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PREM 19/1404

TOP SECRET
PART 2

1989
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Confidential File

UK/USA Relations

USA

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Pt 1: May 1979

Pt 2: May 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
10-5-82		3-8-83		28-2-84			
26-6-82		15-9-83		<div style="font-size: 2em; font-weight: bold;">X</div> <p>PART 2</p> <p>EWDS</p>			
7-7-82		16-9-83					
22-7-82		6/10/83					
16-10-82		1-11-83					
17-11-82		11-11-83					
7-12-82		14-11-83					
4-3-83		2-12-82					
21-3-83		6-12-83					
25-3-83		12-12-83					
11-4-83		16-12-83					
21-4-83		19-12-83					
5-5-83		1-1-84					
9-5-83		10-1-84					
16-5-83		18-1-84					
1-6-83		26-1-84					
31-5-83		31-1-84					
18-6-83		1-2-84					
11-7-83		6-2-84					
22-7-83		16-2-84					
29-7-83		20-2-84					
		23-2-84					

PART 2 ends:-

MOO Mtg Record (Weinberger) 28.2.84

PART 3 begins:-

British Embassy, Washington to fco 1.3.84

Foreign and Commonwealth Office document

Reference: Diplomatic Report No 70/83
Description: America Looks West: The United States and the Pacific Rim.
Date: 6 January 1983

Reference: Diplomatic Report No 180/82
Description: US Policy in the Falklands Crisis with Some Valedictory Comments on US/UK Relations
Date: 27 July 1982

The above FCO documents, which were enclosed on this file have been removed and destroyed.

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

Signed

J. Gray

Date

14/1/2014

PREM Records Team



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MO 14/2

28th February 1984

A.F.C. 29/2

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NOTE FOR THE RECORD OF A MEETING WITH THE US DEFENCE SECRETARY,
MR WEINBERGER, ON TUESDAY 28TH FEBRUARY 1984
AT THE MINISTRY OF DEFENCE

Those present:

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

Mr Weinberger
US Defence Secretary

Mr J N H Bletloch
DUS(P)

Ambassador Charles H Price II

Mr R C Mottram
Private Secretary to the
Secretary of State for Defence

Mr Perle

Mr Weinberger said that the US Government were at present addressing the problem that if they deployed some D-5 missiles with 8 warheads and some with 12, they would all count as 12 warhead missiles under present conventions for arms control agreements. He was conscious of the commitment which they had entered into to supply us with the D-5 missile with the 12 RBA Bus and had been anxious that we should be aware of this problem so that account could be taken of our thinking. He found it difficult to see why our interest and the US interest should be affected by counting rules developed in the SALT negotiations and set out in a treaty which the United States had refused to ratify. Mr Perle commented that any future arms control agreement would have to include a counting rule on the number of warheads which each missile was deemed to carry. It would be important to ensure that such a rule applied equally to both sides: in SALT the Americans had accepted an interpretation which meant that the limit on their side equated to the actual number of warheads deployed but in the case of the Russian SS18 missile, the number counted was less than the maximum carrying capacity. The Americans were looking at ways in which an agreement might provide for both the 8 and 12 RBA options since the US Navy wished itself to deploy both types of missile.

2. The Secretary of State drew attention to the importance for us of ensuring that D-5 Bus remained compatible with the Mark IV RBA. Our plans assumed that we would buy into the end of the US production line for the Mark IV RBA. Given the number of RBAs of this design which the US already had in service, we were assuming that they would also have an interest in ensuring that the D-5 Bus was compatible with it.



The American side confirmed that their existing planning included the 12 Mark IV RBA option and that our requirement in this respect was well understood. Mr Perle asked when we would reach decisions in this area. The Secretary of State explained that he had yet to consult his colleagues on our requirements and would do so over the next 2 months. Mr Perle said that the Americans would need themselves to clarify their own thinking although there was a natural tendency to try to put off decisions.

Rm

Ministry of Defence

EXTERNAL
DISTRIBUTION:

PS/Prime Minister
PS/Foreign and Commonwealth
Secretary
PS/Secretary of the Cabinet
Sir Oliver Wright, Washington

INTERNAL: As minute of 28th February

x ref.

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MO 14/2

28th February 1984

NOTE FOR THE RECORD OF A MEETING WITH THE US DEFENCE SECRETARY,
MR WEINBERGER, AT 0935 ON TUESDAY 28TH FEBRUARY 1984
IN THE MINISTRY OF DEFENCE, MAIN BUILDING

Those present:

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

Mr Weinberger
US Defence Secretary

Mr J N H Bletloch
DUS (P)

Ambassador Charles H Price II

Mr R C Mottram
Private Secretary to the
Secretary of State

Mr Richard Perle

Major General C Powell

Nuclear Questions

2. There was a discussion of certain nuclear questions which is recorded separately.

Technology Transfer

3. Mr Weinberger referred to the continuing importance which he attached to the problem of technology transfer. The risks in selling equipment which had a dual use or was solely for civil purposes were insufficiently appreciated. He knew that US motives in this area were sometimes misinterpreted as being a means of restricting the activities of their competitors but this was not the case. The Secretary of State said that we were basically sympathetic to the US view that more needed to be made of the COCOM machinery. Mr Perle recalled that the US and British had agreed on the establishment of an advisory military/intelligence group. In the light of this agreement the Americans had been pressing the French also to support this proposal. The French had now accepted that there should be an advisory group provided it was kept separate from the COCOM machinery itself. They were content that the group should address the implications of the transfer of broad types of equipment rather than individual cases. He hoped that the British could accept the revised approach agreed with the French which could then be put to the other countries concerned. He was concerned that,



if we did not respond quickly, the French might go back on what they had agreed and let the Germans, for instance, know that they still had reservations. DUS(P) referred to the steps that we had already taken to take account of US concerns and of the establishment of a small group to enhance our assessment capability. It was agreed that the British side would look urgently at what was proposed.

Equipment Co-operation

4. The Secretary of State said that, as he had previously explained to Mr Weinberger, he attached importance to strengthening European co-operation in equipment procurement not in order to divide off Europe from North America, but to provide for a more equal partnership. He was seeking to take this forward and, in particular, to explore the scope for reducing overlap in the national R&D efforts of individual European members of the Alliance. Present levels of duplication were very wasteful. We needed a way forward which enabled Europe to compete in high technology areas of defence procurement and not simply to be given opportunities for "metal bashing". Mr Weinberger emphasised his support for the concept of the two-way street. He had never seen his role as being that of an arms salesman for US industry.

5. In later discussion, there was mention of the unhappy history of the JP233 project. The Secretary of State emphasised the importance of carrying through joint efforts of this kind. Mr Weinberger referred to the difficulties the Administration faced dealing with Congress: he often envied the British Parliamentary system in this respect.

Arms Sales

6. Mr Weinberger emphasised his concern at the possibility of Britain supplying arms, such as tank parts, to Iran. The Secretary of State said that we had gone to considerable lengths to avoid aiding Iranian military capabilities including, at substantial cost, cancelling a contract for the supply of tank engines. We had not ruled out the supply of non-lethal items to either Iran or Iraq. In the case of Iran we faced particular difficulty over contracts entered into a long time ago, including those for support ships. There was no way in which any items which provided a significant offensive capability had got through from Britain to Iran and nor would they.

Equipment Procurement

7. The Secretary of State said he wished to refer to our interest in the US programme for a European distribution system aircraft for which Short Brothers were competing. He had already discussed this with Ambassador Price. He also wished just to mention the British interest in the competition for the new Tri-Tac network for the US Army. Mr Weinberger at first appeared unaware of this programme. After further discussion, he recalled that he thought that Monsieur Hernu had also spoken to him about a French interest in satisfying this requirement! The Americans would proceed on the basis of the lowest responsible tender which met the requirement. The Secretary of State commented that the British contractor concerned had teamed up with major US companies and we hoped this would help.



Defence Budget

8. The Secretary of State said that he was giving increasing attention to how our defence capabilities might continue to be enhanced once the defence budget was no longer growing in real terms. He was taking steps to reduce the overheads of the organisation and to increase value for money by introducing more effective competition into defence procurement. Mr Weinberger referred to the substantial savings which were flowing from more competition in US defence procurement. (He did not pursue the implications of the Public Expenditure White Paper).

East/West Relations

9. Ambassador Price suggested that Mr Weinberger might find of interest some remarks by the Secretary of State during Vice-President Bush's recent visit about the way we looked at the military balance. The Secretary of State said that, as was clear from his position in public, there was no more committed advocate of the view that we must negotiate with the Soviet Union from a position of strength. He had, however, been concerned that the analyses of the military balance and of Soviet motives presented to him tended to be slanted. He also wanted to explore every possible way in which we might break into the seemingly inexorable growth of armaments on both sides. He had therefore asked his staff to prepare an analysis of the military balance showing the forces of all the countries which bordered the Soviet Union. This - together with Russian history - went some way to explain the security concerns of the Soviet Union.

10. He was strongly of the view that there were only a small number of people who could hope to have a decisive influence on the way in which relations with the East developed and on the arms race itself. What concerned him was that those who could influence events had little time to step back from their daily responsibilities and the interests pressing on them and very little opportunity to meet their opposite numbers on the Soviet Side. The real chance for alternative ways forward was therefore not properly explored. Mr Weinberger agreed with the importance of increasing contacts with the Soviet Union. We needed to get inside the Russian mind, not least so that we could be sure that what we thought would deter reflected a Russian perspective rather than a Western one. He emphasised the importance which President Reagan attached to seeking peace and his willingness to do this by a face-to-face meeting provided we could get right the agenda, the timing and the place.



The Strategic Defence Initiative

10. DUS(P) said that he wanted briefly to mention the visit by the US briefing team on the strategic defence initiative which we had found most valuable. We had heard rumours that the Americans felt that we had adopted a negative role towards this initiative. He wanted to emphasise the importance we attached to the process of consultation and that we had put probing questions since we felt that this was the most useful contribution we could make. Mr Weinberger said that the initiative was very close to the President's heart. He believed that it offered the possibility of a more moral and more hopeful future. The aim would be to achieve a defence against both strategic and intermediate range weapons. The Americans had very much in mind the Russian programme in this area and the risks if the Russians got there first. He was delighted to hear that the presentation had been helpful and he had heard no adverse comments about British reactions.

11. The meeting ended at 1100 hours.

Rm

Ministry of Defence
28th February 1984

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Distribution:

PS/Minister (AF)	— PS/Prime Minister
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BY: CR

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10 DOWNING STREET

From the Private Secretary

28 February, 1984

"PEACE GATES" CEREMONY

Thank you for your letter of 24 February.

The Prime Minister regrets that she is not able to participate in the ceremony in Grosvenor Square on 10 May. As the Americans are aware, Thursday is an extremely difficult day for the Prime Minister.

A. J. COLES

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office

RESTRICTED

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PRIME MINISTER

"PEACE GATES" CEREMONY

The attached letter describes a ceremony to be held in Grosvenor Square on 10 May. The US Embassy have asked whether you would attend and make a short speech.

10 May is a Thursday - and you make a major speech in Scotland on the following day.

I think you will regret this engagement when the day comes, and suggest that you decline.

Agree?

Regret not

A.J.C.

27 February 1984



Foreign and Commonwealth Office

London SW1A 2AH

24 February, 1984

Dear John,

Mr Steator in the American Embassy has approached us informally to enquire whether the Prime Minister would like to take part in a ceremony in Grosvenor Square on 10 May at which the 'Peace Gates' presented by the American Bicentennial Committee will be dedicated.

The wrought iron gates, which are already in place in front of the Embassy, were the gift of American subscribers on the 200th Anniversary of the Treaty of Paris which was celebrated last year. The Embassy envisage a ceremony at which the Ambassador and Prime Minister, if she agreed to attend, would make short speeches. There would be bands playing and some attempt to make a fairly conspicuous occasion. Afterwards there would be a reception in the Embassy attended by 500-1000 people.

The Americans realise that 10 May is a Thursday but have expressed the hope that if the event were scheduled for the end of the morning the Prime Minister would nevertheless be able to attend.

Alternatively, if Mrs Thatcher would in principle like to take part in the ceremony we could ask the Americans whether it could be moved to the afternoon after Question Time.

We think this ceremony looks like being an agreeable and notable Anglo-American occasion and one at which the Prime Minister's participation would be much appreciated. On the other hand Sir Geoffrey Howe considers that the Prime Minister need feel under no pressure to accept, particularly as the ceremony falls on a Thursday. We understand that if the Prime Minister declined, the US Embassy have it in mind to enquire whether a member of the Royal Family would be available.

Yours ever,
Peter Ricketts

A J Coles Esq
10 Downing Street

(P F Ricketts)
Private Secretary



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10 DOWNING STREET

From the Private Secretary

23 February 1984

US MANNED SPACE STATION

Thank you for your letter of 22 February. As President Mitterrand will be visiting the Prime Minister on 5 March at Chequers, this would be a most inconvenient day for her to receive Mr. Beggs. I therefore agree with the other arrangements which you propose for his reception.

I am sending a copy of this letter to Callum McCarthy (Department of Trade and Industry) and Elizabeth Hodgkinson (Department of Education and Science).

AJC

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

EW



10 DOWNING STREET

Caroline

A bad day?

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Witterand to cheques
No good.

CR

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

22 February 1984

Dear John,

US Manned Space Station

I wrote to you on 31 January about President Reagan's message to Mrs Thatcher about possible co-operation over the US manned space station programme. President Reagan said then that he proposed to send Mr James Beggs, the Administrator of the National Aeronautics and Space Administration (NASA), as his emissary to discuss the subject in London. The US Embassy have now told us that Mr Beggs will be here on 5 March, and have asked if he can make a courtesy call on the Prime Minister.

Despite Mr Beggs' status as President Reagan's 'special emissary' and the political importance of the space station programme, we do not think the Prime Minister need receive Mr Beggs unless she particularly wishes to do so.

We are arranging for Mr Beggs to call on the Parliamentary Under Secretary of State here (Mr Whitney), and I believe that the Department of Trade and Industry envisage that he should see a Minister there. The Foreign Secretary feels that it would be most useful in terms of Anglo-American relations if Mr Tebbit and/or Mr Baker could agree to see him. Mr Beggs is also visiting Bonn, Paris, Rome, Ottawa and Tokyo. The arrangements we envisage are generally in line with those expected in other capitals.

I am copying this letter to the Private Secretary to the Secretary of State for Trade and Industry and also to the Private Secretary of the Secretary of State for Education and Science, as we gather that a Minister from the DES may possibly also see Mr Beggs.

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

A J Coles Esq
10 Downing Street

CONFIDENTIAL

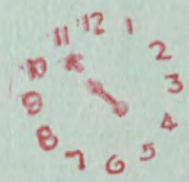
USA : us/usa relations Pt 2.

UNITED STATES DEPARTMENT OF STATE

OFFICE OF THE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS



22 JUN 1984





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10 DOWNING STREET

From the Private Secretary

20 February 1984

The Prime Minister read with interest over the weekend your Secretary of State's minute of 16 February about his recent visit to the United States.

Paragraph 4 of Mr. Tebbit's minute reports that IBM see themselves as "a potential contributor to the Alvey programme". The Prime Minister has observed that, during discussions on the Alvey programme it was thought most unlikely that IBM would find a place within it.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office), John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Callum McCarthy, Esq.,
Department of Trade and Industry.

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10 DOWNING STREET

From the Private Secretary

6 February 1984

Senator Tower

I regret that the Prime Minister will not be able to receive Senator Tower on 9 February (your letter of 6 February). As you know, Thursday is the worst day in the week and the Prime Minister has a continuous programme all day. I am sure that she would want you to explain this to Senator Tower and convey her apologies.

I am copying this letter to Richard Mottram (Ministry of Defence).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

6 February 1984

John Tower,

Call on the Prime Minister by Senator Tower: 9 February

Senator John Tower (Republican - Texas), Chairman of the Senate Armed Services Committee, will be visiting London on 9 February to attend an "Economist" conference on Emerging Defence Technologies. The Foreign and Commonwealth Secretary and the Defence Secretary have already both agreed to see Senator Tower on that day and arrangements have also been made for him to meet members of the House of Commons Select Committee on Defence. He has now asked whether he might also call on the Prime Minister.

Sir Geoffrey Howe suggests that if the Prime Minister wished to do so, this would be a good opportunity to meet an influential Republican. As you know, Senator Tower (personality note attached) is Chairman of the Senate Armed Services Committee. When he retires from the Senate next January he is a strong (though not a declared or certain) candidate to succeed Mr Caspar Weinberger as Secretary for Defence in a second Reagan Administration.

You may also recall that it was Senator Tower who took the initiative to inscribe the Prime Minister's speech at the Churchill Foundation Award Dinner in the Congressional Record last September.

I am copying this letter to Richard Mottram in the Ministry of Defence.

Richard Mottram
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

SENATOR JOHN TOWER (REPUBLICAN - TEXAS)

CHAIRMAN OF THE SENATE ARMED FORCES COMMITTEE

Born in 1925 in Houston, Texas, Tower was educated at Southwestern University (BA 1948) and the Southern Methodist University (MA 1953). He served in the Navy during World War II and was subsequently a Political Science Professor before his election to the Senate in 1961. He spent a year at LSE from 1951-2, and is a frequent visitor to Britain.

Politically, Tower is conservative. He was the first Senator to announce his support for Barry Goldwater in 1964 and one of the most active campaigners on his behalf. In 1968 he worked hard for President Nixon despite the fact that most of Texas supported the candidacy of Ronald Reagan. Tower was, however, a supporter of Reagan in 1980. At his last election in 1978, he survived by only 12,000 votes out of two and a quarter million votes cast. He announced in August 1983 that he would not be standing for re-election to the Senate in 1984.

Because of his current position, he is one of the most important and influential members of the Senate, and after his retirement he will be a strong (though not declared) candidate to succeed Weinberger as Secretary of Defence in a second Reagan Administration. He visited the Middle East in January and together with his current visit to Europe and other Middle Eastern countries his credentials for that job will be strengthened by the tour. His acceptance in 1983 of the job of running the Presidential election campaign in Texas was also designed to improve his chances of a senior post in a future Republican Administration.

Senator Tower is well-disposed towards the UK and a committed supporter of the US contribution to NATO and the two-way street. He has expressed disappointment at HMG's reaction at the time of the US intervention in Grenada, though he admits that consultation was mishandled by the US Administration. He is concerned that the episode may have harmed Britain's image in the US.

Senator Tower married for the second time in 1977. He has three daughters from his earlier marriage.

3 February 1984

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OFFICIAL TEXT

Thursday, January 26th, 1984

UNITED STATES INFORMATION SERVICE, U.S. EMBASSY, 55/56 UPPER BROOK STREET, LONDON W1A 2LH

REAGAN ASKS CONGRESS TO ADVANCE "AGENDA FOR PEACE"

STATE OF THE UNION ADDRESS

- - - - -

WASHINGTON -- PRESIDENT REAGAN, IN HIS 1984 STATE OF THE UNION ADDRESS, CALLED ON CONGRESS JANUARY 25 TO JOIN WITH HIM IN CONTINUING AMERICA'S "AGENDA FOR PEACE."

THE PRESIDENT DEFINED HIS AGENDA AS:

-- ESTABLISHING A MORE STABLE BASIS FOR PEACEFUL RELATIONS WITH THE SOVIET UNION. (HE TOLD THE SOVIET PEOPLE THAT "A NUCLEAR WAR CANNOT BE WON AND MUST NEVER BE FOUGHT.)

-- STRENGTHENING ALLIED RELATIONSHIPS.

-- ACHIEVING REAL AND EQUITABLE NUCLEAR ARMS REDUCTIONS.

-- REINFORCING OUR WORLDWIDE PEACEMAKING EFFORTS.

-- ASSISTING DEVELOPING COUNTRIES.

-- ASSISTING IN THE DEVELOPMENT OF DEMOCRATIC INSTITUTIONS ABROAD.

THE PRESIDENT ALSO ANNOUNCED THAT HE IS DIRECTING NASA TO DEVELOP A PERMANENTLY MANNED SPACE STATION, AND HE INVITED OTHER COUNTRIES TO PARTICIPATE.

FOLLOWING IS THE TEXT OF REAGAN'S ADDRESS

ONCE AGAIN, IN KEEPING WITH TIME-HONORED TRADITION, I HAVE COME TO REPORT TO YOU ON THE STATE OF THE UNION. I AM PLEASED TO REPORT THAT AMERICA IS MUCH IMPROVED, AND THERE IS GOOD REASON TO BELIEVE THAT IMPROVEMENT WILL CONTINUE THROUGH THE DAYS TO COME.

YOU AND I HAVE HAD SOME HONEST AND OPEN DIFFERENCES IN THE YEAR PAST. BUT THEY DIDN'T KEEP US FROM JOINING HANDS IN BIPARTISAN COOPERATION TO STOP A LONG DECLINE THAT HAD DRAINED THIS NATION'S SPIRIT AND ERODED ITS WEALTH. THERE IS RENEWED ENERGY AND OPTIMISM THROUGHOUT THE LAND. AMERICA IS BACK -- STANDING TALL, LOOKING TO THE EIGHTIES WITH COURAGE, CONFIDENCE, AND HOPE.

THE PROBLEMS WE ARE OVERCOMING ARE NOT THE HERITAGE OF ONE PERSON, PARTY, OR EVEN ONE GENERATION. IT IS THE TENDENCY OF GOVERNMENT TO GROW, FOR PRACTICES AND PROGRAMS TO BECOME THE NEAREST THING TO ETERNAL LIFE WE'LL SEE ON THIS EARTH. THERE IS ALWAYS THAT WELL-INTENTIONED CHORUS OF VOICES SAYING, "WITH A LITTLE MORE POWER AND MONEY, WE COULD DO SO MUCH FOR THE PEOPLE. "FOR A TIME WE FORGOT THE AMERICAN DREAM ISN'T ONE OF MAKING GOVERNMENT BIGGER; IT'S KEEPING FAITH WITH THE MIGHTY SPIRIT OF FREE PEOPLE UNDER GOD.

AS WE CAME TO THE DECADE OF THE EIGHTIES, WE FACED THE WORST CRISIS IN OUR POST-WAR HISTORY. THE SEVENTIES WERE YEARS OF RISING PROBLEMS AND FALLING CONFIDENCE. THERE WAS A FEELING GOVERNMENT HAD GROWN BEYOND THE CONSENT OF THE GOVERNED. FAMILIES FELT HELPLESS IN THE FACE OF MOUNTING INFLATION AND THE INDIGNITY OF TAXES THAT REDUCED REWARD FOR HARD WORK, THRIFT, AND RISK-TAKING. ALL THIS WAS OVERLAID BY AN EVERY-GROWING WEB OF RULES AND REGULATIONS.

ON THE INTERNATIONAL SCENE, WE HAD AN UNCOMFORTABLE FEELING THAT WE HAD LOST THE RESPECT OF FRIEND AND FOE. SOME QUESTIONED WHETHER WE HAD THE WILL TO DEFEND PEACE AND FREEDOM.

BUT AMERICA IS TOO GREAT FOR SMALL DREAMS. THERE WAS A HUNGER IN THE LAND FOR A SPIRITUAL REVIVAL; IF YOU WILL, A CRUSADE FOR RENEWAL. THE AMERICAN PEOPLE SAID: LET US LOOK TO THE FUTURE WITH CONFIDENCE, BOTH AT HOME AND ABROAD. LET US GIVE FREEDOM A CHANCE.

AMERICANS WERE READY TO MAKE A NEW BEGINNING AND TOGETHER WE HAVE DONE IT. WE ARE CONFRONTING OUR PROBLEMS ONE BY ONE. HOPE IS ALIVE TONIGHT FOR MILLIONS OF YOUNG FAMILIES AND SENIOR CITIZENS SET FREE FROM UNFAIR TAX INCREASES AND CRUSHING INFLATION. INFLATION HAS BEEN BEATEN DOWN FROM 12.4 TO 3.2 PERCENT, AND THAT IS A GREAT VICTORY FOR ALL THE PEOPLE. THE PRIME RATE HAS BEEN CUT ALMOST IN HALF, AND WE MUST WORK TOGETHER TO BRING IT DOWN EVEN MORE.

TOGETHER, WE PASSED THE FIRST ACROSS-THE-BOARD TAX REDUCTION FOR EVERYONE SINCE THE KENNEDY TAX CUTS. NEXT YEAR, TAX RATES WILL BE INDEXED SO INFLATION CAN'T PUSH PEOPLE INTO HIGHER BRACKETS WHEN THEY GET COST-OF-LIVING RAISES. GOVERNMENT MUST NEVER AGAIN USE INFLATION TO PROFIT AT THE PEOPLE'S EXPENSE.

TODAY, A WORKING FAMILY EARNING 25,000 DOLLARS, HAS 1,100 DOLLARS MORE IN PURCHASING POWER THAN IF TAX AND INFLATION RATES WERE STILL AT 1980 LEVELS. REAL AFTER-TAX INCOME INCREASED 5 PERCENT LAST YEAR. AND ECONOMIC DEREGULATION OF KEY INDUSTRIES LIKE TRANSPORTATION HAS OFFERED MORE CHOICES TO CONSUMERS AND NEW CHANCES FOR ENTREPRENEURS, WHILE HOLDING DOWN COSTS AND PROTECTING SAFETY. TONIGHT, WE CAN REPORT AND BE PROUD OF ONE OF THE BEST RECOVERIES IN DECADES. SEND AWAY THE HANDWRINGERS AND DOUBTING THOMASES. HOPE IS REBORN FOR COUPLES DREAMING OF OWNING HOMES AND FOR RISKTAKERS WITH VISION TO CREATE TOMORROW'S OPPORTUNITIES.

THE SPIRIT OF ENTERPRISE IS SPARKED BY THE SUNRISE INDUSTRIES OF HIGH-TECH, AND BY SMALL BUSINESS PEOPLE WITH BIG IDEAS -- PEOPLE LIKE BARBARA PROCTOR, WHO ROSE FROM A GHETTO SHACK TO BUILD A MULTIMILLION DOLLAR ADVERTISING AGENCY IN CHICAGO; AND CARLOS PEREZ, A CUBAN REFUGEE, WHO TURNED 27 DOLLARS AND A DREAM INTO A SUCCESSFUL IMPORTING BUSINESS IN CORAL GABLES, FLORIDA.

PEOPLE LIKE THESE ARE HEROES FOR THE EIGHTIES. THEY HELPED 4 MILLION AMERICANS FIND JOBS IN 1983. MORE PEOPLE ARE DRAWING PAYCHECKS TONIGHT THAN EVER BEFORE. AND PROGRESS HELPS EVERYONE. IN 1983, WOMEN FILLED 73 PERCENT OF ALL NEW JOBS IN MANAGERIAL, PROFESSIONAL, AND TECHNICAL FIELDS.

BUT WE KNOW MANY OF OUR FELLOW COUNTRYMEN ARE STILL OUT OF WORK, WONDERING WHAT WILL COME OF THEIR HOPES AND DREAMS. CAN WE LOVE AMERICA AND NOT REACH OUT TO TELL THEM: YOU ARE NOT FORGOTTEN; WE WILL NOT REST UNTIL EACH OF YOU CAN REACH AS HIGH AS YOUR GOD-GIVEN TALENTS WILL TAKE YOU.

THE HEART OF AMERICA IS STRONG, GOOD, AND TRUE. THE CYNICS WERE WRONG -- AMERICA NEVER WAS A SICK SOCIETY. WE'RE SEEING REDEDICATION TO BEDROCK VALUES OF FAITH, FAMILY, WORK, NEIGHBORHOOD, PEACE, AND FREEDOM -- VALUES THAT HELP BRING US TOGETHER AS ONE PEOPLE, FROM THE YOUNGEST CHILD TO THE MOST SENIOR CITIZEN.

THE CONGRESS DESERVES AMERICA'S THANKS FOR HELPING US RESTORE PRIDE AND CREDIBILITY TO OUR MILITARY. I HOPE YOU ARE AS PROUD AS I AM OF THE YOUNG MEN AND WOMEN IN UNIFORM WHO HAVE VOLUNTEERED TO MAN THE

RAMPARTS IN DEFENSE OF FREEDOM AND WHOSE DEDICATION, VALOR, AND SKILL INCREASES SO MUCH OUR CHANCE OF LIVING IN A WORLD AT PEACE.

PEOPLE EVERYWHERE HUNGER FOR PEACE AND A BETTER LIFE. THE TIDE OF THE FUTURE IS A FREEDOM TIDE, AND OUR STRUGGLE FOR DEMOCRACY CANNOT AND WILL NOT BE DENIED. THIS NATION CHAMPIONS PEACE THAT ENSHRINES LIBERTY, DEMOCRATIC RIGHTS, AND DIGNITY FOR EVERY INDIVIDUAL. AMERICA'S NEW STRENGTH, CONFIDENCE, AND PURPOSE ARE CARRYING HOPE AND OPPORTUNITY FAR FROM OUR SHORES. A WORLD ECONOMIC RECOVERY IS UNDERWAY. IT BEGAN HERE.

WE HAVE JOURNEYED FAR. BUT WE HAVE MUCH FARTHER TO GO. FRANKLIN ROOSEVELT TOLD US 50 YEARS AGO THIS MONTH: "CIVILIZATION CAN NOT GO BACK; CIVILIZATION MUST NOT STAND STILL. WE HAVE UNDERTAKEN NEW METHODS. IT IS OUR TASK TO PERFECT, TO IMPROVE, TO ALTER WHEN NECESSARY, BUT IN ALL CASES TO GO FORWARD."

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FREEDOM'S NEXT STEP: FOUR GREAT GOALS

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IT IS TIME TO MOVE FORWARD AGAIN, TIME FOR AMERICA TO TAKE FREEDOM'S NEXT STEP. LET US UNITE TONIGHT BEHIND FOUR GREAT GOALS TO KEEP AMERICA FREE, SECURE, AND AT PEACE IN THE EIGHTIES. TOGETHER:

WE CAN ENSURE STEADY ECONOMIC GROWTH.

WE CAN DEVELOP AMERICA'S NEXT FRONTIER.

WE CAN STRENGTHEN OUR TRADITIONAL VALUES.

AND WE CAN BUILD A MEANINGFUL PEACE -- TO PROTECT OUR LOVED ONES AND THIS SHINING STAR OF FAITH THAT HAS GUIDED MILLIONS FROM TYRANNY TO THE SAFE HARBOR OF FREEDOM, PROGRESS, AND HOPE.

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1. ENSURING STEADY ECONOMIC GROWTH

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DOING THESE THINGS WILL OPEN WIDER THE GATES OF OPPORTUNITY AND PROVIDE GREATER SECURITY FOR ALL, WITH NO BARRIERS OF BIGOTRY OR DISCRIMINATION. THE KEY TO A DYNAMIC DECADE IS VIGOROUS ECONOMIC GROWTH, OUR FIRST GREAT GOAL. WE MIGHT WELL BEGIN WITH COMMON SENSE IN FEDERAL BUDGETING: GOVERNMENT SPENDING NO MORE THAN GOVERNMENT TAKES IN.

WE MUST BRING FEDERAL DEFICITS DOWN, BUT HOW WE DO THAT MAKES ALL THE DIFFERENCE. WE CAN BEGIN BY LIMITING THE SIZE AND SCOPE OF GOVERNMENT. UNDER THE LEADERSHIP OF VICE PRESIDENT BUSH, WE HAVE REDUCED THE GROWTH OF FEDERAL REGULATIONS BY MORE THAN 25 PERCENT, AND CUT WELL OVER 300 MILLION HOURS OF GOVERNMENT-REQUIRED PAPERWORK EACH YEAR. THIS WILL SAVE THE PUBLIC MORE THAN 150 BILLION DOLLARS OVER THE NEXT 10 YEARS.

THE GRACE COMMISSION HAS GIVEN US SOME 2,500 RECOMMENDATIONS FOR REDUCING WASTEFUL SPENDING, AND THEY ARE BEING EXAMINED THROUGHOUT THE ADMINISTRATION. FEDERAL SPENDING GROWTH HAS BEEN CUT FROM 17.4 PERCENT IN 1980 TO LESS THAN HALF THAT TODAY. WE HAVE ALREADY ACHIEVED OVER 300 BILLION DOLLARS IN BUDGET SAVINGS FOR THE PERIOD 1982-86. BUT THAT IS ONLY A LITTLE MORE THAN HALF WHAT WE SOUGHT. GOVERNMENT IS STILL SPENDING TOO LARGE A PERCENTAGE OF THE TOTAL ECONOMY.

SOME INSIST ANY FURTHER BUDGET SAVINGS MUST BE OBTAINED BY REDUCING THE PORTION SPENT ON DEFENSE. WELL, THIS IGNORES THE FACT THAT NATIONAL DEFENSE IS SOLELY THE RESPONSIBILITY OF THE FEDERAL

GOVERNMENT. IT IS ITS PRIME RESPONSIBILITY; YET DEFENSE SPENDING IS LESS THAN A THIRD OF THE TOTAL BUDGET. DURING THE YEARS OF PRESIDENT KENNEDY AND BEFORE, DEFENSE WAS ALMOST HALF THE TOTAL BUDGET. THEN CAME SEVERAL YEARS IN WHICH OUR MILITARY CAPABILITY WAS ALLOWED TO DETERIORATE TO A VERY DANGEROUS DEGREE. WE ARE JUST NOW RESTORING,

THROUGH THE ESSENTIAL MODERNIZATION OF OUR CONVENTIONAL AND STRATEGIC FORCES, OUR CAPABILITY TO MEET OUR PRESENT AND FUTURE SECURITY NEEDS. WE DARE NOT SHIRK OUR RESPONSIBILITY TO KEEP AMERICA FREE, SECURE, AND AT PEACE.

THE LAST DECADE SAW DOMESTIC SPENDING SURGE LITERALLY OUT OF CONTROL. BUT THE BASIS FOR SUCH SPENDING HAD BEEN LAID IN PREVIOUS YEARS. A PATTERN OF OVERSPENDING HAS BEEN IN PLACE FOR HALF A CENTURY. AS THE NATIONAL DEBT GREW, WE WERE TOLD NOT TO WORRY, WE OWED IT TO OURSELVES.

NOW WE KNOW DEFICITS ARE A CAUSE FOR WORRY. BUT THERE IS A DIFFERENCE OF OPINION AS TO WHETHER TAXES SHOULD BE INCREASED, SPENDING CUT, OR SOME OF BOTH. FEAR IS EXPRESSED THAT GOVERNMENT BORROWING TO FUND THE DEFICIT COULD INHIBIT THE ECONOMIC RECOVERY BY TAKING CAPITAL NEEDED FOR BUSINESS AND INDUSTRIAL EXPANSION. I THINK THAT DEBATE IS MISSING AN IMPORTANT POINT. WHETHER GOVERNMENT BORROWS OR INCREASES TAXES, IT WILL BE TAKING THE SAME AMOUNT OF MONEY FROM THE PRIVATE SECTOR, AND, EITHER WAY, IT'S TOO MUCH. SIMPLE FAIRNESS DICTATES GOVERNMENT MUST NOT RAISE TAXES ON FAMILIES STRUGGLING TO PAY THEIR BILLS. THE ROOT OF THE PROBLEM IS THAT GOVERNMENT'S SHARE IS MORE THAN WE CAN AFFORD IF WE ARE TO HAVE A SOUND ECONOMY.

WE MUST BRING THE DEFICITS/ ^{down} TO ENSURE CONTINUED ECONOMIC GROWTH. IN THE BUDGET I WILL SUBMIT ON FEBRUARY 1, I WILL RECOMMEND MEASURES THAT WILL REDUCE THE DEFICIT OVER THE NEXT 5 YEARS. MANY OF THESE WILL BE UNFINISHED BUSINESS FROM LAST YEAR'S BUDGET. SOME COULD BE ENACTED QUICKLY IF WE WOULD JOIN IN A SERIOUS EFFORT TO ADDRESS THIS PROBLEM. I SPOKE TODAY WITH SPEAKER OF THE HOUSE O'NEILL AND SENATE MAJORITY LEADER BAKER. I ASKED THEM IF THEY WOULD DESIGNATE REPRESENTATIVES TO MEET WITH REPRESENTATIVES OF THE ADMINISTRATION -- TO TRY TO REACH PROMPT AGREEMENT ON A BIPARTISAN DEFICIT REDUCTION PLAN. I KNOW IT WOULD TAKE A LONG AND HARD STRUGGLE TO AGREE ON A FULL-SCALE PLAN. SO WHAT I HAVE PROPOSED IS THAT WE FIRST SEE IF WE CAN AGREE ON A DOWNPAYMENT.

