KEMP FOR STARTERS.

2. THE PRESIDENT WILL ALLOW A RE-ELECTION COMMITTEE TO BE ESTABLISHED SOME TIME IN OCTOBER. THEREAFTER, WITHIN FIFTEEN DAYS, UNDER THE FEDERAL ELECTION LAW, HE WILL HAVE TO ASSOCIATE HIMSELF WITH OR DISASSOCIATE HIMSELF FROM IT, TO ALLOW IT TO RECEIVE FUNDS IN HIS NAME. BUT HE IS EXPECTED TO DEFER A FORMAL ANNOUNCEMENT OF HIS CANDIDACY UNTIL AFTER HIS RETURN FROM THE FAR EAST IN MID-NOVEMBER.

3. AMONG HIS OPPONENTS, MONDALE REPRESENTS THE LEFT OF CENTRE AND GLENN RIGHT OF CENTRE TENDENCIES WITHIN THE DEMOCRATIC PARTY. NEITHER INSPIRES GREAT ENTHUSIASM, BUT THE POLLS PERIODICALLY SHOW BOTH, AND ESPECIALLY GLENN, LEADING THE PRESIDENT. THIS IS BECAUSE OF THE PRESIDENT'S LACK OF POPULARITY AMONG THE MINORITIES, WITH THE BLACK VOTE TURNING SOLIDLY AGAINST HIM: AND HIS RELATIVELY POOR SHOWING, VERY WORRYING TO THE WHITE HOUSE POLLSTERS, AMONG WOMEN. MONDALE HAS STARTED EARLIER, IS FAR BETTER ORGANISED, HAS A BETTER HOLD ON THE DEMOCRATIC PARTY MACHINE AND MORE APPEAL TO DEMOCRATIC PARTY ACTIVISTS. HE IS DUE SHORTLY TO BE ENDORSED BY THE AFL/CIO AND THE NATIONAL EDUCATIONAL ASSOCIATION. IMPROVING AS AN ORATOR, THERE IS STILL A LACK OF REAL CONTENT TO MUCH OF WHAT HE HAS TO SAY AND ALTHOUGH AT PRESENT CAPITALISING ON FASHIONABLE

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ISSUES LIKE THE NUCLEAR "FREEZE", DEFENCE AND NATIONAL SECURITY ISSUES COULD HURT HIM IN A PRESIDENTIAL CAMPAIGN. HE HAD TENDED TO OPPOSE MOST MAJOR NEW DEFENCE PROGRAMMES AND, WHEN CONFRONTED WITH QUESTIONS ABOUT SUCH ISSUES AS THE KOREAN AIRLINER, TO SUGGEST THAT THE SOLUTION IS TO RING UP ANDROPOV.

4. GLENN IS THE CANDIDATE MANY REPUBLICANS FEAR. UNINSPIRING AND LATE IS STARTING, HIS CAMPAIGN HAS NOT YET REALLY TAKEN OFF. BUT THE APPEARANCE OF A MOTION PICTURE LATER THIS YEAR (ENTITLED "THE RIGHT STUFF") ABOUT THE EXPLOITS OF THE ASTRONAUTS IS GOING TO SHOW HIM IN A FAVOURABLE LIGHT AND INCREASE HIS ALREADY WIDE NAME RECOGNITION. HE MAY HAVE A HARD STRUGGLE TO GET THE DEMOCRATIC NOMINATION; BUT THERE ARE A GOOD MANY IN THE PARTY WHO BELIEVE THAT HE WOULD DO BETTER THAN MONDALE IN A CAMPAIGN AGAINST REAGAN. GLENN HAS OPPOSED THE MX, BUT CANNOT BE ACCUSED OF FEEBLENESS ON DEFENCE ISSUES GENERALLY AND HAS TAKEN A CLEAR-EYED VIEW OF THE RUSSIANS. THE DEMOCRATIC NOMINATION LOOKS INCREASINGLY LIKE A TWO-HORSE RACE WHICH, BECAUSE OF A SERIES OF PRIMARY ELECTIONS IN THE MIDDLE OF THAT MONTH, IS EXPECTED TO BE DECIDED BY THE END OF MARCH.

5. THE CONVENTIONAL WISDOM BEFORE THE SUMMER THAT IF THE PRESIDENT RUNS AGAIN, HE IS BOUND TO WIN, IS FAR FROM BEING QUITE AS PREVALENT NOW. IF ELECTED, HE WOULD BE ENTERING HIS SECOND TERM AT SEVENTY-THREE; AGE WILL BE AN ISSUE IN THE CAMPAIGN. REAGAN WON IN 1979 BY A 10 PER CENT MARGIN IN THE POPULAR VOTE, BUT IT WAS A VOTE AGAINST CARTER BY TRADITIONAL DEMOCRATS THAT TURNED THE TRICK. THE QUESTION NOW IS HOW MANY OF THOSE VOTES WILL STAY WITH REAGAN. HIS OPPONENTS LACK CHARISMA, BUT THE REPUBLICANS' PROBLEM IS THAT THERE IS A NATURAL DEMOCRATIC MAJORITY IN THE COUNTRY. FOREIGN POLICY ISSUES WILL FIGURE IN THE CAMPAIGN. PARTICULARLY THE HANDLING OF RELATIONS WITH THE SOVIET UNION. THE AIRLINER INCIDENT HAS SINGED THE FEATHERS OF THE DOVES. BUT THE PRESIDENT WILL NEED TO GO ON DEMONSTRATING SERIOUS EFFORTS IN ARMS CONTROL. THERE ARE CONTINUING WORRIES AMONG THE PUBLIC GENERALLY ABOUT ENTANGLEMENTS IN THE MIDDLE EAST AND CENTRAL AMERICA. BUT IT IS ON THE ECONOMY THAT THE PRESIDENT'S PROSPECTS ARE GOING TO TURN. THOUGH THE POLLS SHOW HIM RUNNING NECK AND NECK WITH HIS OPPONENTS, HE IS ENTERING THE AUTUMN BY NO MEANS IN BAD SHAPE.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 2659 OF 19 SEPTEMBER

YOUR TELNO 1485: THE PRIME MINISTER'S VISIT TO WASHINGTON:  
US ECONOMY

1. IN THE FIRST HALF OF THE YEAR THE US ECONOMY SHOWED GROWTH AT A RATE (5.5 PERCENT) WHICH, TOGETHER WITH RAPID GROWTH IN THE MONEY SUPPLY, PRODUCED FEARS AMONG THE TOP FINANCIAL MANAGERS IN THE ADMINISTRATION OF A SERIOUS RISK OF OVER-HEATING. WITH A TIGHTENING OF THE MONEY SUPPLY BY THE FED SINCE MAY, THE RATE OF GROWTH APPEARS TO BE MODERATING. THE ADMINISTRATION EXPECTS GNP TO GROW BY ABOUT 3 PERCENT FOR 1983 AS A WHOLE.
2. INDUSTRIAL PRODUCTION IS 10 PERCENT UP ON THE NOVEMBER 1982 LOW. UNEMPLOYMENT HAS FALLEN BY ABOUT 1 MILLION (FROM 10.8 TO 9.5 PERCENT). INFLATION PROBABLY WILL BE HELD DOWN TO ABOUT 4.5 PERCENT THIS YEAR. THE TRADE DEFICIT IS EXPECTED TO BE DLRS 60-70 BILLION, RISING TO DLRS 100 BILLION IN 1984. INTEREST RATES HAVE EDGED UP AS THE FED TIGHTENED CREDIT. THREE-MONTH TREASURY BILL YIELDS ARE JUST OVER 9 PERCENT AND LONG RATES ON TREASURY BONDS 11.6 PERCENT. SHORT TERM RATES COULD FALL SLIGHTLY NOW THAT THE MONETARY AGGREGATES, INCLUDING M1, HAVE MOVED WITHIN THEIR TARGET RANGES. BUT MONETARY POLICY CONTINUES TO CARRY TOO MUCH STRAIN BECAUSE OF FISCAL POLICY. THE BUDGET DEFICIT FOR FY84 IS PROJECTED AT DLRS 200 BILLION OR 5 PER CENT OF GNP.
3. REGAN (TREASURY SECRETARY) WHO HAS CONSISTANTLY HELD THAT SO FAR FROM OVERHEATING THE ECONOMY WAS ONLY JUST WARMING UP HAS JUST CLAIMED ONCE AGAIN THAT THERE IS NO CAUSAL CONNECTION BETWEEN HIGH DEFICITS AND INTEREST RATES - ONLY TO BE CONTRADICTED PUBLICLY BY FELDSTEIN (CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS), TO SAY NOTHING OF PAUL VOLCKER. THE ADMINISTRATION HAS NO INTENTION, IF IT CAN AVOID IT, OF TACKLING THE BUDGET DEFICIT BEFORE THE 1984 ELECTIONS AND CERTAINLY WILL NOT SEEK ANY LARGE TAX INCREASES. THE CONGRESS, HOWEVER, SEEMS TO BE PROPOSING FURTHER MODEST TAX INCREASES OVER THE NEXT 3 YEARS. UPWARD PRESSURE ON INTEREST RATES MAY NEVERTHELESS RECUR NEXT YEAR IF THE PRIVATE SECTOR DEMAND FOR CREDIT RISES TO AUGMENT THAT OF THE PUBLIC SECTOR. CURRENT MORTGAGE RATES ARE AT ABOUT 13 PER CENT AND THIS IS SLOWING DOWN THE INCIPIENT BOOM IN HOUSING CONSTRUCTION.
4. WHILE THERE HAS BEEN QUITE SHARP EXPANSION NOTWITHSTANDING HIGH INTEREST RATES SO FAR, THE QUESTION TO WHICH NO-ONE HERE HAS AN ANSWER IS THE EXTENT TO WHICH THIS CAN BE SUSTAINED THROUGH 1984.

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THE PRIME MINISTER'S DINNER ON 28 SEPTEMBER WILL PRODUCE AN INTERESTING DISCUSSION, BUT A FAIR DEGREE OF CONFUSION ABOUT THE PROSPECTS. WHAT IS CERTAIN IS THAT FOR WHATEVER REASON THE US ECONOMY TODAY IS PERFORMING BETTER, GROWING FASTER AND WITH MARKEDLY LESS INFLATION THAN WHEN PRESIDENT REAGAN CAME INTO OFFICE: AND THE PRESIDENT, IN THE POLLS, IS GETTING QUITE HIGH MARKS FOR HIS HANDLING OF THE ECONOMY. NO-ONE QUITE KNOWS IF THIS WILL LAST. BUT AS HE IS FOND OF SAYING ON THE STUMP THESE DAYS: QUOTE NOW THAT IT IS WORKING, HOW COME THEY DON'T CALL IT REAGANOMICS ANY MORE? UNQUOTE

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MIPT: PRIME MINISTER'S VISIT TO WASHINGTON: FOREIGN POLICY ISSUES

EAST/WEST RELATIONS

1. PRESIDENT REAGAN'S INSTINCTIVE VIEWS ABOUT THE NATURE OF THE SOVIET UNION AND THE COMMUNIST SYSTEM HAVE BEEN STRONGLY REINFORCED BY THE SHOOTING DOWN OF THE KOREAN AIRLINER ON 1 SEPTEMBER. THIS HAS BEEN CLEARLY REFLECTED IN HIS OWN RHETORIC BUT HE HAS LEARNED SOME IMPORTANT LESSONS ABOUT THE MANAGEMENT OF EAST/WEST RELATIONS SINCE TAKING OFFICE AND IN THE LIGHT OF THESE, HIS ACTIONS TAKEN IN RESPONSE TO THE AIRLINER INCIDENT HAVE BEEN MEASURED AND JUDICIOUS. THE PRESIDENT HAS RESISTED PRESSURE FROM HIS OWN RIGHT WING TO SUSPEND THE ARMS CONTROL NEGOTIATIONS, TO REIMPOSE THE GRAIN EMBARGO OR TO WITHDRAW THE US AMBASSADOR FROM MOSCOW, RECOGNISING THAT SUCH STEPS AS THESE WOULD HAVE LOST HIM THE SUPPORT OF MANY OF HIS ALLIES AND IMPOSED UNACCEPTABLE COSTS IN FOREIGN OR DOMESTIC POLITICAL TERMS. INSTEAD HIS RESPONSES HAVE BEEN CAREFULLY TAILORED TO GENERATE THE MAXIMUM INTERNATIONAL CRITICISM OF THE SOVIET ACTION AND TO BRING HOME TO WORLD OPINION THE CALLOUSNESS AND INHUMANITY OF ITS VALUES.