I BELIEVE THERE IS A BASIS FOR SUCH AGREEMENT -- ONE THAT COULD REDUCE DEFICITS BY ABOUT ONE HUNDRED BILLION DOLLARS OVER THE NEXT 3 YEARS. WE COULD FOCUS ON SOME OF THE LESS CONTENTIOUS SPENDING CUTS THAT ARE STILL PENDING BEFORE THE CONGRESS. THESE COULD BE COMBINED WITH MEASURES TO CLOSE CERTAIN TAX LOOPHOLES -- MEASURES THAT THE TREASURY DEPARTMENT HAS PREVIOUSLY SAID TO BE WORTHY OF SUPPORT. IN ADDITION, WE COULD EXAMINE THE POSSIBILITY OF ACHIEVING FURTHER OUTLAY SAVINGS BASED ON THE WORK OF THE GRACE COMMISSION.

IF THE SPEAKER AND THE MAJORITY LEADER ARE WILLING, MY REPRESENTATIVES WILL BE PREPARED TO MEET WITH THEIRS AT THE EARLIEST POSSIBLE TIME. I WOULD HOPE THE LEADERSHIP MIGHT AGREE ON AN EXPEDITED TIMETABLE IN WHICH TO DEVELOP AND ENACT THE DOWNPAYMENT.

BUT A DOWNPAYMENT ALONE IS NOT ENOUGH TO BREAK US OUT OF THE DEFICIT PROBLEM. IT COULD HELP START US ON THE RIGHT PATH. YET, WE MUST DO MORE. SO I PROPOSE THAT WE BEGIN EXPLORING HOW TOGETHER WE CAN MAKE STRUCTURAL REFORMS TO CURB THE BUILT-IN GROWTH OF SPENDING.

I ALSO PROPOSE IMPROVEMENTS IN THE BUDGETING PROCESS. SOME 43 OF OUR 50 STATES GRANT THEIR GOVERNORS THE RIGHT TO VETO INDIVIDUAL ITEMS IN APPROPRIATION BILLS WITHOUT HAVING TO VETO THE ENTIRE BILL. CALIFORNIA IS ONE OF THOSE 43 STATES. AS GOVERNOR, I FOUND THIS "LINE-ITEM VETO" WAS A POWERFUL TOOL AGAINST WASTEFUL OF EXTRAVAGANT SPENDING. IT WORKS IN 43 STATES -- LET'S PUT IT TO WORK IN WASHINGTON, D.C. FOR ALL THE PEOPLE.

IT WOULD BE MOST EFFECTIVE IF DONE BY CONSTITUTIONAL AMENDMENT. THE MAJORITY OF AMERICANS APPROVE OF SUCH AN AMENDMENT, JUST AS THEY AND I APPROVE OF AN AMENDMENT MANDATING A BALANCED FEDERAL BUDGET. MANY STATES ALSO HAVE THIS PROTECTION IN THEIR CONSTITUTIONS.

TO TALK OF MEETING THE PRESENT SITUATION BY INCREASING TAXES IS A BAND-AID SOLUTION WHICH DOES NOTHING TO CURE AN ILLNESS THAT HAS BEEN

COMING ON FOR HALF A CENTURY-- TO SAY NOTHING OF THE FACT THAT IT POSES A REAL THREAT TO ECONOMIC RECOVERY. LET'S REMEMBER THAT A SUBSTANTIAL AMOUNT OF INCOME TAX IS PRESENTLY OWED AND NOT PAID BY PEOPLE IN THE UNDERGROUND ECONOMY. IT WOULD BE IMMORAL TO MAKE THOSE WHO ARE PAYING TAXES PAY MORE TO COMPENSATE FOR THOSE WHO AREN'T PAYING THEIR SHARE.

THERE IS A BETTER WAY: LET US GO FORWARD WITH AN HISTORIC REFORM FOR FAIRNESS, SIMPLICITY, AND INCENTIVES FOR GROWTH. I AM ASKING SECRETARY DON REGAN FOR A PLAN FOR ACTION TO SIMPLIFY THE ENTIRE TAX CODE, SO ALL TAXPAYERS, BIG AND SMALL, ARE TREATED MORE FAIRLY. I BELIEVE SUCH A PLAN COULD RESULT IN THAT "UNDERGROUND ECONOMY" BEING BROUGHT INTO THE SUNLIGHT OF HONEST TAX COMPLIANCE; AND IT COULD MAKE THE TAX BASE BROADER SO PERSONAL TAX RATES COULD COME DOWN, NOT GO UP.

I HAVE ASKED THAT SPECIFIC RECOMMENDATIONS, CONSISTENT WITH THESE OBJECTIVES, BE PRESENTED TO ME BY DECEMBER 1984.

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2. DEVELOPING AMERICA'S NEXT FRONTIER

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OUR SECOND GREAT GOAL IS TO BUILD ON AMERICA'S PIONEER SPIRIT AND DEVELOP OUR NEXT FRONTIER. A SPARKLING ECONOMY SPURS INITIATIVE AND INGENUITY TO CREATE SUNRISE INDUSTRIES AND MAKE OLDER ONES MORE COMPETITIVE.

NOWHERE IS THIS MORE TRUE THAN OUR NEXT FRONTIER: SPACE. NOWHERE DO WE SO EFFECTIVELY DEMONSTRATE OUR TECHNOLOGICAL LEADERSHIP AND ABILITY TO MAKE LIFE BETTER ON EARTH. THE SPACE AGE IS BARELY A QUARTER OF A CENTURY OLD, BUT ALREADY WE'VE PUSHED CIVILIZATION FORWARD WITH OUR ADVANCES IN SCIENCE AND TECHNOLOGY. OPPORTUNITIES AND JOBS WILL MULTIPLY AS WE CROSS NEW THRESHOLDS OF KNOWLEDGE AND REACH DEEPER INTO THE UNKNOWN.

OUR PROGRESS IN SPACE -- TAKING GIANT STEPS FOR ALL MANKIND -- IS A TRIBUTE TO AMERICAN TEAMWORK AND EXCELLENCE. OUR FINEST MINDS IN GOVERNMENT, INDUSTRY, AND ACADEMIA HAVE ALL PULLED TOGETHER, AND WE CAN BE PROUD TO SAY: WE ARE FIRST, WE ARE THE BEST, AND WE ARE SO BECAUSE WE ARE FREE.

AMERICA HAS ALWAYS BEEN GREATEST WHEN WE DARED TO BE GREAT. WE CAN REACH FOR GREATNESS AGAIN. WE CAN FOLLOW OUR DREAMS TO DISTANT STARS, LIVING AND WORKING IN SPACE FOR PEACEFUL, ECONOMIC, AND SCIENTIFIC GAIN. TONIGHT, I AM DIRECTING NASA TO DEVELOP A PERMANENTLY-MANNED SPACE STATION, AND TO DO IT WITHIN A DECADE.

A SPACE STATION WILL PERMIT QUANTUM LEAPS IN OUR RESEARCH IN SCIENCE, COMMUNICATIONS, AND IN METALS AND LIFE-SAVING MEDICINES WHICH CAN BE MANUFACTURED ONLY IN SPACE. WE WANT OUR FRIENDS TO HELP US MEET THESE CHALLENGES AND SHARE IN THE BENEFITS. NASA WILL INVITE OTHER COUNTRIES TO PARTICIPATE SO WE CAN STRENGTHEN PEACE, BUILD PROSPERITY, AND EXPAND FREEDOM FOR ALL WHO SHARE OUR GOALS.

JUST AS THE OCEANS OPENED UP A NEW WORLD FOR CLIPPER SHIPS AND YANKEE TRADERS, SPACE HOLDS ENORMOUS POTENTIAL FOR COMMERCE TODAY. THE MARKET FOR SPACE TRANSPORTATION COULD SURPASS OUR CAPACITY TO DEVELOP IT. COMPANIES INTERESTED IN PUTTING PAYLOADS INTO SPACE MUST HAVE READY ACCESS TO PRIVATE SECTOR LAUNCH SERVICES. THE DEPARTMENT OF TRANSPORTATION WILL HELP AN EXPENDABLE LAUNCH SERVICES INDUSTRY TO GET OFF THE GROUND. WE WILL SOON IMPLEMENT A NUMBER OF EXECUTIVE INITIATIVES, DEVELOP PROPOSALS TO EASE REGULATORY CONSTRAINTS, AND, WITH NASA'S HELP, PROMOTE PRIVATE SECTOR INVESTMENT IN SPACE.

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PRESERVING EARTH'S RESOURCES

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AND AS WE DEVELOP THE FRONTIER OF SPACE, LET US REMEMBER OUR RESPONSIBILITY TO PRESERVE OUR OLDER RESOURCES HERE ON EARTH. PRESERVATION OF OUR ENVIRONMENT IS NOT A LIBERAL OR CONSERVATIVE CHALLENGE, IT'S COMMON SENSE.

THOUGH THIS IS A TIME OF BUDGET RESTRAINTS, I HAVE REQUESTED FOR ONE OF THE LARGEST PERCENTAGE BUDGET INCREASE OF ANY AGENCY. WE WILL BEGIN THE LONG, NECESSARY EFFORT TO CLEAN UP A PRODUCTIVE, RECREATIONAL AREA AND A SPECIAL NATIONAL RESOURCE -- THE CHESAPEAKE BAY.

TO REDUCE THE THREAT POSED BY ABANDONED HAZARDOUS WASTE DUMPS, EPA WILL SPEND FOUR HUNDRED TEN MILLION DOLLARS THIS YEAR AND I WILL REQUEST A SUPPLEMENTAL INCREASE OF 50 MILLION DOLLARS. AND BECAUSE THE SUPERFUND LAW EXPIRES IN 1985, I HAVE ASKED BILL RUCKELSHAUS TO DEVELOP A PROPOSAL FOR ITS EXTENSION SO WE WILL HAVE ADDITIONAL TIME TO COMPLETE THIS IMPORTANT TASK.

ON THE QUESTION OF ACID RAIN, WHICH CONCERNS PEOPLE IN MANY AREAS OF THE U.S. AND CANADA, I AM PROPOSING A RESEARCH PROGRAM THAT DOUBLES OUR CURRENT FUNDING. AND WE WILL TAKE ADDITIONAL ACTION TO RESTORE OUR LAKES AND DEVELOP NEW TECHNOLOGY TO REDUCE POLLUTION THAT CAUSES ACID RAIN.

WE HAVE RECENTLY IMPROVED THE CONDITIONS OF OUR NATURAL RESOURCES. WE'LL ASK THE CONGRESS FOR 157 MILLION DOLLARS BEGINNING IN 1985 TO ACQUIRE NEW PARK AND CONSERVATION LANDS. THE DEPARTMENT OF THE INTERIOR WILL ENCOURAGE CAREFUL, SELECTIVE EXPLORATION AND PRODUCTION OF OUR VITAL RESOURCES IN AN EXCLUSIVE ECONOMIC ZONE WITHIN THE 200-MILE LIMIT OFF OUR COASTS -- BUT WITH STRICT ADHERENCE TO ENVIRONMENTAL LAWS AND WITH FULLER STATE AND PUBLIC PARTICIPATION.

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3. STRENGTHENING TRADITIONAL VALUES

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BUT OUR MOST PRECIOUS RESOURCES, OUR GREATEST HOPE FOR THE FUTURE, ARE THE MINDS AND HEARTS OF OUR PEOPLE, ESPECIALLY OUR CHILDREN. WE CAN HELP THEM BUILD TOMORROW BY STRENGTHENING OUR COMMUNITY OF SHARED VALUES. THIS MUST BE OUR THIRD GREAT GOAL. FOR US, FAITH, FAMILY, WORK, NEIGHBORHOOD, FREEDOM AND PEACE ARE NOT JUST WORDS. THEY ARE EXPRESSIONS OF WHAT AMERICA MEANS, DEFINITIONS OF WHAT MAKES US GOOD AND LOVING PEOPLE.

FAMILIES STAND AT THE CENTER OF OUR SOCIETY. AND EVERY FAMILY HAS A PERSONAL STAKE IN PROMOTING EXCELLENCE IN EDUCATION. EXCELLENCE DOES NOT BEGIN IN WASHINGTON. A 600-PERCENT INCREASE IN FEDERAL SPENDING ON EDUCATION BETWEEN 1960 AND 1980 WAS ACCOMPANIED BY A STEADY DECLINE IN SAT SCORES. EXCELLENCE MUST BEGIN IN OUR HOMES AND NEIGHBORHOOD SCHOOLS, WHERE IT'S THE RESPONSIBILITY OF EVERY PARENT AND TEACHER AND THE RIGHT OF EVERY CHILD.

OUR CHILDREN COME FIRST. THAT'S WHY I ESTABLISHED A BIPARTISAN NATIONAL COMMISSION ON EXCELLENCE IN EDUCATION, TO HELP US CHART A COMMON SENSE COURSE FOR BETTER EDUCATION. ALREADY, COMMUNITIES ARE IMPLEMENTING THE COMMISSION'S RECOMMENDATIONS. SCHOOLS ARE REPORTING PROGRESS IN MATH AND READING SKILLS. BUT WE MUST DO MORE TO RESTORE DISCIPLINE TO SCHOOLS; AND WE MUST ENCOURAGE THE TEACHING OF NEW BASICS, REWARD TEACHERS OF MERIT, ENFORCE TOUGHER STANDARDS, AND PUT OUR PARENTS BACK IN CHARGE.

I WILL CONTINUE TO PRESS FOR TUITION TAX CREDITS TO EXPAND OPPORTUNITIES FOR FAMILIES, AND TO SOFTEN THE DOUBLE PAYMENT FOR THOSE PAYING PUBLIC SCHOOL TAXES AND PRIVATE SCHOOL TUITION. OUR PROPOSAL WOULD TARGET ASSISTANCE TO LOW-AND MIDDLE-INCOME FAMILIES. JUST AS MORE INCENTIVES ARE NEEDED WITHIN OUR SCHOOLS, GREATER COMPETITION IS NEEDED AMONG OUR SCHOOLS. WITHOUT STANDARDS AND COMPETITION THERE CAN BE NO CHAMPIONS, NO RECORDS BROKEN, NO EXCELLENCE -- IN EDUCATION OR ANY OTHER WALK OF LIFE.

AND WHILE I'M ON THIS SUBJECT -- EACH DAY, YOUR MEMBERS OBSERVE A 200-YEAR-OLD TRADITION MEANT TO SIGNIFY AMERICA IS ONE NATION UNDER GOD. I MUST ASK: IF YOU CAN BEGIN YOUR DAY WITH A MEMBER OF THE CLERGY STANDING RIGHT HERE TO LEAD YOU IN PRAYER, THEN WHY CAN'T

FREEDOM TO ACKNOWLEDGE GOD BE ENJOYED AGAIN BY CHILDREN IN EVERY SCHOOLROOM ACROSS THIS LAND?

AMERICA WAS FOUNDED BY PEOPLE WHO BELIEVED THAT GOD WAS THEIR ROCK OF SAFETY. HE IS OURS. I RECOGNIZE WE MUST BE CAUTIOUS IN CLAIMING THAT GOD IS ON OUR SIDE. BUT I THINK IT'S ALRIGHT TO KEEP ASKING IF WE ARE ON HIS SIDE.

DURING OUR FIRST 3 YEARS, WE HAVE JOINED BIPARTISAN EFFORTS TO RESTORE PROTECTION OF THE LAW TO UNBORN CHILDREN. I KNOW THIS ISSUE IS VERY CONTROVERSIAL. BUT UNLESS AND UNTIL IT CAN BE PROVEN THAT AN UNBORN CHILD IS NOT A LIVING HUMAN BEING, CAN WE JUSTIFY ASSUMING WITHOUT PROOF THAT IT ISN'T? NO ONE HAS YET OFFERED SUCH PROOF. INDEED, ALL THE EVIDENCE IS TO THE CONTRARY. WE SHOULD RISE ABOVE BITTERNESS AND REPROACH. AND IF AMERICANS COULD COME TOGETHER IN A SPIRIT OF UNDERSTANDING AND HELPING, THEN WE COULD FIND POSITIVE SOLUTIONS TO THE TRAGEDY OF ABORTION.

ECONOMIC RECOVERY, BETTER EDUCATION, REDEDICATION TO VALUES ALL SHOW THE SPIRIT OF RENEWAL GAINING THE UPPER HAND. AND ALL WILL IMPROVE FAMILY LIFE IN THE EIGHTIES. BUT FAMILIES NEED MORE. THEY NEED ASSURANCE THAT THEY AND THEIR LOVED ONES CAN WALK THE STREETS OF AMERICA WITHOUT BEING AFRAID. PARENTS NEED TO KNOW THEIR CHILDREN WILL NOT BE VICTIMS OF CHILD PORNOGRAPHY AND ABDUCTION. THIS YEAR WE WILL INTENSIFY OUR DRIVE AGAINST THESE AND OTHER HORRIBLE CRIMES LIKE SEXUAL ABUSE AND FAMILY VIOLENCE. ALREADY, OUR EFFORTS TO CRACK DOWN ON CAREER CRIMINALS, ORGANIZED CRIME, DRUG PUSHERS, AND TO ENFORCE TOUGHER AND SENTENCES AND PAROLES ARE HAVING EFFECT. IN 1982, THE CRIME RATE DROPPED BY 4.3 PERCENT, THE BIGGEST DECLINE SINCE 1972. PROTECTING VICTIMS IS JUST AS IMPORTANT AS SAFEGUARDING THE RIGHTS OF DEFENDANTS.

OPPORTUNITIES FOR ALL AMERICAN WILL INCREASE IF WE MOVE FORWARD ON FAIR HOUSING, AND WORK TO ENSURE WOMEN'S RIGHTS, PROVIDE FOR EQUITABLE TREATMENT IN PENSION BENEFITS AND INDIVIDUAL RETIREMENT ACCOUNTS, FACILITATE CHILD CARE, AND ENFORCE DELINQUENT PARENT SUPPORT PAYMENTS.

IT IS NOT JUST THE HOME BUT THE WORKPLACE AND COMMUNITY THAT SUSTAIN OUR VALUES AND SHAPE OUR FUTURE. SO I ASK YOUR HELP IN ASSISTING MORE COMMUNITIES TO BREAK THE BONDAGE OF DEPENDENCY. HELP US TO FREE ENTERPRISE BY PERMITTING DEBATE AND VOTING "YES" ON OUR PROPOSAL FOR ENTERPRISE ZONES IN AMERICA. THIS HAS BEEN BEFORE YOU FOR TWO YEARS. ITS PASSAGE CAN HELP HIGH-UNEMPLOYMENT AREAS BY CREATING JOBS AND RESTORING NEIGHBORHOODS.

A SOCIETY BURSTING WITH OPPORTUNITIES, REACHING FOR ITS FUTURE WITH CONFIDENCE, SUSTAINED BY FAITH, FAIR PLAY, AND A CONVICTION THAT GOOD AND COURAGEOUS PEOPLE WILL FLOURISH WHEN THEY ARE FREE -- THESE ARE THE SECRETS OF A STRONG AND PROSPEROUS AMERICA, AT PEACE WITH ITSELF AND THE WORLD.

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4. BUILDING A MEANINGFUL PEACE

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A LASTING AND MEANINGFUL PEACE IS OUR FOURTH GREAT GOAL. IT IS OUR HIGHEST ASPIRATION. AND OUR RECORD IS CLEAR: AMERICANS RESORT TO FORCE ONLY WHEN WE MUST. WE HAVE NEVER BEEN AGGRESSORS. WE HAVE ALWAYS STRUGGLED TO DEFEND FREEDOM AND DEMOCRACY.

WE HAVE NO TERRITORIAL AMBITIONS. WE OCCUPY NO COUNTRIES. WE BUILD NO WALLS TO LOCK PEOPLE IN. AMERICANS BUILD THE FUTURE. AND OUR VISION OF A BETTER LIFE FOR FARMERS, MERCHANTS, AND WORKING PEOPLE, FROM THE AMERICAS TO ASIA, BEGINS WITH A SIMPLE PREMISE: THE FUTURE IS BEST DECIDED BY BALLOTS, NOT BULLETS.

GOVERNMENTS WHICH REST UPON THE CONSENT OF THE GOVERNED DO NOT WAGE WAR ON THEIR NEIGHBORS. ONLY WHEN PEOPLE ARE GIVEN A PERSONAL STAKE IN DECIDING THEIR OWN DESTINY AND BENEFITTING FROM THEIR OWN RIGHTS -- DO THEY CREATE SOCIETIES THAT ARE PROSPEROUS, PROGRESSIVE, AND FREE.

TONIGHT, IT IS DEMOCRACIES THAT OFFER HOPE BY FEEDING THE HUNGRY, PROLONGING LIFE, AND ELIMINATING DRUDGERY.

WHEN IT COMES TO KEEPING AMERICA STRONG, FREE, AND AT PEACE, THERE SHOULD BE NO REPUBLICANS OR DEMOCRATS, JUST PATRIOTIC AMERICANS. WE CAN DECIDE THE TOUGH ISSUES NOT BY WHO IS RIGHT, BUT BY WHAT IS RIGHT.

TOGETHER, WE CAN CONTINUE TO ADVANCE OUR AGENDA FOR PEACE. WE CAN: ESTABLISH A MORE STABLE BASIS FOR PEACEFUL RELATIONS WITH THE SOVIET UNION;

STRENGTHEN ALLIED RELATIONSHIPS ACROSS THE BOARD;

ACHIEVE REAL AND EQUITABLE REDUCTIONS IN THE LEVELS OF NUCLEAR ARMS;

REINFORCE OUR PEACEMAKING EFFORTS IN THE MIDDLE EAST, CENTRAL AMERICA, AND SOUTHERN AFRICA;

ASSIST DEVELOPING COUNTRIES, PARTICULARLY OUR NEIGHBORS IN THE WESTERN HEMISPHERE; AND

ASSIST IN THE DEVELOPMENT OF DEMOCRATIC INSTITUTIONS THROUGHOUT THE WORLD.

THE WISDOM OF OUR BIPARTISAN COOPERATION WAS SEEN IN THE WORK OF THE SCOWCROFT COMMISSION, WHICH STRENGTHENED OUR ABILITY TO DETER WAR AND PROTECT PEACE. IN THAT SAME SPIRIT, I URGE YOU TO MOVE FORWARD WITH THE JACKSON PLAN TO IMPLEMENT THE RECOMMENDATIONS OF THE BIPARTISAN COMMISSION ON CENTRAL AMERICA.

YOUR JOINT RESOLUTION ON THE MULTINATIONAL PEACEKEEPING FORCE IN LEBANON IS ALSO SERVING THE CAUSE OF PEACE. WE ARE MAKING PROGRESS IN LEBANON. FOR NEARLY 10 YEARS, THE LEBANESE HAVE LIVED FROM TRAGEDY TO TRAGEDY, WITH NO HOPE FOR THEIR FUTURE. NOW, THE MULTINATIONAL PEACEKEEPING FORCE AND OUR MARINES ARE HELPING THEM BREAK THEIR CYCLE OF DESPAIR. THERE IS HOPE FOR A FREE, INDEPENDENT, AND SOVEREIGN LEBANON. WE MUST HAVE COURAGE TO GIVE PEACE A CHANCE. AND WE MUST NOT BE DRIVEN FROM OUR OBJECTIVES FOR PEACE IN LEBANON BY STATE-SPONSORED TERRORISM. WE HAVE SEEN THIS UGLY SPECTRE IN BEIRUT, KUWAIT, AND RANGOON. IT DEMANDS INTERNATIONAL ATTENTION. I WILL FORWARD SHORTLY LEGISLATIVE PROPOSALS TO HELP COMBAT TERRORISM, AND I WILL BE SEEKING SUPPORT FROM OUR ALLIES FOR CONCERTED ACTION.

OUR NATO ALLIANCE IS STRONG. 1983 WAS A BANNER YEAR FOR POLITICAL COURAGE. AND WE HAVE STRENGTHENED OUR PARTNERSHIPS AND FRIENDSHIPS IN THE FAR EAST. WE ARE COMMITTED TO DIALOGUE, DETERRENCE, AND PROMOTING PROSPERITY. WE WILL WORK WITH OUR TRADING PARTNERS FOR A NEW ROUND OF NEGOTIATIONS IN SUPPORT OF FREER WORLD TRADE, GREATER COMPETITION, AND MORE OPEN MARKETS.

A REBIRTH OF BIPARTISAN COOPERATION, RESTORATION OF ECONOMIC GROWTH AND MILITARY DETERRENCE, AND A GROWING SPIRIT OF UNITY AMONG OUR PEOPLE AT HOME AND OUR ALLIES ABROAD UNDERLINE A FUNDAMENTAL AND FAR-REACHING CHANGE: THE UNITED STATES IS SAFER, STRONGER, AND MORE SECURE IN 1984 THAN BEFORE. WE CAN NOW MOVE WITH CONFIDENCE TO SEIZE THE OPPORTUNITIES FOR PEACE -- AND WE WILL.

TONIGHT, I WANT TO SPEAK TO THE PEOPLE OF THE SOVIET UNION TO TELL THEM: IT'S TRUE OUR GOVERNMENTS HAVE HAD SERIOUS DIFFERENCES. BUT OUR SONS AND DAUGHTERS HAVE NEVER FOUGHT EACH OTHER IN WAR. IF WE AMERICANS HAVE OUR WAY, THEY NEVER WILL.

PEOPLE OF THE SOVIET UNION, THERE IS ONLY ONE SANE POLICY, FOR YOUR COUNTRY AND MINE, TO PRESERVE OUR CIVILIZATION IN THIS MODERN AGE: A NUCLEAR WAR CANNOT BE WON AND MUST NEVER BE FOUGHT. THE ONLY VALUE IN OUR TWO NATIONS POSSESSING NUCLEAR WEAPONS IS TO MAKE SURE THEY WILL NEVER BE USED. BUT THEN WOULD IT NOT BE BETTER TO DO AWAY WITH THEM ENTIRELY?

PRESIDENT DWIGHT EISENHOWER, WHO FOUGHT BY YOUR SIDE IN WORLD WAR II, SAID THE ESSENTIAL STRUGGLE "IS NOT MERELY MAN AGAINST MAN OR NATION AGAINST NATION. IT IS MAN AGAINST WAR."

AMERICANS ARE PEOPLE OF PEACE. IF YOUR GOVERNMENT WANTS PEACE,

THERE WILL BE PEACE. WE CAN COME TOGETHER IN FAITH AND FRIENDSHIP TO BUILD A SAFER AND FAR BETTER WORLD FOR OUR CHILDREN AND OUR CHILDREN'S CHILDREN. AND THE WHOLE WORLD WILL REJOICE. THAT IS MY MESSAGE TO YOU.

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AMERICA'S HEROES -- AMERICA'S VISION

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SOME DAYS WHEN LIFE SEEMS HARD, AND WE REACH OUT FOR VALUES TO SUSTAIN US, OR A FRIEND TO HELP US, WE FIND A PERSON WHO REMINDS US WHAT IT MEANS TO BE AMERICANS.

SERGEANT STEPHEN TRUJILLO, A MEDIC IN THE 2ND RANGER BATTALION, 75TH INFANTRY, WAS IN THE FIRST HELICOPTER TO LAND AT THE COMPOUND HELD BY CUBAN FORCES ON GRENADA. HE SAW THREE OTHER HELICOPTERS CRASH. DESPITE THE IMMINENT EXPLOSION OF THE BURNING AIRCRAFT, HE NEVER HESITATED. HE RAN ACROSS 25 YARDS OF OPEN TERRAIN THROUGH ENEMY FIRE TO RESCUE WOUNDED SOLDIERS. HE DIRECTED TWO OTHER MEDICS, ADMINISTERED FIRST AID, AND RETURNED AGAIN AND AGAIN TO THE CRASH SITE TO CARRY HIS WOUNDED FRIENDS TO SAFETY.

SERGEANT TRUJILLO, YOU AND YOUR FELLOW SERVICEMEN AND WOMEN NOT ONLY SAVED INNOCENT LIVES, YOU SET A NATION FREE. YOU INSPIRE US AS A FORCE FOR FREEDOM, NOT TYRANNY; FOR DEMOCRACY, NOT DESPOTISM; AND YES, FOR PEACE NOT CONQUEST -- GOD BLESS YOU.

AND THEN THERE ARE UNSUNG HEROES: SINGLE PARENTS, COUPLES, CHURCH AND CIVIC VOLUNTEERS, THEIR HEARTS CARRY WITHOUT COMPLAINT THE PAINS OF FAMILY AND COMMUNITY PROBLEMS. THEY SOOTHE OUR SORROW, HEAL OUR WOUNDS, CALM OUR FEARS, AND SHARE OUR JOY.

A PERSON LIKE FATHER RITTER IS ALWAYS THERE. HIS COVENANT HOUSE PROGRAMS IN NEW YORK AND HOUSTON PROVIDE SHELTER AND HELP TO THOUSANDS OF FRIGHTENED AND ABUSED CHILDREN EACH YEAR. THE SAME IS TRUE OF DR. CHARLES CARSON. PARALYZED IN A PLANE CRASH, HE STILL BELIEVED NOTHING IS IMPOSSIBLE. TODAY, IN MINNESOTA, HE WORKS 80 HOURS A WEEK WITHOUT PAY, HELPING PIONEER THE FIELD OF COMPUTER-CONTROLLED WALKING. HE HAS GIVEN HOPE TO 500,000 PARALYZED AMERICANS THAT SOMEDAY THEY MAY WALK AGAIN.

HOW CAN WE NOT BELIEVE IN THE GOODNESS AND GREATNESS OF AMERICANS? HOW CAN WE NOT DO WHAT IS RIGHT AND NEEDED TO PRESERVE THIS LAST, BEST HOPE OF MAN ON EARTH?

AFTER ALL OUR STRUGGLES TO RESTORE AMERICA, TO REVIVE CONFIDENCE IN OUR COUNTRY AND HOPE FOR OUR FUTURE; AFTER ALL OUR HARD-WON VICTORIES EARNED THROUGH THE PATIENCE AND COURAGE OF EVERY CITIZEN -- WE CANNOT, MUST NOT AND WILL NOT TURN BACK, WE WILL FINISH OUR JOB. HOW COULD WE DO LESS; WE ARE AMERICANS.

CARL SANDBURG SAID, I SEE AMERICA, NOT IN THE SETTING SUN OF A BLACK NIGHT OF DESPAIR... I SEE AMERICA IN THE CRIMSON LIGHT OF A RISING SUN FRESH FROM THE BURNING CREATIVE HAND OF GOD.... I SEE GREAT DAYS AHEAD FOR MEN AND WOMEN OF WILL AND VISION.

I'VE NEVER FELT MORE STRONGLY THAT AMERICA'S BEST DAYS, AND DEMOCRACY'S BEST DAYS, LIE AHEAD. WE ARE A POWERFUL FORCE FOR GOOD. WITH FAITH AND COURAGE, WE CAN PERFORM GREAT DEEDS AND TAKE FREEDOM'S NEXT STEP. AND WE WILL. WE WILL CARRY ON THE TRADITIONS OF A GOOD AND WORTHY PEOPLE WHO HAVE BROUGHT LIGHT WHERE THERE WAS DARKNESS, WARMTH WHERE THERE WAS COLD, MEDICINES WHERE THERE WAS DISEASE, FOOD WHERE THERE WAS HUNGER, AND PEACE WHERE THERE WAS ONLY BLOODSHED.

LET US BE SURE THAT THOSE WHO COME AFTER WILL SAY OF US THAT, IN OUR TIME, WE DID EVERYTHING THAT COULD BE DONE: WE FINISHED THE RACE, WE KEPT THEM FREE, WE KEPT THE FAITH.

RECORD OF A MEETING AT THE FOREIGN AND COMMONWEALTH OFFICE
BETWEEN THE MINISTER OF STATE, BARONESS YOUNG, AND A UNITED
STATES CONGRESSIONAL DELEGATION: 23 JANUARY AT 1200 HOURS

Those Present:-

Baroness Young
Mr Richards, ECD(E)
Mr Crabbie, Defence Department
Mr MacLennan, NAD
Mr Eldon, Private Secretary/Lady Young

Representatives

Mr Tom Lantos - Leader
Mr Larry Winn Jr
Mr Bill Frenzel
Mr Tom Coleman
Mr William M Thomas
Mr John F Seiberling
Mr William D Lowery
Mr Guy A Vander Jagt

Staffers

Ms Annette Lantos
Mr Chips Chester
Mr Kenneth B Moss
Ms Roxanne Perugino
Mr Donald R Fortier
Ms Ann Stout
Mr Lewis Murray
Mr Leon Pfeiffer

1. Lady Young began by welcoming the delegation and conveying the regrets of both the Prime Minister and the Secretary of State that other engagements had not allowed them to meet the delegation. She would however be reporting to them both on the meeting. The British Government attached very great importance to the Anglo/US relationship and valued such visits.

Grenada

2. In response to a request from Mr Lantos, Lady Young gave some impressions of her latest visit to Grenada. The Island was at peace, there was little sign of fighting and the US presence was unobtrusive. She had seen both Sir Paul Scoon and Mr Braithwaite, the Head of the Interim Administration. Both had said they hoped for elections by the end of the year, though there was some feeling on the Island that they should be postponed. The UK had made available £3/4 million aid up to March 1984 and much of this would be spent on police training. We had seconded two CID officers to help in collecting evidence for the trials of Coard and others. We had also offered to help with the supervision of elections. In general, Lady Young said she had come away encouraged, though there remained the considerable problem of what to do about the large number of former members of the Peoples Revolutionary Army who had suddenly found themselves unemployed as a result of the US intervention.

3. Mr Lantos asked whether, leaving aside the matter of advance consultation, we approved of the US action. Lady Young said

there was no doubt that the Grenadians and other East Caribbean countries had welcomed the US action. We had disagreed at the time but the important thing now was to look to the future. Mr Winn, referring to press reports in that morning's papers of the Prime Minister's interview with the New York Times, wondered why Mrs Thatcher had raised again the question of lack of consultation. Lady Young said she had not seen the article in question. It was true that we had taken a different view at the time, and as a result of the US action questions had been raised about the arrangements for the control of Intermediate Range Nuclear Missiles based in Britain. We had made it clear that the two issues were not comparable; as far as Grenada was concerned the important thing now was to concentrate on the future. Mr Frenzel wondered whether we would have taken part in the intervention if we had been asked to. Lady Young said that the Grenada affair had underlined the need for the UK and US to consult closely on issues of this sort.

Falklands/Argentina

4. Referring to the US certification of Argentina, Lady Young said it was understood by us that this did not automatically mean arms sales. We had received welcome assurances from Mr Weinberger and others about this. The Administration understood our concerns and had been very helpful. US certification had been difficult to explain to the public in the UK but the advance warning and consultation that had taken place had made it possible to prepare the ground.

5. Lady Young said we had welcomed the return of democracy to Argentina and the Prime Minister had sent a message of congratulation to Alfonsin. We were ready to see better relations with Argentina in a number of areas, notably economic commercial relations. It might eventually be possible to do something on diplomatic relations. But we could not negotiate the sovereignty of the Falklands. It had been useful for her to talk to the Falkland Islanders about this during her recent visit to the Islands; and she had also looked at economic and other developments there. The new airport would have an important civilian role and had been recommended by Lord Shackleton as long ago as 1976. There were encouraging signs that the Islands' economy was improving. A number of the larger estates had been sold off and small businesses started.

Middle East

6. In response to a question from Mr Lantos about possible developments in Lebanon, Lady Young said that it was not in our interests to remove our forces from the MNF. The alternative of a UN force could prove difficult to organise and we were ready to leave our MNF contingent in Lebanon as long as they had a role to play. We still thought the long term prospects for peace lay with the Reagan plan. It was important now to support the moderate Arabs. Mr Lantos wondered whether Syria was acting independently or under the control of the Soviet Union.

/Lady Young

Lady Young referred to the Secretary of State's recent meeting with President Assad in Damascus. We would like Syria to withdraw from Lebanon but recognised that this was probably contingent on Israeli withdrawal. Mr Lantos commented that he saw little prospect of that.