2. THE ADMINISTRATION MOUNTED THIS EXERCISE QUICKLY AND EFFECTIVELY AND WITH AN ENCOURAGINGLY SURE TOUCH. IN DOING SO, IT WAS CAREFUL NOT TO LOSE SIGHT OF THE LONGER TERM NEED TO CONTINUE FEELING ITS WAY TOWARDS A LESS TENSE AND MORE CONSTRUCTIVE RELATIONSHIP WITH THE SOVIET UNION. ITS BASIC UNDERLYING OBJECTIVE REMAINS TO RESTORE THE US TO A POSITION OF GREATER MILITARY STRENGTH VIS-A-VIS THE SOVIET UNION, BOTH TO CORRECT THE PERCEIVED WEAKNESS WHICH HAD BEEN ALLOWED TO DEVELOP IN AMERICA'S DEFENCES, AND TO PROVIDE A MORE PROPITIOUS STARTING POINT FROM WHICH TO RESUME NEGOTIATIONS FOR MUTUALLY VERIFIABLE ARMS REDUCTION AGREEMENTS. THE KOREAN AIRLINE INCIDENT HAS HELPED THE PRESIDENT TO GET CONGRESSIONAL APPROVAL FOR A FURTHER FIVE PER CENT INCREASE IN REAL TERMS IN DEFENCE SPENDING. HE WILL ALSO HOPE THAT REACTIONS TO THE INCIDENT IN THE INF BASING COUNTRIES WILL HELP THEIR GOVERNMENTS TO OVERCOME POLITICAL OPPOSITION TO THE DEPLOYMENT OF CRUISE AND PERSHING MISSILES THIS AUTUMN.

3. BUT THE DOOR IS BEING LEFT CAREFULLY OPEN FOR CAUTIOUS EXPLORATION OF POSSIBLE AREAS FOR PROGRESS WHICH HAS BEEN QUIETLY TAKING PLACE SINCE THE MIDDLE OF THIS YEAR. THE TURNING POINT WAS MARKED BY SHULTZ'S STATEMENT OF 15 JUNE WHICH HERALDED A CHANGE OF EMPHASIS FROM CONFRONTATION TO DIALOGUE. SHULTZ'S FROSTY MEETING WITH GROMYKO IN MADRID HAS PREDICTABLY CHILLED THE ATMOSPHERE BUT IT HAS NOT CLOSED IMPORTANT DOORS ON THE US SIDE. FOR EMAMPLE, THE AMERICANS HAVE SOUGHT THE VIEW OF THEIR ALLIES ABOUT

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THE DESIRABILITY OF MAKING SOME NEW MOVES IN THE PRESENT ROUND OF INF NEGOTIATIONS AS A MEANS OF MAKING IT CLEAR TO WESTERN PUBLIC OPINION THAT THE ALLIES ARE MAKING EVERY EFFORT TO ACHIEVE AGREEMENT. THEY HAVE ALSO STUCK BY THE EARLIER ALLIANCE DECISION IN PRINCIPLE TO TRY TO MOVE TOWARDS A RESCHEDULING OF POLISH DEBTS.

4. FROM THE STANDPOINT OF UK INTERESTS, AMERICAN POLICY HAS BEEN MOVING IN THE RIGHT DIRECTION OVER THE PAST SIX MONTHS. THE PRESIDENT HAS SO FAR HELD HIS COURSE THROUGH THE AIRLINER INCIDENT AND THE SIGNS ARE THAT HE WILL CONTINUE TO DO SO. THE PRIME MINISTER'S VISIT WILL PROVIDE AN OPPORTUNITY FOR ENCOURAGING THIS. BUT SHULTZ WAS FAR FROM KEEN ON ANOTHER ROUND WITH GROMYKO AT THIS STAGE, EVEN IF HE HAD COME TO NEW YORK. IT SEEMS UNLIKELY NOW THAT EVENTS COULD MOVE FAST ENOUGH TO PROVIDE AN ADEQUATE BASIS FOR A MEETING BETWEEN THE PRESIDENT AND ANDROPOV BEFORE THE APPROACH OF THE NEXT PRESIDENTIAL ELECTIONS.

5. IT IS THE RUSSIANS NOW WHO ARE ON THE DEFENSIVE AND WHOSE RESPONSES ARE GOING TO SET THE PACE, PARTICULARLY WHEN THE TIME COMES FOR DEPLOYMENT OF US INF WEAPONS IN EUROPE THIS AUTUMN. THE AMERICANS SEE LITTLE PROSPECT OF AN INF AGREEMENT BEING WORKED OUT BEFORE THE END OF THE YEAR, GIVEN THE RUSSIAN REFUSAL TO BUDGE FROM THEIR NON-NEGOTIABLE DEMANDS THAT THERE MUST BE NO WESTERN DEPLOYMENT AND FOR THE INCLUSION OF BRITISH AND FRENCH SYSTEMS. THEY EXPECT US TO HAVE TO FACE A COLD WINTER, WITH THE RUSSIANS MAKING MUCH OF THE COUNTER-DEPLOYMENTS THEY HAVE LONG BEEN PLANNING ANYWAY. AN INF AGREEMENT OR A NEW VLADIVOSTOK-TYPE START FRAMEWORK AGREEMENT WOULD BE AN ENORMOUS ELECTORAL BOOST FOR THE PRESIDENT NEXT YEAR. THE AMERICANS HAVE BEEN SIGNALLING FLEXIBILITY IN START AND THE RUSSIANS HAVE BEEN SHOWING INTEREST IN A NEW SALT III TYPE AGREEMENT. BUT IT WILL OF COURSE BE OPEN TO THEM TO TRY TO SIT OUT THIS ADMINISTRATION AND HOPE FOR A DEMOCRATIC PRESIDENT FROM WHOM THEY MIGHT HOPE FOR SOMEWHAT BETTER TERMS.

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6. IT SEEMS IRONIC THAT AS LITTLE AS A YEAR AGO, ATTENTION WAS FOCUSED ON PRESIDENT REAGAN'S PROPOSALS FOR A FRAMEWORK FOR SOLVING THE PALESTINIAN PROBLEM AND BRINGING PEACE TO THE MIDDLE EAST. THIS IS FURTHER THAN EVER FROM ANY HOPE OF REALISATION. SO LONG AS THE PLO MAINTAIN THEIR PRESENT REFUSAL TO PERMIT KING HUSSEIN TO JOIN IN NEGOTIATIONS ON THE WEST BANK, THE AMERICANS CAN SEE NO WAY OF PROCEEDING WITH THE REAGAN PLAN. UNTIL THEY CAN FIND ARAB LEADERS WILLING TO NEGOTIATE ON THE ISSUES WITH ISRAEL, NEITHER THIS NOR I SUSPECT ANY OTHER US ADMINISTRATION WILL BE PREPARED TO FACE TO THE UNPALATABLE PROSPECT OF SEEKING TO PUT REAL PRESSURE ON ISRAEL - AND LEAST OF ALL IN AN ELECTION YEAR, WITH THE DEMOCRATIC CHALLENGERS ADOPTING ALMOST UNCONDITIONALLY PRO-ISRAELI POSITIONS. THE AMERICANS WILL NOT GIVE UP ENTIRELY, THEY ARE CONCERNED ABOUT THE HEALTH OF THEIR RELATIONS WITH THE MAJOR PRO-WESTERN ARAB REGIMES, PARTICULARLY THE EGYPTIANS, SAUDIS AND JORDANIANS. SHULTZ WOULD LIKE TO TRY TO DO SOMETHING PRACTICAL TO HELP ALLEVIATE THE SUFFERINGS OF THE PALESTINIANS. BUT THE PREOCCUPATION OVER THE NEXT FEW MONTHS WILL CONTINUE TO BE WITH THE LEBANON.

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7. HAVING COMMITTED THE US CONTINGENT OF THE PEACE KEEPING FORCE THE AMERICANS, AS SHULTZ PUT IT, ARE NOT NOW GOING TO TURN TAIL AND RUN. THEY SEE WIDER DAMAGE TO WESTERN INTERESTS AND TO THE STABILITY OF THE AREA RESULTING FROM ANY SUCCESSFUL ATTEMPT BY THE SYRIANS IN EFFECT TO DISLODGE THE MULTI-NATIONAL FORCE (PLEASE SEE MY TELNOS 2548 AND 2611). THEY REALISE THAT WE ARE FACED WITH A DE FACTO PARTITION OF LEBANON. THEY ARE CONSCIOUS OF THE COUNTRY'S ALMOST INSUPERABLE PROBELMS AND THE DANGERS OF GETTING SUCKED INTO THE CONFSSIONAL FIGHTING. THEIR AIM IS TO AVOID A COLLAPSE, GIVE THE LEBANESE ARMY SUFFICIENT SUPPORT TO GIVE THE SYRIANS AND THEIR ALLIES SOME INCENTIVE TO AGREE TO A CEASE-FIRE AND BUY TIME FOR GEMAYEL TO REACH SOME AGREEMENT WITH HIS POLITICAL OPPONENTS. THEY ARE AT A LOSS TO KNOW WHAT MORE THEY CAN DO TO INFLUENCE THE SYRIANS, BUT ARE ENCOURAGED THAT THE SAUDIS AND EGYPTIANS HAVE BEEN CONTINUING TO SUPPORT US EFFORTS. CONGRESS IS INSISTING THAT THE US MARINES SHOULD BE BROUGHT UNDER THE WAR POWERS ACT. THE DEMOCRAT LEADERS ARE NOT SUGGESTING THAT THEY SHOULD BE BROUGHT HOME. THIS COULD CHANGE IF, OVER TIME, THE US CONTINGENT TOOK A LOT OF CASUALTIES WITHOUT BEING ABLE TO DO MUCH ABOUT IT OR US FORCES GO ON GETTING DRAWN MORE DIRECTLY INTO THE FIGHTING. THE PRESIDENT AND SHULTZ, HOWEVER, ARE DETERMINED TO DO WHAT THEY CAN TO STABILISE THE SITUATION AND ACHIEVE A CEASE-FIRE AND ATTACH GREAT IMPORTANCE TO OUR CONTRIBUTION AND THAT OF THE OTHER MEMBERS OF THE MULTI-NATIONAL FORCE.

#### CENTRAL AMERICA

8. ANOTHER MAJOR HEADACHE FOR THE WHITE HOUSE. THE ADMINISTRATION HAS BEEN ENCOURAGED BY THE IMPROVED PERFORMANCE OF THE SALVADOREAN ARMY IN THE LAST FEW MONTHS IN DEALING WITH THE GUERRILLAS. THEY ARE INCREASING US ASSISTANCE TO HONDURAS AND THE TRAINING OF SALVADOREAN FORCES THERE. THEY BELIEVE THAT THEY HAVE GOT EFFECTIVE SUPPORT AND UNDERSTANDING FOR THEIR POLICY FROM THE OTHER SMALLER CENTRAL AMERICAN COUNTRIES, THEMSELVES THREATENED BY THE SPREAD OF CUBAN INFLUCENCE. THE SUPPORT THE ADMINISTRATION HAS BEEN GIVING TO COUNTER-INSURGENTS IN NICARAGUA IS HIGHLY CONTROVERSIAL IN CONGRESS WHICH, HOWEVER, HAS NOT BEEN ABLE TO CUT OFF FUNDING FOR IT. THE WHITE HOUSE VIEW IS THAT SO LONG AS THE SANDINISTAS CONTINUE TRYING TO OVERTHROW PRO-US REGIMES IN THE NEIGHBOURING COUNTRIES, THEY MUST EXPECT TO HAVE TO FACE A FEW HEADACHES OF THEIR OWN. THE POLLS, HOWEVER, CONSISTENTLY SHOW THE LACK OF THE DESIRE OF THE US PEOPLE GENERALLY TO GET TOO DEEPLY EMBROILED IN CENTRAL AMERICA. ON THE OTHER HAND, DEMOCRATIC OPPOSITION HAS BEEN MUTED SOMEWHAT BY FEARS THAT THE ADMINISTRATION WOULD PIN ON THEM RESPONSIBILITY FOR THE LOSS OF EL SALVADOR, IF US AID WERE CUT OFF. IN THIS DIFFICULT SITUATION, THE AMERICANS ATTACH GREAT VALUE TO THE CONTINUANCE FOR SOME TIME AT LEAST OF OUR PRESENCE IN BELIZE.

9. MR HESELTINE MADE CLEAR THE IMPORTANCE WE ATTACH TO THE AMERICANS NOT RESUMING ARMS SUPPLIES TO ARGENTINA, PARTICULARLY AS THEY HAVE STILL GIVEN NO UNDERTAKING ABOUT THE ENDING OF HOSTILITIES. SHULTZ WAS NON-COMMITTAL. IF THE ARGENTINIANS HOLD REASONABLY SUCCESSFUL ELECTIONS LATER THIS YEAR AND A CIVILIAN GOVERNMENT EMERGES, THE US DISPOSITION WILL BE TO RESUME SUPPLIES. THIS WILL NEED TO BE RAISED DURING THE PRIME MINISTER'S VISIT.