Enlargement of EC

7. Mr Vander Jagt asked about the prospects for Spanish and Portuguese accession to the EC. Lady Young said the present timetable envisaged accession by the beginning of 1986. Discussion was continuing on detailed arrangements. Prior legislation would be necessary in the UK.

Turkey

8. Mr Vander Jagt wondered if there was anything the EC could do to encourage progress towards full democracy in Turkey. Lady Young said we welcomed the Turkish elections as a step in the right direction. We valued the Turkish presence in NATO and hoped that they might move further down the road towards democracy. Turkey was not of course in the EC but Britain had good relations with Turkey and there had been plenty of Ministerial contact in the course of which we had raised frankly our concerns about human rights.

Cyprus

9. In response to a question from Mr Coleman, Lady Young said the immediate problem in Cyprus was to deal with the Turkish Cypriot declaration of UDI. This had been condemned by the US, the UK and others in Europe. We had called for consultations under the Treaty of Guarantee, but so far Greece and Turkey had set mutually incompatible pre-conditions for such talks. Close UK/US collaboration was important and it was important that nothing should be done by anyone which would make matters worse. In UK's view, the best way forward was to support the UN Secretary-General. We hoped the parties were serious in their search for a solution. If partition became permanent, there could be serious consequences.

NATO

10. Mr Seiberling asked about feeling in US and in Europe that conventional forces should be strengthened to reduce the likelihood of the use of nuclear weapons. Lady Young said that NATO had been one of the great post-war success stories. But there was a risk of a generation gap with the importance of NATO and the value of the US contribution today, not being fully appreciated. NATO was one of the pillars of the UK's Foreign Policy and we had played a full part in meeting the 3% real growth target. But it was also important to keep negotiating with the Russians.

11. Mr Lantos wondered about the Soviet Union's motives in walking out of the Geneva talks and asked how we saw the

/dynamics

dynamics of East/West relations. Lady Young said that we had regretted the Soviet Union's decision to leave the INF talks. But we had supported the line taken by President Reagan in his 16 January speech and were glad that Mr Shultz had met Mr Gromyko at the CDE. Sir G Howe had also had a useful meeting with him. It was clear that improving relations with the Russians could be a slow business but this did not mean we should stop looking for a dialogue with the Soviet Union and the East Europeans. We had to understand each other's concerns. Mr Lantos said that he and his wife were frequent visitors to Hungary and he could assure us that Mrs Thatcher's planned visit was very welcome. Hungary was desperate for contact with the West.

Terrorism

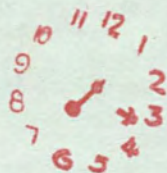
12. Mr Lantos then asked whether we saw state-supported terrorism as a possible new and dangerous trend. Lady Young said that terrorism was a very serious matter. The UK resolutely refused to give in to any form of blackmail. She was sure that there was already good international co-operation between us on this.

13. After a short exchange on the Harrods bombing, the meeting ended at 1250 hours.

Distribution:-

PS
PS/Lady Young
NAD
WIAD
FID
Defence Department
Soviet Department
EED
NENAD
ECD(E)
SED
RID
MAED
No 10 Downing Street
Chancery, Washington

-2 FEB 1984





CABINET OFFICE

With the compliments of
The Private Secretary to the
Secretary of the Cabinet

A.S.C. 2/11.

70 Whitehall, London SW1A 2AS
Telephone 01-233 8319

CAB/WHOUSE 001/20

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FM CABINET OFFICE
TO WHITE HOUSE

BT

C O N F I D E N T I A L

FOLLOWING FOR MR ROBERT C MCFARLANE FROM SIR ROBERT ARMSTRONG

c- Mr. Coles (No. 10)

DEAR BUD,

THANK YOU FOR YOUR MESSAGE OF 16 JANUARY.

I HAVE NOW HAD AN OPPORTUNITY TO SEEK THE PRIME MINISTER'S VIEW. SHE HAS ASKED ME TO SAY THAT SHE HOPES THAT THE PRESIDENT WILL FEEL ABLE TO RECEIVE MR KINNOCK, THOUGH IT NEED NOT NECESSARILY BE FOR A LONG MEETING. SHE HERSELF WAS RECEIVED BY TWO SUCCESSIVE PRESIDENTS WHEN SHE WAS LEADER OF THE OPPOSITION, AND SHE FEARS THAT, IF MR KINNOCK WERE NOT RECEIVED BY THE PRESIDENT, THERE COULD BE ADVERSE COMMENT HERE, AND POSSIBLY SOME DAMAGE TO LABOUR PARTY ATTITUDES ON ANGLO-AMERICAN RELATIONS WHICH THE PRIME MINISTER WOULD PREFER TO AVOID.

WITH BEST WISHES,

YOURS SINCERELY,

ROBERT

BT

NNNN

SEBT AT 201128Z KJM

USA: UK Relations Pt 2

file

BR



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Thank you for your manuscript minute of 17 January about the enquiry from the White House as to whether the Prime Minister believes that the President should agree to see Mr. Neil Kinnock during the latter's visit to the United States next month.

This matter was discussed at the Foreign and Commonwealth Secretary's meeting with the Prime Minister this morning.

It is the Prime Minister's view, supported by Sir Geoffrey Howe, that since she was received by the President of the United States when she was Leader of the Opposition - and since it is her practice to see Opposition Leaders who visit London, it would be right for President Reagan to receive Mr. Kinnock. It would not necessarily have to be a long meeting.

The Prime Minister would be grateful if you could reply accordingly to the White House.

I am copying this minute to Mr. Fall (Foreign and Commonwealth Office).

A. J. COLES

KVR

18 January 1984

Personal



From the Secretary of the Cabinet

Mr. Coles

Minute sent.

A.S.C. $\frac{18.}{1}$

May I please have p.a. instructions as to how I should reply to the attached communication from the National Security Adviser at the White House?

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O 161807Z JAN 84

FM THE WHITE HOUSE

TO CABINET OFFICE

ZEM

C O N F I D E N T I A L VIA CABINET OFFICE CHANNELS WH00360

FOR SIR ROBERT ARMSTRONG FROM ROBERT C. MCFARLANE

JANUARY 16, 1984

DEAR SIR ROBERT:

OPPOSITION LEADER NEIL KINNOCK WILL BE IN THE U.S. IN FEBRUARY AND IS SEEKING AN APPOINTMENT WITH THE PRESIDENT. DURING KINNOCKS WASHINGTON VISIT, HE WILL, I UNDERSTAND, BE MEETING WITH SECRETARIES SHULTZ AND WEINBERGER. THE VICE PRESIDENT, WHO OFTEN MEETS WITH OPPOSITION LEADERS, WILL EITHER BE OUT OF TOWN OR JUST RETURNING DURING KINNOCKS VISIT.

WHILE THE PRESIDENT IS NOT INCLINED TO MEET WITH KINNOCK, WE DO NOT WISH TO CREATE A POLITICAL CONTROVERSY IN BRITAIN. THEREFORE, IF MRS. THATCHER BELIEVES THAT THE PRESIDENT SHOULD AGREE TO SEE HIM, PLEASE LET ME KNOW. I AM VERY PLEASED THAT OUR CLOSE RELATIONS MAKES IT POSSIBLE TO POSE SUCH FRANK AND DIRECT QUESTIONS.

WE ARE DELIGHTED THAT GEORGE SHULTZ HAD AN OPPORTUNITY TO REVIEW MATTERS OF MUTUAL INTEREST WITH MRS. THATCHER AND GEOFFREY HOWE ON HIS WAY TO STOCKHOLM.

WITH BEST WISHES,

SINCERELY,

BUD

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EMBASSY OF THE UNITED STATES OF AMERICA
LONDON, ENGLAND

CHARLES H. PRICE II
AMBASSADOR

A.S.C. 16/1

f.a.

12 January 1984

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

Dear Mr. Coles:

Thank you for the information about the police force in Grenada that I had asked about during my visit with the Prime Minister.

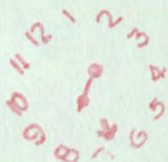
I also want to thank you for your assistance in arranging the dinner for the Prime Minister on April 4. If I can ever be of any help to you over here at any time, I hope you will give me a call.

Sincerely,

A handwritten signature in blue ink that reads "Charles H. Price II". The signature is written in a cursive style with a long, sweeping tail on the "z" at the end.
Charles H. Price, II

EMBASSY OF THE UNITED STATES OF AMERICA
LONDON, ENGLAND

16 JAN 1984



CHARLES H. BRIDGE JR.
AMBASSADOR

EMBASSY OF THE UNITED STATES OF AMERICA
LONDON, ENGLAND



PRIME MINISTER

DINNER WITH THE AMERICAN AMBASSADOR

You may recall that in a personal letter just after Christmas Mr. Price raised the possibility of giving a dinner for you. His office have now been in touch with me to follow this up.

You are seeing Mr. Shultz on Sunday and the US Vice-President on 9 February. I therefore suggest that we have enough Anglo/US events in the near future. Caroline tells me that the most convenient date on which you could accept an invitation to dinner with the US Ambassador would be 4 April (Wednesday). May I suggest this day to the US Embassy?

BR

A.S.C.

Yes no

Mr. Lyder. ✓
CR
int.

The Ambassador will arrange a dinner on 4 April.

10 January 1984

A.S.C. 1/11
Have sent a note to B.D.T.
CR

file

Bre



10 DOWNING STREET

From the Private Secretary

10 January 1984

Visit of US Congressional Delegation: 23 January

Thank you for your letter of 9 January.

As you know, the Prime Minister is going to Paris on 23 January and there is no possibility of her receiving foreign visitors on that day. I therefore suggest that Lady Young receives the delegation and speaks as in the last paragraph of your letter. She will of course be able to add, on the day, on the assumption that an announcement has already been made, that it was the Prime Minister's plan to visit Paris which made it impossible for her to receive the delegation.

A. J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office

R



10 DOWNING STREET

~~ATC~~

wed 4 april.
the alternative.

CR.

10/1

020
RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

9 January 1984

John Johnson

Visit of US Congressional Delegation: 23 January

We have heard from the American Embassy that a Congressional delegation will be in London on 23 January on their way back from a meeting with the European Parliament in Strasbourg. They have asked to call on the Prime Minister and a number of other Ministers including the Foreign and Commonwealth Secretary and the Secretary for Defence.

As you will see from the attached list, the delegation is a large one. They cannot reasonably expect to be received en masse and certainly not with their attendant staffers. But if the Prime Minister did want an opportunity to get some ideas across to a broad cross-section of members of Congress and to hear something of their own preoccupations, half an hour or so with the Congressmen might prove to be time well spent. It would certainly have a major impact on those concerned.

An alternative would be to offer a call only to the Democrat and Republican leaders, Mr Lantos and Mr Winn. Although easier to manage, we doubt whether this would have as positive an impact as the idea suggested above; and neither of the two individuals concerned has any very strong claim in his own right to the Prime Minister's attention.

We think it would be entirely open to the Prime Minister to decline to see the delegation. If she were so to decide, it would be very helpful if Lady Young (who will see them in Sir Geoffrey Howe's absence in Brussels) could be authorised to say on the Prime Minister's behalf that she regretted that her diary had not made a meeting possible and that she looked forward to hearing from Lady Young a report of the meeting in the FCO.

[Handwritten signature]
(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

RESTRICTED



CONGRESSIONAL DELEGATION VISIT TO LONDON: 23 JANUARY 1983

Chairman

Tom Lantos - Democrat, California, since 1981. Committees:
Foreign Affairs, Government Operations Agency

Co-Chairmen

Larry Winn, Jr - Republican, Kansas, since 1967. Committees:
Foreign Affairs, Science and Technology

Sam M Gibbons - Democrat, Florida, since 1963. Committees:
Ways and Means, Taxation.

Congressmen

Bill Frenzel - Republican, Minnesota, since 1971. Committees:
Budget, House Administration, Ways and Means

Don Pease - Democrat, Ohio, since 1977: Committees: Ways
and Means

Ed Madigan - Republican, Illinois, since 1973: Committees:
Agriculture, Energy and Commerce

Tom Coleman - Republican, Missouri, since 1976. Committees:
Agriculture, Education and Labour

William M Thomas - Republican, California since 1979.
Committees: House Administration, Ways and
Means

Don L Bonker - Democrat, Washington, since 1975. Committees:
Foreign Affairs, Merchant Marine and Fisheries
Agency.

Douglas K Bereuter - Republican, Nebraska, since 1979.
Committees: Foreign Affairs, Banking
Finance and Urban Affairs

Kika de la Garza - Democrat, Texas since 1965. Committees:
Agriculture (Chairman)

J J Pickle - Democrat, Texas since 1963. Committees: Ways and
Means, Taxation

William F Clinger - Republican, Pennsylvania, since 1979.
Committees: Government Operation, Public
Works and Transportation

Norman D Shumway - Republican, California since 1979: Committees
Banking, Finance and Urban Affairs, Merchant
Marine and Fishing, Agency



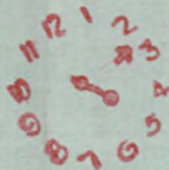
John F Seiberling - Democrat, Ohio since 1971. Committees:
Interim and Insular Affairs, Judiciary

Mark Siljander - Republican, Mississippi. Committee:
Foreign Affairs.

Staffers

Ms. Annette Lantos
Chips Chester
Elizabeth Daoust
Kenneth B Moss
Alison B Fortier
Toni Verstandig
Roxanne Perugino
Dawn M Jackson
Donald R Fortier
Ann Stout
Col Larry Ayres

110 JAN 1984



POSTAL TELEGRAPH

Prime Minister (4)

TRANSCRIPT OF LETTER FROM THE AMERICAN AMBASSADOR TO THE
PRIME MINISTER

pa
DMS
28/12

mb

Dear Prime Minister,

I wish to thank you for the privilege of our meeting together and the generous allotment of the time you provided to review matters of mutual interest.


During my visit I overlooked a matter of special importance. Namely the desire that you permit Carol and me the pleasure of hosting a dinner in your honour.

With your permission I should like to be in touch with Mr. Robin Butler to arrange a convenient date.

As I expressed during our conversation, it is my strong desire to establish with members of your government a relationship that compliments the strong bonds of friendship between our nations. I will work very energetically towards this end.

Sincerely,

Charles Price II



EMBASSY OF THE
UNITED STATES OF AMERICA
LONDON

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complements the strong
bonds of friendship between
our nations. I will
work very energetically
towards this end.

Sincerely,
Charles H. Price, Jr.



10 DOWNING STREET

From the Private Secretary

4 January 1984

When you called on the Prime Minister on 19 December you asked whether the British Government had yet received requests for help with the Police force in Grenada.

Two formal requests have been received so far. The first was for a Police Headquarters Administrative Support Officer. We have responded to this by assigning to Grenada for one year a British Police Adviser already seconded to the Caribbean region. He is already in post. The second request was for the appointment of two CID officers for about one month to advise the Grenada Government on the immediate and future requirements of the CID. We hope to be able to fill these posts shortly.

In addition we shall begin refresher training for existing personnel this month with 50 Grenadan officers attending courses at the Regional Police Training Centre, Barbados. Other areas in which we are planning to help include repairs and furniture for the relocated police headquarters and for rural police stations which were closed by the former administration; uniforms and equipment for personnel, and vehicles for rural patrols.

A. J. COLES

His Excellency Mr. Charles H. Price II

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

4 January 1984

Dear John,

Type letter p.

A.S.C. 4/11.

You wrote to Brian Fall on 19 December about the meeting that day between the Prime Minister and the United States Ambassador. Mr Price asked whether we had yet received a specific request for help with the Police force in Grenada. The Prime Minister undertook to enquire about this.

I enclose a draft letter you may wish to send to Mr Price.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

DRAFT: ~~XXXX~~ letter/telex/airmail/rolex

TYPE: Draft/Final 1+

FROM:

Reference

A J Coles

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

HE Mr Charles H Price II
American Embassy
LONDON W1A 1AE

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

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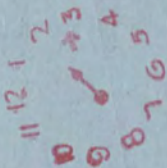
Enclosures—flag(s).....

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closed by the former administration; uniforms and equipment
for personnel, and vehicles for rural patrols.

AB 4

4 JAN 1964



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MIC/US TADUS
PE-2

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

20 December 1983

John Jones

*NO 17
1
p-a.*

The Special Relationship

I mentioned to you this morning that we have received a despatch from Sir Oliver Wright on the special relationship. I enclose a copy. I should be grateful if you would regard it as for your own information at this stage. The Secretary of State has not yet seen it, and will have comments to convey to the Prime Minister on it in due course.

John Jones
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL



CONFIDENTIAL ECLIPSE

BRITISH EMBASSY.

WASHINGTON, D. C. 20008

TELEPHONE: (202) 462-1340

FROM THE AMBASSADOR

14 December 1983

The Right Honourable
Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
London SW1

Sir,

THE SPECIAL RELATIONSHIP: I THE PROBLEM

1. When I presented my letters to President Reagan 16 months ago, it was he, not I, who spoke of the special relationship between Britain and the United States. The US intervention in Grenada and continuing differences over East/West relations, the Middle East and elsewhere prompt a further look at the relationship and the whole question of consultation with the US. Nonetheless, even post-Grenada, the President's National Security Adviser, Robert McFarlane, replied to my letter of congratulation on his appointment by saying: "As you are aware, President Reagan puts great stock in his special relationship with Mrs Thatcher." So it is there. But what is it? That is the problem. What follows is designed as variations on a theme for Christmas reading.

2. The first idea to banish from our minds is one still strangely prevalent in Britain: that the US is, somehow, more like us than other foreign countries are: a bit like Britain - only bigger.

CONFIDENTIAL ECLIPSE



only bigger. Of course I know that the falsity of this view is accepted at one level of everybody's consciousness, but not perhaps deeply enough. Hilaire Belloc wrote, sixty years ago: "Our general opinion is only now beginning to be shocked by the foreignness of America, and is still bewildered by the refusal of Americans to regard themselves as English".

3. In a sense the problem starts with language. We may speak the same language, but we and the Americans use it very differently. We are prone to understatement, tending to say less than we mean. This reflects history and geography: we have a lot of past and very little space, so to cope with both we have to moderate our tone of voice. "Am I too loud?" was the title of the autobiography of the celebrated accompanist, Gerald Moore. As a nation we try to avoid getting the answer: yes. The Americans, in contrast, are prone to overstatement, and almost invariably mean less than they say, as anyone who meets an American for the first time must bear in mind. The friendliness is genuine, all right; but it is not as friendly as that. Again, this reflects both history and geography: they have not much past, although they are getting more, and they have a vast amount of space; so to cope with both they have to shout very loud. You get no attention here if you whisper: you may get some if you bellow. So we need almost permanently to discount American rhetoric.

/It is



It is what they do which counts. And being a superpower, they do a lot, and in a lot of places. There is truth in G B Shaw's famous phrase that we are two nations separated by the same language.

4. Language apart, the US has long been more "foreign" and different in many respects than, say, France or Germany. The first, most important and fundamental difference is that it is a super-power. US GDP is over \$3,000 billion; ours just over \$400 billion. The US Marine Corps alone has nearly 200,000 men and 500 fixed-wing aircraft. The British Army has 160,000 men. The US spends ten times as much as we do on defence. Though we deplore the present state of relations between the US and the Soviet Union, there are important respects in which they have more in common with each other than with any of the rest of us. There is in a sense a special relationship between the two superpowers as well. The dialogue between them will be renewed in due course; and when it is, as with Kissinger, we shall not necessarily find that it turns out in quite the way we would wish.

5. It was, in my view, only the emergence after World War II of the adversary superpower that prevented Americans from relapsing into their preferred position of isolationism. History, geography and, to a decreasing extent, economics

/combine



combine to make isolationism the natural stance of Americans in the world. After all, the Pilgrims and others came to Massachusetts and Virginia to get away from the Old World and when they arrived found themselves happily 3,000 miles from Europe. When, 200 years later, they reached California, they found themselves happily 5,000 miles from Asia. And they possessed, at least in the beginning, an abundant land that gave them, with hard work, almost all they needed.

6. What they brought with them was a passion for liberty. That is something we do have in common to a greater degree than anyone else. So they came to the defence of liberty in 1917; and again in 1941. But when World War I was over, it was bring the boys home and leave Europe to get on with its own affairs. After World War II it was the same, but thanks to the Soviet Union it was not to be. I was Vice-Consul in New York in 1946 and 1947: I was there when the boys were coming home and I was there when President Truman, with the Truman doctrine of aid to Greece and Turkey, both threatened by communism, reversed the whole trend of American history since Washington, Jefferson and Monroe. The Marshall Plan, the Berlin airlift, the foundation of NATO followed. The irrevocable commitment of the United States to the Free World was established.

/7.



7. But the fact that it is essentially the existence of the rival superpower which keeps the Americans committed, gives rise to the first and perhaps most important of our disagreements. Whereas we tend to see most of the problems of the world as existing in their own right and needing remedies tailormade for the individual situation, Americans, Democrats and Republicans alike, tend to look at all problems - Europe, Middle East, Central America, wherever - through the distorting prism of the superpower relationship.

8. Moreover as a superpower, they are more confident in the possession and use of power than those of us who are not so strong as we were and have therefore got out of the habit of using what power we have. "Diplomacy without arms is like music without instruments" said Frederick the Great; and Truman (Korea), Eisenhower (Lebanon), Kennedy (Bay of Pigs and Cuba), Johnson (Vietnam and the Dominican Republic), Nixon (Cambodia) and Reagan (Grenada) would certainly agree with him. Grenada is an example of how superpowers behave.

9. Moreover, in diplomacy, as in business and sport, Americans like winning and get involved in every problem in order to lick it. As a famous American sports coach once said: "winning is not just the best thing: it is the only thing".

/His 230 million



His 230 million fellow citizens would agree. We, lacking their power and the confidence and energy which go with it, tend both to fear their use of power and to fear that they will not use it. Which causes problems of a different sort. But, although I have not done the sums, it looks on superficial examination as if the Americans may have caused more loss of life than the Russians in pursuing their ends since the end of World War II and may well have lost more lives of American boys in the process: over 50,000 in Korea, over 50,000 in Vietnam. But they have done so for what they considered to be the defence of liberty. The Russian objective has been the opposite: the suppression of liberty.

10. Isolationism as a cast of mind leads to astonishing ignorance about international affairs. The sheer unawareness of the rest of the world on the part of middle America, which is practically everywhere except the narrow coastal belt between Boston and Washington, has to be experienced to be believed. The Deputy Governor of Illinois who was my dinner companion in the State Capital of Springfield a few weeks ago, and whose name is Ryan, did not know that Ireland was partitioned and that the 26 counties had been independent for over 60 years. This combination of power and ignorance is a dangerous mixture and makes for difficulties in conversation. The data base is not broad to say the least. Moreover, rivalry with the Soviet Union

/and fear



and fear and detestation of all it stands for goes hand in hand with incuriosity about it. Soviet studies are as good here as anywhere in the world, but tend to be dominated by exiles; and the intelligent young are bored by them. Averill Harriman has just given \$10 million to the School of Soviet Studies at Columbia University: one hardly knows whether to applaud the act or deplore the need.

11. Other differences are no less fundamental. The ethnic and social composition of the US is highly fragmented. This is a nation of minorities, as Mondale is demonstrating in his sedulous courting of the black, Jewish, Hispanic, women's and other votes. Since in politics as in physics, action and reaction are equal and opposite, Reagan is having to cultivate them too in order to maintain the credibility of his own pre-campaign for re-election. Twelve per cent of the population are black. Although the violence of the 1960s is over and to anyone who remembers America in the 40s they have made vast strides, with blacks, depending on white votes, Mayors of many major cities in America, including Chicago, Los Angeles and Washington DC, they remain to a large extent alienated from the rest of American society. Two-thirds of black teenagers in the major cities are out of work - a factor which contributes to the extraordinarily high rate of crime,

/to which



to which the gun laws and administration of justice in this country also contribute. US society is marked by extensive drug abuse, fervently militant feminism, the decline of the family unit, the all-pervasive influence of the media - all of them phenomena to which other industrial societies are subject, but in all of which the US (if that is the way to put it) is well ahead.

12. American society is changing in other ways too. As population, economic power and the political centre of gravity move South and West, the Atlantic becomes wider. US external and defence policies were dominated for a generation after the War by men brought up on the East Coast, educated at Harvard or Yale, who had travelled widely in Europe and served there during the War. They were familiar to us; and we were familiar to them. Kennedy set out to bring the best and brightest of the East Coast establishment into the Administration. They failed in Vietnam. Their influence has not been re-established since. One reason they failed was that all those spectacularly intelligent products of Harvard and the other think tanks failed to listen to any of the people who actually knew the parts of the world they were dealing with,

/a mistake



a mistake now being repeated, for different reasons, in the Middle East. But the people who are making the mistakes now are Californians and other sunbelt species: they are less familiar to us and we are less familiar to them.

13. Meanwhile, as in Europe, a generation has grown up here which knows nothing of the War or the creation of the Alliance. When Roy Dotrice was putting together his one man show about Churchill at Penn State University, a poll of the students there revealed that only one third of them had ever heard of Churchill; and Penn State is not one of the lesser universities here. A professor at the University of Southern California wrote recently that no student he had met in Los Angeles could tell him the years when World War II was fought; only one knew the decade in which Eisenhower was President. None had ever heard of Lenin, or what NATO stood for. An extreme example, perhaps. But we should not imagine that the Hamilton Jordans or Mike Deavers of this world have any great historical memory either (almost no one in Washington today remembers who Hamilton Jordan was anyway). It is a throw-away society, in people as in material goods.

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14. What then are the attractive features of this extraordinary society? To begin with: a total commitment to the idea of liberty. To go on, energy, and the confidence that comes with energy. One should never lose faith in the American economy. The President hasn't, and his faith is turning out to be justified. For that slumbering giant has picked itself up and is now lumbering forward with confidence. Of course I know the deficits will have to be corrected if the recovery is to be sustained; but not, so far as Mr Reagan is concerned, until the next Administration. It takes a lot to hold the US economy down.

15. Why? Because this remains a country in which someone with energy and brains can find, as he cannot in Europe, the risk capital needed to get his enterprise going, and to build on success. I know; I have a son in California who is doing just that. One of his brothers, a brilliant paediatric cardiologist, earns in the National Health Service not more than one fifth of his American contemporaries. The attitude to welfare is fundamentally different. It is seen as a minority problem. The consequences for economic growth are positive; not all that many are poor. Per capita income in the US is \$13,000 per annum. Lower now than Germany,
/but much



but much higher than in Britain. Taxation accounts for 31 per cent of US GDP; nearly 40 per cent in Britain.

16. It is still a land of opportunity. There is a direct relationship between how hard you work and how much money you make. The private is overwhelmingly stronger than the public sector. Students work their way through college. They may emerge less well-educated, but they are certainly more in touch with the real economy. Effort is rewarded. Payment very often is by results. Americans having spent a great deal of their lives making a great deal of money, spend the rest of their lives giving it away, to charitable, educational and cultural causes. The tax system facilitates this quest for immortality. Of course Americans are worried by Japanese competition. But they are not much worried by anyone else's competition. The shift to the South and West is itself a manifestation of the ability to change direction, to develop new technologies and carry through the transition from declining smoke-stack industries in the North and East. It is also a rebellion against "taxachusetts", as Massachusetts is known in Texas and California.

17. Impressed as one is, particularly away from the East Coast, by this economic dynamism, it may come as a shock that the US government is so spectacularly inefficient.

/That is no



That is no accident. Americans do not look to government as Europeans do. They neither like nor trust it; nor have they any great expectations of it. And that goes for Congress too. If 50% of the electorate turn out to vote, the candidates are doing well. In fact many in the West and mid-West feel about Washington much the same way as Washington feels about Moscow. "Time" magazine recently did an article on why the press outrage at the exclusion from the Grenada operation found no resonance with the population at large. A poll showed that only 13.75% of the people "had a great deal of confidence in the press". The figure for the Administration was 13.3%; for the Congress 10.2%. Doctors in contrast, scored 52.3%; scientists 44.4%.

18. The American system of government is and will remain chaotic. This was the wish of the founding fathers, who, in reaction to George III, built near-anarchy into the system in the form of the division of powers. This applies, obviously, to the relationship between the Administration and Congress. But it applies no less to relationships with the Administration itself. For that too is a federal system. The Pentagon has its own foreign policy; the State Department its own defence policy. ACDA has its own arms control policy. Within the State Department itself, as during the Falklands,

/the Latin



the Latin American Bureau had one policy, the European another; and the two are only occasionally reconciled. When one understands this, it becomes possible to understand Mrs Kirkpatrick. For until the President decides, nothing is decided and policy making is a free-for-all. Once the President has decided, nothing can easily be changed, for the decision-making process has been so difficult and cumbersome that no-one wants to go through it all again. It is all rather like the decision-making process in the European Community. For the President is the only elected member of the executive and therefore the only member of the Executive legitimised by the electorate to take decisions on their behalf. (I leave aside the Vice President who is there for the heartbeat and chores). Ranged against him are 100 elected members of the Senate and 435 members of the House, supported by 22,000 Staffers.

19. In Britain, and Europe, we are used to discussion of policy within the government taking place in private. The American practice is exactly the opposite. The spectacular conflicts between Kissinger and Rogers, Brzezinski and Vance, Clark and Haig, bear witness to another problem: that of the relationship between the President as Commander in Chief,

/and the



and the State Department, in the formulation and execution of foreign policy. For on national security matters the President will take his own decisions. And when he does, we are always liable to be in for surprises. The White House staff itself thrives on conflict, with the domestic and foreign policy advisers taking, for instance, diametrically opposite views on the US involvement in Lebanon. The NSC staff will never limit its ambitions to the coordinating functions of the Cabinet Office. Getting close to the NSC staff, however (and this Embassy is in constant touch with them), is not the simple answer to this problem. For the present NSC staff, Macfarlane apart, is the weakest since its inception. And the area where they are most influential and we are in closest touch with them, namely the Middle East, is the one in which differences of policy are the greatest.

20. As the US has been changing, so has Britain. Membership of the European Community has never been incompatible with a close relationship with the US. Indeed our influence here would be minimal without it. But it has led to the adoption in the Community of European policies and in political cooperation of European attitudes. In the Community, on trade matters, we speak to the Americans as equals, for Europe has many of the attributes of an economic superpower,

/including



including decision-making and decision-execution. It has about the same GDP . It generates more international trade. The US Secretaries of State, Commerce, Treasury and Agriculture and the Special Trade Representative now talk to the Commissioners at Brussels as equals. They are equals for none of them is elected and therefore no-one has ultimate responsibility. So far, however, political cooperation has tended to be stronger on declaration than on action. Outside Europe, Britain has deliberately drawn in its horns under the pressure of economic constraints, leaving the Americans often, no doubt clumsily, trying to fill the gap. And in Britain too, a generation has grown up, as in the United States, which knows nothing of the War and little of the Alliance.

21. What does all this mean for the relationship? We should abandon any thoughts about the Greeks and Romans; or that when, perforce, we pass on the torch, we can still decide how it is going to be carried. And if we are to have any influence here, we cannot afford to take refuge in the role of critic - the counterpart of US impatience at what they regard as European whingeing and unwillingness to take /action.



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action. The Americans were all the more impressed that we did so to such effect in the Falklands. What we do about the relationship concerns policy: and that is the subject matter of Part II of this diptych, in which I complement this analysis of the problem with suggestions for solutions to it in action.

22. I am sending copies of this despatch to the Secretary of State for Defence, the Secretary of State for Trade and Industry, the Chancellor of the Exchequer and to HM Representatives at NATO posts, Moscow, Dublin, UKMIS New York and UKREP Brussels.

I have the honour to be
Sir
Your obedient Servant

A handwritten signature in dark ink, appearing to read 'Oliver Wright', with a long, sweeping horizontal stroke extending to the right.

Oliver Wright



THE SPECIAL RELATIONSHIP: I THE PROBLEM

SUMMARY

1. The special relationship exists. But it does not stem from the Americans being more like us than other foreigners. They are in fact more foreign in many respects than the French or Germans. Though we share the English language they use it differently. Essentially, the United States is a superpower and behaves like one (paragraphs 1-4).
2. It is their superpower status and the existence of the rival superpower in the Soviet Union that keeps in check their preference for isolationism and underpins their commitment to the free world. It also gives rise to the most important of our disagreements. They see the world through the distorting prism of the superpower relationship and are more confident than we are in the use of power. They like winning. They are astoundingly ignorant of international affairs (paragraphs 5-10).
3. There are other fundamental differences: eg ethnic and social fragmentation. The shift in the demographic, economic and political centres of gravity to the south and west has brought into power men less familiar to us than the old East Coast elite. Generations are changing and memories of the war and the creation of the alliance are
/fading.



tading. The Atlantic is growing wider (paragraphs 11-13).

4. But Americans have a passion for liberty and extraordinary energy. The economy is lumbering forward again. This is still the land of opportunity and enterprise (paragraphs 14-16).

5. The inefficiency of Government is in stark contrast to its economic dynamism; but Americans like it that way. Near-anarchy is built into the system. It applies even within a single branch of Government, the Administration. Policy is the product of clashes, sometimes spectacular, between rival groups (paragraphs 17-19).

6. Britain too has been changing. We have become more European. What does all this mean for the relationship?

See Part II (paragraphs 20-21).



THE SPECIAL RELATIONSHIP: II POLICY
SUMMARY

1. There never was a golden age in Anglo/American relations; we have always had our differences. But anti-Americanism has been increasing in Britain and is mirrored by an incipient anti-Europeanism here. The Americans are worried by the defence policies of the SPD in Germany and the Labour Party in Britain. They take seriously their obligation to consult on Alliance matters but out of area our advice is valued to the extent we make a contribution. We must be discreet and avoid nagging. As the Atlantic grows wider differences of perception and analysis may lead to differences of policy and action (paragraphs 1-6).
2. Within the NATO area we still agree on the need for defence and deterrence but we have differing views on the value of detente. We see what it has delivered in Europe: the Americans see what it has failed to deliver elsewhere. We must have greater regard for the impact on US perceptions of their global responsibilities, and we should contribute to their efforts out of area, directly or by taking up more of the burden in Europe (paragraphs 6-12).
3. In the Middle East, US policy is distorted by their total commitment to the defence of Israel and by superpower rivalry. But there is no viable alternative in sight.

In the Gulf they will not rush in, but still consider themselves bound to respond if the Saudis and the Gulf

/States



States press for assistance, or if the Straits of Hormuz are closed. They will look to us to join in (paragraphs 13-15).

4. The problems of Latin America and the Caribbean have far greater political and security implications for the US than for us. They welcome our continued presence in Belize as a factor for stability. But where our locus standi is slight they do not take kindly to advice (paragraphs 16-18).

5. Our differences in these and other areas are not easy to manage. But manage them we must, for we will go on depending on the US for our security for as far ahead as it is useful to look. Happily we can still count on a vast range of assets: the nuclear and intelligence relationships, sentimental ties, cultural affinities, etc. On security and economic cooperation, the convergence of interest is as great as ever. However, we can take nothing for granted. The Americans were hurt by our refusal to support them over Grenada. To preserve the special relationship we must lay out the resources that enable us to be an effective interlocutor (paragraphs 19-24).



BRITISH EMBASSY,

WASHINGTON, D. C. 20008

TELEPHONE: (202) 462-1340

FROM THE AMBASSADOR

14 December 1983

The Rt Hon Sir Geoffrey Howe QC MP
 Secretary of State for Foreign
 and Commonwealth Affairs
 London SW1

Sir,

THE SPECIAL RELATIONSHIP: II POLICY

1. As I was saying in Part I, there is a need for historical perspective and, above all, realism in the view we take of the Americans and of our capacity to influence their actions in the world. There sometimes is supposed to have been a golden era in which, on the rare occasions when our interests did not tally, they did what we wanted. But in that era, when the East Coast establishment were in control, one finds Mr Attlee rushing to Washington to argue against the use of nuclear weapons in Korea; acid European criticisms of Dulles and Eisenhower (now regarded as a good President) over Suez, of Kennedy over Skybolt etc. More recent examples include the US nuclear alert at the end of the Yom Kippur war; Kissinger and the Year of Europe; Carter and the neutron bomb; Reagan and the pipe-line sanctions. Lord Sherfield, Ambassador here in Eisenhower's day, was lunching with me recently and asked how things were. I replied that currently I had six rows going with the US Administration: extraterritoriality, unitary taxation, steel, subsidised agricultural exports, Argentina and Grenada. He paused before saying "Sounds perfectly normal".