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WORLD ECONOMIC SITUATION

10. WITH THE ADMINISTRATION PROFESSING OPTIMISM ABOUT THE PROSPECTS FOR THE US ECONOMY, THE AMERICANS REGARD GROWTH IN THE WORLD ECONOMY GENERALLY AS THE REAL SOLUTION TO THE DEBT PROBLEM. THEY REMAIN VERY CONCERNED ABOUT THE PREDICAMENT OF COUNTRIES LIKE MEXICO AND BRAZIL, BUT BELIEVE THAT IF SUFFICIENT FINANCE CONTINUES TO BE MADE AVAILABLE BY GOVERNMENTS, THE PRIVATE BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS, THERE IS A HOPE OF TIDING OVER THE PRESENT DIFFICULTIES UNTIL THE EFFECTS OF GROWTH BENEFIT THE MORE ADVANCED LDCS. THE ADMINISTRATION BILL TO INCREASE FUNDING FOR THE IMF HAS BEEN PASSED, WITH VARIOUS QUALIFICATIONS, BY BOTH HOUSE AND SENATE INDIVIDUALLY. IT NOW FACES A DIFFICULT HOUSE/SENATE CONFERENCE WITH THE ADMINISTRATION PROFESSING CONFIDENCE IN A TOLERABLE OUTCOME: BUT THERE REMAINS QUITE STRONG CONGRESSIONAL RESISTANCE TO INCREASING THE FINANCIAL BURDEN ON THE US. THE TIME IS LONG PAST WHEN THE AMERICAN ELECTRATE HAD ANY ENTHUSIASM FOR HELPING THE THIRD WORLD.

OTHER ISSUES

11. THE IMPROVEMENT IN THE US ECONOMY IN THE COURSE OF THE YEAR HAS MUTED SOMEWHAT PROTECTIONIST PRESSURES IN CONGRESS BUT DID NOT PREVENT THE ADMINISTRATION TAKING ACTION IN RESPONSE TO SECTIONAL PRESSURES AGAINST THE IMPORT OF SPECIALTY STEELS, CONTRARY TO OUR INTERESTS AND THE COMMITMENTS AT WILLIAMSBURG. THE AMERICANS HAVE BEEN MADE VERY MUCH AWARE OF THE STRENGTH OF OUR VIEWS ON UNITARY TAXATION (MY TELNO 2616), BUT WILL EXPECT THIS TO COME UP IN THE TALKS AT THE WHITE HOUSE. MY SUGGESTIONS FOR THE HANDLING OF THE QUESTION ON OUR LONG STANDING DIFFERENCES ON EXTRA-TERRITORIALITY WERE SET OUT IN MY TELNO 2583. THE AMERICANS FOR THEIR PART ARE LIKELY TO GO ON REMINDING US OF THE NEED TO DO MORE TO RESTRICT THE FLOW OF MILITARILY APPLICABLE TECHNOLOGY TO THE SOVIET BLOC. THEY ARE STILL NOT SATISFIED THAT THE WEST GENERALLY IS BEING SUFFICIENTLY RIGOROUS EITHER IN PROCESSING THE COCOM APPLICATIONS OR, ESPECIALLY, ENFORCING THE COCOM RULES.

12. FCO PLEASE PASS TO NO 10 DOWNING ST.

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PM/83/70

PRIME MINISTERMeeting with President Reagan: 29 September

1. I have been considering how you might tackle East/West relations at your tete-a-tete meeting with President Reagan on the morning of 29 September.
2. For obvious reasons your brief does not reflect the course of discussion during our recent meeting on 8/9 September. I think, however, it would be useful if you were able to engage the President in a longer-term look at our objectives in dealing with the Soviet Union and the sort of policies we might adopt to achieve them.
3. You might refer to your recent discussion with academics as a way of trying to get a feel for the country and its basic nature. When I saw Kadar in Budapest last week, he insisted that to understand the Soviet Union one had to understand its history: its difficult birth, the fact that it had had few peaceful years, and the feeling - which he said remains a strong one - of being threatened. Kadar was incidentally quite open about the structural and other problems of the Soviet system, and made it clear that Hungary had no time for it whatever.
4. Depending on the President's response and the time available, you could then draw on the proceedings of our recent meeting as summarised by your Private Secretary in his letter to mine of 12 September.
5. If you did decide to put thoughts on these lines to President Reagan, it might be sensible for Oliver Wright to speak at a suitable level in the White House and with insistence

/on appropriate

BT in the folder  
 For Thursday's briefing meeting  
 TOP COPY WITH PM  
 AXC  
 WOL 23/9  
 h-a.

See Foreign Office  
 Secretary's Report  
 (as attached)



on appropriate discretion, to make clear the informal but rather wide-ranging sort of discussion you hoped for. I would not see this as crowding out discussion of the other topics you will wish to raise, but only as using the time you would anyway spend on East/West relations for a rather more fundamental look at the long-term issues.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
19 September 1983

CHARLES H. PERCY  
ILLINOIS

United States Senate

WASHINGTON, D.C. 20510

September 16, 1983

R26

Dear Prime Minister:

Senator Richard Lugar has told me that he has invited you to attend a reception being held at Vice President Bush's home on September 29 for members of the National Republican Senatorial Committee's Inner Circle.

I, too, would be most appreciative if you could take a few moments to visit the Vice President's home and greet his guests.

With best regards,



The Right Honorable Margaret Thatcher  
#10 Downing Street  
London SW1  
England

Gilbert's bond  
LONDON

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PRIME MINISTER'S VISIT: EXTRATERRITORIALITY

1. AS THE POLITICAL SEASON IN WASHINGTON BEGINS AFRESH, I HAVE BEEN THINKING AGAIN ABOUT THE LINE THAT THE PRIME MINISTER MIGHT TAKE WITH THE PRESIDENT WHEN SHE SEES HIM.
  2. OUR POINTS OF DEPARTURE MUST BE THAT WE HAVE A PRESIDENT WITH VERY FIRM IDEAS ABOUT THE NATURE OF THE SOVIET UNION AND AN ADMINISTRATION WHICH, IN TURNING HIS INSTRUCTIONS INTO ACTION, HAS A VERY HAWKISH ATTITUDE TO THE WHOLE QUESTION OF HOW WE DEAL, ECONOMICALLY AS WELL AS POLITICALLY, WITH THE SOVIETS. OUR DIFFICULTIES ARE NOT ONLY WITH EXTRATERRITORIALITY, BUT WITH TECHNOLOGY, COCOM ETC. IT IS ALL ONE BALL OF WAX.
  3. THAT BEING SO, IT IS NOT SURPRISING THAT OUR OWN LOBBYING AND PRESSURE FROM THE AMERICAN BUSINESS COMMUNITY, HAVE SECURED FEW USEFUL IMPROVEMENTS IN SOME OF THE VERSIONS OF THE NEW EXPORT ADMINISTRATION ACT, NOW BEFORE CONGRESS. THERE WAS NEVER MUCH HOPE THAT WE WOULD GET WHAT WE NEEDED ON THE CENTRAL ISSUE OF EXTRATERRITORIALITY. WITH THE DOWNING OF THE KOREAN AIRLINER EVEN THAT HOPE HAS RECEDED. WE MAY BE LUCKY NOT TO END UP WITH SOMETHING AS LEAST AS BAD AS THE PRESENT ACT.
  4. BUT THE AMERICAN CLAIM THAT THE WRIT OF THEIR LAW RUNS BEYOND THEIR BORDERS GOES AS I SAY FAR BEYOND EXPORT CONTROLS. THE LAKER ANTITRUST CASE WAS BUT THE LATEST OF A SERIES, AND WE HAVE LONG-STANDING OBJECTIONS TO THE CLAIMS OF AMERICAN REGULATORY BODIES TO AFFECT THE OPERATIONS OF BRITISH FIRMS (WHILE THERE IS HOWEVER A TRADE-OFF WITH AMERICAN READINESS TO CONTINUE TO TRANSFER TECHNOLOGY TO US).
- OVER THE YEARS BRITISH OFFICIALS HAVE MADE DETAILED PROPOSALS ABOUT PRACTICAL WAYS OF REDUCING FRICTION. IN OCTOBER 1981 WE PUT FORWARD IDEAS ABOUT EXPORT CONTROLS WHICH WERE FULLY COMPATIBLE WITH EXISTING AMERICAN LAW. IN THE LAKER TALKS WE SUGGESTED FURTHER NEGOTIATIONS ABOUT PRACTICAL WAYS OF PREVENTING FURTHER ROWS OVER ANTITRUST IN AVIATION. THE AMERICANS HAVE NOT RESPONDED. THEY PLEAD THE DIFFICULTY OF GETTING AGREEMENT AMONG WASHINGTON AGENCIES, THE JEALOUSY OF CONGRESS, AND MORE RECENTLY THE NEED TO ALLOW THE PIPELINE AND LAKER ROWS TO SIMMER DOWN, AND TO GET THE EXPORT ADMINISTRATION ACT RENEWED.
5. I BELIEVE THAT THIS AMERICAN VIEW STEMS FROM DEEP ROOTS: FROM THE PRACTICAL PHILOSOPHY OF THIS ADMINISTRATION, FROM A GENUINE INABILITY TO UNDERSTAND WHY FOREIGNERS OBJECT TO AMERICAN PRACTICES: FROM A PROFOUND CONVICTION THAT THE ALLIANCE HAS MADE MATTERS MORE DIFFICULT FOR ITSELF BY THE PURSUIT OF TRADE WITH THE RUSSIANS REGARDLESS OF THE CONSEQUENCES FOR DEFENCE: FROM A DEEP

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BELIEF IN THE SUPERIORITY OF AMERICAN LAW, AND FROM A NATURAL, (IF REGRETTABLE) FEELING THAT THE MOST POWERFUL NATION IN THE WESTERN WORLD HAS LITTLE REASON TO CHANGE WAYS WHICH IT SEES AS NECESSARY, AND WHICH SO FAR HAVE GONE COMPARATIVELY UNCHALLENGED THIS MAY BE UNREASONABLE, BUT LEFT TO THEMSELVES, AMERICAN OFFICIALS AND LAWYERS WILL FEEL LITTLE INCENTIVE TO DEVELOP EVEN THE MODEST PRACTICAL DEVICES WHICH OUR PEOPLE HAVE PROPOSED. THEY MAY BE A BIT MORE CIRCUMSPECT FOR A WHOLE. BUT SOME OF THEM ARE ALREADY LOOKING FOR WAYS OF REASSERTING THE OUTREACH OF AMERICAN LAW THROUGH STRONGER ENFORCEMENT OF EXTRATERRITORIAL MEASURES THROUGH THE COURTS AND TIGHTER CONTROLS OVER THE EXPORT OF US GOODS AND TECHNOLOGY. THERE IS, IN ADDITION A CLEAR CORRELATION BETWEEN THE EXTENT OF AMERICAN OUTREACH WHICH THEIR ALLIES ARE PREPARED TO LIVE WITH AND THE EXTENT TO WHICH THEY WILL BE PREPARED TO ALLOW TECHNOLOGY TRANSFER TO THEIR ALLIES. WE SHALL HAVE TROUBLE AGAIN, UNTIL THE AMERICANS FINALLY RECOGNISE HOW MUCH DAMAGE THEY ARE DOING TO THEIR OWN COMMERCIAL AND OTHER INTERESTS, AND UNTIL WE AND OUR ALLIES TAKE AMERICAN PREOCCUPATION SERIOUSLY AND CONVINCING THEM THAT WE DO SO.

6. IN THE MEANTIME WE SHALL NEED MECHANISMS FOR DAMAGE LIMITATION BASED ON THE PROPOSALS THAT WE HAVE ALREADY PUT IN THE FIELDS OF EXPORT CONTROL, ANTITRUST (INCLUDING AVIATION) AND REGULATION: WHICH THEY HAVE ALREADY PUT FORWARD ON STRENGTHENING COCOM AND ON ANY NEW IDEAS FOR ENSURING EARLIER NOTIFICATION AND CONSULTATION AND A GREATER PREPAREDNESS BY THE US TO TAKE ACCOUNT OF THE INTERNATIONAL IMPLICATIONS OF THESE ACTIONS. AMERICAN OFFICIALS ARE UNLIKELY TO NEGOTIATE ABOUT THESE SERIOUSLY UNLESS THEY ARE GIVEN A VERY CLEAR POLITICAL DIRECTIVE FROM THE TOP, AND A DEADLINE FOR SUCCESS.