2. After Vietnam, Watergate, Carter and some features of the Reagan Administration, it comes as no surprise to find anti-Americanism increasing in Britain - though there always has been



some element of that in the relationship. For Europeans tend to believe themselves to be cleverer than the Americans (and, on the Left, morally superior). We would be less than human if we did not find it irksome that they have power and we do not. This, as always, is mirrored by some incipient anti-Europeanism here. Middle America finds it difficult to understand why Europeans should be demonstrating against the US, which is protecting them, rather than against the Soviet Union, which is threatening them. It was the Europeans, after all, and specifically the Germans, who asked for the missiles in the first place. Eagleburger, talking off the record to the Council of Foreign Relations the other day, expressed American disappointment with consultation with the Europeans. For the Europeans, he claimed, consultation is too often seen as a substitute for rather than a guide to action. To that the US answer tends to be unilateralism. The US commitment to the defence of Europe, we never cease to point out to Congressmen and others, was made because it is in the US interest. My predecessor's account of "The Birth of NATO" comes as a reminder that it was by no means easy to commit the US so firmly to the defence of Europe in the first place. Today, the Americans ask themselves if the SPD in Germany and the Labour Party in Britain can be expected to remain in opposition forever.

3. To Americans, Europeans at times seem hard to satisfy. We want the US to be willing to defend us by nuclear means, and to put US cities at risk in order to do so. But when the emphasis is placed, as it is by this Administration, on the nuclear aspect of deterrence, we do not like it. When they seek a defence against missiles, we like it even less. A Democratic Administration



would look for ways to raise the nuclear threshold by increased conventional defence efforts. The Europeans are likely then to react with some dismay to increased US pressure on them to do more to defend themselves. It appears to Americans that Europeans will squeak whatever is suggested.

4. There always has been argument, and much confusion, as to what is meant by consultation. In US minds it passes, as Shultz indicated in Brussels, through various gradations. The Americans take very seriously their obligation to consult on Alliance matters; no-one is consulted earlier or more comprehensively than we are. The record of this Administration over the last two years in terms of consultation on nuclear and the central security issues has been good. We have been able to exert considerable influence on them. Consultation and, still more, action in relation to problems outside the NATO area always has been a problem. The US will consult with those who have influence, but will retain its freedom of action. The Americans value our advice to the extent we can make a real contribution. On issues and areas where our influence is slight, we can expect to be informed, but not consulted.

5. Where we have little influence, we should be discreet. All Foreign Ministries tend to be anxious; and European Foreign Ministries seem to be more anxious than others. No doubt this reflects the nervousness of their Parliaments, media and electorates at the activities of those with more power than themselves. Too many expressions of "concern" about this or that aspect of US policy, or what is about to happen in the world, tend to go down poorly here. (Nagging and whingeing are unattractive attributes, in public as in private life.) If



concern is inevitable, it should be expressed on a selective basis.

6. As the Atlantic grows wider, differences of perspective and analysis will lead to differences of policy and action. This is happening already in the heart of the transatlantic relationship, the North Atlantic Treaty Area itself. Atlantic policy was laid down in the 60s in the Harmel report: it consists of the 3 Ds: defence, deterrence and detente. With travail, we have managed to keep together on defence and deterrence. The two-track decision of 1979 on arms modernisation and arms control has held at the risk of some polarisation of opinion in Europe.

7. But the third D: detente, remains at risk, as experience over the pipe-line sanctions in 1982 demonstrates and despite successful efforts in 1983 to cobble together a policy on economic relations, and specifically technology transfer, with the Soviet Union. The reason is that Europeans regard detente as successful in Europe and wish to preserve it, while the Americans, with their global responsibilities and their global rivalry, tend to regard it as a sham.

8. Europe, and the Federal Republic of Germany in particular, regard detente as having preserved the peace in the most dangerous and most important part of the world: Central Europe; most dangerous because it is in the divided nation in the divided continent that the biggest concentration of lethal weapons, nuclear and conventional, are to be found; most important because it is in Western Europe that the biggest concentration

/of



of freedom-loving people in the free world outside North America are to be found. Detente has been institutionalised by the FRG's three Eastern Treaties with Moscow, Warsaw and East Berlin, of which the Quadripartite Agreement on Berlin is the coping stone. Detente, in the European view, while no big deal, is simply preferable to any alternative, like war, cold war - or capitulation. And it meets the need of the most important continental component of the Alliance: West Germany.

9. For the United States, detente has been a Soviet confidence trick. It has not prevented the Soviet Union from marching into Afghanistan, putting pressure on Poland, or taking advantage through their Cuban surrogates of targets of opportunity in Angola, Ethiopia, Central America and Grenada. As Harold Brown, Secretary of Defence under Carter, said of nuclear weapons: "when we build, they build; when we stop, they go on building". This ignores the fact that when the Americans neglected their defences in the 70s it was as much due to domestic reaction from defeat in Vietnam as to excessive trust in detente. Never mind. The essential point to establish is that Europe and the United States, from a difference of perspective and analysis, have come to different conclusions for policy. It follows from that that if we in Europe wish to restore harmony to the transatlantic relationship, we shall have to work for a greater congruence of policies in which we shall have to have greater regard for the global responsibilities of the superpower. Then perhaps we shall get agreement on "dialogue" even where there was none on "detente".

10. We have, it seems to me, a number of options. We could for example, take a greater responsibility for European defence,



and leave the rest of the world to America. We would be wise in any case to ensure the maintenance of a viable defence industry on our side of the Atlantic. We have a very successful pilot project in the Tornado aircraft. We need to ensure that we have a follow-on effort, and if possible bring in the French, to maintain our position at the frontiers of this technology and to guard against the day when continental drift has made the Atlantic intolerably wide. We need to get the European defence-based industries together to keep up with the defence technologies of the future.

11. Alternatively, or perhaps as well, we should acknowledge the doctrine that peace and freedom are indivisible and take up some of the responsibility for out of area defence. Both France and Britain have an out of area capability. Both do something. But both tend to do it alone. Visibly to team up with the Americans, share the tasks, plan together, train together, exercise together, will take the sting out of a good deal of American criticism, reduce their tendency to go it alone and keep some control over their activities. The Americans do not expect us to make an effort comparable with theirs. They value out of area the quality of the commitment rather than the size of the contribution. A modest contribution to joint tasks would give us disproportionate rights to joint consultations. But without condign input we shall be left criticising in the sidelines. It will cost money, but there never was any free lunch.

12. In a speech he gave at the American University in Washington DC, President Kennedy explained how much he disliked the Soviet system. But, he added: "no government or social

/system



system is so evil that its people must be considered as lacking in virtue ... we can still hail the Russian people for their many achievements - in science and space, in economic and industrial growth, in culture and in acts of courage". He went on to propose a ban on nuclear tests, which resulted in the partial test ban treaty. A reminder of the kind of US leadership we have been lacking. When it is lacking, we have to try to provide some ourselves. If worried about the probable absence of effective US/Soviet dialogue next year, we can and should see for ourselves if we can detect any sign of flexibility in the Soviet position. If there is none, the Americans should not be blamed for the consequent impasse.

13. The Middle East is another example where differences of perspective and experience lead to differences of analysis and policy. American policy is governed by two requirements amounting to two distorting prisms, both of which reduce the likelihood of a happy issue out of the Middle East affliction. The first is the total American commitment to the defence of Israel. The strength of the Jewish lobby here means that this commitment will not change. Indeed, the US could be said to have a special relationship with Israel as well. The recent US/Israel agreement was an example of US policy at its worst: it had no more to do with the 1984 Presidential election than with a solution to the Middle East problem. It would be no better under Mondale. The Americans alone can move Israel and the Arabs know it. But the Americans will not put pressure on Israel so long as the Arabs can produce no valid interlocutor to speak to Israel about peace. The Arabs know that too, but for reasons which we all understand have so far funk'd doing so. One wonders whether they do not



need the problem more than they need a solution.

14. The second requirement and second distorting prism concerns the superpower rivalry and the perceived need to keep the Russians out of the Middle East and keep pressure on the Syrians. It could certainly be argued that American action is bringing the Russians into the Middle East via Syria. Indeed, every Arabist in the Service would provide a convincing analysis of why the Reagan initiative cannot work. What I have not seen is a suggested policy that would work if the Americans disagreed with it. Perhaps nothing will work. What the Arabs know is that they need the Americans too for their own ultimate protection. So if they can go, grumbling, with the Americans, we might as well do too. There is no viable alternative in sight. Any unilateral withdrawal from the MNF would do incalculable harm to the British interest here.

15. In the Gulf, the name of the game is the safety of oil supplies, of even greater importance to the Europeans and Japanese than to the Americans. Here the Americans are not going to rush in; they have more than enough on their hands already. But if the Saudis and Gulf states make pressing requests for assistance, they will consider themselves bound to respond. They regard the knowledge that they would do so as the key to their whole position with the Arabs; and to deterrence. In that event, they would look to us to join in and would expect us to lose out with the states in the area, as well as in the United States, if we declined to do so. The same applies, only more so, to the worst case of closure of the Straits of Hormuz.

/The



The Americans hope and believe that, probably, it will not come to that. But if it did, they do not believe that the problem could be tackled by diplomacy alone. Participation, as we have found in Lebanon, carries with it its own risks. But here again if we wish to influence the result, we shall have to be prepared in the end to participate in the action.

16. America looks South, as well as East. By the end of the decade, the Hispanics will have replaced the blacks as the largest minority in the United States. Thanks to Castro, Miami is now a Cuban city. After 130 years Los Angeles is Spanish-speaking again. Economic troubles and the threat of revolution in Latin America will increasingly preoccupy the United States. There is a sense in which the Americans regard themselves as taking over the role we used to play in the Caribbean. They believe that we see the problems of the area increasingly as aid problems, rather than as political and security problems, as they are for the US.

17. Central America is America's front yard. The Panama Canal and the certainty of passage through it is crucial, economically and militarily. The economic prosperity of the area is vital; already thousands of Hispanics pour over the Rio Grande each year seeking a decent life. Immigration^{Central} is desultory and ineffective. America, true to its vocation, gives them one. Europeans need to take note that over 50% of American reinforcements in men and material in an emergency would sail from Caribbean ports. There is no merit in expressing high-minded disapproval from afar.

18. The Administration welcome our continued presence in Belize, as a factor for stability. They know we are not



prepared to maintain it for ever, though I am glad we shall not withdraw it soon. It seems to me to be a pretty cost-effective task for our garrison. Our locus standi in relation to the other problems of Central America is slight. The Americans do not take kindly to European advice about them. The intervention in Grenada has another dimension. The Administration knows it can do little about Afghanistan, or Poland. It is not prepared, however, to see the Brezhnev doctrine applied in this hemisphere. The sandinistas may be safe as long as they remain reasonably popular. Thereafter they may not. Meanwhile there is every advantage in putting the wind up them and keeping it up.

19. The differences I have described, in East/West relations, in the Middle East, in Central America, are not easy to manage. There are many other problems - Third World debt, the US budget deficit etc - which I have not touched on. Enough is enough. But all are manageable; indeed they have to be managed. For we will go on depending on the US for our security. The US spends 7% of GDP on defence; the Soviet Union over 14%. Our own defence efforts are more than creditable, and are regarded as such here. But I can see no prospect of the Europeans generally being prepared to make the sacrifices that would be necessary to establish a viable European system of defence - even if it were possible to overcome the political and decision-making problems associated with that concept. So we and the Americans are condemned to being friends and Allies for as far ahead as it is useful to look.

20. This being so, we have to manage the relationship, to keep on terms with the Americans and draw them towards us,



rather than widening the transatlantic divide. We need to bring our knowledge to the relationship. They will, periodically, do things that dismay or surprise us; they always have.

21. What then of the special relationship? You will note that I have not put the phrase in quotation marks. That is because, notwithstanding the above, it exists, as almost every American would acknowledge; and we can make use of it. Polaris and Trident, the breadth and depth of military and intelligence cooperation, the near-universal popular support here for our efforts during the Falklands, the US addiction to British culture, television, theatre: all testify to the closeness and indeed the uniqueness of that relationship. We are bound together by ties of sentiment as well as interest, above all a devotion to liberty and a commitment to defend it. There are many areas and many issues where we have much to contribute; and that is recognised here. We do have more influence than anyone else.

22. But Americans are forward-looking people. They are also realists. The relationship depends on the contribution we can make. We shall be able to influence them to the extent we have something to offer (other than just advice); and we shall not when we do not.

23. We should not be too alarmed at the cacophany of voices we hear from Washington. Overall, the extreme opinions tend to cancel one another out, as they are intended to under the Constitution. The pull towards the centre is strong, and evident on both the Carter and Reagan Administrations. On the central issues of security and economic cooperation, the convergence of

/interest



interest is as great as ever; and that is a solid base on which to proceed. We have to work hard, and harder than before, on the convergence of attitudes. We are the better placed to do so by virtue of the fact that we are regarded as America's closest friends - as well as the most reliable of her allies - still.

24. But we cannot take it for granted. Our failure to support them over Grenada hurt them deeply. When the chips were down, our instincts were seen not to be with them, as theirs had been with us over the Falklands. If we wish the special relationship to continue, we shall have to work at it. That seems to me to require a fundamental decision on the part of HMG. Do we see the British interest as requiring us to remain involved with the world and, since the USA carries the clout in the free world, with the United States? If so we shall have to provide the resources, diplomatic and military, to enable us to play the role of an effective interlocutor of the United States. If on the other hand HMG decides that it is the British interest to devote only declining resources in real terms to foreign policy - and that has seemed to be the policy over the past three decades - then farewell the tranquil mind and farewell the special relationship. I believe it was these great matters, and the future of the Realm and its position in the world, that occupied your meeting with your FCO colleagues at Chevening. Naturally enough I am agog to learn your decision.

/25.



CONFIDENTIAL ECLIPSE

13

25. I am sending copies of Part II of this despatch to the recipients of Part I.

I have the honour to be

Sir

Your obedient Servant

A handwritten signature in dark ink, appearing to read 'Oliver Wright', written in a cursive style. A diagonal line is drawn across the bottom of the signature.

Oliver Wright

CONFIDENTIAL ECLIPSE

SUBJECT

cc Master

CONFIDENTIAL



FILE

JR

10 DOWNING STREET

From the Private Secretary

19 December 1983

Dear Sir,

The United States Ambassador paid a call on the Prime Minister this afternoon and stayed for 45 minutes. The Prime Minister said that it had been a bad weekend and she wished to convey her condolences about the death of one United States citizen and the injury of another. She hoped that NORAID would get the message. She had visited the scene at Harrods and had seen nothing like it since war-time. Mr. Price said that he wished to convey condolences on behalf of the President.

The Prime Minister then said that she felt that there was not enough regular, routine discussion between the American and British Governments. We very much hoped that the Vice-President would come to London in January. But it was important that consultations should be regular and sustained, rather on the lines of our constant contact with European Governments. Take the example of the Multi-National Force. The recent meeting between the four Foreign Ministers in Brussels had failed to produce results. Attempts to arrange another meeting before Christmas, even at official level, appeared to have failed.

King Hussein had visited her on Friday and was desperately worried about the future. When she had been in Washington, she had emphasised to the President the need to protect the integrity of Jordan. But King Hussein was increasingly worried that the radicalisation of the PLO by Syria would have unfortunate consequences for Jordan. He was also concerned about continuing Israeli settlements in the West Bank and the low standard of living there. If, following the disappearance of the Shah, another Middle Eastern monarch were to leave the scene, the consequences for all our interests would be bad. She knew that President Reagan admired King Hussein but it was necessary to take steps to reassure him.

The King saw the Lebanon as being influenced by two super powers - the United States working through Israel and the Soviet Union working through Syria. He felt that the United States

/ was now

157

was now completely identified with Israel and was unable to play a neutral role. She intended to send a message to the President about King Hussein's visit.

She found it rather surprising that the American and Syrian Governments were unable to get together to prevent escalation in the Lebanon. This pointed to a general problem of a vacuum between world leaders. In East/West relations, there was a need to restore and build up a dialogue. People were worried that misunderstanding could lead to a crisis.

Mr. Price said that he thought there were two factors which could hamper the re-election of President Reagan - the economic situation and the situation in the Lebanon. The Prime Minister said that we expected the President to be re-elected but, in international affairs especially, the unexpected could happen. The Soviet Union was bereft of a policy at the moment, largely because of its failure to prevent INF deployment. There appeared to be a process of re-assessment in Moscow and that gave us some scope to influence the Soviet leadership. We intended to begin talking to some of the satellite countries and, in that context, she would be visiting Hungary. Would Mr. Shultz be going to Stockholm for the January conference? Mr. Price said that Mr. Shultz had indicated that he would. He wondered whether the Prime Minister saw any role for secret diplomacy with regard to the Soviet Union. Should the President send a personal representative to Moscow? The Prime Minister said that this depended on finding the right man - and perhaps secrecy was not the most important thing.

Reverting to the US/UK relationship, there was nothing fundamentally wrong with it and she had gone out of her way in public to stress its importance. Mr. Price said that the American Government were very grateful for the Prime Minister's remarks at UPITN headquarters on 12 December. Based on his experience as US Ambassador in Brussels, he wondered whether there was not scope for enlarging the role of the American Embassy in London. It was not used to anything like the extent of our Embassy in Washington, which was well known for its effectiveness. Consistency, credibility and trustworthiness were part of the United States and United Kingdom outlook. If we supplied him with sufficient information he would do all he could to avoid difficulties. The Prime Minister commented that our Ambassador in Washington had been in frequent contact with the State Department over the weekend preceding the American intervention in Grenada, but until 7.15 p.m. on Monday, 24 October we had been given the impression that all American moves were simply precautionary. She then gave Mr. Price a detailed account of events of the evening of 24 October. The point was that we had been in close touch with the State Department but had received no prior hint of what was envisaged. We had not realised that the United States was looking for an opportunity of intervening in Grenada. Was that because our

/ relationship

relationship was not sufficiently close? Or had we assumed that the United States' attitude to such an eventually would be the same as our own? She had constantly stressed that NATO threatened no-one. We had given the United States more support than had any other European country on El Salvador. She asked herself how far the United States was looking for an opportunity to intervene in other countries.

However, people in the Eastern Caribbean and the United States were delighted with the results of the Grenada intervention. Castro had received a bloody nose. Now that United States forces were leaving Grenada, it was easier to put pressure on the Soviet Union to leave Afghanistan. The one stable country in Central America was Belize and that owed much to the presence of British troops. She had told the President that she would not remove these troops before his election or before Mr. Price's election. But we should then have to consider the position. The United States faced real problems in El Salvador and Nicaragua.

Mr. Price asked whether we had yet received a specific request for help with the police force in Grenada. The Prime Minister said that our police adviser had visited the island to discuss this question. She would enquire whether a formal request for assistance in this field had yet been received.

The Prime Minister then gave an account of President Gemayel's recent visit to London. She believed we ought to be thinking further ahead about the future of the Multi-National Force. We should consider extending the scope and mandate of UNIFIL and giving it a truce supervisory role, thereby permitting the withdrawal of Israeli and Syrian forces from the Lebanon. The stumbling block at the moment was the Soviet Union attitude but this could be put to the test in a vote at the United Nations. She emphasised that this was not an initiative which we would spring on our allies - we believed it should be discussed amongst the four Multi-National Force contributors.

Reverting to the need for regular US/UK consultations, Mr. Price asked whether he could help to fill the void. The Prime Minister said that we of course expected him to be in regular contact with the Foreign and Commonwealth Office but it would be helpful if he could persuade more leading figures from the United States Administration to visit London. We hoped to see both Mr. Shultz and Mr. Bush in January.

Mr. Price asked what the Prime Minister's current thinking was about relations with Argentina. The Prime Minister said that she had sent her message to Alfonsin because she regarded the return of democracy as a matter for celebration. But there was no question of her discussing sovereignty over the Falkland Islands. If Alfonsin would declare a cessation of hostilities we could lift the exclusion zone. We could discuss improving economic relations but could not establish full diplomatic relations without a prior cessation of hostilities. Mr. Price

/ commented

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- 4 -

commented that Alfonsin's approach appeared to be conciliatory. The Prime Minister said that she disagreed - one had only to look at his inauguration speech.

Your ex

John Colas.

Brian Fall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

16 December 1983

Dear John,

MB

Call on the Prime Minister by the United States Ambassador

I enclose a brief and personality note for the Prime Minister's meeting with the new United States Ambassador, Mr Charles Price, at 5 pm on 19 December.

Although this is primarily a courtesy call, the American Embassy have confirmed that Mr Price is likely to want to have a substantive conversation. He will undoubtedly wish to talk about Anglo-US relations in general. (You will recall that he wrote to the Prime Minister on 12 December welcoming her remarks at the opening of the UPITN headquarters - a copy of his letter is attached.)

Mr Price has also quickly involved himself in the handling of current business and has indicated a readiness to use his personal links with President Reagan to this end. You will be aware of his contribution to the recent exchanges between the Prime Minister and President Reagan on the certification of Argentina for arms sales. He has also recently been in touch with the Foreign Secretary about events in the Middle East; and these are among the subjects covered in the brief.

The US Embassy have told us that the Ambassador will be spending the New Year holiday with the President. This probably means that as in previous years both are to be the guests of the Annenbergs.

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

A J Coles Esq
10 Downing Street

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CALL ON THE PRIME MINISTER BY THE NEW UNITED STATES AMBASSADOR:
19 DECEMBER

POINTS TO MAKE

Anglo-US Relations

1. Recent statements, particularly the Guildhall speech and the remarks at the UPITN opening, should reassure the press and public that we regard the state of UK/US relations as fundamentally sound. It is our firm resolve not to let our problems get the upper hand or overshadow the broad community of interest between our two countries.

2. Vice-President Bush has said he would like to discuss some of our current problems and I have suggested he comes to London in late January/early February.

3. In the meantime, it is important that Britain and the US keep in close contact. Welcome the role which the US Embassy in London are playing.

Argentina/Falklands

4. Grateful for helpful role which Mr Price has personally played in recent exchanges with the President on certification of Argentina. Important that Washington should continue to understand our concern about this. Welcome the assistance which the US is currently giving in ensuring that our views on future relations with Argentina are clearly understood by the Alfonsin Government. Hope they will continue to use appropriate opportunities to press the Alfonsin Government to show a sense of realism and to accept that step-by-step



improvement of our bilateral relations offers the best way ahead. Must be understood that question of sovereignty cannot be on the agenda.

Lebanon

5. Had talks with President Gemayel on 14 December. More optimistic than we had expected on prospects for national reconciliation. Important that the MNF contributors should continue to work closely together at the political level. Accept that US must decide on measures of self-defence. But considerable Parliamentary and public concern that there should be no unnecessary escalation.

Iran/Iraq War

6. Situation in the Gulf a source of concern. Bomb explosions in Kuwait a worrying development, even if not instigated directly by Iranian Government. All the more important to mobilise every diplomatic means to encourage a settlement. Glad that UN Secretary-General and Mr Palme active.

7. Nevertheless, contingency planning against an escalation of the war is urgently needed. Glad we are working closely with Americans.

Banning Sales of Defence Equipment to Iran (defensive)

8. We are neutral in war and already refuse to sell lethal equipment to either side. Will carefully consider US requests, but would have problems in breaking existing contracts. Control of trade from third countries impossible under UK law (and raises issue of extra-territoriality). However, can assure you that UK always acts responsibly in this sensitive field. /East



East/West Relations and Disarmament

9. The Alliance will continue to face a testing time with domestic public opinion following this suspension of the principal arms control talks. There was a good degree of unity at the recent NATO Ministerial meeting. We shall work to restrain our allies from being stampeded into making concessions in order to bring the Russians back to the negotiating table. But it is important that negotiations should resume. We also attach importance to efforts to improving the broader East/West dialogue.

/BACKGROUND



BACKGROUND

Anglo/US Relations

1. The Prime Minister's speech at the Guildhall on 14 November and her remarks at the UPITN Headquarters on 9 December contained passages about UK/US relations. Mr Price wrote to the Prime Minister to express his appreciation for her UPITN speech and will no doubt wish to revert to the subject of Anglo/American Relations.
2. Vice-President Bush, in his message (attached) to the Prime Minister before his departure for Argentina to attend the inauguration of Dr Alfonsin, suggested it would be useful if he and the Prime Minister could get together for a talk. HM Ambassador in Washington has been asked to suggest to the Vice-President that he visit London in late January or early February.

Argentina/Falklands

3. On his return from Argentina, Vice-President Bush arranged for HM Ambassador at Washington to be briefed on the pertinent points of his conversation with President Alfonsin. (Washington tel no 3732 attached). Sir O Wright was told that if the US could play a useful part as intermediary, they were prepared to do so. We do not at this stage envisage the Americans playing any more specific role as intermediaries but it would be helpful if they would use appropriate opportunities to urge the new Argentine government to show a greater sense of realism than was reflected in Alfonsin's inaugural address.

Lebanon

4. The Americans have decided to "lean forward" militarily in Lebanon. In effect this means immediate and substantial retaliation when US forces come under attack, a policy most recently reaffirmed by President Reagan on 14 December. The most serious incidents have occurred when US aircraft (4 December) or ships (13/14 December) have struck at Syrian anti-aircraft batteries which have fired on US reconnaissance overflights in the Shouf. Syrians have stressed that they will continue to fire at such flights. Despite US denials of a wish to escalate the conflict, most Lebanese and Arab states view recent US actions as deliberate aggression: and the net result is likely to be escalation. We would like to see greater coordination between MNF contributors. The recent meeting of Foreign Ministers on 8 December was unsatisfactory; a further meeting is planned soon.

Iran/Iraq War

5. Iran is continuing the land war in Kurdistan. Iraq has again attacked Iranian convoys in the Gulf. Iraqi aim might be to goad Iran into a form of retaliation that would involve the West in the conflict. No evidence yet that Iran was directly involved in the recent bomb explosions in Kuwait. Indications are that this was a piece of local initiative by an Iraqi Shia.

6. US have told Iraq and Gulf States that it would not be in US interests to see an Iranian victory. The Americans are keeping us in touch with their contingency planning in case



intervention becomes essential, for example, to reopen the Straits of Hormuz. OD will discuss UK policy on 21 December. Mr Price called on the Foreign Secretary on 14 December to draw attention to a US report that the Iraqis had completed their planning for an attack on Kharg Island. He subsequently arranged for a message to be passed to the effect that the US Government wished us to consider urgently stopping any traffic in military equipment to Iran, at least until a ceasefire. We have not yet given the US any formal response on this point: a defensive line to take is provided in case Mr Price reverts to the subject.

Foreign and Commonwealth Office

16 December 1983



CHARLES HARRY PRICE II

Ambassador of the United States to the Court of St James

Born 1 April 1931, Kansas City, Missouri. Graduated from the University of Missouri, 1953. Married Carol Ann Swanson, 10 January 1969. Five children.

Chairman of the Price Candy Co, Kansas City (his family firm) and Director of a number of Companies, mainly in Banking and Property, 1969-81. Served with US Air Force, 1953-55. Ambassador, Brussels, 1981-83. Arrived in London on 15 November 1983.

Mr Price is a large man who makes a good impression. He is friendly, outgoing, and straightforward in manner; a shrewd and self-confident person in a hard-headed, plain-speaking, worldly, well-heeled way. He had no previous diplomatic experience before his appointment in Brussels, but had long taken an interest in world affairs. He is reported to be pro-British and a strong believer in close Anglo-US relations.

It is generally thought that Mr Price owes his present position to the very close relationship that he and his wife enjoy with the President and Mrs Reagan. This has the accompanying advantage of giving him direct access to the White House. The British Ambassador in Washington sees the appointment of Mr Price to London as representing a wish by President Reagan to improve American representation in Britain.

Mrs Price is a former beauty queen. Both the Prices have been married before.

15 December 1983

EMBASSY OF THE
UNITED STATES OF AMERICA
LONDON

Dear Prime Minister,
I wanted to take particular note of the comments you made about the state of Anglo-American relations during your speech for the opening of the U.S.I.T.N. Headquarters this past Friday.

During a period when much publicity has been directed toward our differences your warm reference to our friendship and understanding was very much appreciated.

I believe the Times shares my view. Sincerely,
December 12, 1923 Charles H. Tree II



Dec. 15 1983

19/12
1983

f.a. on
Anglo-U.S. relations.

A.S.C. $\frac{4}{12}$

Dear Prime Minister,

I much enjoyed dinner yesterday. I learned a lot, particularly about the Lebanon.

I did think though, one part of our conversation disturbing. That related to yr. current view of the U.S.

I saw, more clearly than before, how blunderingly the U.S. behaved in the way that they misled you over Grenada.

Still it did occur to me that there is danger of in drawing up a general indictment of the U.S. administration on the basis of that event: unless there is some alternative general underpinning of our foreign policy with which you wish to experiment.

De Gaulle used his last-minute consultancy (personally, by Acheson) by Kennedy over the missile crisis in Cuba in 1962 as one of the props of his go-it-alone nuclear policy in 1963, expressed in his icy rejection of the test partial test ban treaty in the course of that year.

But although Grenada could I suppose, be made the pretext, or occasion, for a new look at 'European defence collaboration', I think you have ruled that out, for the reasons you explained.

Indeed, no effective collaboration could work unless it were with the blessing of the U.S., as was the case with the old European Defence Community of 1950-55. I think that is right.

So I cannot feel there is any real alternative (I anyway I wd. prefer it) to a considered attempt to mend our fences with the U.S. In this respect, Reagan has, it seems to me, talked grandiosely but, apart from Grenada, done little (Even the new relations with Israel is really, surely, the formalisation of an old friendship). I have the impression that it is tactics (use of naval power instead of a substantial landing of infantry) that divides us in the Lebanon.

In addition, it does look as if Reagan will be with us as president till 1989, if he survives. A democratic president if elected next year, wd. presumably have more characteristics with which we wd. disagree

So, all things considered, surely there is a strong case for, after Christmas, trying to make a new start in our relations with the U.S. You have such a fine reputation over there. Those of us who look to you to provide us with the kind of direction that de Gaulle gave France have always insisted pointed out that your strength, in comparison with the general is that you do accept the essential part that the US has had since 1945. All US officials & politicians whom I meet always except you from their general moans about European defeatism. You can surely rebuild on the basis of those facts. How that is to be done is a matter of tactics, though I shd. have thought that a suggestion that the Alliance might develop regular consultation on out-of-NATO-area problems might be a beginning (or a sub-~~title~~ of the Alliance).

Thank you ^{again} very much indeed for dinner

Yours ever

Angus.



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10 DOWNING STREET

From the Private Secretary

12 December 1983

Anglo-American Relations

I told you on the telephone on Friday that the Prime Minister had at the last minute inserted into her speech that day at UPITN headquarters some remarks on Anglo-American relations. I forewarned Mr. Streater of the US Embassy about this and suggested that if he intended to report on Friday's British press he should wait until he had seen what the Prime Minister had to say.

I now enclose a copy of a letter which the US Ambassador has sent to the Prime Minister thanking her for her remarks.

A. J. COLES

Peter Ricketts Esq
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

6 December 1983

His Excellency
The Honourable Charles H Price II
American Embassy
Grosvenor Square
London W1A 1AE

My dear Ambassador,

I am writing, in confirmation of my telephone conversation with your secretary, to say that the Prime Minister looks forward to your calling on her at 10 Downing Street at 5.00 pm on Monday 19 December.

Yours ever
Stanley Martin

S W F Martin
Assistant Marshal of the
Diplomatic Corps

Blind copies:

Mr Raven (NAD) . Could briefing please reach No 10 by
Friday 16 December

Mrs Walters (Private Office)

Mr Coles (10 Downing Street)

noted in diary
CR. 8/12

CONFIDENTIAL

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5 December 1983

The Prime Minister was grateful for and has noted the report on Mr. Prior's visit to the United States contained in your letter of 23 November to John Coles.

DAVID BARCLAY

John Lyon, Esq.,
Northern Ireland Office.

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10 DOWNING STREET

Mr Coler

I have had to
change this to
Monday 19th at
1700. Have
told K.C.

CR

2/12.

A.S.C. $\frac{2}{12}$

file

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1 December 1983

PROPOSED CALL ON THE PRIME MINISTER BY THE
UNITED STATES AMBASSADOR

Thank you for your letter of 30 November.

The Prime Minister would like to see the
new United States Ambassador and could receive
Mr. Price at 1115 hours on Tuesday, 20 December.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

RM



10 DOWNING STREET

Caroline

Can you give me a time pl?

A.F.C. - $\frac{1}{2}$

=

11.15 on
Tuesday 20 Dec.
CR

1/12

OW

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Prime Minister

May we find a time
after 11am to the new
American Ambassador to call?

Foreign and Commonwealth Office

London SW1A 2AH

30 November, 1983

A.S.C. 70
" "

Yes no

Dear John,

Proposed Call on the Prime Minister by the United States Ambassador

The newly arrived United States Ambassador, Mr Price, has indicated that he is hoping to pay an initial call on the Prime Minister.

While Ambassadors in London do not have a right of access to the Prime Minister and do not usually make such calls, the Foreign Secretary considers that the Prime Minister should make an exception for Mr Price, as has frequently been done for previous American Ambassadors. The political arguments are self-evident. Moreover, as recorded in your letter of 1 November, Mrs Thatcher told the departing Ambassador that she would like to see more senior figures in the US Administration. It would in our view be entirely in keeping with this and would certainly contribute to strengthening our dialogue with the Americans if the Prime Minister would agree to receive Mr Price.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

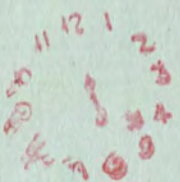
A J Coles Esq
10 Downing Street

Foreign and Commonwealth Office

London SW1A 1AA



30 NOV 1983





NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

die noted

Prime Minister

A J Coles Esq
Private Secretary
10 Downing Street
LONDON
SW1

23rd November 1983

Dear John,

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Mr Prior has recently returned from an eight day visit to the United States which began on 24 October and took him to Boston, San Francisco, Seattle (the Boeing Corporation), Los Angeles, New York and Washington. The three main objectives of the visit were:

- i) to reassert the validity of the Government's current approach to Northern Ireland and by doing so to lower expectations of the impact of the New Ireland Forum report;
- ii) to support the drive for inward investment and increased trade;
- iii) to support the efforts of diplomatic posts in countering Provisional propaganda.

The visit fully achieved its objectives: Mr Prior and Sir Oliver Wright both considered it was a success.

Political

Mr Prior gave two informal addresses in Boston to political/academic audiences, made a major speech in San Francisco and had a number of meetings with politicians in New York and Washington as well as calling on Mr Kenneth Dam at the State Department. On each occasion he stressed the Government's commitment to respect the wishes of the people of Northern Ireland regarding the constitutional status of Northern Ireland as a part of the United Kingdom; described the flexible framework provided by the Northern Ireland Act 1982 as a means of encouraging progress towards a widely acceptable form of devolved government; and stressed the Government's commitment to good Anglo-Irish relations. The latter was a particularly strong point in the light of the recent warmth of Anglo-Irish relations and the imminence of the 7 November Summit meeting with Dr FitzGerald. It seems to have made Mr Prior's listeners more receptive to the further points that the report of the New Ireland Forum would not of itself change the fundamental political problems and that

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Americans should not expect an easy or instant solution to emerge from it.

Mr Prior also spent some time briefing the relevant editorial staff of major US newspapers, particularly those with a significant Irish readership (the New York Daily News, The Boston Irish Echo, The Boston Globe, The San Francisco Chronicle and the Los Angeles Times). He also briefed editorial staff at the Christian Science Monitor, New York Times and Washington Post. While these briefings resulted in immediate press coverage, particularly in Boston, they should also have a positive influence on editorial policy in the months ahead. We understand, for example, that the Boston Irish Echo and Boston Globe have since published helpful articles. Mr Prior and British Information Services in New York feel that a particularly good impression was made with the New York Daily News which is under considerable pressure from its large Irish-American blue collar readership to take a harder line on Northern Ireland.