7. I THEREFORE RECOMMEND THAT WHEN SHE SEES THE PRESIDENT, THE PRIME MINISTER SHOULD GO BEYOND THE EXPORT ADMINISTRATION ACT AND ADDRESS HIS FUNDAMENTAL CONCERNS OF HOW TO DEAL WITH THE RUSSIANS. SHE MIGHT SAY THAT EAA THE LAKER CASE AND OUR PROBLEMS IN COCOM HAVE DEMONSTRATED THAT THERE ARE SEVERAL AREAS IN WHICH THE AMERICANS AND THEIR BEST FRIENDS CAN GET INTO A POLITICAL TUSSELE BECAUSE OF THE WORKINGS OF AMERICAN ECONOMIC LAW AND THE PRACTICE OF THE AMERICAN ADMINISTRATION. SHE MIGHT POINT TO THE LONG BUT FRUITLESS HISTORY OF DISCUSSION AMONGST OFFICIALS, AND

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SAY THAT THE TIME HAD SURELY COME FOR US TO LOOK FOR PRACTICAL REMEDIES . SHE MIGHT THEN PRESS THE PRESIDENT TO ISSUE THE KIND OF POLITICAL DIRECTIVE OF WHICH I HAVE SPOKEN. BUT SHE MUST ALSO BE READY TO SAY THAT WE TAKE THE PROBLEM OF TECHONOLGY TRANSFER SERIOUSLY AND CONVINCHE HIM THAT WE HAVE TAKEN PRACTICAL STEPS TO DEMONSTRATE OUR SERIOUSNESS OF PURPOSE. I SUGGEST THAT, HAVING MADE THIS BROAD POLITICAL POINT, SHE SHOULD NOT GO INTO DETAIL. NOR IN PRESENT CIRCUMSTANCES DO I THINK IT WOULD BE EFFECTIVE FOR HER TO HAVE TWO BITES AT THE CHERRY AS WE ENVISAGED EARLIER (PARA 6 OF FCO TEL 1366). OUR AIM SHOULD BE TO HAVE A COMPREHENSIVE ROUND OF TALKS BY LATE AUTUMN, COVERING THE WHOLE RANGE OF PROBLEMS AND WITH OUR INTERESTS IN RETAINING ACCESS TO US TECHNOLOGY FIRMLY IN MIND. YOU MIGHT WISH TO FLOAT WITH SHULTZ THE IDEA THAT DAM SHOULD LEAD FOR THE AMERICANS (WASHINGTON TELEGRAM 2352). AND THE SECRETARY OF STATE FOR TRADE AND INDUSTRY COULD FOLLOW UP IN MORE DETAIL IN OCTOBER (WHEN I HOPE HE WILL SEE DA M AND THE ATTORNEY GENERAL AMONG OTHERS).

ADVANCE COPIES TO FCO: SIR I SINCLAIR I THOMAS, ADAMS, MARSHALL (NAD)  
D/TPT: STEVENS, FOSTNAM  
DTI: SUNDERLAND, HEALEY, BECKETT

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[ADVANCED AS REQUESTED]

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PS/MR LUCE  
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PS/LADY YOUNG  
PS/MR RIFKIND  
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MR THOMAS

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*From the Private Secretary*

MS. BOWDERY  
CABINET OFFICE

---

Prime Minister's Visit to Canada and the USA:  
Briefing Meeting

I agree that those listed in paragraphs 1 and 2 of your minute of 9 September should be invited to the briefing meeting at 4.00 pm on 22 September.

As I understand Sir Robert Armstrong's minute of 5 September, Lord Moran will not be in London at the time.

A. J. COLES

12 September 1983

010  
Ref. A083/2556

MR COLES

Prime Minister's Briefing Meeting for Visit to Canada and the  
USA: 25-30 September 1983

I should be grateful for your agreement to the following Ministers being invited to attend the Prime Minister's briefing meeting at 4.00 pm on Thursday 22 September:

Chancellor of the Exchequer  
Foreign and Commonwealth Secretary  
Secretary of State for Defence  
Secretary of State for Trade and Industry

2. The following officials should also attend:

Sir Antony Acland	FCO
Mr P E Middleton	Treasury
Sir Clive Whitmore	MOD
Sir Brian Hayes	DTI
Sir Robert Armstrong	Cabinet Office
Mr A D S Goodall	
Mr D F Williamson	

*Canada file.*

3. As suggested in Sir Robert Armstrong's minute of 5 September Lord Moran will be in London and would make a useful contribution to the meeting.

*Carol Bowdery*

CAROL BOWDERY

9 September 1983

~~Tim~~ - tel info.  
Peltis

DP  
2/9.

Cabinet Office  
70 Whitehall  
London SW1A 2AS

1 September 1983

Ref PS(83) 23

Dear Private Secretary,

Prime Minister's Visit to Canada and the United States  
25-30 September 1983

Please note that, in addition to those listed in the final paragraph of my letter PS(83) 23 of 31 August 1983, copies of the letter are also being sent to the Private Secretaries to Sir Philip Woodfield, Sir William Rylie and Sir Lawrence Airey.

Yours sincerely,

(Signed) R P HATFIELD

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Cabinet Office  
70 Whitehall  
London SW1A 2AS

31 August 1983

PS(83) 23

Dear Private Secretary,

Prime Minister's Visit to Canada and the United States  
25-30 September 1983

This letter sets out the briefing arrangements for the Prime Minister's visit to Canada and the United States which is to take place from 25-30 September 1983.

The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex A. Instructions on format are at Annexes B and C. Those preparing briefs should note carefully the details on format of briefs set out in Annex B. Departments should, therefore, aim to ensure that, apart from the General Brief, individual subject briefs do not exceed two sides of paper. Departments should ensure that the resumes of their briefs are with the Foreign Office by close of play on Wednesday 13 September at the latest.

Seventy copies of each brief should be sent to the Cabinet Office as soon as they are ready. They should reach the Cabinet Office by 12.00 noon on Friday 16 September. They should be addressed to Mr R D Roscoe in Committee Section, who should be consulted (tel no 233 7343) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Mr Peter Middleton, Sir Brian Hayes, Sir Michael Franklin, Sir Clive Whitmore, Sir Kenneth Couzens, Mr Peter Lazarus, Sir Brian Cubbon, Sir Kenneth Stowe and Dr Robin Nicholson, and to John Coles at No 10.