Industrial Development

Mr Prior made an important visit on the West Coast to a company which it is hoped will announce soon a decision to open a factory in Northern Ireland. He also gave a speech on industrial development to a group of businessmen over lunch at the City of Industry near Los Angeles. While in New York he participated in the opening day's engagements of a visit to North America by the Northern Ireland Partnership, a recently formed group of Northern Ireland business people backed by the Industrial Development Board for Northern Ireland (IDB) who seek to use their existing business contacts to promote further trade between Northern Ireland and the United States and to improve Northern Ireland's image as a location for inward investment. During that day, following the meeting with Mr Prior, the President of the AVX Corporation announced his company's intention to expand production at their Coleraine factory, raising employment from 550 to 800. This is a notable tribute - based on experience - to the industrial skills and good labour relations of the people of Northern Ireland. Mr Prior also spent a day touring the Boeing Corporation plants at Seattle in the company of Sir Philip Foreman, Chairman of Shorts, who have an excellent working relationship with Boeing. They were described as one of Boeing's most reliable sub-contractors in terms of both quality and delivery. Boeing naturally put the case against United Kingdom assistance for the new 150-seater Airbus. There was also some mention of the possibility that Shorts might take a stake in the production of Boeing's new 150-seater 7-7. Mr Prior assured both companies that the Government would consider any such proposal on commercial grounds.

Grenada

Although the Grenada crisis broke as Mr Prior arrived in the United States, the Ambassador ensured that he was kept fully briefed. Grenada tended to dominate the TV and radio interviews which Mr Prior gave - a further demonstration that US interest in Northern Ireland is much lower than people in Britain often seem to believe - and he was able to reaffirm the points made by the Prime Minister.

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Presence of Sinn Fein spokesmen

Two Sinn Fein spokesmen - the former MP Owen Carron and Mr Danny Morrison - were in the United States during Mr Prior's visit, having been brought there at the US taxpayers expense to answer charges of attempting to enter the United States illegally two years ago. Pending the trial, which eventually began on 31 October and ended in their conviction on 8 November, they were free to tour the United States, and they made full use of it. But it was notable, and encouraging that they got virtually no coverage outside the fringe Irish-American press. Danny Morrison was present at one of the seminars which Mr Prior spoke to in Boston and Owen Carron attended his speech to the Irish Forum a nationalist group in San Francisco. Both men were allowed to speak by the chairmen but their presence in fact gave Mr Prior the opportunity to stress Sinn Fein's support for terrorism - which they could not deny - and on both occasions the majority of the audience, particularly in Boston, ended up supporting him. Although we would not have sought such confrontations, posts report that the Sinn Fein spokesmen's failure to make an effective case will have dented their supporters' morale and had a positive effect on the attitude of the audiences. (You will have seen, incidentally, that Mr Prior took an opportunity in the House on 10 November to express the attitude of the House to the offensive remarks of the judge who tried Carron's and Morrison's case).

Special Envoy

The proposal for a US special envoy on Northern Ireland has been launched in the House and Senate by Members of the Friends of Ireland. Mr Prior made it clear in media interviews and in meetings with the sponsors of the idea that the appointment of a special envoy would be most unhelpful. They explained that their main objective had been to head off a more extreme version of the same proposal; that they had been successful in this; and they accepted that their motions would fall at the end of the Congressional session on 18 November. The Administration remains sound on the question of US involvement.

General Assessment

US interest in Northern Ireland matters is currently low. In general the views of those whom Mr Prior met were sympathetic and there were signs of a growing understanding of the complexities of the problem. However there clearly remains a hard core of IRA/NORAID supporters, important both for the help they provide the IRA and because of their influence on those Irish-American politicians who take a more moderate and electorally less popular line. Such politicians are worried by the rise in support for Sinn Fein at the expense of the SDLP and look, perhaps even more fixedly, to the United Kingdom and Irish Governments to get together and reach a solution. Mr Prior was able to improve the image of the Northern Ireland Assembly in the minds of some observers and key opinion formers but many continue to look to the New Ireland Forum as the best hope of securing progress. And people are conscious that Northern Ireland could easily become an issue in the US Presidential election campaign next year. The traditional St Patrick's Day

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(17 March) statements by President Reagan and the Friends of Ireland will have added significance next year, both because of the election and because of the New Ireland Forum, and there will be pressure on President Reagan to follow the lead of the Friends of Ireland. We will need to consider carefully how we might anticipate these developments.

There were signs that the improving climate in the USA was generating increased interest in investments abroad. So far as Northern Ireland is concerned, in addition to the investment decisions I have described, a number of companies clearly had Northern Ireland on their short lists - not out of sentiment but for hard business reasons. Mr Prior noted an improved understanding of the incentives which the IDB was offering and an appreciation (backed up by enthusiastic testimonials from US companies who had already worked there) of the industrial skills of the potential workforce.

Finally, Mr Prior has asked me to express his gratitude to Sir Oliver Wright and the staff of the diplomatic posts we visited for arranging a most rewarding programme, and for the continuing efforts they make to secure a favourable understanding of the Government's Northern Ireland policies in the United States.

I am sending copies of this letter to Brian Fall (FCO), Calum McCarthy (DTI), and Sir Oliver Wright.

Yours ever,

John

J M LYON

SECRET

PRIME MINISTER

ANGLO/AMERICAN RELATIONS

Sir Antony Acland has let me have, privately, the attached copy of a minute from him to the Foreign Secretary about the discussion with Mr. Burt this morning. Mr. Burt spoke frankly and I think you should be aware of what he said. If he (and you know him quite well) is becoming worried about the Government's attitude to the Anglo/American relationship, then I think that we too should be worried.

A.J.C.

11 November 1983



With the compliments of
SIR ANTONY ACLAND

FOREIGN AND COMMONWEALTH OFFICE, SW1
, 198 .



From: Antony Acland

Date: 11 November 1983

cc: Ministers
Sir Julian Bullard
Sir John Leahy
Mr Giffard
Mr Thomas
Mr Houston

Secretary of State

ANGLO-AMERICAN RELATIONS

1. Mr Burt, the US Assistant Secretary for European Affairs, came to see me this morning to discuss Anglo-American relations. I said that transatlantic relations, and especially Anglo-American relations, needed particularly careful management, not just in the aftermath of Grenada, but because the world was more than usually unsettled, and cohesion of the Western alliance more than usually important. There was no doubt of the recognition in Britain of the fundamental importance of the Anglo-American relationship but there was turbulence ahead. It was essential that we should, for example, have time to consider our response to any proposed American reaction to the attack on the marines in Beirut. We hoped too that the Americans would be very sensitive to our concerns over arms sales to Argentina, and to Guatemala. The forthcoming American vote in favour of the Argentinian resolution at the UN General Assembly could be tricky and provoke further anti-American comment. Anglo-American consultation on economic issues, such as COCOM and extraterritoriality, was going well at present. I hoped that the same would be true of political issues - as of course it had been over the INF negotiations in Geneva.

2. Mr Burt said that the world scene was certainly serious, but there were some grounds for optimism. He thought that INF deployment would come to be seen in retrospect as a major achievement of the Alliance, and would improve the climate for genuine arms control and arms reduction talks. He said that the Americans believed that the transatlantic security relationship was fundamentally sound, although they realized that Grenada had caused difficulties for certain countries, not least because of the coincidence with the final stages of INF deployment. He said that the Americans recognized that there had long been an undercurrent of anti-Americanism in Britain. But this had traditionally been offset by strong Government support for the American relationship. What worried the Americans now was that the Prime Minister's reaction to the Grenada issue had unleashed this anti-American strain. The Americans did not believe this was in our interests nor in theirs. It was important that our two Governments should maintain a degree of detachment from public opinion and not let it unduly influence discussions between them. We must recognize each other's legitimate concerns. I said there was no doubting the Prime Minister's and your commitment to the Anglo-American alliance. The Prime Minister would certainly not

/want to fuel



want to fuel anti-American sentiment, and I reminded Burt of your resolute refusal to criticize in Parliament the American intervention in Grenada in spite of many demands to do so. But the Americans must not through their policies provide obvious pretexts for anti-Americanism. Mr Burt said that it was important over the next few weeks to emphasize the points of agreement between us, not the points of difference.

3. On the Middle-East Mr Burt said the Americans had traditionally been cautious. They had no wish to increase the East/West dimension in the area. But he added, speaking personally, that he thought there would be some American reaction to the attack on the marines in Beirut: there were things the Americans could do. He thought it probably right, as Mr Eagleburger had told Mr Thomas (British Embassy, Washington) that there would be no action until President Reagan returned from the Far East - although he did not absolutely rule out some action during the President's absence. I again stressed the importance of proper consultation, not least because we were housing parts of the American Embassy in Beirut in our own Embassy. I added that Malfatti had told me earlier in the week of the importance that the Italians placed on proper consultation because of the size of their MNF contingent. Mr Burt said that if action were taken, we would certainly be "notified", but the degree of consultation might well be less than we might like. This was inevitable given the nature of the possible action. Our concerns were, however, fully recognized.

4. Mr Burt said that we must recognize that the Americans were going to certify Argentina for arms sales. Thereafter, he had no doubt that the Argentines would put in a prompt request for supplies, in order to test the American commitment to the new government, and some arms supplies would be agreed - though it would be a while before deliveries were made. He did not think that the Americans would become a major arms supplier to Argentina, at least to start with. He added that he assumed, speaking personally, that we would want a dialogue with the new Argentine Government. I said the important thing was that the new Argentine Government should not get the wrong impression from any quarter. It would be best for all concerned if they were in no doubt from the beginning about the realities of the situation and had no false illusions. They must be brought to realize that we were not going to negotiate over the sovereignty of the Falkland Islands, or do anything which went against the wishes of the islanders. They must not think that a better relationship with the US was going to lead, through American pressure on us, to a weakening of our position on the Falklands - an analogous argument to that I had used with the Italians in the context of the UN resolution. Argentine, and

/particularly Costa Mendez's



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-3-

particularly Costa Mendez's, misunderstanding of our position had contributed to the Falklands war.

5. This was a sobering discussion. It was pretty clear to me that the Americans do intend, sooner or later, to take some action in the Lebanon, and intend, after certification, to supply Argentina with some, though probably not major, arms. We need to recognize this, and think carefully about our public line. I have asked Sir John Leahy and Mr Giffard to do so urgently. Meanwhile, it will only make things more difficult for us if we say too clearly in public in advance that these actions will cause us great concern. I think we should, as Mr Burt suggested, emphasize over the next few weeks the things on which we and the Americans agree, and are in constant and close touch. The INF negotiation, and INF deployment, is the obvious example.

Antony Acland

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JL

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

In your minute of 9 November you referred to the message which you have recently received from Mr. McFarlane of the White House.

The Prime Minister has had a brief word with you about this matter today. As you know she is doubtful about the value of Mr. McFarlane as an interlocutor and considers, therefore, that it would not be useful to establish with him the link which you describe.

As regards the proposed reply to Mr. McFarlane, Mrs. Thatcher does not wish to give the impression that we were grateful for the advance notice of the Grenada operation (which she considered quite inadequate) nor that our views, private or public, would have been different if we had had more time or more knowledge. You may therefore wish to look again at the following passages in the draft:

- (a) in paragraph 4, the sentence, "We were grateful for the advance notice that you were able to give us" and the section from "Perhaps it is also fair" to "So too might the public position";
- (b) in paragraph 6, the sentence "I think that there is much greater recognition on your part".

In the penultimate paragraph you may wish to omit the words from "Your predecessors" to "disposed to use it".

A. J. COLES

11 November 1983

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10 DOWNING STREET

Prime Minister.

Sir Robert Armstrong may raise
this.

I will redraft the letter and
let you see it over the weekend.

You agreed that it would not
be right to set up this "political"
link.

It would cut across both
the Foreign Secretary and Sir Oliver
Wright - and be liable to
increase rather than reduce
confusion.

A.J.C. $\frac{10}{11}$.
I agree. I suggest that you say that
you "would like to think further about the
reply" (rather than that John is re-drafting it!)
FEB 10.11



10 DOWNING STREET

Prime Minister

Sir Robert Armstrong wants
to raise three matters :-

- i. Business
- ii. Bettaney
- iii. The message to him from
McFarlane - his minute is
below.

FERB

10.11.

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Ref. A083/3186

PRIME MINISTER

I mentioned to you yesterday the message which I had just received from the new National Security Adviser at the White House, Mr Robert C McFarlane, expressing their "profound disappointment" at the British Government's public reaction to their effort to restore democracy and order to Grenada.

2. Quite apart from the contents of the message, it was a surprise to me to receive any message from the National Security Adviser. As you know, there has in times past been a close relationship between the National Security Adviser and the Secretary of the Cabinet, and not merely on the subject of Anglo-American nuclear understandings which are discussed between the White House on the one hand and 10 Downing Street and the Cabinet Office on the other. Sir Burke Trend had a close relationship with Dr Kissinger when he was National Security Adviser; and both Sir John Hunt and I had a similar relationship with ^{Mr.} Brzezinski, who was President Carter's National Security Adviser. But this relationship ceased when President Reagan took office: for reasons (I suspect) largely of internal politics, neither Mr Allen nor Judge Clark ever sought to establish such a relationship. When I negotiated the renewal of the Anglo-American nuclear understandings in February 1981, it was with Mr McFarlane that I dealt; and it was with Mr McFarlane that Mr Goodall dealt when an extension to them was in question.

3. Mr McFarlane's message therefore suggests that he may be willing to contemplate a reopening of the old relationship between the National Security Adviser and the Secretary of the Cabinet. There are of course complications about such a relationship, in particular in setting up a direct relationship which bypasses the diplomatic channel. The Foreign and Commonwealth Office have always been understandably sensitive about this aspect of it. On the other hand it has always been felt that, given the nature of the system in Washington and the distance that seems sometimes to divide the White House and the

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State Department, it is in our interests to develop the direct relationship with the White House in parallel with the normal relationships through diplomatic channels; and we have on the whole successfully avoided the potential disadvantages at this end by a policy of candour which ensures that the Foreign and Commonwealth Office do not have reason to complain that we are doing things behind their backs.

4. I am inclined to think that, if Mr McFarlane is now ready to resume at any rate something of the direct relationship which his predecessors have had with successive Secretaries of the Cabinet, it is still in our interests to respond to and encourage that; and it is with that consideration in mind that I have considered what sort of reply might be sent to the message.

5. The draft reply which I attach is intended to make, in a friendly but nonetheless unmistakable way, six main points:

- (1) The reaction of which he complains was in some considerable degree attributable to the inadequacy of the consultation, both in terms of the timing and the amount of information and background provided.
- (2) You and the Foreign and Commonwealth Secretary were put in a very difficult political situation here, because of the need to respond immediately to Parliamentary pressures. You could hardly dissemble the comparative lack of consultation. Nonetheless you did, at some political cost, seek to avoid public condemnation in the House of Commons of what the Americans had done.
- (3) One really cannot compare the Falklands and Grenada.
- (4) What matters now is to get on with restoring peace and democracy in Grenada. We should be ready to consider doing whatever we could to help.
- (5) The British Government was not responsible for the recent press stories about your meeting with Mr Dam.
- (6) If he wants to revive the direct relationship with me, I am willing to play.

ROBERT ARMSTRONG

9 November 1983

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MR ROBERT C MCFARLANE
THE WHITE HOUSE

Thank you very much for your message of 7 November.

I had been intending to write to you, to congratulate you on your appointment as National Security Adviser, to wish you well in your important role, and to express the hope that you would continue to be my point of contact on the particular Anglo-American matters which we first discussed together in February 1981.

I am glad that you have written as frankly as you have done, and I welcome the opportunity to respond, with I hope no less frankness and in the same spirit of friendship. I certainly do not want - nobody here wants - to prolong our differences. But let me comment on one or two points.

We have enough experience of the complexities of planning and the difficulties of decision-making for operations of this kind to understand the considerations that inhibited your consultations with us before the rescue mission went into Grenada. There are a thousand and one things to think of and to do; and it is important to maintain a high degree of security. And of course you had also to deal with the consequences of that horrible tragedy in Beirut. We were grateful for the advance notice that you were able to give us. The problems arose partly, I think, because we did not appreciate quite how soon you were thinking of acting; we put our thoughts together as quickly as we could after receiving the President's message, but were (I must admit) dismayed to learn before we had sent the reply that it was in effect too late to affect the decision: the action was already launched. Perhaps it is also fair to say that our views at that stage were inevitably based on incomplete knowledge of the situation to which you were responding. Our replies to the President's message might have differed at any rate in nuance or degree if there had been more time and more knowledge.

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So too might the public position. On that, however, I have to say that Ministers were at great pains to avoid as far as possible criticism or condemnation of the President's decision, in what was for them a very difficult domestic political situation. Because of the exigencies of Parliamentary procedures the Foreign Secretary could not avoid having to make a statement in the House of Commons on the Monday afternoon when we were still in ignorance of your intentions, and a speech the following afternoon, by which time your action had taken place. The apparent inability of the British Government to predict or influence the course of events was thus thrown into the sharpest possible focus. But in a Parliamentary situation when the Opposition and some of the Government's own backbenchers were not slow to voice criticisms, Sir Geoffrey Howe, and the Prime Minister in answering questions, were careful not to criticise or condemn; and Sir Geoffrey at least paid a considerable political price for appearing to be "indecisive". And of course the timing was all wrong in relation to the controversy about cruise missile deployment. I am sure that your people here will have told you how ready the Government's critics were to exploit the charges of lack of consultation and of American failure to take account of British views in the Grenada context, just at a moment when cruise missiles were about to arrive here and the question of the "adequacy" of the arrangements for joint consultation on the use of United States nuclear weapons in the United Kingdom was being revived as an active political issue. The Government have dealt with this robustly, and have secured a resounding Parliamentary majority in favour of the existing arrangements. But the controversy was given new impetus, and we have not heard the last of it.

As to your reference to the Falklands, I could weary you with much cogent argument about the difference between what we were doing there and what you were doing in Grenada, and about the differing extent to which we needed one another's support in each case. But I will spare you that, because (like you) I don't want to prolong our differences. I think that there is much greater recognition here now than at the outset of the conditions

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in Grenada which called for action on your part. We fully support the objectives of restoring democracy on the island and enabling its people to live in peace and safety. As you say, the Governor-General and the regional states will be taking the lead. We shall certainly be ready to consider seriously and sympathetically any proposals that we might help, whether individually or in some Commonwealth-related effort, consistently with our other commitments and with the sensitivities that inevitably attach to the ex-colonial power.

The Prime Minister was glad to see Kenneth Dam the other day. You may have read or heard of subsequent press stories here; as the Prime Minister said in the House of Commons, she did not recognise them as relating to the meeting she attended, and they were certainly not the result of any briefing from us.

Thank you again for writing, and for writing so frankly. As you say, it helps to clear the air. You may be sure that we want as much as you do to put these differences behind us and to set Anglo-American relations, and particularly the relationship between your President and my Prime Minister, back on to the footing that they ought to be on. Your predecessors and mine have enjoyed a close and friendly relationship, and the ability to communicate privately and directly with one another, to the mutual benefit of their principals in times past. The fact that you and I already know one another and have done business together should enable us to do likewise, if you think that that would be helpful. At any rate you know that this channel is open to you whenever you are disposed to use it.

I look forward to meeting you again before long.

With best wishes

SECRET

CHANGE OF RESIDENTIAL ADDRESS

After November 7, 1983

Ambassador and Mrs. John J. Louis, Jr.
1000 Hill Road
Winnetka, Illinois 60093, U.S.A.

Home Telephone: (312) 446-6604

Office Telephone: (312) 446-9191

London Address:

5, The Boltons,
London, SW10 9TB



cc MASTER SET

File

nr

10 DOWNING STREET

From the Private Secretary

1 November 1983

My Record

US Ambassador

You should know that the American Ambassador and Mrs. Louis called on the Prime Minister this morning to say farewell at the end of their tour in this country.

There was some discussion of Grenada, The Prime Minister made it plain that she regretted the lack of adequate consultation but equally made it plain that this would not be a matter of lasting resentment.

Mrs. Thatcher also expressed the view to Mr. Louis that, in contrast with our European partners, contacts at a high level with the US Government were less adequate. She thought it desirable that she should see more of senior figures in the US Administration. A pattern of closer contacts would make it easier to avoid future misunderstandings. Mr. Louis said that he would carry this message back to Washington.

A. J. COLES

Roger Bone Esq
Foreign and Commonwealth Office.

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de VC

MR. COLES

We have just received an invitation from Ambassador Louis for the Prime Minister and Mr. Thatcher to attend a reception on Tuesday 18 October "to say farewell".

There is in fact an audience arranged for 6.30 pm that evening which will preclude the Prime Minister's attendance. There is also in the diary a dinner with Princess Alexandra on 24 October, when Ambassador and Mrs Louis will be present.

Would it cause offence if we simply send the Prime Minister's polite regrets?

DB

6 October 1983



INF DEPLOYMENT

7. The Secretary of State said that there were no difficulties for the British Government in proceeding with the deployment of cruise missiles at Greenham Common on time. The detailed timetable for the delivery of the major items of equipment at the beginning of November was acceptable to the British Government but needed also to be looked at from the point of view of the possible impact in Germany prior to the Bundestag debate. This could be argued both ways: it might stiffen support there for deployment but it could be seen as pre-empting their own debate. It was important to avoid any steps which made the German Government's position more difficult and he would propose simply to mention the point to Dr Woerner when he met him the following week at a trilateral Ministerial meeting. The US side took note.

8. The Secretary of State said that the last real chance for the peace movement to make an impact and revive their fortunes would come with the deployment of cruise missiles on British roads away from Greenham Common. If they could interfere with these off-base deployments, they would embarrass the Government and gain much-needed publicity. He therefore believed that GLCM training deployments must be looked at very carefully from a political and presentational point of view and he would be taking a close personal interest in what was proposed. It was agreed that the detail could be handled through the London Working Group. Mr Weinberger said that he agreed with the importance of looking carefully at these issues. While some training could certainly be carried out within the Greenham Common base, it would be important to have some off-base deployments to underpin the survivability of the system. These should certainly be carried out in a way which did not raise public concern about the deployment.

EQUIPMENT COLLABORATION

9. The Secretary of State said that he wished to thank Mr Weinberger for all of the effort that the Administration had put in to helping us over problems such as the speciality metals clause. There remained, however, areas of difficulty to which his own industrialists continued to draw his attention. One was the difference in treatment of UK-owned subsidiaries operating in the United States and US-owned subsidiaries operating in the United Kingdom. He knew that changes had been made to the rules covering this, but they did not amount to equality of treatment in the two countries. There had also been problems over security restrictions on attendance at meetings and over the exchange of information on which again the Administration had been supportive. He believed that it would be helpful to set up a small working group to establish precisely the continuing areas of difficulty which could then be looked at jointly. Mr Weinberger said that he was happy to proceed in this way.



10. The Secretary of State said that he wished to explain frankly the problems he faced over equipment co-operation and collaboration. The scale of the US defence budget was such that the US could fund projects with state of the art technology across the whole defence field and then sell them around the world at marginal cost. European countries could not simply buy American and let their own industrial capabilities wither away which would be in neither their national interest nor that of NATO as a whole. One option was for the Europeans to develop amongst themselves an integrated R&D and industrial base to compete with the Americans. But he also wished to explore the scope for collaboration between Britain and America in areas where it was to our mutual advantage. There were existing examples of collaboration like the AV8B but the American participation usually came about because they had no alternative project of their own in the area concerned. He wondered whether there was scope for more joint projects involving shared R&D, which from the British point of view would enable us to obtain cheaper equipment from longer production runs while retaining an advanced industrial base of our own. If this was not a realistic option because of the attitude of the US Congress he would prefer to be told this frankly and then not to pursue the idea further. Mr Weinberger said that there had been conspicuous examples of effective co-operation and he would be very happy to look at areas in which joint projects might be feasible. This had to be done against the background of the reality that US industry could put pressure on the Congress in particular cases which ultimately the Administration could not overcome. It was agreed that the best way to tackle the problem was by a meeting between procurement experts on both sides to review the possibilities rather than by establishing some new form of machinery.

11. In further discussion, Mr Perle drew attention to the importance of focussing on realistic prospects since attempts to co-operate which subsequently failed were very damaging to the Alliance. It was important to take account of the other side of the equation which was to ensure that information shared between allies did not reach the Soviet Union. The Congress had proved very difficult in the past over joint projects such as JP233. It would strengthen the Administration's hand to secure influential Congressional backing if they could say that they were co-operating with the British because they took a very strong line on technology transfer to the Soviet Union. Within the British Government, the Ministry of Defence was very sympathetic to this problem but other Departments appeared to be less so. The COCOM machinery was inadequate to deal with the problem since it had no coherent policy which could effectively withstand national industrial pressures. It needed underpinning with experts in military research and development who could help COCOM to develop a collective view of where the future risks to our security lay. This was why his Government had pressed for a new Sub-Committee. He believed the German Government would go along with this approach if the British Government supported it. The Secretary of State commented that we continued to take the view that the right way forward was to involve experts in national capitals when Governments were formulating the line to take in COCOM. The problem had to be addressed in ways which recognised the political and industrial realities in all Alliance countries.



12. The meeting ended at 1145.

13. During the lunch hosted by Mr Weinberger which followed the meeting, the US side raised the question of accommodation charges. The Secretary of State explained, that notwithstanding the difficulties presented for us, we were willing to reach a compromise on the lines which had been proposed. Mr Blelloch said that we would reluctantly accept the following package: prompt payment, a 50% reduction in rent, both of these changes to be introduced together from 1st October, and no action on residual values. This statement was noted by the US side. The US side also raised the question of the arrangements for the Atlantic Undersea Test and Evaluation Centre. The Secretary of State said that he had not yet seen the papers on this issue and would consider them on his return to London.

R. m.

Ministry of Defence

16th September 1983

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NOTE FOR THE RECORD

RECORD OF A MEETING WITH CASPAR WEINBERGER
AT THE PENTAGON AT 0950 ON 13TH SEPTEMBER 1983

Present:

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

The Hon Caspar W Weinberger
US Secretary of Defense

His Excellency Sir Oliver Wright
GCMG GCVO DSC
British Ambassador to the USA
Mr J Belloch
DUS(P)

Mr Perle

Dr Lauder

Major General T A Boam CBE
Head of the British Defence Staff
Washington

Major General Powell
MA/SECDEF

Dr S Orman
Minister/Counsellor Defence
Equipment

Mr Mosher

Mr R C Mottram
PS/Secretary of State

1. The plenary session was preceded by a private meeting between the Secretary of State and Mr Weinberger lasting over an hour. This covered broadly the same ground as the plenary, described below.

LEBANON/MNF

2. The Secretary of State said that, like the United States and French Governments, we had now taken steps to provide air support for our contribution to the MNF and BUCCANEER aircraft would be flying another sortie that day. The position in Lebanon had changed substantially since the decision to create the MNF and it was more difficult to see a clear objective which the force might help to achieve in present circumstances. Mr Weinberger said that the objective remained the same. The United States wished to assist in the creation of a unified, sovereign country with all foreign forces removed. This was increasingly difficult to achieve because Syria saw very little reason to moderate her behaviour within the country or to withdraw. The Syrians had gone back on earlier commitments to withdraw because they argued there was no legitimate Government in Lebanon with which they could deal. The Israelis had made it clear they would withdraw if the Syrians did. There was clear evidence of PLO involvement with the Syrians and of Soviet backing for Syrian activities in the Lebanon. There were not many grounds for optimism but to pull out the MNF would achieve nothing and send a bad signal to the whole of the Middle East. The one encouraging feature was the performance of the Lebanese Armed Forces who were being given intensive training and logistic support by the Americans.

3. The Secretary of State asked whether the United States might be drawn into a more active policy involving air strikes against targets of interest to the Lebanese Army and a role alongside them on the ground. Mr Weinberger said that there was no way in which the US ground forces would become involved in operations alongside the Lebanese. This would require Congressional approval under the War Powers Act, the need for which they had so far avoided. It was the case that the Americans were prepared to adopt a "more aggressive defence" involving naval, artillery and tactical air support, though the increased air effort had not yet been needed. The circumstances in which fire could be returned were still clearly laid down. He recognised the dangers in any escalation for US public and Congressional support; but there were signs that, provided their right to be involved was recognised, the Congress would be supportive. The US would continue to sustain the MNF, to seek a ceasefire, and to support President Gemayel. Gemayel's position was not all that solid and it would cause great difficulty should he resign. The fundamental problem remained that a solution rested upon Syrian withdrawal but there was no means of applying pressure to bring this about.

4. The Secretary of State said that he had explained to Mr Weinberger in their private meeting why we wished to avoid involving our Naval forces - either the INVINCIBLE Group or those involved in Exercise DISPLAY DETERMINATION.

HLG

5. Mr Perle said that the British had played a most important role in the work of the HLG in pulling together European views and maintaining consensus in support of a sensible outcome. The Group had come a long way towards reconciling its differences. It was important to take account of the views of SACEUR and of the US Army and Air Force who owned the assets concerned, were not anxious to give any of them up, and were concerned that any figure that was now agreed would become a ceiling for the future regardless of how circumstances might change. The Group had almost reached the bottom line in terms of numbers of weapons and it was important that their recommendations should endorse the need for modernisation of systems. He believed that they could put proposals to the NPG which would have "political resonance" on the eve of INF deployment. They would have their work cut out to protect the substance of their report in the last stages of its preparation, but he believed that this could be achieved. The Secretary of State endorsed Mr Perle's remarks. The work of the Group was an excellent example of Alliance co-operation. An outcome at the proposed figure was satisfactory. The public presentation of the reductions would need the most careful handling to maximise their impact, and it would be helpful - though he was doubtful if it could be achieved - if the outcome could be kept confidential until the NPG meeting itself.

DEFENCE BUDGET

6. Mr Weinberger said that the problem for the US was that half of the budget went on operating costs before any money was available for investment in new equipment. If the Administration were to resist "Buy American" and other pressures in the Congress, it was important for the Europeans to offer host nation support to keep down American operating costs and, more generally, to show their commitment to the real increases in expenditure required by the NATO aim. To the extent that others met the NATO goal, it helped the US Administration in securing its own budget increases: equally to the extent that the Europeans did not meet their targets, it made things that much more difficult for the US Administration. He therefore hoped that the Secretary of State would be successful in sustaining the case for increases in the British defence budget in line with the NATO aim. The Secretary of State said that the Government was committed to meet the NATO aim of 3% real increases a year up to the 1985/86 financial year. There was, of course, scope for argument about what provision should be made for inflation and what was included and excluded in the calculation and these were legitimate issues for our Treasury to pursue. He would seek the best deal possible. The Government had yet to take any decision on the 1986/87 budget, although they would of course have in mind the extension of the NATO aim for the period up until 1990 agreed at the last DPC meeting. He had taken note of what Mr Weinberger had said about the impact of British decisions on the US Administration's position with the Congress.

20 SEP 1983

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FM WASHINGTON 160235Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 2623 OF 15 SEPTEMBER

INFO MODUK (FOR PS/S OF S, DUS (P), AUS D STAFF), UKDEL NATO, BONN
PARIS, MOSCOW

THE DEFENCE SECRETARY'S VISIT TO WASHINGTON

1. MR HESELTINE HAS JUST COMPLETED A VERY SUCCESSFUL TWO-DAY VISIT TO WASHINGTON, PROVIDING AN OPPORTUNITY FOR HIM TO PUT ACROSS OUR POINT OF VIEW ON A WIDE RANGE OF ISSUES TO SENIOR MEMBERS OF THE US ADMINISTRATION AND IN CONGRESS AND TO GAUGE IN RETURN THEIR CURRENT PRE-OCCUPATIONS.
2. THE TALKS WITH WEINBERGER WERE MARKED BY AN EXCELLENT PERSONAL RAPPORT. AMONG OTHER MATTERS, THEY COVERED THE WORK OF THE NATO HIGH LEVEL GROUP ON RATIONALISATION OF THE NUCLEAR STOCKPILE. PENTAGON OFFICIALS EMPHASISED AGAIN THE IMPORTANCE THEY ATTACH TO MORE EFFECTIVE CONTROLS OVER THE LEAKAGE TO THE SOVIET UNION AND EASTERN EUROPE OF MILITARILY RELEVANT TECHNOLOGY. MR HESELTINE MADE CLEAR TO WEINBERGER AND THOSE HE MET ON THE HILL THAT IT WAS INEQUITABLE THAT THE UK SUBSIDIARIES ON US COMPANIES WERE TREATED LIKE UK COMPANIES SO FAR AS BIDDING FOR DEFENCE CONTRACTS WERE CONCERNED, WHEREAS THIS WAS NOT TRUE FOR US SUBSIDIARIES OF UK COMPANIES. IT WAS AGREED THAT OFFICIALS SHOULD PURSUE THIS MATTER. MR HESELTINE MADE THE POINT THAT, GIVEN THAT IT WAS NECESSARY AND INEVITABLE THAT EUROPEAN COUNTRIES WOULD WISH TO MAINTAIN THEIR OWN HIGH TECHNOLOGY BASE, IT WAS IN THE US INTEREST TO ENCOURAGE COOPERATION SINCE EUROPEAN COUNTRIES WOULD OTHERWISE COLLABORATE WITHOUT THE US. THE PRINCIPAL DEPUTY UNDER-SECRETARY FOR DEFENCE RESEARCH AND ENGINEERING EMPASISED THE NEED FOR NATO TO MAKE THE BEST POSSIBLE USE OF EMERGING TECHNOLOGIES TO REMAIN ON TOP OF THE SOVIET THREAT AND ON THE MINOR BUT VEXING QUESTION OF THE PAYMENT OF RENT BY THE US AIR FORCE FOR RAF MARRIED QUARTERS IN BRITAIN, MR HESELTINE AND MR WEINBERGER GAVE A POSITIVE STEER WHICH SHOULD ENABLE OFFICIALS TO SETTLE THE QUESTION.
3. THE MEETING WITH SHULTZ WAS DOMINATED BY DISCUSSION OF THE LEBANON (MY TELNO 2598), WHICH ALSO FEATURED LARGE IN THE MEETING WITH WEINBERGER. SHULTZ ACKNOWLEDGED ALL THE DIFFICULTIES THE US AND THE MULTI-NATIONAL FORCE FACED BUT MADE CLEAR THAT THE ADMINISTRATION ARE CONVINCED THAT TO PULL OUT WOULD BRING CHAOS IN LEBANON A VERY DANGEROUS OUTCOME FROM THE POINT OF VIEW OF WESTERN INTERESTS AND, PROBABLY, A FURTHER ISRAELI/SYRIAN CONFLICT. SHULTZ, WHOSE SOUL IS SCARRED BY HIS RECENT MEETING WITH GROMYKO IN MADRID (WHEN GROMYKO INFURIATED HIM BY ACCUSING THE US OF DELIBERATELY ENGINEERING A 'PROVOCATION' OVER THE KOREAN AIRLINER), WAS NOT OPTIMISTIC ABOUT MOVEMENT IN THE SOVIET POSITION IN INF, BUT DETERMINED TO PERSIST WITH SERIOUS US EFFORTS TO TRY FOR PROGRESS IN ARMS CONTROL.

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/ SHULTZ

SHULTZ, LIKE WEINBERGER, EXPRESSED THE GENUINE ADMIRATION FELT HERE FOR THE GOVERNMENT'S HANDLING OF THE NUCLEAR DEBATE IN BRITAIN AND THE FIRMNESS OF THE SUPPORT WE HAVE GIVEN THE US THROUGHOUT THE DIFFICULT PERIOD FOR THE ALLIANCE OF INF DEPLOYMENT.

4. ADELMAN DIRECTOR OF THE ARMS CONTROL AND DISARMAMENT AGENCY) ALSO FELT THAT AN INF AGREEMENT WAS UNLIKELY BEFORE DEPLOYMENT TAKE PLACE, SINCE THE RUSSIANS SHOWED NO SIGNS OF MODIFYING THEIR DEMAND THAT THERE MUST BE NO WESTERN DEPLOYMENTS AND THEIR INSISTENCE ON COUNTING BRITISH AND FRENCH SYSTEMS. HE THOUGHT THEY WERE SHOWING A SERIOUS INTEREST IN START, ON WHICH THEIR CALCULATIONS NEXT YEAR WOULD DEPEND ON WHETHER THEY THOUGHT IT IN THEIR INTERESTS TO DO A DEAL WITH THIS ADMINISTRATION.

5. AT A WELL ATTENDED MEETING OF THE SENATE ARMED SERVICES COMMITTEE (WITH SENATORS TOWER, NUNN, COHEN, BINGAMAN, AND WILSON PRESENT), MR HESELTINE MADE AN EXTREMELY EFFECTIVE PRESENTATION OF OUR POLICIES ON DEFENCE AND ARMS CONTROL HIS REMARKS WERE EQUALLY WELL RECEIVED IN THE HOUSE ARMED SERVICES COMMITTEE - OF MARKEDLY LOWER CALIBRE THAN THE SENATE, BUT NO LESS IMPORTANT WHEN IT COMES TO COLLABORATIVE PROJECTS IN WHICH WE ARE INTERESTED.

6. MR HESELTINE'S SPEECH TO A VERY LARGE AUDIENCE OF WELL-INFORMED AND INFLUENTIAL WASHINGTONIANS UNDER THE AUSPICES OF THE COUNCIL FOR STRATEGIC AND INTERNATIONAL STUDIES, WAS A TIMELY REMINDER OF THE CONTRIBUTION THE ALLIES ARE MAKING TO THE COMMON DEFENCE. IT AND A SUBSEQUENT PRESS CONFERENCE RECEIVED GOOD COVERAGE HERE, WITH THE PRESS EMPHASISING MR HESELTINE'S POINT THAT THE KOREAN AIRLINER INCIDENT SHOULD NOT DISTRACT THE WEST FROM THE PURSUIT OF BALANCED AND VERIFIABLE ARMS CONTROL AGREEMENTS.

7. ALTOGETHER A VALUABLE VISIT WHICH EMPHASISED THE IMPORTANCE AND REINFORCED THE CLOSENESS OF THE ANGLO-AMERICAN MILITARY RELATIONSHIP. IT WILL HAVE ENHANCED OUR ALREADY HIGH REPUTATION HERE. THE POST-VISIT VIBES FROM THE PENTAGON HAVE BEEN UNIFORMLY FAVOURABLE. I AM GRATEFUL TO MR. HESELTINE FOR FINDING THE TIME FOR THIS HIS FIRST VISIT TO THE UNITED STATES AS DEFENCE SECRETARY AND LOOK FORWARD TO THE SECOND. NEXT TIME I HOPE THAT IN ADDITION TO WASHINGTON HE WILL VISIT MAJOR NATO AND AMERICAN INSTALLATIONS, SACLANT AND STRATEGIC AIR COMMAND, FOR EXAMPLE, AND CARRY THE MESSAGE OF THE BRITISH DEFENCE EFFORT TO, SAY, THE MIDDLE WEST.

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MR EGERTON
CABINET OFFICE

COPIES SENT TO
No. 10 DOWNING STREET

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FM WASHINGTON 150008Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 2599 OF 14 SEPTEMBER

INFO PRIORITY: MOSCOW, BONN, PARIS, UKDEL NATO

MY TELNO 2598 (NOT TO ALL):

MR HESELTINE'S MEETING WITH SHULTZ

1. AFTER REFERRING TO SOVIET SUPPORT FOR SYRIAN ACTIONS IN THE LEBANON, AND ARMS SUPPLIES TO CENTRAL AMERICA, SHULTZ SAID THAT HE THOUGHT WE WERE DEALING WITH A PRETTY COLD REGIME IN MOSCOW. HE COULD SEE NO EVIDENCE OF THE POST-BREZHNEV REGIME BEING MORE READY TO TRY TO GET ALONG WITH THE WEST. WE MUST NEGOTIATE IN GOOD FAITH ON ARMS CONTROL AND WERE DOING SO. BUT HE WAS NOT PARTICULARLY OPTIMISTIC ABOUT THE PROSPECTS.

2. IN REPLY TO MR HESELTINE'S QUESTION, SHULTZ SAID THAT AT BREZHNEV'S FUNERAL, ANDROPOV HAD IMPRESSED HIM AS A HIGHLY INTELLIGENT AND FORMIDABLE PERSONALITY. AS THE US AMBASSADOR HAD OBSERVED, HE HAD THE AIR OF A MAN WHO HAD BEEN IN CHARGE FOR SOME TIME, IE PRESUMABLY BEFORE BREZHNEV DIED. HIS BACKGROUND WAS FAIRLY CHILLING. BUT HE WAS ALSO GOING TO HAVE TO GRAPPLE WITH SOME VERY TOUGH PROBLEMS. THAT WAS ABOUT THE BEST REASON TO HOPE FOR SOME EFFORT TOWARDS ACCOMMODATION. THE PRESIDENT AND THE PRIME MINISTER HAD NEVER HAD ANY ILLUSIONS ABOUT THE SOVIET SYSTEM. THE KOREAN AIRLINER INCIDENT HAD BEEN A REMINDER TO OTHERS.

3. MR HESELTINE SAID THAT HE THOUGHT THAT THE US ADMINISTRATION HAD HANDLED WELL ITS RESPONSE TO THAT INCIDENT, WHICH SURELY MUST

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PS/MR WHINNEY

PS/PUS LUCE

MR GIFFARD

MR URE

MR CARTLEDGE

MR JAMES

CABINET OFFICE

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3. ~~MR HESELTINE SAID THAT HE THOUGHT THAT THE US ADMINISTRATION HAD HANDED WELL ITS RESPONSE TO THAT INCIDENT,~~ WHICH SURELY MUST HAVE BEEN AN EMBARRASSMENT TO THE SOVIET LEADERSHIP. SHULTZ AGREED THAT THERE MUST HAVE BEEN A 'MISTAKE': THE SYSTEM WAS CLUMSY, AS THEY HAD SHOWN IN THEIR HANDLING OF THE AFFAIR.

4. MR HESELTINE ASKED IF SHULTZ SAW ANY HOPE OF PROGRESS IN THE INF NEGOTIATIONS BEFORE THE END OF THE YEAR. SHULTZ SAID THAT NOTHING GROMYKO HAD SAID TO HIM IN MADRID HAD BEEN AT ALL ENCOURAGING. NOR HAD ANYTHING KVITSINSKY HAD SAID TO NITZE. GENSCHER HAD THOUGHT THAT HE HAD SEEN A CHINK OF LIGHT IN GROMYKO'S REFERENCE TO BRITISH AND FRENCH SYSTEMS; THAT NOW SEEMED TO HAVE BEEN CLOSED OFF BY KORNIEENKO (MOSCOW TELNO 1021 TO YOU). WHEN NITZE HAD SOUGHT TO EXPLORE WHAT THE RUSSIANS MEANT BY THE 'LIQUIDATION' OF SOME SS20S, KVITSINSKY HAD SAID THAT THIS REFERRED TO THE TRANSPORTERS, NOT TO THE MISSILES. DOBBINS (DEPUTY ASSISTANT SECRETARY FOR EUROPE) INTERJECTED THAT KORNIEENKO NOW SEEMED TO BE SAYING THAT SOME MISSILES MIGHT IN FACT BE DESTROYED. SHULTZ SAID THAT ANDROPOV HAD GOT HEADLINES FOR THIS 'MOVE', BUT NOTHING HAD BEEN SAID ABOUT RESTRICTIONS ON SOVIET SYSTEMS IN ASIA. ADMIRAL HOWE (DIRECTOR FOR POLITICO-MILITARY AFFAIRS) SAID THAT IN ASIA THE RUSSIANS WERE MAKING PREPARATIONS FOR THE DEPLOYMENT OF THIRTY SIX MORE SS20S. GROMYKO'S LINE, MEANWHILE, WAS THAT THE US HAD CONTRIVED THE SHOOTING DOWN OF THE KOREAN AIRLINER IN ORDER TO FRUSTRATE PROGRESS IN ARMS CONTROL.

5. MR HESELTINE ASKED WHETHER ANDROPOV, LIKE HIS PREDECESSORS, WAS NOT GOING TO WANT TO MAKE HIS MARK ON HISTORY. SHULTZ SAID THAT HE HAD THE SELF-CONFIDENCE TO DO SO, BUT HIS ENERGIES SEEMED AT PRESENT TO BE DEVOTED RATHER TO TRYING TO DO SOMETHING ABOUT THE SOVIET ECONOMY. MR HESELTINE SAID THAT, NEVERTHELESS, THERE WERE EVIDENCE OF AN INTEREST IN SECTIONS OF THE SOVIET LEADERSHIP IN AN ARMS CONTROL AGREEMENT. SHULTZ SAID THAT IF THAT WAS SO, THE RUSSIANS WOULD HAVE THEIR CHANCE TO GET ONE.

6. MR HESELTINE SAID THAT DEPLOYMENTS IN BRITAIN WOULD GO AHEAD ON SCHEDULE. SHULTZ CONGRATULATED HIM ON THE HANDLING OF PUBLIC OPINION ON THESE ISSUES. IN REPLY TO A QUESTION FROM SHULTZ, MR HESELTINE SAID THAT HE HAD MENTIONED TO WEINBERGER THE NEED TO CONSULT THE GERMANS ABOUT THE IMPLICATIONS FOR THEM OF THE BEGINNING OF INF DEPLOYMENT IN BRITAIN IN RELATION TO THE MID-NOVEMBER DEBATE IN THE BUNDESTAG.

WRIGHT

USA



Foreign and Commonwealth Office

London SW1A 2AH

Mr Imrie

cc APS 4/8

3 August 1983

+ Ph. CTE 4/8

Mr Weston Defence Dept

Sir Oliver Wright GCMG GCVO DSC
WASHINGTON

Dear Oliver,

THE TECHNICAL COOPERATION PROGRAMME (TTCP)

1. You suggested in your letter of 5 July that the Prime Minister might send a telegram to President Reagan which Mr Weinberger could read out at your celebratory dinner on 13 October to commemorate the 25th anniversary of the founding of the TTCP.

...

2. The Prime Minister has agreed to this, subject to some small amendments to your draft. I enclose the revised version. I should be grateful if you would arrange for the message to be delivered to President Reagan on the day. Meanwhile you might like to tell Dr DeLauer that the Prime Minister has approved the idea.

Zms em
Anthony

Anthony Acland

cc: Sir Clive Whitmore KCB CVO
Ministry of Defence



SUBJECT PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 115183

cc Harris
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MESSAGE FROM THE PRIME MINISTER TO PRESIDENT REAGAN ON
THE OCCASION OF THE TECHNICAL COOPERATION PROGRAMME
ANNIVERSARY DINNER - 13 OCTOBER 1983

Twenty-six years ago our predecessors, President Eisenhower and Mr MacMillan, signed a Declaration of Common Purpose which recognised that only by combining resources and sharing tasks could the mutual defence of the nations of the free world be assured. This led to the establishment of The Technical Cooperation Programme which is now celebrating its Silver Jubilee in Washington. Canada was a founder member with us and Australia and New Zealand joined subsequently.

In the course of twenty-five years many benefits have flowed from participation in the Programme. Not least among these are the trust and friendship which have been fostered between the Defence Research communities in the member countries, so important in peace and so vital in times of crisis.

We are fully committed to the Declaration of Common Purpose. We shall stand together and face the coming years with confidence.

8/8/83

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10 DOWNING STREET

From the Private Secretary

29 July 1983

The Technical Co-Operation Programme

BF-1
Thank you for your letter of 28 July to John Coles. The Prime Minister is content to send a telegram to President Reagan which Mr. Weinberger can read at the celebratory dinner for the officials responsible for the management of TTCP. She has however slightly amended the draft attached to your letter, and I attach the revised version. I should be grateful if you could arrange for its despatch.

I am copying this to Richard Mottram (Ministry of Defence).

W. F. S. RICKETT

Roger Bone, Esq.,
Foreign and Commonwealth Office.

SH

MESSAGE FROM THE PRIME MINISTER TO PRESIDENT REAGAN ON THE OCCASION
OF TTCP ANNIVERSARY DINNER - 13 OCTOBER 1983

Twenty-six years ago our predecessors, President Eisenhower and Mr. MacMillan, signed a Declaration of Common Purpose which recognised that only by combining resources and sharing tasks could the mutual defence of the nations of the free world be assured. This led to the establishment of The Technical Co-operation Programme which is now celebrating its Silver Jubilee in Washington. Canada was a founder member with us and Australia and New Zealand joined subsequently.

In the course of 25 years many benefits have flowed from participation in the Programme. Not least among these are the trust and friendship which have been fostered between the Defence Research communities in the member countries, so important in peace and so vital in times of crisis.

We are fully committed to the Declaration of Common Purpose. We shall stand together and face the coming years with confidence.

5766

Prime Minister



Agree attached message
to President Reagan?

Foreign and Commonwealth Office

London SW1A 2AH

A.J.C. 25/7

28 July, 1983

John Taylor

The Technical Co-Operation Programme (TTCP)

This year is the 25th anniversary of the founding of the Technical Co-operation Programme (TTCP), which grew out of the Declaration of Common Purpose signed by President Eisenhower and Mr MacMillan in 1957. The aim of TTCP is to foster the exchange of information in defence research. It has proved extremely valuable in such diverse and important fields as undersea weapons and sensor research, night vision flight and operational aids for aircraft, adaptive radar technology and advanced materials. The Programme now involves Canada, Australia and New Zealand as well as the UK and the US.

Sir Oliver Wright will be hosting a celebratory dinner for the officials responsible for the management of TTCP on 13 October, at which Mr Weinberger will be present. Sir Oliver Wright has suggested that the Prime Minister send a telegram to President Reagan which Mr Weinberger could read at the dinner. In informal discussions in Washington, senior American officials have welcomed this idea and have indicated that they will recommend the President to reciprocate. The representatives of the other countries involved have suggested that their Prime Ministers send telegrams to the senior scientists responsible for TTCP who will be meeting in Washington.

Given the recent difficulties we have been experiencing with the Americans over technology transfer, both the FCO and the MOD believe that an exchange of messages which would raise the visibility of a long-standing and effective co-operation programme could be valuable in re-affirming the political commitment to the principles of co-operation. We hope therefore that, subject to President Reagan's agreement, the Prime Minister will support in principle the suggestion of such an exchange of messages.

I enclose a draft of the proposed message from the Prime Minister to the President.

/I



I am copying this letter to Richard Mottram at the
Ministry of Defence.

See on
page 2

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT MESSAGE FROM THE PRIME MINISTER TO PRESIDENT REAGAN
ON THE OCCASION OF TTCP ANNIVERSARY DINNER - 13 OCTOBER 1983

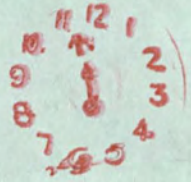
Twenty-six years ago our predecessors, President Eisenhower and Mr MacMillan, signed a Declaration of Common Purpose which recognised that only by combining resources and sharing tasks could the mutual defence of the nations of the free world be assured. This led to the establishment of The Technical Cooperation Programme ^{which is} now celebrating its Silver Jubilee in Washington. Canada was a founder member with us and Australia and New Zealand joined subsequently.

In the course of 25 years many benefits have flowed from participation in the Programme. Not least among these are the trust and friendship which have been fostered between the Defence Research communities in the member countries, so important in peace and so vital in times of crisis.

We are fully committed to the Declaration of Common Purpose, ~~and are very conscious of the value of the~~ ^{we shall stand together and face} ~~the coming years with~~ ^{confidence} ~~cooperation to which it has given rise.~~ We look forward to ~~even closer collaboration over the next 25 years as the~~ Programme continues to develop.

Shred me

28 JUL 1983



MJ

22 July 1983

Louisiana World Exposition

Thank you for your letter of 20 July.

I enclose a letter signed by the Prime Minister in reply to President Reagan's recent message. I should be grateful if you would arrange for its delivery.

AJC

B.J.P. Fall, Esq.,
Foreign and Commonwealth Office.

SUBJECT
CC MASTER
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US Declassified
VC
at

10 DOWNING STREET

THE PRIME MINISTER

22 July 1983

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 109/83

Dear Mr,

Many thanks for your message about the Louisiana World Exposition which the City of New Orleans will be hosting from May to November next year.

We wish this venture every success, but I regret that, because of the high cost involved, it will not be possible for the United Kingdom to provide a national pavilion. We have, however, supported in Brussels the idea that there should be a joint pavilion representing the member states of the European Community. A final decision on this has yet to be taken.

Louise

Raymond

The President of the United States of America



A.P.C. 27/7.

PM/83/52

PRIME MINISTER

ms

1. My visit to Washington last week provided an opportunity for some very useful talks on bilateral and wider issues. The details have been separately reported and I will not go over the ground again.
2. The atmosphere, as Oliver Wright's round-up telegrams make clear (Washington telegrams nos 2026 and 2027 enclosed), was good. President Reagan seemed concerned to emphasise the special importance he attaches to his relations with you and with HM Government. He will, I am sure, make this even clearer during your own visit to Washington in September. There is no doubt that our stock - and that of Oliver Wright and his embassy - is high in Washington at the moment. We must keep it that way, not least because the road ahead is a bumpy one.
3. On the economic front, there is no sign that the Administration has the policies, or the determination, to deal with the budget deficit and its implications for interest rates. Don Regan was, as often before, unconvincingly optimistic about this. But Paul Volcker more convincingly reflected our anxieties and plainly expected rising interest rates to pose real problems ahead of next year's election.
4. At a lower level, but obtrusively nonetheless, the new Export Administration Act, the continuing problem over Laker and those on steel, agricultural trade and unitary taxation will combine to ensure that the day-to-day agenda remains interesting.

/5.

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where the tone of our relationship with Dublin can do much to ease the political task of our supporters in Washington. And so I suspect will be the Lebanon if the Americans conclude that there is no alternative to expanding the MNF.

8. I am giving further thought to all these points. Perhaps we could have a preliminary word when we meet on Wednesday.

A handwritten signature in dark ink, appearing to be 'J.M.' or similar, located in the lower right quadrant of the page.

Foreign and Commonwealth Office

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TO PRIORITY F C O

TELEGRAM NUMBER 2027 OF 16 JULY

INFO UKMIS NEW YORK UKDEL NATO MOSCOW PARIS BONN TOKYO OTTAWA

UKREP BRUSSELS.

INFO SAVING CG'S IN USA.

MY I.P.T.

YOUR VISIT TO WASHINGTON.

II THE SUBSTANCE.

1. THE SUBSTANCE OF YOUR TALKS HAS BEEN REPORTED IN A SERIES OF TELEGRAMS BUT IT MAY HELP TO DRAW TOGETHER THE MAIN THEMES.

2. EAST-WEST RELATIONS

SHULTZ SHARES YOUR VIEW THAT WE NEED TO BE REASONABLE AS WELL AS ROBUST IN OUR DEALINGS WITH THE SOVIET UNION AND THAT THE RECENT ELECTIONS IN WEST GERMANY AND BRITAIN HAS PUT THE ALLIANCE IN A FAVOURABLE POSITION TO PURSUE A POLICY OF FIRMNESS WITH DIALOGUE. THE SUCCESSFUL CONCLUSION OF THE MADRID TALKS WAS A STEP IN THE RIGHT DIRECTION. THE AMERICANS REALISE THAT A SUMMIT MAY BE NECESSARY BUT ARE DETERMINED NOT TO HAVE ONE FOR ITS OWN SAKE. THEY ARE VERY UNENTHUSIASTIC ABOUT MRS GANDHI'S IDEAS.

3. THE AMERICANS WERE PLEASSED WITH KOHL'S VISIT TO MOSCOW, BELIEVING THAT HE STRUCK JUST THE RIGHT NOTE. THEY ARE SENSITIVE TO THE DIFFICULTIES THE GERMAN GOVERNMENT WILL FACE AS THE MOMENT OF PERSHING DEPLOYMENT APPROACHES. SHULTZ AGREED WITH THE NEED TO AVOID ALLOWING E/W TRADE ISSUES TO DAMAGE THE ALLIANCE BUT WAS GLAD TO NOTE THAT YOU SHARED THE AIM OF STRENGTHENING COCOM AND OF AVOIDING SALES OF MILITARILY APPLICABLE HIGH TECHNOLOGY.

4. MIDDLE EAST.

SHULTZ SAID THAT PROGRESS WAS EFFECTIVELY BLOCKED BOTH ON THE LEBANON AND ON WIDER ISSUES. WHILE HE IS PREPARED TO FIND WAYS OF MEETING GENUINE SYRIAN SECURITY CONCERNS IN LEBANON, HE HAS COME TO THE CONCLUSION THAT ASSAD'S FUNDAMENTAL OBJECTION IS TO ANY AGREEMENT WITH ISRAEL. THE AMERICANS WILL CONTINUE TO WORK ON THE SAUDIS BUT HAVE NO HOPES OF AN EARLY BREAKTHROUGH AND ARE CONCENTRATING ON TRYING TO CONTAIN THE SITUATION WITHIN LEBANON ITSELF. THEY ARE NATURALLY CONCERNED AT THE IMPLICATIONS OF THE PRESENCE OF SOVIET MILITARY ADVISORS IN SYRIA AND THE POSSIBILITY THAT THEY MIGHT MOVE INTO THE BEKAA VALLEY IN THE EVENT OF HOSTILITIES. BOTH SHULTZ AND WEINBURGER STRESSED THE IMPORTANCE THEY ATTACHED TO OUR CONTRIBUTION TO THE MNF.

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5. ON THE WIDER ISSUES, THE AMERICANS DO NOT SEE HOW PROGRESS CAN BE MADE UNLESS AND UNTIL THE ARABS ARE PREPARED TO ACCEPT THE NEED FOR A DIRECT DIALOGUE WITH ISRAEL. THEY STILL THINK THAT HUSSEIN IS WILLING BUT HAVE NO REAL HOPE THAT HE CAN MOVE ON HIS OWN IN PRESENT CIRCUMSTANCES. THEY HOPE THAT WE CAN JOIN THEM IN HAMMERING HOME THE MESSAGE THAT THE ARABS HAVE TO DEAL WITH ISRAEL AND THAT ONLY IN THE CONTEXT OF NEGOTIATIONS CAN THEY HOPE TO INFLUENCE ISRAELI BEHAVIOUR IN THE OCCUPIED TERRITORIES.

6. (C) CENTRAL AMERICA

SHULTZ MADE A FORCEFUL DEFENCE OF AMERICAN POLICY AND STRESSED THE AMOUNT OF ECONOMIC AID THE U.S. WAS PROVIDING. BUT THE AMERICANS DO NOT SEE HOW THE FUNDAMENTAL ECONOMIC AND SOCIAL NEEDS OF THE REGION CAN BE MET UNLESS ITS SECURITY IS ASSURED. SHULTZ WAS OBVIOUSLY PLEASED TO HAVE YOUR CONFIRMATION THAT WE SUPPORTED U.S. OBJECTIVES. THE PRESIDENT, SHULTZ AND WEINBERGER SEPARATELY AND SPECIFICALLY REQUESTED THAT WE KEEP OUR GARRISON IN BELIZE AS AN ESSENTIAL CONTRIBUTION TO THE STABILITY OF THE AREA. SHULTZ AND EAGLEBURGER BOTH MADE IT CLEAR THAT THE IDEA OF A TRAINING TEAM WITH U.S. INVOLVEMENT WAS A DEFENSE DEPARTMENT IDEA WHICH DID NOT REPRESENT THE POSITION OF THE UNITED STATES GOVERNMENT.

ARGENTINA/FALKLANDS

7. REGAN SPOKE REASSURINGLY OF U.S. DETERMINATION TO HOLD ARGENTINA TO IMF CONDITIONS. SHULTZ MADE IT CLEAR THAT THE ADMINISTRATION'S EYES WERE FIXED ON THE ARGENTINE ELECTIONS. HE IMPLIED THAT THERE WOULD BE NO RUSH TO CERTIFICATION OF ARMS SALES BEFORE THEN BUT THAT, IF THE ELECTIONS TURNED OUT WELL, THE U.S. WOULD WISH TO ENCOURAGE DEMOCRACY IN ARGENTINA. WE CAN EXPECT DIFFERENCES OF VIEW WITH THE AMERICANS, BOTH ON CERTIFICATION AND OVER THE U.S. VOTE IN THE UN GENERAL ASSEMBLY IN THE AUTUMN.

BILATERAL ISSUES

8. YOU MADE CLEAR OUR OBJECTIONS TO U.S. MEASURES ON SPECIALTY STEEL IMPORTS AS WELL AS OUR CONCERN ABOUT ASPECTS OF THE EXPORT ADMINISTRATION ACT. IT WAS CLEAR THAT THE DECISION ON STEEL HAS BEEN TAKEN AGAINST THE ADVICE OF BOTH SHULTZ AND REGAN. THEY WILL EXPECT US TO TAKE ACTION IN THE GATT.

9. U.S. ECONOMY

THERE WAS CLOSE INTEREST IN THE PERFORMANCE OF OUR OWN ECONOMY: AND A GENERAL ACCEPTANCE THAT THERE IS AN OBVIOUS LINK BETWEEN HIGH DEFICITS AND INTEREST RATES IN THE U.S. REGAN SEEMED CONFIDENT, HOWEVER, THAT, EVEN IF INTEREST RATES DID MOVE UP A BIT, WHICH THEY ARE NOW DOING, THIS WOULD COOL, RATHER THAN CHOKE, THE RECOVERY. VOLCKER IS MUCH LESS SANGUINE ABOUT THE CONSEQUENCES OF THE CONTINUANCE OF DEFICITS AT THE PRESENT LEVELS.

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CONCLUSION

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10 CONCLUSION. THE AMERICANS WERE VERY GLAD TO TAKE STOCK WITH YOU AFTER OUR OWN ELECTION AND BEFORE THE DEVELOPMENTS OF THE AUTUMN. YOUR TALKS SHOWED THAT THE THINGS WE DISAGREE ABOUT - STEEL, AIRLINES EXPORT ADMINISTRATION ACT - MUST BE PLACED IN THE CONTEXT OF THE WIDER IDENTITY OF VIEW AND PURPOSE ON FUNDAMENTALS AND THAT OUR RELATIONSHIP IS STRONG ENOUGH TO CONTAIN THE ROWS. YOUR VISIT WAS VALUABLE IN ITSELF AND WILL HAVE PROVED A USEFUL CURTAIN-RAISER TO YOUR VISIT TO THE U.N. AND THE PRIME MINISTER'S VISIT HERE IN SEPTEMBER.

WRIGHT

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FM WASHINGTON 162110Z JUL 83

TO PRIORITY FCO

TELEGRAM NUMBER 2026 OF 16 JULY 1983

INFO UKMIS NEW YORK, UKDEL NATO, MOSCOW, PARIS, BONN, TOKYO,

OTTAWA, UKREP BRUSSELS

INFO SAVING CG'S IN THE USA

YOUR VISIT TO WASHINGTON: 13-15 JULY

1. THE SYMPOSIUM

THE U.S. ADMINISTRATION CLEARLY WISHED TO ENDOW THIS VISIT, YOUR FIRST TO WASHINGTON AS FOREIGN AND COMMONWEALTH SECRETARY AND THE FIRST OF A SENIOR BRITISH MINISTER SINCE THE GENERAL ELECTION, WITH SYMBOLIC AS WELL AS SUBSTANTIVE IMPORTANCE. ACCORDINGLY, THE PRESIDENT HAS ASSEMBLED AT THE WHITE HOUSE TO GREET YOU VICE PRESIDENT BUSH, SECRETARY OF STATE SHULTZ, SECRETARY OF DEFENCE WEINBURGER, COUNSELLOR TO THE PRESIDENT MEESE AND NATIONAL SECURITY ADVISER CLARK, TO MENTION ONLY THOSE OF CABINET RANK. SIMILARLY THE GUESTS WHO ACCEPTED INVITATIONS TO DINNER AT MY HOUSE INCLUDED THE VICE-PRESIDENT, SECRETARY OF COMMERCE BALRIDGE, ATTORNEY GENERAL FRANK SMITH, PRESIDENT OF THE FEDERAL RESERVE BANK VOLCKER AND ASSISTANT CHIEF OF STAFF DEEVER IN ADDITION TO SECRETARY SHULTZ AND SENIOR MEMBERS OF THE STATE DEPARTMENT. THE PRESIDENT CLEARLY WISHED TO UNDERLINE THE QUOTE SPECIAL RELATIONSHIP UNQUOTE WITH BRITAIN AND HIS DELIGHT AT THE RESULTS OF THE GENERAL ELECTION AND AT THE PROSPECT OF CONTINUING TO WORK WITH THE PRIME MINISTER AND H.M. GOVERNMENT.

2. I WOULD ADD THAT IT WAS THE UNANIMOUS VIEW OF MY RECENT HEADS OF POSTS CONFERENCE THAT THE VIEW OF BRITAIN FROM THE UNITED STATES HAD BEEN COMPLETELY TRANSFORMED IN RECENT MONTHS BY THE FALKLAND CAMPAIGN, BY HMG'S DETERMINATION TO PUT THE BRITISH ECONOMY RIGHT, BY OUR READINESS TO SHOULDER THE NECESSARY DEFENCE BURDENS FOR THE DEFENCE OF THE WEST AND BY THE PRIME MINISTER'S LEADERSHIP AND PERSONALITY. OUR REPUTATION STOOD HIGH.

3. THERE HAS ALWAYS BEEN WIDESPREAD AFFECTION FOR BRITAIN IN THIS VAST COUNTRY, BUT IN RECENT YEARS IT HAS BEEN TINGED WITH SADNESS AND DISAPPOINTMENT AT OUR APPARENT INABILITY TO TACKLE OUR ECONOMIC PROBLEMS. TODAY THAT AFFECTION IS BEING REINFORCED WITH ADMIRATION AND RESPECT AT THE TURN-ROUND IN RESOLVE AND SUCCESS. I AM SURE YOU WILL HAVE SENSED THE ABUNDANCE OF GOODWILL ON ALL SIDES, IN THE ADMINISTRATION AND ON THE HILL DURING YOUR TALKS WITH THE SENATE FOREIGN RELATIONS COMMITTEE AND THE HOUSE FOREIGN AFFAIRS COMMITTEE. THE VIBES COULD HARDLY HAVE BEEN BETTER. IT WILL BE OUR TASK HERE TO BUILD ON THIS REPUTATION.

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Foreign and Commonwealth Office

London SW1A 2AH

20 July 1983

Type letter

AFC 21/7

Dear John,

1984 Louisiana World Exposition

We have a copy of your letter of 11 July to Jonathan Spencer at DTI enclosing the message from President Reagan to the Prime Minister received via the US Embassy. With DTI's agreement, I am replying since this matter has been dealt with by the FCO.

The Louisiana World Exposition is a major event which is being held under the auspices of the Bureau International des Expositions. However, after careful consideration with other Departments, it was decided that we would not be justified in making the sort of outlay (approx £1m) which would be needed for a British national stand, especially so soon after our expensive participation in the 1982 Energy Expo at Knoxville. We could see no wider implications for Anglo-US relations as a result of withholding our participation. The President's message was prompted by the intervention of two Louisiana Democrat Senators. This serves to underline the local nature of an event in which the Federal authorities have so far shown little interest.

As far as we know, the only foreign countries committed to participating are Japan, Canada, Australia and the Vatican. Most of our EC partners have from the outset been disinclined to participate on a national basis, but we have been considering in Brussels the lower cost option of an EC Commission stand representing all Member States. In close consultation with the Treasury it was agreed that we should go along with the consensus provided the expense was reasonable. Moreover we did not want to become part of a blocking minority and risk offending the Americans, who were then procrastinating about participating in the Liverpool International Garden Festival 1984 - which is another BIE event.

/Negotiations

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Negotiations in Brussels subsequently became stuck over costs. The Commission sought approval to spent 1.45m ECU but Member States were unwilling to go above 1.3m ECU. This remains unresolved and time is now extremely short for mounting a representative stand. We believe there has been an element of deliberate delay by the Commission who are not keen to take this on. However, the French are particularly anxious that the Commission should save them face (and money) by taking part in New Orleans. We understand that following the personal intervention by M. Cheysson the Commission may after all be prepared to accept the limit of 1.3m ECU, but the question would need to be resubmitted to COREPER for a decision.

Since the question of EC participation is still open the Prime Minister's reply can refer to this possibility to counter-balance our negative attitude towards participation on a national basis. I attach a suggested draft reply which has been cleared with Treasury and the COI. If you agree we could arrange for this to be delivered by the Embassy in Washington.

A handwritten signature in dark ink, appearing to read 'G. J. P. Fall', with a stylized flourish below the name.

(B J P Fall)

A J Coles Esq
10 Downing St

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DRAFT: ~~minute~~ letter / ~~teletype~~ / ~~despatch~~ / ~~note~~

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

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TO:

Your Reference

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President Reagan

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SUBJECT:

.....In Confidence

Many thanks for your message about the Louisiana World Exposition which the City of New Orleans will be hosting from May to November next year.

CAVEAT.....

We wish this venture every success, but I regret that, because of the high cost involved, it will not be possible for the United Kingdom to ~~participate with~~ ^{provide} a national pavilion. We have, however, supported in Brussels the idea of ~~a joint pavilion on behalf of the~~ ^{on the} member states of the European Community, ~~on which a~~ final decision has yet to be taken.

that the UK should be a joint pavilion representing

Enclosures—flag(s).....

USA : UK/US News
Pt 2



20 OCT 1958

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FM WASHINGTON 162110Z JUL 83

TO PRIORITY FCO

TELEGRAM NUMBER 2026 OF 16 JULY 1983

INFO UKMIS NEW YORK, UKDEL NATO, MOSCOW, PARIS, BONN, TOKYO,

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TO PRIORITY FCO
TELEGRAM NUMBER 1987 OF 15 JULY
INFO PRIORITY BONN PARIS UKDEL NATO

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YOUR CALL ON MR WEINBERGER

1. YOU TOOK THE OPPORTUNITY TO EMPHASISE THE IMPORTANCE YOU ATTACHED TO OUR VERY CLOSE RELATIONSHIP WITH THE AMERICANS IN THE DEFENCE AND INTELLIGENCE FIELDS, AND TO EXPRESS APPRECIATION AGAIN FOR US SUPPORT DURING THE FALKLANDS WAR.

2. FOLLOWING ARE MAIN POINTS:

(I) INF: WEINBERGER CONFIRMED THAT THE AMERICANS WERE CONTENT THAT DEPLOYMENTS IN BRITAIN AND GERMANY SHOULD MOVE IN TANDEM. THE LARGEST EQUIPMENT AND TEST DEPLOYMENTS WOULD OF COURSE BE VISIBLE, AND THE AMERICANS WOULD WANT TO CONCERT WITH US ON THE HANDLING. ON THE NEGOTIATIONS, WEINBERGER SAID THAT HIS UNDERSTANDING IN THE LIGHT OF THE KOHL VISIT WAS THAT THE RUSSIANS WOULD NOT WALK AWAY IN RESPONSE TO DEPLOYMENT. THE 15 NOVEMBER DEBATE IN THE BUNDESTAG HAD SEEMED TO HIM AN UNNECESSARY HURDLE, BUT THE GERMANS SEEMED CONFIDENT THAT IT WOULD NOT CAUSE TROUBLE.

(II) KOHL VISIT TO MOSCOW: WEINBERGER'S ASSESSMENT WAS VERY MUCH IN LINE WITH OURS. HE CLAIMED THAT ANDROPOV, WHILE SHOWING NO LOSS OF INTELLECTURAL ACUTENESS, NEEDED TWO OR THREE DAYS REST A WEEK. HE COULD NOT MAINTAIN A STEADY WORK SCHEDULE.

(III) BRITISH DEFENCE BUDGET: WEINBERGER SAID THAT OUR RECORD WAS EXTREMELY IMPRESSIVE AND THAT HE WOULD MAKE GOOD USE OF THE FACT WITH THE CONGRESS.

(IV) ARMS TO ARGENTINA: WEINBERGER SAID THAT NO DECISION HAD BEEN TAKEN. IN HIS VIEW, THE FACTORS REQUIRED TO JUSTIFY CERTIFICATION WERE NOT YET THERE.