Yours sincerely,

(Signed) R P HATFIELD

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LIST OF BRIEFS FOR THE PRIME MINISTER'S VISIT TO NORTH AMERICA  
25-30 SEPTEMBER 1983

## (A) CANADA

<u>PMVA(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	General Brief	FCO(NAD)	as appropriate
2.	Canadian Scene		
	(a) Political	FCO(NAD)	
	(b) Economic	FCO(ESID)	Treasury
	(c) Ontario	FCO(NAD)	
	(d) Alberta	FCO(NAD)	
3.	Personalities	FCO(NAD)	
4.	Anglo-Canadian Relations		
	(a) Political	FCO(NAD)	
	(b) Cultural	FCO(CRD)	
	(c) Defence Cooperation	FCO(Def Dept)	MOD
	(d) Commercial & Economic	Trade and Industry	FCO(TRED/NAD)
	(e) Scientific & Technical Cooperation	FCO(ESSD)	Cabinet Office (Chief Scientist)
	(f) British Overseas Citizens' Passports	FCO(N&TD)	Home Office
	(g) Social Security Arrangements	DHSS	
	(h) Dalhousie Seminar	FCO(NAD)	
	(i) British High Commissioner's Residence	FCO(NAD/OED)	
	(j) Channelling Arrangements for Canadians at British Airports	Home Office	FCO (MVD/NAD)
5.	East/West Relations (including Poland & Afghanistan)	FCO(EESD)	as appropriate
6.	East/West Economic Relations & Technology Transfer	FCO(TRED)	as appropriate

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<u>PMVA(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
7.	Defence/Arms Control Issues	FCO(Def Dept)	MOD, FCO(ACDD)
8.	International Economic Issues		
	(a) Prospects for World Economy	Treasury	FCO(ERD)
	(b) Developing country issues	FCO(ERD)	ODA
	(c) 1984 Economic Summit	FCO(ERD)	as appropriate
	(d) World Energy Situation	Energy	FCO(ESSD)
9.	Commonwealth (including November Heads of Government Meeting)	FCO(CCD)	as appropriate
10.	EC/Canada Relations		
	(a) Current problems	FCO(ECD(E))	as appropriate
	(b) Canada & European Political Co-operation	FCO(Poco Unit)	
11.	International & other issues where the United Kingdom has a direct interest		
	(a) Falkland Islands	FCO(FID)	
	(b) Future of Hong Kong	FCO(HKD)	
	(c) Belize	FCO(MCAD)	MOD
12.	Northern Ireland	NIO	FCO(RID)
13.	Other International Issues		
	(a) Central America & Caribbean	FCO(MCAD)	FCO(WIAD)
	(b) Arab/Israel & Lebanon	FCO(NENAD)	
	(c) Namibia	FCO(SAFD)	
14.	United States/Canada Relations	FCO(NAD)	FCO(ERD)



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## (B) UNITED STATES

<u>PMVE(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	General Brief	FCO(NAD)	as appropriate
2.	Personalities	FCO(NAD)	
3.	Bilateral Matters		
	(a) Renewal of Export Administration Act	Trade and Industry	FCO(ERD)
	(b) Unitary Taxation	Inland Revenue	FCO(ERD)
	(c) Civil Aviation	Transport	FCO(MAED)
	(d) United Kingdom/United States Defence Co-operation	FCO(Def Dept)	MOD
	(e) United Kingdom/United States Trade and Commercial Relations	Trade and Industry	FCO(TRED/NAD)
4.	East/West Relations (including Afghanistan & Poland)	FCO(EESD)	as appropriate
5.	East/West Economic Relations & Technology Transfer	FCO(TRED)	as appropriate
6.	Defence/Arms Control Issues	FCO(Def Dept)	MOD, FCO(ACDD)
7.	International Economic Issues		
	(a) Prospects for the World Economy (including United States Economy)	Treasury	FCO(ERD)
	(b) Developing Country Issues	FCO(ERD)	ODA
	(c) 1984 Economic Summit	FCO(ERD)	as appropriate
	(d) International Trade Questions	Trade and Industry	Trade and Industry FCO(ECD(E))
8.	EC/United States Relations		
	(a) Agriculture	FCO(ECD(E))	MAFF
	(b) Steel	FCO(ECD(E))	Trade and Industry

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<u>PMVB(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
9.	International and other issues where the United Kingdom has a direct interest		
	(a) Falkland Islands	FCO(FID)	
	(b) Future of Hong Kong	FCO(HKD)	
	(c) Belize	FCO(MCAD)	MOD
10.	Northern Ireland	NIO	FCO(RID)
11.	Other International Issues		
	(a) Arab/Israel & Lebanon	FCO(NENAD)	
	(b) Southern Africa/Namibia	FCO(SAFD)	
	(c) Central America	FCO(MCAD)	
	(d) Spain/Gibraltar/NATO	FCO(SED)	
	(e) Cyprus	FCO(SED)	
12.	United States Efforts to Strengthen Democracy	FCO(Information) Department	

THE FOLLOWING INSTRUCTIONS ABOUT FORMAT SHOULD BE FOLLOWED CAREFULLY

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex C. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should whenever possible be no more than two sides long.
- (b) The main body of each brief should comprise three sections: a very brief statement of the United Kingdom Objective (normally no more than a couple of lines); a concise list of Points to Make; and 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 with all the information required on that particular subject. Briefs should not be divided into separate self-contained subsections.

Layout

- (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) As shown in the specimen at Annex C, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (eg PMVA(83) 10) with the date of circulation below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on plain white paper, with each page bearing a security classification at top and bottom (as in Annex C). Care should be taken that the reproduction method employed results in clear readable copies.
- (h) It is important that, on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, a revise should be prepared. It should be set out in the form described at (e) above, with the brief number amended to show that it is a revise (eg PMVA(83) 10 (Revise)). Subsequent revises should be numbered (eg PMVA(83) 10 (Revise 2); etc). If it is a question of adding material to the brief rather than revising its existing contents, an addendum may be prepared, in the form described at (e) above with the brief number (eg PMVA(83) 10 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 a revise or an addendum is in preparation and also about corrigenda to briefs.
- (j) Additions to the list of briefs in Annex A require the authorisation of the Private Secretary to the Secretary of the Cabinet.

[CLASSIFICATION]

ANNEX C

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PMVA(83) [or PMVB(83) ] [Serial No as specified COPY NO [in red]  
in Annex A]

[Date]

PRIME MINISTER'S VISIT TO CANADA AND THE UNITED STATES  
25-30 SEPTEMBER 1983

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[SUBJECT] [Insert subject in capitals]

Brief by [name of originating Department, eg Foreign and  
Commonwealth Office]

[At foot of last page on left-hand side:-]

[Originating Government Department, eg Foreign and Commonwealth  
Office or Department of Industry, not a subordinate section or  
division]

[Date of origin]

[CLASSIFICATION]

PART 2 ends:-

WR to Malvin 23.10.81

PART 3 begins:-

R. Hatfield to Private Sec's

31.8.83