(V) THEATRE NUCLEAR WEAPONS: YOU SAID THAT WE WOULD LIKE TO SEE REDUCTIONS, BUT WOULD LIKE ALSO TO GET SOMETHING IN EXCHANGE. WEINBERGER AGREED. PERLE SAID THAT THERE WAS SCOPE FOR REDUCTIONS BEYOND A ONE FOR ONE SUBSTITUTION FOR INF DEPLOYMENTS, BUT THE NUMBER COULD NOT BE AS LARGE AS THAT IMPLIED BY THE UK PAPER (WHICH WOULD CREATE A QUOTE TERRIBLE FRACAS UNQUOTE WITH SHAPE AND THE US ARMY AND AIR FORCE). HE ADDED THAT IF THE US AND THE UK COULD REACH AGREEMENT THE OTHERS WOULD COME ALONG. YOU AGREED THAT WE SHOULD TRY TO REACH A CONSENSUS AND EMPHASISED THAT THERE WAS NO QUESTION OF OUR WANTING A REDUCTION IN NUCLEAR TASKS.

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(VI) BELIZE: YOU EXPLAINED THE REASONS WHICH HAD LED US TO SET AN END OF YEAR DEADLINE FOR WITHDRAWAL. WEINBERGER SAID THAT THE GARRISON WAS A GREAT FACTOR FOR STABILITY AND THAT ITS WITHDRAWAL MIGHT BE SEEN AS AN INVITATION TO OTHERS TO INTERVENE.

(VII) COCOM: WEINBERGER AND, MORE PARTICULARLY PERLE, MADE A VERY STRONG PITCH FOR A MILITARY COMMITTEE OR SUB-COMMITTEE. YOU SAID THAT THERE WAS NO DIFFERENCE BETWEEN US ON THE BASIS OBJECTIVES AND THAT COCOM MUST BE GIVEN THE TOOLS TO DO THE JOB, BUT YOU KNEW THAT WE HAD NOT BEEN CONVINCED OF THE CASE FOR A MILITARY COMMITTEE. YOU MADE NO COMMITMENT, BUT SAID THAT YOU WOULD BE PREPARED TO LOOK AT WHAT COCOM NEEDED IN ORDER TO WORK MORE EFFICIENTLY. PERLE SAID THAT THE QUESTION WOULD NEVER BE RESOLVED IN PARIS AND SUGGESTED BILATERAL TALKS.

(VIII) LEBANON MNF: WEINBERGER EXPRESSED CONCERN ABOUT THE IDEA THAT THE US CONTINGENT MIGHT BE ASKED TO TAKE ON A WIDER ROLE, INCLUDING THE SECURING OF MAIN ROADS. THIS WOULD BE A SUBSTANTIAL EXPANSION OF FUNCTION, AND CONGRESSIONAL SUPPORT WAS ALREADY FRAGILE.

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FM WASHINGTON 150337Z JUL 83
TO PRIORITY FCO
TELEGRAM NUMBER 1929 OF 15 JULY

Recd in full

YOUR CALL ON PRESIDENT REAGAN

1. YOU HAD A HALFHOUR MEETING WITH PRESIDENT REAGAN, WHO WAS IMPRESSIVELY FLANKED BY THE VICE PRESIDENT, SECRETARIES SHULTZ AND WEINBERGER, AND MESSRS MEESE, CLARK, MACFARLANE, BURT AND SUMMERS.

2. YOU SAID THAT THE RECENT ELECTIONS IN BRITAIN AND IN THE FRG HAD PROVIDED A SOLID BASIS FOR CO-OPERATION WITH THE UNITED STATES, AND MENTIONED THE MAIN POINTS COVERED IN YOUR TALKS WITH REAGAN AND SHULTZ. REAGAN IN RESPONSE RENEWED HIS CONGRATULATIONS ON THE ELECTION RESULT AND EXPRESSED APPRECIATION OF OUR RECORD ON DEFENCE SPENDING. HE ALSO WELCOMED THE RESULT OF KOHL'S VISIT TO MOSCOW: HE HAD STOOD FIRM IN A WAY WHICH MIGHT HAVE COME AS A SURPRISE TO THE RUSSIANS. HE AGREED WITH YOU THAT WE MUST EMPHASISE DISARMAMENT AS WELL AS DEFENCE AND SAID THAT HE HAD NEVER BEEN MORE SERIOUS ABOUT ANYTHING IN HIS LIFE. WE COULD NOT GO ON AS WE WERE WITH NUCLEAR WEAPONS POINTING AT EACH OTHER. IT WAS IMPORTANT TO MAKE A START ON THE PATH OF MUTUAL AND VERIFIABLE REDUCTIONS, AND THEN TO MOVE TO THE TOTAL ELIMINATION OF THESE WEAPONS.

3. YOU MENTIONED THE MIDDLE EAST, NAMIBIA AND EAST-WEST ECONOMIC RELATIONS AS AREAS IN WHICH WE HAD COMMON OBJECTIVES BUT WHERE IT WAS NOT ALWAYS EASY TO FIND THE BEST WAY TO ACHIEVE THEM. REAGAN DID NOT RESPOND. NOR DID HE WHEN YOU MENTIONED THE EXPORT ADMINISTRATION ACT, UNITARY TAXATION AND STEEL AS BILATERAL ITEMS WHICH DISTURBED THE WATER A BIT, AND WHERE WE NEEDED TO PROTECT OUR POSITION FIRMLY WHILE TRYING TO FIND SOLUTIONS BY DISCUSSION AND NEGOTIATION.

4. REAGAN RAISED THE QUESTION OF NORTHERN IRELAND, EXPRESSING HIS SYMPATHY OVER WHAT HE DESCRIBED AS THE TRAGEDY OF THE LATEST SENSELESS KILLINGS. YOU THANKED HIM FOR THE ADMINISTRATION'S HELP IN SEEKING TO PREVENT ARMS SUPPLIES. REAGAN NOTED THAT THE PRESENT IRISH AMBASSADOR IN WASHINGTON, LIKE HIS PREDECESSOR, WAS VERY ACTIVE IN SEEKING TO PERSUADE IRISH AMERICANS NOT TO SUPPORT THE IRA. HE ALSO EXPRESSED THE VIEW THAT THE WOMEN'S PEACE MOVEMENT, WHICH SEEMED TO HAVE DISSOLVED, MUST HAVE BEEN SUBJECT TO TERRORIST PRESSURE.

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S. SHULTZ

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5. SHULTZ MENTIONED THAT YOU HAD DISCUSSED CENTRAL AMERICA WITH HIM. REAGAN SAID THAT IT WAS ONE OF THE FAILINGS OF THE UNITED STATES THAT THEY HAD'NT IN THE COURSE OF THEIR HISTORY BEEN ABLE TO ESTABLISH BETTER RELATIONS WITH LATIN AMERICA AND CANADA ALTHOUGH QUOTE WE ARE ALL AMERICANS UNQUOTE. HE ARGUED THAT THE CONTRAS IN NICARAGUA WERE NOT SOMOCISTAS, BUT HAD BEEN PART OF THE ORIGINAL REVOLUTION WHICH THE UNITED STATES HAD BEEN CAREFUL NOT TO OPPOSE. THE JUNTA HAD BROKEN THE PROMISES IT HAD MADE TO THE OAS, AND IT WAS THE CONTRAS WHO WERE FIGHTING TO RESTORE THE TRUE REVOLUTION. YOU SAID THAT WE SHARED US OBJECTIVES IN CENTRAL AMERICA AND UNDERSTOOD THE IMPORTANCE THEY ATTACHED TO THE AREA. YOU TOUCHED BRIEFLY ON BELIZE AND EXPLAINED WHY WE WANTED TO BRING OUR FORCES OUT. REAGAN SAID THAT HE HOPED THAT WE WOULD BE ABLE TO DELAY WITHDRAWAL AND ADDED THAT THE UNITED STATES WERE IN TOUCH WITH GUATEMALA OVER THE TERRITORIAL DISPUTE AND WERE MAKING PROGRESS. SHULTZ INTERVENED TO LOWER EXPECTATIONS.

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TELEGRAM NUMBER 1996 OF 15 JULY

MIPTS: MEETING WITH REGAN

BILATERAL TOPICS

1. THE FOLLOWING WERE THE BILATERAL TOPICS COVERED IN YOUR DISCUSSION WITH SECRETARY REGAN.

(A) UNITARY TAX: SECRETARY REGAN SAID THAT THE ADMINISTRATION WAS DEBATING THE POSSIBILITY OF ASKING FOR A REHEARING IN THE SUPREME COURT. SUCH A REQUEST HAD TO BE MADE WITHIN 45 DAYS. IT WAS UNFORTUNATE THAT 15 STATES HAD AN INTEREST IN UNITARY TAXATION TO THE TUNE OF DLRS 900 MILLION. IT WOULD BE DIFFICULT FOR THE ADMINISTRATION, WHILE PROCLAIMING THE 'NEW FEDERALISM' AND STATES' RIGHTS, TO ACT AGAINST UNITARY TAXATION. NEVERTHELESS, HE COULD SAY THAT THE US TREASURY WERE NOT, AT THIS MOMENT, PREPARED TO ACCEPT THE POSITION. DIFFERENT FIRMS WERE AFFECTED IN DIFFERENT WAYS. IN CASES SUCH AS THE A AND P SUPERMARKET GROUP, IN WHICH THERE WERE GERMAN INTERESTS, THERE WAS NO LEGITIMATE CASE FOR THE STATES TO TAX PROFITS ARISING IN GERMANY SINCE THERE WERE NO TRADE FLOWS BETWEEN THE GERMAN AND US PARTS OF THE GROUP. ANOTHER EXAMPLE MIGHT BE LEVER BROTHERS WHICH IMPORTED COCONUT OIL INTO THE US FOR SOAP MANUFACTURE. THERE, THERE COULD BE GENUINE TRASFER PRICING PROBLEMS. ALL THIS NEEDED TO BE CONSIDERED. YOU SAID THAT THE SPREAD OF UNITARY TAXATION AROUSED CONSIDERABLE POLITICAL CONCERN IN POLITICAL AND BUSINESS CIRCLES IN THE UNITED KINGDOM. ACTION BY THE UNITED STATES ESTABLISHED A BAD PRECEDENT FOR LDCS. THE SECRETARY AGREED THAT YOU COULD SAY IN PUBLIC THAT THE US TREASURY SHARED UK CONCERNS ON THE SUBJECT.

(B) PROTECTIONISM: YOU SAID THAT A PARTICULAR REASON FOR THE STRONG UK REACTION TO THE US DECISION ON SPECIAL STEELS WAS THAT IT ESPECIALLY PENALISED THE UK PRIVATE STEEL COMPANIES. WE WERE CONSIDERING WHETHER TO SEEK ACTION UNDER GATT, THOUGH OUR PREFERENCE WAS FOR A MUTUALLY NEGOTIATED SETTLEMENT. SECRETARY REGAN SAID THAT IT WAS WELL KNOWN THAT SECRETARY SHULTZ, STOCKMAN AND HIMSELF HAD LOST THIS ARGUMENT, AND HE ADVISED YOU TO PUT YOUR ARGUMENT STRONGLY TO COMMERCE SECRETARY BALDRIGE, EMPHASISING THAT THERE NEEDED TO BE BETTER PROCEDURES FOR DEALING WITH SIMILAR CASES IN FUTURE. THE PARTICULAR US DIFFICULTY WITH SPECIAL STEELS WAS THE STEEL COMPANIES LACK OF FUNDS TO MOUNT A LEGAL CHALLENGE. THERE HAD THEREFORE TO BE RESORT TO THE QUOTES 201 TECHNIQUE UNQUOTE. ONE POSSIBLE OUTCOME WAS FOR THERE TO BE SOME QUOTA ARRANGEMENT DIVIDING UP THE MARKET.

(C) EAST/WEST TRADE: YOU EMPHASISED THE TWO PRINCIPLES GOVERNING OUR POLICY ON EAST/WEST TRADE: THE NEED TO AVOID ECONOMICALLY DAMAGING INHIBITIONS ON INTERNATIONAL TRADE AND THE TRANSFER OF SENSITIVE TECHNOLOGY TO THE USSR, ON WHICH WE SHARED US VIEWS. IT SHOULD BE POSSIBLE TO WORK OUT A MUTUALLY SATISFACTORY POSITION ON A CASE-BY-CASE BASIS.

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(D) EXPORT

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(D) EXPORT ADMINISTRATION ACT: YOU SAID THAT US ACTION WHICH AFFECTED JOBS IN THE UK WAS SEEN AS A PARTICULARLY INTRUSIVE EXAMPLE OF EXTRATERRITORIALITY. YOU WERE THEREFORE ANXIOUS THAT THE ADMINISTRATION'S LEGISLATION NOW BEFORE THE HOUSE SHOULD NOT BE ALTERED FOR THE WORSE.

(E) AGRICULTURAL POLICY: SECRETARY REGAN COMMENTED THAT THERE WAS A STRONG LOBBY IN THE UNITED STATES OPPOSED TO THE EUROPEAN AGRICULTURAL POLICY WHICH WAS HARMING US INTERESTS. YOU AGREED THAT AGRICULTURAL SUBSIDIES OUGHT TO BE REDUCED. THERE WAS NOW A FRAMEWORK FOR DISCUSSING SUCH A REDUCTION. THE US ALSO HAD A SUBSTANTIAL SUBSIDY PROGRAMME. SECRETARY REGAN, AGREEING, SAID THAT IT AMOUNTED TO SOME DLRS 21 BILLION A YEAR. THE US ACTED AS SWING PRODUCER IN THE GRAIN MARKET RATHER LIKE SAUDI ARABIA DID IN THE OIL MARKET.

(F) IMF BILL: AFTER YOU HAD TOLD SECRETARY REGAN ABOUT THE PASSAGE OF THE ORDER AUTHORIZING THE UK'S CONTRIBUTION TO THE IMF EIGHTH QUOTA REVIEW, THE SECRETARY SAID THAT HE WAS NOW A LITTLE MORE CONFIDENT THAT THE HOUSE WOULD PASS THE IMF BILL NEXT THURSDAY.

(G) UNCTAD: MCNAMAR SAID THEY WERE SORRY THAT THE UK HAD NOT JOINED THE US POSITION AT BELGRADE. YOU SAID THAT WE HAD BEEN CONCERNED TO PREVENT A G77 WALKOUT. BY TAKING THE LINE WE DID, WE HAD ALSO HELPED TO KEEP THE COMMUNITY TOGETHER ON A REASONABLE POSITION.

2. FCO PLEASE REPEAT AS APPROPRIATE ADVANCE TO PS/CHANCELLOR, LAVELLE (TREASURY) KEITH, (INLAND REVENUE), APPELYARD (ERD) AND GILCHRIST (BANK OF ENGLAND).

WRIGHT

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TELEGRAM NUMBER 1982 OF 14 JULY

INFO UKREP BRUSSELS UKNIS GENEVA PARIS BONN ROME

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YOUR TALKS WITH SHULTZ: BILATERAL ISSUES

1. YOU SAID THAT IN DEALING WITH BILATERAL ISSUES SUCH AS STEEL OR THE EXPORT ADMINISTRATION ACT, OUR GUIDING PRINCIPLE SHOULD BE TO AVOID PREVENTING THESE QUESTIONS FROM UPSETTING THE ALLIANCE. BUT IF THERE WAS AN INESCAPABLE CONFLICT OF INTERESTS, THEN WE WOULD DEFEND OUR CORNER. THE US MEASURES ON SPECIALTY STEELS WERE THE MOST RECENT AND CURRENT EXAMPLE. THE US MEASURES HAD COME HARD ON THE HEELS OF THE WILLIAMSBURG ACCORDS WHICH HAD GONE BEYOND THE USUAL RITUAL REHEARSAL OF OPPOSITION TO PROTECTIONISM TOWARDS OUTLINING POSITIVE STEPS WHICH COULD BE TAKEN TO DIMINISH EXISTING PROTECTIONIST MEASURES. THE US MEASURES WERE PARTICULARLY UNFORTUNATE BECAUSE THEY AFFECTED SPECIALTY STEELS, AN AREA OF THE BRITISH STEEL INDUSTRY WHICH WAS LARGELY WITHIN THE PRIVATE SECTOR. THE BRITISH GOVERNMENT WAS ANXIOUS NOT TO LET THAT SECTOR SUFFER. IN THE PAST, WHEN WE HAD IMPOSED RESTRICTIONS ON MANMADE FIBRES AND THE US HAD THREATENED RETALIATION, ~~AND~~ BOTH SIDES HAD AGREED TO RESCIND THEIR RESPECTIVE MEASURES. WE MUST HOPE THAT THIS ACTION BY THE US WOULD BE SUSEPTIBLE TO SIMILAR TREATMENT, BUT THE US GOVERNMENT SHOULD BE IN NO DOUBT THAT THE EUROPEAN COMMUNITY WOULD RESPOND BY CONSIDERING APPROPRIATE ACTION WITHIN THE GATT.

2. AS REGARDS THE EXPORT ADMINISTRATION ACT, WE WERE ANXIOUS ABOUT THE EXTRATERRITORIAL IMPLICATIONS, AND ABOUT ITS PROVISIONS FOR RETROSPECTIVE ACTION AND FOR IMPORT CONTROLS AGAINST COMPANIES OR COUNTRIES. IF IT WERE NOT POSSIBLE TO AVOID THESE PROVISIONS IN THE LEGISLATION, WE HOPED THAT THE ADMINISTRATION WOULD AVOID CARRYING THEM INTO EFFECT.

3. SHULTZ SAID THAT HE AGREED WITH YOUR GENERAL SENTIMENTS. THE ADMINISTRATION HAD TRIED TO MEET SOME OF OUR CONCERNS, EG ON CONTRACT SANCTITY. THE US PREFERRED NOT TO TALK OF EXTRATERRITORIALITY BUT OF CONFLICT OF JURISDICTION. HE BELIEVED THAT, ON QUESTIONS SUCH AS THE GRANTING OF LICENCES, THE US HAD A RIGHT TO EXERCISE JURISDICTION. IF A LICENCE WAS GIVEN IN THE EXPECTATION THAT CERTAIN CONDITIONS WOULD BE MET, THEN THAT COULD NOT BE CONSIDERED AN EXAMPLE OF UNACCEPTABLE EXTRATERRITORIAL REACH SINCE THERE WAS NO NEED FOR THE FIRM IN QUESTION TO ACCEPT THE TERMS OF THE LICENCE IN THE FIRST PLACE. HE COULD, HOWEVER, SEE OBJECTION TO THE APPLICATION OF SANCTIONS POST FACTO.

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CONFIDENTIAL

4. ON STEEL, SHULTZ SAID THAT HE UNDERSTOOD THAT THE MEASURES TAKEN BY THE US WERE LEGITIMATE WITHIN GATT, EG THEY WERE IN ACCORDANCE WITH THE INJURY TEST. SECRETARY BALDRIGE HAD REGRETTED THAT IT HAD NOT BEEN POSSIBLE TO DEAL WITH SPECIALTY STEEL IN THE GENERAL STEEL SETTLEMENT REACHED A FEW MONTHS AGO. THE TIMING OF THE US MOVE HAD BEEN DICTATED BY THE INEXORABLE TIMETABLE OF THE PROCEDURES IN THESE CASES. THE PRESIDENT HAD HAD NO CHOICE ON TIMING. ALL THAT COULD BE SAID WAS THAT THE MEASURES TAKEN WERE NOT AS SEVERE AS THOSE THAT HAD BEEN RECOMMENDED TO HIM BY THE INTERNATIONAL TRADE COMMISSION. THE EUROPEAN COMMUNITY WAS RIGHT TO PURSUE THE ISSUE WITHIN GATT THOUGH HE REITERATED HIS BELIEF THAT IT COULD BE PROVED THAT THE MEASURES WERE JUSTIFIED. YOU COMMENTED THAT THE EXTENT OF THE MEASURES LOOKED TO US TO BE WIDER THAN WAS JUSTIFIED BY THE FACTS EG IN THE IMPOSITION OF WHAT APPEARED TO BE A DOUBLE PENALTY. SHULTZ SAID THAT HE WOULD REPORT YOUR VIEWS TO THE QUOTE POWERS THAT BE UNQUOTE. IT WAS IMPORTANT THAT THEY SHOULD UNDERSTAND WHEN OTHERS WERE UPSET BY DECISIONS OF THIS KIND.

WRIGHT

FRAME EXTERNAL
ECD(E)
NAD

THIS TELEGRAM
WAS NOT
ADVANCED

COPIES SENT TO
No. 10 DOWNING STREET

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USA



DEPARTMENT OF INDUSTRY/TRADE
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

JU67

Secretary of State for Industry

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

14 July 1983

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

AK 1/7
p-a-

Dear John -

Thank you for your letter of 11 July 1983 to Jonathan Spencer, with which you enclosed a copy of a letter the Prime Minister has received from President Reagan urging that the United Kingdom should have a pavilion at the 1984 Louisiana World Exposition.

This is, however, the responsibility of the Foreign and Commonwealth Office and I have passed your letter and enclosure to the office of the Secretary of State for Foreign and Commonwealth Affairs for reply.

Yours sincerely
K Benson

K BENSON
Private Secretary

USA: UK Relations
Pt 2

DEPARTMENT OF FOREIGN AFFAIRS
COMMONWEALTH OFFICE
11, VICTORIA STREET
LONDON, W. 1
TELEPHONE: 236 7111
TELETYPE: 236 7111

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10 DOWNING STREET

From the Private Secretary

11 July 1983

1984 LOUISIANA WORLD EXPOSITION

I enclose a copy of a letter which the Prime Minister has received from President Reagan urging that the United Kingdom should have its own pavilion at the above exposition and that we should also support "a European Community position".

I should be grateful if you could suggest a draft reply for the Prime Minister's signature in due course.

I am copying this letter to John Holmes (Foreign and Commonwealth Office) and John Ballard (Department of the Environment).

A.J. COLES

Jonathan Spencer, Esq.,
Department of Trade and Industry.

J

(no reply)



file

Soe

10 DOWNING STREET

From the Private Secretary

8 July, 1983

I write to thank you for your letter of 8 July to the Prime Minister enclosing a letter from President Reagan about the 1984 Louisiana World Exposition. The Prime Minister will be replying to President Reagan's message as soon as possible.

A. J. COLES

His Excellency the Honourable John J. Louis, Jr.

SM

I



EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

July 8, 1983

Dear Prime Minister:

I have been asked to deliver the attached message to you from President Reagan, which was received at the Embassy this morning.

Sincerely,

A handwritten signature in blue ink that reads "John J. Louis, Jr." with a stylized flourish at the end.

John J. Louis, Jr.
Ambassador

Enclosure:
Unclassified

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, SW1A 2HB

SUBJECT

CC TRAYLOR
OPS

T102/8

US Declassified

UNCLASSIFIED

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T102/83

Dear Margaret:

It was a pleasure to visit with you for an extended period in Williamsburg.

Our Congressional Delegation from Louisiana, in particular Senators Bennett Johnston and Russell Long, has asked that I write you about the 1984 Louisiana World Exposition, which New Orleans is hosting from May 12 through November 11. The theme of the New Orleans Exposition, "The World of Rivers - Fresh Water as a Source of Life," is timely for all nations, and is especially appropriate, we believe, for Britain.

Since last Spring, when the British Government was officially invited by formal diplomatic note, Louisiana World Exposition representatives have been discussing details with British officials both here and in London.

We hope very much that your great country will have its own Pavilion in New Orleans. Great Britain's historic ties to Louisiana make it all the more important, in our view, that your Government be fully represented. We also hope that your Government will support a European Community's position.

Sincerely,

/S/
Ron

Ronald Reagan



CONFIDENTIAL

PRIME MINISTER'S OFFICE

Dear Sir,

I have the pleasure to advise you that the following information is being provided to you for your information.

18 FEB 1965

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The following information is being provided to you for your information.

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CONFIDENTIAL

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US Declassified



10 DOWNING STREET

From the Private Secretary

10 June 1983

I should record that President Reagan rang the Prime Minister this afternoon to congratulate her on the outcome of the Elections. He said that he was overjoyed with the result which was a shot in the arm for everyone. The mood of celebration in Washington was as strong as in London.

The Prime Minister thanked the President for his call and said that she believed the result would strengthen the Western alliance and might encourage the Soviet Union to show more flexibility in disarmament negotiations.

The Prime Minister took the opportunity to congratulate President Reagan on his Chairmanship of the Economic Summit at Williamsburg. She believed that the Summit had been an enormous success. President Reagan said that it seemed to be so regarded in the United States and even the American press were reluctantly compelled to admit this.

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

file

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10 June 1983

The Prime Minister has asked me to thank you most warmly for your kind letter of 10 June containing your congratulations on the outcome of the General Election. She sends her best wishes to you and to all members of your staff.

AJC

His Excellency The Honourable John J. Louis, Jr.

W

EMBASSY OF THE
UNITED STATES OF AMERICA
LONDON

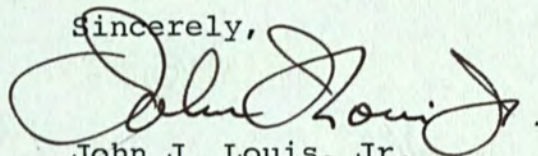
June 10, 1983

Dear Prime Minister:

May I offer you my warmest congratulations on your resounding victory. The British people have given you an impressive vote of confidence.

My associates and I look forward to continuing our close cooperation with you and the members of your government. We wish you every success in the future.

Sincerely,



John J. Louis, Jr.
Ambassador

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister,
10 Downing Street,
London, S.W.1.

1460 14/11/83



UNITED STATES OF AMERICA
EMBASSY OF THE



10 DOWNING STREET

From the Private Secretary

31 May 1983

Mr. Pattie sent me on 13 May two notes for the Prime Minister, one for use with members of the United States Administration about problems in equipment co-operation, the second for possible use with Lord Weinstock at a future date.

Mr. Pattie may like to know that no suitable opportunity arose during the Prime Minister's visit to Williamsburg for discussion with President Reagan or other members of the US Administration on these questions. We shall keep both notes on our file for future occasions.

A. J. COLES

S.R. Douglas, Esq.,
Ministry of Defence.

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10 DOWNING STREET

From the Private Secretary

17 May 1983

We discussed the recent minutes to the Prime Minister about the management of our inward investment promotion in the United States. I understand from the Department of Industry that this question can be pursued as the Secretary of State for Industry suggested in paragraph 11 of his minute of 4 May, in E(EA) Committee, and you confirmed that this could wait until after the Election. In these circumstances we agreed that there was no further action to be taken at present on the Foreign and Commonwealth Secretary's minute of 16 May to the Prime Minister on this issue.

I am sending copies of this letter to John Kerr (HM Treasury), John Lyon (Northern Ireland Office), Richard Mottram (Ministry of Defence), Muir Russell (Scottish Office), Colin Jones (Welsh Office), Jonathan Spencer (Department of Industry), Julian West (Department of Energy), John Rhodes (Department of Trade) and Gerry Spence (CPRS).

(Timothy Flesher)

John Holmes, Esq.,
Foreign and Commonwealth Office

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PM/83/36THE PRIME MINISTERInward Investment Promotion in the USA

1. I have seen Patrick Jenkin's report to you on his recent visit to the United States, and George Younger's minute commenting on it. I, too, have wondered whether we manage our inward investment effort in the United States in quite the right way.
2. The present arrangements were, however, agreed only in mid-1982 after careful consideration by Ministers collectively. I am inclined to think it is too soon to judge, on the limited experience so far, whether these arrangements need substantial modification. Unless they run into a real crisis, I should prefer to review them, as planned, in mid-1984.
3. I am sending copies to Patrick Jenkin, George Younger, Geoffrey Howe, Jim Prior, Michael Heseltine, Nicholas Edwards, Nigel Lawson, Arthur Cockfield, and to John Sparrow.

(FRANCIS PYM)

Foreign and Commonwealth Office
16 May 1983

USA
USA/UK Plus.
Part 2.



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10 DOWNING STREET

From the Private Secretary

9 May 1983

This is just to record that the Prime Minister has seen and noted your Secretary of State's report of his visit to the United States. She was grateful for this account. Mrs. Thatcher has also seen and noted the minute by the Secretary of State for Scotland commenting on Mr. Jenkin's report.

I am sending a copy of this to Muir Russell (Scottish Office).

TIMOTHY FLESHER

Jonathan Spencer, Esq.,
Department of Industry.

JK



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

5 May 1983

PRIME MINISTER

attached.
I am grateful to Patrick Jenkin for sending me a copy of his minute of 4 May about his visit to the United States. Certain of his references to Scotland's inward investment work (in his para 11) cause me considerable concern, however.

In the first place, my Offices in the USA do not compete with the Diplomatic Service Posts: they work with them to extend the UK's effort in accordance with Guidelines agreed inter-Departmentally. If the Posts have complaints about their operation or observance in practice, I would expect to be informed by Francis Pym and to take action to put matters right.

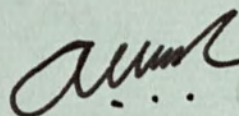
Secondly, the comparison between New York/San Francisco and Houston is misconceived. I have placed staff - again with collective Ministerial agreement - where inward investment is most likely to be found. That includes Houston, where there is a 'Locate in Scotland' representative, on secondment from a Scottish Bank.

Thirdly, I do not know what survey, and by whom, Patrick is quoting. Since a main plank of our publicity is to present Scotland as an ideal point of entry to the European Market through UK membership of the European Community, I find the comment reported by Patrick incomprehensible. A more immediate problem for me is to get it across that England does not include Scotland.

This leads me to say that I shall be resolutely opposed to reopening prematurely in E(EA) the agreement we reached less than a year ago to review the arrangements then decided in mid-1984. That review should proceed on facts - what

contribution in terms of visits and cases has the UK and territorial representation respectively made to inward investment to the UK - rather than an impression and anecdote. It is far too soon to assemble the factual material needed for a judgement.

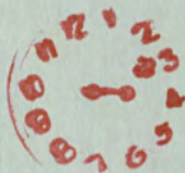
I am copying this minute to Patrick Jenkin, Geoffrey Howe, Francis Pym, Jim Prior, Michael Heseltine, Nicholas Edwards, Nigel Lawson, Arthur Cockfield and to John Sparrow.

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

Approved by the Secretary of State
and signed in his absence



6 MAY 1985





10 DOWNING STREET

Prime Minister

You agreed to see Geoffrey
Palter to discuss this letter.

2. You saw last weekend

his report on his recent visit
to India - this is also in the
folder.

A.S.C. 5/5.

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MINISTER OF STATE FOR DEFENCE
PROCUREMENT

Prime Minister

I have highlighted a few points.

MS

A.S.C. 29/4

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Secretary of State

1983

— Geoffrey Pattie .

VISIT TO INDIA 18TH-27TH APRIL - MINISTER(DP) AND HDS

I attach a general summary of this visit. HDS will write separately on the sales aspects and a record of the meetings will also be issued. In the meantime I thought you would wish to have this summary.

General Comments

2. India's relationships with Britain since independence have been complex. So many of the senior generation were trained in Britain or by the British that they have a quick appreciation of British attitudes and very often genuine affection and nostalgia too. At the same time there is evident a fierce pride and a determination to do things for themselves "to indigenise". They resent needing help and yet they accept that they must have help in advanced technology. They will reject anything which smacks of charity but they will bargain with all the skill of the street trader in order to extract the last ounce of advantage in a transaction.

3. It is a cliché to describe India as a country of contrasts but as it happens nowhere is this more true than in technology. This really is the country of the satellite (the latest one being successfully launched the day before my arrival) and of the bullock cart. In the past the Indians have wanted to squeeze the last drop of advantage in terms of access to our research and they always seek the most advanced version of any system thereby posing difficult security problems for us. When they are buying they play off France, Russia and ourselves and our companies find that even a "best and final offer" has to be subjected to still further improvement to satisfy Indian requirements.

4. Despite their apparently insatiable demands for knowledge we have done some substantial business in India the most significant example of course being Jaguar aircraft. Indian confidence in us was shaken by problems over the supply of spares during the first war with Pakistan. On top of this they have a hitherto well founded belief that Britain is mainly interested in selling them equipment which while not being obsolescent is not the most advanced either.

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CONFIDENTIAL

5. The fundamental policy issue is whether we attach importance to having good relations with India. If we do, and I would have thought it was to our advantage to do so, then one of the best ways to secure such good relations is in the field of defence co-operation. The gradual emergence of pockets of indigenous Indian advanced technology should assist in a process which I have described to the Indians as technology sharing rather than simply technology transfer. Sharing implies that they could have a genuine contribution to make and certainly in the 'DARIN' navigation/attack system developed for Jaguar with help from British and French firms they have a system which could well be of interest to us. Possibilities also occur for sales to third parties from joint programmes.

6. It is of course essential to keep Indian possibilities in perspective. For a long time to come they will need far more from us than we will get back but the new so called umbrella Memorandum of Understanding now in draft will provide for regular exchanges on a range of projects and issues. Nor should the importance of inter service contacts such as the visit here by the Indian CNS be underestimated. The central aim must be to convince the Indians that we are serious in wanting to work with them and by indicating that we are prepared to supply Sea Eagle with the Sea Kings and to supply Blindfire Rapier at some future date. We have given firm evidence of our intentions.

7. I have however indicated to the Indians very clearly indeed that the sort of relationship which is envisaged requires a healthy amount of working capital in the short term and our test of their sincerity will be the award of contracts. Currently we are very close to a £200 million deal on Sea Kings and the betting is that we will succeed. We will however believe it, and celebrate accordingly, when we see the signatures on the contracts.

Description of the Visit

8. Our visit to India took place at an important time in the development of UK/Indian relations in the Defence equipment field, and indeed at a significant stage in the development of India's own Defence procurement policy. This policy rests on two planks: India's ability to choose the most suitable equipment from either East or West without falling under the influence of either bloc; and their firm aim of building up their own Defence industries, which leads to demands for at least a measure of licensed production to be associated with any contract. (It is noteworthy that in the case of much Soviet equipment this is not the case).

/ 9. ...

9. Beyond this, however, a number of conflicting themes are evident in their policy. Their plans to develop a new MBT call for a totally Indian design, since they believe they are totally capable in this area. Conversely, the Indians are likely to place competitive feasibility studies with the UK and the Soviet Union for the design of their proposed Light Combat Aircraft (LCA), and they understand that this project will require the closest collaboration with their chosen partner over the whole range of the technologies involved. Again, while wishing in many cases to take advantage of the relatively low cost of Soviet equipment, the Indians realise that the Russians are rarely prepared to offer much transfer of technology. However, in the area of marine engines it was claimed that the less sophisticated Soviet equipment was more suited to indigenous manufacture and maintenance than the relatively high technology Rolls Royce gas turbines we have on offer.

10. Overall I would judge that the Indian desire to renew and build on their traditional Defence links with Britain, which became apparent during Sir John Nott's and PUS' visits to India last year and the recent visit to the UK by Defence Secretary Kaul and Scientific Adviser Aranachalam, is strengthening. I detected that the Indians are becoming disillusioned with their relationship with the Soviet Union and are irritated by the Russians patronising attitude towards them. In particular, the recent visits to India by the Defence scientists' team lead by ACSA(R) and DCA(RT)'s team to discuss collaboration on the LCA project have persuaded the Indians that Britain is prepared to assist India to develop her own technological and Defence industrial base, and to work towards a '2 way street' in Defence business. However, apart from the less tangible benefit of reducing Soviet influence in India, this process will only pay dividends to the UK if it leads to our winning more Defence equipment orders than would otherwise have been the case. The Indians, of course, will not be slow to exploit every opportunity of gaining the maximum amount of information and assistance for the minimum cost. During my meetings with Indian officials I made it clear that British help in the longer term was dependent on a significant proportion of the forthcoming Indian Defence equipment orders being placed with British companies.

11. Against this background, the Indian MOD will shortly be taking decisions on a large number of equipment programmes worth in all about £1 Billion but it must be emphasised that the timing of the expenditure is uncertain. The prospects include Sea King Helicopters, Sea Eagle Missiles, Sea Harrier aircraft, Rolls Royce Marine gas turbines, and Airborne Early Warning system, Rapier, Combat Engineer Tractors, Vickers RR CV12 engine for Indian MBT and FH70 field guns. An analysis of the current position on Defence Sales prospects will be included in the Defence Sales report of the visit.

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12. The programme for our visit included calls on the C in C Western Naval Command, Vice Admiral Tahiliani; and the Mazagon Dock Shipbuilders in Bombay, the HAL aircraft and aero engine factory and the National Aircraft Laboratory in Bangalore, and the Avadi tank factory and the Combat Vehicle R & D Establishment at Madras. I then travelled to Delhi for discussions with Indian MOD Ministers and senior officers and officials. An outline programme is at Annex and detailed records of my meetings will follow.

13. In Bombay, Admiral Tahiliani, though most hospitable, was highly cautious in discussing the equipment programmes of interest to us, and I would judge this was on instructions from Delhi, Tahiliani is also believed to be pro-French. The visit to Mazagon Dock Shipbuilders was mainly of interest for the view we had of the two Godavari Class frigates currently being built there. These heavily armed ships have a modified Leander hull design and engines with Soviet anti ship and anti aircraft missiles, guns and torpedoes, and longer space for two Sea King size helicopters. These ships illustrate the very powerful weapon systems the Indians can build for themselves using both Western and Soviet designs and equipment, even though the overall level of technology used is not high and the construction techniques are unsophisticated.

14. The HAL aircraft company has been established since 1940 with its headquarters at Bangalore. It has produced a variety of aircraft and aero engines under licence, including several MiG types, Alouette Helicopters, BAe 748s and of course currently the Jaguar and the RR Adour engine. Their production facilities are modern and spacious but are very lightly loaded and there is a considerable gap in forecast production in the Bangalore aircraft production facility, between the end of the Jaguar line (late 1980's) and the start of LCA production (not realistically before the mid-1990s). HAL's main problem has been in the design field and no indigenously designed aircraft nor any modifications to imported designs have been successful. The Indian Press and Politicians have become very critical of the lack of return on the major investment made in design staff and facilities, and the management of HAL is clearly under considerable pressure to succeed in producing a practicable design to meet the LCA requirement. This project will undoubtedly become a major collaborative programme between HAL and a Western or Soviet aerospace organisation. Following DCA(RT)'s visit to HAL earlier this year and a follow up industrial delegation, BAe are well placed to be chosen as HAL's partner. BAe have submitted a proposal for a funded feasibility study and it is thought that the Soviet Union will make a proposal shortly.

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15. The one exception to India's lack of success in the aerospace designing field is the DARIN project to produce an improved Nav/Attack system for the Jaguar. This equipment is being developed collaboratively by HAL, Sagem of France, Ferranti and Smiths Industries and the programme is now well advanced. Ignoring security restrictions HAL showed HDS, the Air Adviser and myself a prototype Darin system installed in a Jaguar aircraft at the ASTE Test Establishment. It looked impressive, and this project raises interesting possibilities for the development of a two way street between UK and India. The Darin systems should not only be suitable for our own Jaguars but also for the Tornado ADV (giving it a ground attack capability attractive for 3rd country sales), and perhaps most importantly it could be installed in a single seater Hawk, turning that platform into a most effective ground attack and offensive support aircraft which should be a very attractive buy for less sophisticated foreign air forces.

16. The other strand to this idea lies in the Hawk aircraft itself. The Indian Navy and Air Force both need a swept wing jet trainer to prepare their pilots for Sea Harriers, Jaguars, MiG 23 series and Mirage 2000. HAL already produce the Adour engine, and production of the Hawk at Bangalore would go a long way towards solving their problem of underloading. It will not be easy to persuade the Indians to produce the Hawk since they are developing a (quite impractical) twin seat version of the Ajeet to meet their initial training requirement, and have a swept wing planned for the mid-90's. The mutual benefits of such a programme could however be considerable.

17. The new Chairman of HAL, Air Marshal Katre is a key figure who should be able to balance HAL's needs against the IAF's requirements. During my meeting with him his principle concern appeared to be the future loading of his factories. He is coming to the UK after the Paris Air Show and he accepted an invitation to fly in a Hawk. Katre is also involved in formulating India's AEW policy and he seems to favour fitting a sophisticated package with a 250 mile range into an HAL produced BAe 748 - not presently of course feasible.

18. My discussions at the Avadi tank factory and the CV R&D Establishment near Madras concentrated on the prospects of the RR CV12 engine being chosen for the re-engining of the Indian Army's Vijayanta tanks and Noel Davies of Vickers accompanied the UK party during my calls. Vickers stand a good chance of winning this contract and have put a considerable effort into designing their package to fit the Indian tank. Two RR engined Vijayantas are currently undergoing hot weather trials. This contract could enable further progress to be made on the 2 way street as Vickers are interested in using Indian castings for engine production in UK (castings are currently imported from Germany).

/ 19. ...

19. The Commandant of the CV R&D Establishment, Brig Chawla, has been tasked with designing a totally Indian new tank to be in service by the end of the 80s. This he at least knows is beyond his capabilities and he has commenced using consultants on some work - e.g. Laser Engineering of UK who are presently working on running gear designs at Avadi. He is very keen to take up an invitation to talk to Dr Ellis, Director of MVEE, for guidance in his mission and when we were in Delhi the scientific adviser, Dr Avanachalam, agreed to Chawla making the visit if he had the time. There is a major opportunity here for British suppliers but it must be handled sensitively.

20. During my first day of calls in Delhi I met my opposite number, Singh Deo. He had little of interest to say except to extol the merits of Sea King and Searchwater radar to meet India's AEW requirement (obviously on the basis of Naval lobbying). I also met the Chief of Naval Staff, Admiral Dawson who showed none of his reputed pro-British leanings, and appeared almost hostile. He avoided commenting on issues of sales interest to us, repeatedly changing the subject by the introduction of subjects of his own choice particularly the poor performance of some items of British equipment. However my calls on Dr Aranachalam and Mr Sarin, Secretary of Defence Production, were constructive. Dr Aranachalam is giving AEW high priority and was pleased with his recent visit to Britain. I talked about the possibilities of future co-operation on the LCA and tank programmes and Aranachalam responded positively. He then turned the discussion towards co-operation on areas of fundamental research such as solid state electronics and software. I was non-committal on this subject but agreed on the necessity to keep the dialogue going. Mr Sarin's concerns were focussed on HAL's problems of loading. When I mentioned the Hawk he appeared interested and asked for all the information we could give him on the aircraft, but he said that the Air Force would have to be convinced of the merits of the aircraft before he could take any action.

21. April 26th was a most satisfactory day during which I paid calls on Air Chief Marshal Dilbagh Singh (Chief of the Air Staff), Mr P K Kaul (Defence Secretary) and Mr R Venkataraman (Minister of Defence). The latter visit was arranged on the last day and, in Indian terms, was the 'official' indication that the visit had been well received.

22. With Dilbagh Singh we had a lengthy discussion on the potential benefits of the Hawk to the IAF; as a trainer, as a contender for the IAF aerobatic team; and as a 'gap filler' for Hindustani Aeronautics Ltd between the Jaguar and the LCA programmes. I also stressed the export potential of the aircraft, especially if it were fitted with the 'DARIN' system. Dilbagh Singh was obviously interested. Kaul was, if anything, more forthcoming. He did not rule out the possibility of buying an established aircraft and stated that the matter should be reviewed at the end of 1983.

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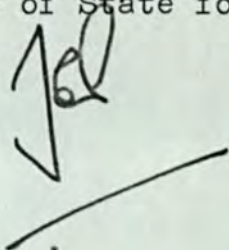
23. On AEW (Fixed Wing) the IAF have problems. Their requirement is for a NIMROD type of system but they almost certainly would not be able to afford it. Other possibilities exist and I offered to send an experienced RAF team to liaise with the IAF and share on a service to service basis the knowledge we have gained. This was enthusiastically welcomed by Dilbagh Singh, Kaul and Venkataraman. It was seen as another clear example of the improving Anglo/Indian relationship.

24. Kaul sees the 'umbrella' MOU, currently in draft, as the vehicle by which technology sharing would be developed. Once agreed (which should be very shortly) he saw merit in both countries listing possible areas for future collaboration. On this subject I repeated my earlier offer for Brig Chawla to visit the UK to discuss the problems involved with developing a Main Battle Tank. Both Kaul and Venkataraman endorsed this approach.

25. Finally, being only too well aware of the current state of the negotiations on Sea King, with both Kaul and Venkataraman, I emphasised our desire to develop short, medium and long term plans for future co-operation between our two countries. However such a commitment on our part required some early 'working capital' to be provided by the GOI, a point which obviously registered.

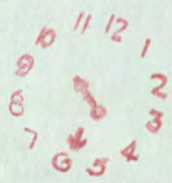
26. On the question of future Jaguar production, Venkataraman was pressed to clarify his recent statement in the Indian Parliament that there would be no further licence production of Jaguars at Bangalore following completion of the batch of 31, a batch which in turn follows the earlier batches of 40 and 45. The Minister explained that the batch of 31 would take production through until the end of the decade and that by then the technology would be relatively outmoded. It was pointed out to the Minister that the economic benefits of a lengthening production line would be an increasingly significant factor particularly when the possibility of adapting and modernising avionics and other systems was taken into account. The Minister said that his mind was not closed to the possibility of further production beyond the 31 but that at this stage such production was not envisaged.

27. I have sent copies of this minute to the Prime Minister, the Foreign Secretary and the Secretaries of State for Industry and Trade.



28th April 1983

29 APR 1983





PRIME MINISTER

MS

1) Mr Scherer

2) Pire Murkin

see also minute for

JF

Mr Younger
(attached)

4/5

VISIT TO THE USA: 8-20 APRIL 1983

The main purpose of my visit was to encourage investment in the UK by US companies; and to discuss views on the business climate both here and in the US. I also used the visit specifically to explore - in a meeting with the senior management of AT&T, at a presentation given by consultants Arthur D Little, and also at several meetings with individual companies in the sector - developments in the US telecommunications market and their implications for the UK. Besides a brief stop in New Jersey to meet AT&T, my visit took me to the West Coast - San Francisco, Santa Clara (Silicon) Valley and Los Angeles; Denver and Colorado Springs (including a meeting with Inmos); and to New Orleans, San Antonio and Houston in the South. Altogether I visited fourteen companies, had five formal speaking engagements in addition to many more informal discussion platforms, and had eleven sessions with the media including meetings with the Boards of prominent local newspapers.

Business Views

2 I found the high technology business community cautiously optimistic that a recovery has now started which is likely to be sustained. This optimism is tempered by past experience of



"recoveries" and by concern that the continuing Federal Budget deficit may yet cause interest rates to rise again. The picture elsewhere was less encouraging. The oil supply industries for instance have not yet started to recover from their depressed state.

3 When I spoke about the UK, I found that I was speaking to sympathetic even enthusiastic audiences. American perceptions of what is happening here are greatly improved. There is a strong contrast drawn between our success in curbing the PSBR and the failure of the White House and Congress to agree on measures to control the Federal Budget deficit. There is also growing recognition of the improvements in industrial relations, though the old "strike-torn" image still persists in some quarters. The message that, with the reliefs now available, Corporation Tax is one of the lowest in Europe comes as a surprise. High technology companies readily acknowledge the technological skills of the British workforce.

4 There is, therefore, considerable interest in the UK not just as a subsidiary manufacturing location, but also, increasingly, for joint ventures with UK companies. Whilst the recession has clearly affected business plans, I was able to discuss a number of projects for UK investments. In the telecommunications market especially I found companies were developing a keen awareness of the opportunities now opening up in the wake of our



liberalisation programme. Many were anxious for advice and I took the opportunity of explaining that we warmly welcomed foreign interest in our new markets when it brought added value to the UK. We asked that the process should be a reciprocal one; UK companies must be able to benefit from US liberalisation - something that is by no means always the case.

5 There is one point I would like to highlight out of these discussions: the importance which virtually all the high technology companies I met attached to the use of a generous stock option regime as a means of retaining and motivating high calibre executive staff. Time and again companies volunteered strong views on the importance of this incentive to their success.

Other issues

6 The sessions with the business and banking community and with the media proved valuable opportunities to educate business and community leaders in our policy over oil prices and extraterritoriality. I encountered considerable interest and an alarming degree of misunderstanding on our stance over the former. I was repeatedly asked whether it was the UK's intention to try to "manage" the price of oil on the assumption that we were, OPEC-style, critically dependent on the price fluctuations of this commodity. I had to spell out - to a surprised though usually receptive audience - that oil accounted only for a small



share of the UK's GDP and tax receipts, that we had consumer interests of greater importance to counterbalance our interests as a producer, and that our policy was therefore firmly market determined.

7 I also took every opportunity to spell out the considerable concern with which Europe, and particularly the UK, views the extraterritoriality issue and the possibility that the Export Administration Act will be renewed in its present form. Most businessmen received the message very seriously, as well they might in their own commercial interests. Indeed, it was clear many were pleased to hear support for a view they already held. On protectionism, there was agreement with our view in principle, though support tended to be less vocal!

AT&T

8 I had an extremely helpful meeting with senior management of AT&T including the Chairman of AT&T (Mr Charlie Brown) and the Chairman of AT&T International (Mr Jim Olson) which has, I believe, firmly laid the ground for future development of the investment opportunities in our respective markets. AT&T gave me a full and frank account of their views on telecommunications developments and their investment intentions in the UK. For my part, I explained our views on AT&T investment into the UK market and the sensitivities to which this will give rise if not



carefully and responsibly handled. We attached great importance to the benefits which AT&T could bring, through investments and partnerships, to the UK's manufacturing and R&D base; and we hoped very much that AT&T would make the UK its European base. The opening up of our markets should lead to value-added investments, not just screwdriver operations. We agreed that there should be further contacts at official level to progress ideas and ventures already under discussion - these include the production of radiophones, digital switching equipment and state of the art microchips (eg 256K Ram). In addition we have good hopes that they will make the UK the centre for their advanced communication services (ie all advanced forms of value added network services) outside the US.

Inmos

9 My meeting with Dr Petritz and his colleagues was reasonably encouraging though I have no doubt we shall need to continue exercising a careful watch on developments. I had to caution Dr Petritz on going outside his brief in his enthusiasm for promoting the US facility, through opportunities in the US market. Naturally enough, the company played down the technical difficulties which continue to affect the 64K Dynamic Ram. But they have lost no customers so far and are clearly confident that measures taken to improve the test facilities will go a long way to eliminate their current production problems. They were bullish about the financial prospects for 1983: whilst the

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forecast for the year is for an overall loss of £7m, they claimed to be on target for a return to profit in the last quarter. It is evident that the new Chairman we insisted on, Malcolm Wilcox, is making a considerable, and very welcome, contribution.

General

10 The CND campaign in Britain is getting wide coverage on the US television networks. Even while we were there I saw several interviews with the Greenham Common women, lengthy pictures of the Good Friday demonstration and not unsympathetic commentaries by media interviewers. The British Government's case simply did not come over at all. No-one had heard of Michael Heseltine's visit to the Berlin Wall, no-one knew the figures for the broad public support for our policy on the nuclear deterrent. Nor did Americans seem to be aware of the difficult arguments we had had with the Administration over the zero option. (I mentioned all this to Michael Heseltine before his 4-way discussion on television with Henry Kissinger and others last weekend.)

Conclusion

11 I was once again very impressed by the arrangements made by our posts in the United States for most effective programmes. There are two points I should like to record. First, I was particularly impressed by the excellent media coverage arranged



in my programmes - a lesson no doubt learnt from exposure gained through the Falklands crisis - and I am convinced that this added considerably to the impact which I was able to make. Second, it is evident to me that at least in some places the necessary co-ordination of the IBB's national efforts to promote investment in Britain with the separate regional promotion efforts of Scotland and Wales is not effective. I was told, for instance, that the Scottish effort to promote Scotland as a separate entity led to a survey finding in one area that people believed that Scotland was not in the Common Market! I am bound to say that with each visit I make, I become more and more unhappy that the proliferation of Territorial and Regional offices is divisive and is becoming counter productive. To have separate and competing offices in say New York and San Francisco while our post at Houston has to cover an area which stretches from Denver to New Orleans seems a misuse of the available resources. We are due to review in E(EA) in mid 1984 the arrangements we agreed in July 1982. There would, I believe, be advantage in taking an earlier look and I shall be following this up in E(EA).

12 I would like to express my thanks particularly to Mr Hugh Overton, Director, British Trade Development, New York, Mr David Lawrence, Deputy Consul General in San Francisco, Mr and Mrs George Finlayson with whom we stayed in Los Angeles, Mr Richard Tallboys who accompanied us in Denver, Houston and New Orleans - and to Mrs Tallboys for organising a most valuable

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buffet reception - and also to the Honourable James Coleman Jr who is our acting Consul General in New Orleans. I was able to give a small dinner party in his honour, inviting a number of prominent local citizens and there is no doubt that this was much appreciated. He does a magnificent job for us.

13 I am copying this minute to Geoffrey Howe, Francis Pym, Jim Prior, Michael Heseltine, George Younger, Nicholas Edwards, Nigel Lawson, Arthur Cockfield and to John Sparrow.

PJ

P J

4 May 1983

Department of Industry

POST-SCRIPT:

Telecoms liberalisation really works! I spotted a cut-price phone shop called "El Cheapo Belle"!

P. J.

MR. GOW

Anglo/American relations in the defence
industrial field

I have arranged for Geoffrey Pattie
to see the Prime Minister on Friday 6 May.
He will be in India and the States between
now and then.

Is any special briefing required
other than the paper Mr. Pattie wrote?

cf.

NO - JUST THE

21 April 1983

LETTER FROM G.P.

cf.

please note.

cf. 25/4



10 DOWNING STREET

Caroline

You had better arrange this.

I will attend.

A. & C. $\frac{20}{4}$.

to G Patten and letter to
16ons 17. a. n

MESSAGE TO PRESIDENT REAGAN

Dear Ron,

I am appalled by the news of the terrible attack on
your Embassy in Beirut today. Our thoughts are with you
and with the relatives of those who died and were wounded.

~~to you~~ We and our deepest condolences to
them at this tragic time

Yours ever,

Margaret

sent at 18/1804Z

US Declassified

PRIORITY 181753Z APR 83

FM CABINET OFFICE

TO WHITE HOUSE

BT
UNCLASSIFIED

FOR PRESIDENT REAGAN

DEAR RON,

I AM APPALLED BY THE NEWS OF THE TERRIBLE ATTACK ON YOUR EMBASSY IN BEIRUT TODAY. OUR THOUGHTS ARE WITH YOU AND WITH THE RELATIVES OF THOSE WHO DIED AND WERE WOUNDED. WE SEND OUR DEEPEST CONDOLENCES TO THEM AT THIS TRAGIC TIME.

YOURS EVER,
MARGARET.

ENDS
BT

NNNN

181804 +Z

OK? K

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL NO. T48/83

CC MASTER
OPS.

616
COVERING RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

18 April 1983

The P.R. has sent a
message.

A.J.C. 19/4
p.a.

Dear John,

Explosion at US Embassy in Beirut

You will have heard of the attack earlier today on the US Embassy in Beirut. Latest information we have is that at least 33 people have been killed and 20 wounded. We do not know how many of these are US personnel, but earlier reports indicated that at least 2 US marines were among those killed.

/ Mr Pym has sent the enclosed message to Mr Shultz.
/ The Prime Minister may want to send a message to President Reagan. I enclose a draft telegram to Washington with a suggested text.

Yours ever,
E.

(B J P Fall)
Private Secretary

A J Coles Esq
10 Downing Street

COVERING RESTRICTED

File No.

Department

Drafted by

(Block Capitals)

Tel. Extn.

OUTWARD

TELEGRAM

Security Classification
RESTRICTED
Precedence
IMMEDIATE
DESKBYZ

FOR COMMS. DEPT. USE	Despatched (Date) (Time)Z	POSTBYZ
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PREAMBLE

(Time of Origin) Z (G.M.T.) (Restrictive Prefix)

(Security Class.) R.E.S.T.R.I.C.T.E.D. (Caveat/ Privacy marking)

(Codeword) (Deskby) Z

TO IMMEDIATE WASHINGTON Tel. No. of (precedence) (post)

AND TO (precedence/post)

AND SAVING TO

REPEATED TO (for info) (P.R.I.O.R.I.T.Y.) BEIRUT

SAVING TO (for info)

Distribution:-

- LIMITED
- NENAD
- MED
- NAD
- MAED
- News Dept
- PS
- PS/Mr Hurd
- Sir J Bullard
- Sir J Leahy
- Mr Egerton

Copies to:-

[TEXT]

My tel No: EXPLOSION AT THE US EMBASSY IN BEIRUT

1. Please pass the following message from the Prime Minister to President Reagan: Begins. I was shocked by the news of the terrible attack upon your Embassy in Beirut today. Our thoughts here are with you and with the families of all those killed or injured. As Francis Pym has already mentioned to George Shultz, our people in Beirut are in touch and we stand ready to help in any way we can. Ends.

OUT TELEGRAM

	↓	Classification and Caveats RESTRICTED	Precedence/Deskby IMMEDIATE
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ZCZC
GRS
CLASS
CAVEATS
DESKBY
FM FCO
PRE/ADD
TEL NO

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ZCZC
GRS
RESTRICTED
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TO IMMEDIATE WASHINGTON
TELEGRAM NO

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AND TO PRIORITY BEIRUT
BEIRUT TEL NO 1 TO YOU: EXPLOSION AT US EMBASSY IN BEIRUT
1. Please pass following message from me to Shultz:
Begins. I was appalled to hear of the murderous attack
today on your Embassy in Beirut, and send ^{all} my sympathy to
the families of those killed or injured. Our people in
Beirut are in touch. Please let me know if there is any
way we can help. Ends.

PYM
NNNN

///
//
/

NNNN ends telegram	BLANK	Catchword
File number	Dept	Distribution <u>LIMITED</u> NENAD MED NAD MAED News Dept PS PS/Mr Hurd Sir J Bullard Sir J Leahy Mr Egerton
Drafted by (Block capitals) PRIVATE SECRETARY		
Telephone number 233-5791		
Authorised for despatch <i>J.F. 18/4</i>		
Comcen reference	Time of despatch	

Caroline

Mr. Gales

Bloody hell. On
must be told
to you these things
you agrees meeting!

Prime Minister

ANGLO-AMERICAN RELATIONS IN THE DEFENCE
INDUSTRIAL FIELD

C.S.

1. Herewith letter, plus enclosures, dated 17th April from Geoffrey Pattie who is now in India.
2. Would you like to have a meeting with Geoffrey Pattie in order to discuss this important matter?

Yes please
mt

18.4.83

IAN GOW

cc. Robin Butler

From: Geoffrey Pattie, M.P.



House of Commons,
LONDON, SW1A 0AA.

17th April 1983

My dear Jan,

By the time you receive this
I should have arrived in India and
what I can to further British defence
industrial interests.

Even at the very moment of
departure my thoughts dwell on the sad
condition of Anglo American relations in the
defence industrial field.

I feel that the Prime Minister
should be aware of the current situation
at working level because this may well
^{help} ~~help~~ in planning his strategy for the
Williamsbury summit - on the assumption

that we are not electioneering.

Summit or not, the problems will remain and will have to be addressed - Margaret has been re-elected so I make no apology for submitting this note now.

I also make no apology for hitting the Americans really hard. If the P.M. tells me to stop then I stop, but in the meantime I believe that the best interests of Britain are served by championing the cause of our industry. All we ask is the opportunity to compete but even that is being denied.

A U.S. Navy Under Secretary has been told that if he chooses a Marconi product called CS 3 (already in service with the R. Navy) the U.S. programme will be cancelled!

Yours ever

John King



Anglo-American relations: the defence/industrial field

British interests are being significantly impeded.

In Congress there is a rampant protectionism of which the most grotesque example was the unilateral repudiation of the Martin Baker ejection seat control followed by the decision to exclude Martin Baker from further competitions. Other less glamorous examples abound and can be readily given.

The administration is being excessively restrictive in interpreting security clearances and questions of technology transfer. American companies which are bought by British firms are immediately shut out from 'US eyes only' material even though their personnel are exactly the same as before the takeover and are all U.S. citizens.

At Annex 'A' I attach the story of Cincinnati Electronics owned by Arnold Weinstock's BEC Marconi. I have had to intervene at Deputy Defense Secretary level in order to get even a hearing for the Marconi Managing Director but the outlook is not good.

At Annex 'B' I attach a copy of an internal Plessey memorandum sent on to me by John Clark.

The contents are self explanatory and require no further amplification.

At Annex 'C' I enclose a letter sent by our Chief Scientist at the British Embassy in Washington to a member of the administration. The examples described are so absurd as to be almost unbelievable were it not for the fact that they are called for real life.

Annex 'D' is the leading article from the highly prestigious Aviation Week of March 7th. The description of the issue being dealt with "most diplomatically" is somewhat in contrast to the headline on the 'Daily Telegraph' which is included as Annex 'E'. While no responsibility can be taken for the headline the text of the article is accurate.

Annex 'F' is a more general piece.

Politically there is considerable agitation at all levels of our industry and this will undoubtedly be the top item when Michael Heseltine chairs the National Defense Industries Council next month.

The only way forward is for us as HMG to be utterly frank and very tough with the Americans and stand up for British industry.

Jel

16/4/83

April 1983

CE White Paper, B-52G Fire Control System (FCS) Program Security Status

The Cincinnati Electronics Corporation (CE) is a medium sized electronics firm specializing in Defense Department Electronics Systems. CE provides a diversity of products for use in Communications, Space Systems, Radar Warning and Fire Control Systems and Electro-Optical Systems.

From its birth as a division of Crosley Corporation more than 60 years ago, CE has designed, developed and manufactured many highly satisfactory products for the Department of Defense. Notable among its many products were Radar Fire Control Systems for B-47, B-66 and B-52 aircraft. These Fire Control Systems were used to detect and destroy enemy aircraft approaching U.S. bomber aircraft from the rear. The first CE bomber Fire Control System was installed on a B-47 in the early 1950's. Since that time, CE has been and is now one of two companies providing Bomber Defensive Fire Control Systems to the U.S. Air Force.

CE produced the Fire Control System currently installed in the B-52G Aircraft and the company has continued to support that system for the more than 20 years it has been in the inventory. In the late 1970's, CE designed and installed several improvements to the original system, which have substantially increased system reliability and maintainability. However, the B-52G Fire Control System still contains many antiquated vacuum tubes and it must be overhauled further if the system is to function satisfactorily for the remaining projected life of the aircraft.

In 1979 and 1980, CE performed a system modernization study (under Air Force contract) and proposed a modification to the Air Force which was similar to a program the Air Force had begun with Emerson Electric to improve the B-52H Fire Control System. CE's study is the basis of the current B-52G Fire Control System modernization program specification and Statement of Work. Because of Emerson's B-52H contract, CE anticipated that the B-52G Fire Control modernization program would be competitive. Since 1980, CE has continuously worked the details (Statement of Work, System Specification, etc.) of the B-52G program implementation with SAC, Warner Robins Air Logistics Center (WR-ALC) and Air Staff personnel. CE has expended substantial resources in support of the B-52G Fire Control System between the conclusion of the 1980 study and today.

In early 1981, CE was bought by an English firm, the General Electric Company, Ltd. The security status of CE became a cloudy issue at that time and continues to beleaguer the company to this day. Knowing this, CE sought clarification of its status with respect to its participation in Defense Department programs in general but the B-52G Fire Control Program in particular. In October 1982, WR-ALC was formally notified that CE was cleared, with no restriction, to compete for the B-52G FCS business. CE has continued development of its B-52G FCS proposal, lining up several large suppliers (notably the Teledyne Systems Company, which will provide the digital computer for the CE system), so as to enable CE to execute the program within the required Air Force schedule. The Air Force has continued to provide CE with all relevant program data as it became available with most recent version of the program Statements of Work and Systems Specifications being delivered to CE on 15 January 1983.

On 3 February 1983, CE learned that there was a problem with its security status. On that day, WR confirmed that CE's clearance to compete for this program had been "suspended" or "terminated" and that the Air Staff Information Office (AF/CVA) has the situation under review. The company was advised that it would be told within a week or ten days of the final Air Force decision concerning its clearance to participate in the program. To date we have not been notified of the Air Force decision, however, informal indications are that a decision has been reached denying CE the opportunity to bid.

The major difficulty appears to be associated with the necessity to provide to the bidders Electro Magnetic Pulse (EMP) threat data necessary to analyse and design circuitry hardened to withstand EMP. It is CE's contention that this need presents no obstacle, since:

(a) CE has prepared EMP Statements of Work for the Air Force in support of definition studies conducted by CE in support of this program. CE believes it already possesses, either in document form or through Fire Control Working Group sessions, all the information necessary to harden FCS circuits, and

(b) CE plans to subcontract with IRT Corporation, a respected nuclear effects analysis and testing firm; the required effort to define design guidelines for effecting hardening. If necessary, IRT can protect against unauthorized release of any information requiring compartmentalization. Such design guidelines usually are unclassified. When informed of this planned arrangement, spokesman for the Defense Nuclear Agency indicated to CE, and later the Air Force, that this should be satisfactory, adding their confidence in IRT's competence.

Page 3)

This situation has placed CE in an extremely difficult position. Not only has the company expended many dollars to prepare for this competition in good faith with the Air Force, but so has its program partners who, if they should learn of this late-blooming problem, may well abandon their commitments to CE and preclude CE from realistically competing even if the final Air Force decision about CE's status is favorable.

CE has a long, successful history in the Fire Control business and it has a very good performance record with the Air Force contracts. The company recognizes the necessity of strict security procedures in dealing with U.S. Defense systems and it has never had a problem in this area. CE's exhaustive knowledge of the B-52 and its FCS uniquely qualifies the company for the B-52G FCS work. CE engineers have participated in the Air Force B-52 Defensive Fire Control Systems Working Group chaired by HQ SAC for over ten years. CE's relationship with its parent company in the United Kingdom in no way threatens U.S. security since CE employees already know almost all of the classified data relevant to this project from prior activities.

CE does not feel it is in the best interests of the U.S. Air Force to limit the B-52G FCS competition to one experienced supplier and CE requests that its security status be favorably resolved immediately so as to permit it an equitable opportunity to compete for the B-52G FCS program.

memorandum

John Clark

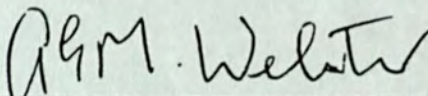
-2-

March 17, 1983

areas where we do not currently have a presence or application (Missiles, RPV's). We have not lost any contracts from our "traditional" markets.

The ACM case may represent a genuine concern about security and technology leaks, unjustified though this would be. In other cases it is quite apparent that the law is being applied by federal bureaucratic agencies to block foreign owned companies in favor of U. S. owned concerns, despite such "foreign" companies employing U. S. personnel, paying U. S. taxes etc. The attached editorial from "Aviation Week" which is widely read by Congress, may be of interest.

Plessey Dynamics has followed up on these clearance problems but has run into the official requirements for restructuring as a trust, as already investigated by Mr. Sinsheimer.


A. G. M. Webster

AGMW/jm
Attachment



FROM:

A. G. M. Webster

TO:

SIR JOHN CLARK
Chairman, The Plessey Company plc
cc: Mr. Warren J. Sinsheimer

DATE: March 17, 1983

U. S. SECURITY CLEARANCE PROBLEMS
Plessey Dynamics Corporation

This report refers to the U. S. security clearance problem mentioned at your Budget Review meeting of Plessey Dynamics last week, and the effect such problems have on this business.

The major incident was that on March 4th Boeing Aerospace removed us from the bidders list for the Air Cruise Missile's servo motor assembly. This action was confirmed on March 8th as follows:

"... Boeing Aerospace regrets your removal from the bidders list for subject hardware competition. Our customers will not grant SAR access to any individual or firm which has reciprocal security agreements with a foreign power. "

SAR stands for Special Access Required and is a new security classification, which allows the U. S. services or agencies to nominate specific and apparently only U. S. owned and controlled companies for a particular project.

Plessey Dynamics currently has as security clearance "Secret - U.K. Reciprocal". The Air Cruise Missile is a follow-on version of the ALCM already in production and is security sensitive since the ACM is understood to incorporate "Stealth" technology.

Plessey Dynamics is not a supplier for the present ALCM, but has been working with Boeing for nearly four years on Fly-by-Wire and related technology, of which this servo motor and its controller would be derivatives.

This is the first actual contract ever that Plessey Dynamics has lost the opportunity to compete for as a result of a security problem, although such problems have increasingly been affecting us in the last year. Specifically, our technical sales management has been barred from attending five seminars in the last four months dealing with new weapon systems, their markets, or the military's description of technology requirements from industry. All except one of these concern product



HRD 2/1/2/1

ANNEX 'C'

Dr Stephen D Bryen
Deputy Assistant Secretary
International Economic Trade and Security Policy
Room 4C767
THE PENTAGON
Washington DC 20301

17/

7 March 1983

Dear Dr. Bryen,

When we spoke on 28 February you asked me to list some of our concerns that come under the general heading of technology transfer.

I wrote to Dick DeLauer on 6 October 1982 about foreign exclusion from conferences. The point we were making was that not only does it hamper collaborative work, but that the US loses directly, since UK visitors had made significant contributions to the conferences in previous years. Naturally we were not querying your right to restrict attendance at a conference when you felt it was necessary to do so in the National interest.

!!

An absurd situation developed last October when Major General Sir Jeremy Moore was invited by NSIA to give a major address at a Conference on US Amphibious Capabilities. The Embassy were unaware until shortly before the Conference that it was NOFORN and then experienced difficulty in getting clearance for General Moore to attend. The Vice President of Rolls Royce Inc, who wished to hear General Moore, was denied entry to the conference because of the NOFORN marking.

A perfect example arrived last week in the form of a call for papers for an ADPA smart projectiles symposium to be held from 14-16 September at Fort Belvoir. It encompasses precisely the area covered by the US/UK/France/Germany joint studies on MLRS Phase III. It is classified SECRET and marked No Foreign Attendance.

A different type of problem arises when UK Government or Industry representatives visit US Government and Industrial facilities. Despite having to give 6 weeks advance notice of the visit and details of the proposed discussions, we are never informed of the security level to which access has been granted. In January a team of 5 arrived for a 2 week visit to the US for detailed discussions on the performance of the TPQ 36 mortar locating radar which we are considering purchasing. Only at the first meeting at ARADCOM were they told that the release of unclassified information only had been authorised.

UK CONFIDENTIAL

37/20

The total clamp on the release of information in certain areas seriously hampers the work of The Technical Co-operation Programme (TTCP). Digital technology pervades all areas of defence work. Without a knowledge of the capabilities and limitations of VHSIC signal processing hardware and software, it is impossible to understand and appreciate the trends. We are not talking of the actual technology of the chip, but about performance specifications and the flexibility available through advanced software. Problems have already arisen in Sub Group P (Communications), K (Radar), Q (Electronic Warfare) and W (Conventional Weapons). The exclusion of STEALTH technology exchanges leads to similar problems and in due course to a reduction of RSI and an increase in expenditure.

But it is not only on the frontiers of science that information is denied. On 4 March we received a refusal by the Army Department for release of an unclassified survey of commercial engines for 1.5 KW through 10 KW military generator sets. We are taking this up at working level; I mention it only as the latest and typical example of the problems we have encountered.

We are also concerned by the treatment of US subsidiaries of UK firms, which under Foreign Control and Influence (FOCI) rules are barred from involvement in certain areas of technology and allowed into other areas only on a case by case examination, even when the facility is staffed entirely by US citizens. This is in strong contrast with the way the British Government treats US owned companies in the UK. The effect these restrictions have on the ability of UK companies and their subsidiaries to compete on equal terms for US contracts is crippling.

We understand and share your concern about the leakage of high technology to Warsaw Pact nations. But unless ways can be found to interpret regulations in a flexible manner, collaboration will be affected to the detriment of the Alliance.

Mr Pattie, the Minister for Defence Procurement, discussed the UK concerns regarding technology transfer with Mr Ikle, and with Mr Schneider of the State Department, during his recent visit to Washington. He has asked to be kept informed on progress in this area and to meet that objective I am copying this letter to the offices of the three principals concerned.

I hope you will be able to take some positive action to alleviate the situation described and I look forward to hearing from you in the near future.

Yours sincerely,

Copy to:

Hon Fred C Ikle
THE PENTAGON

Mr W Schneider Jnr
STATE DEPT

PS/MIN (DP)
MOD MAIN BUILDING

Stanley Ann.

UK CONFIDENTIAL

Rein on Technology

Technology transfer overseas and U. S. protectionism at home may be separate issues to Americans, but they are becoming intermingled in the minds of allies. Britain's Defense Procurement Minister, Geoffrey Pattie, dealt most diplomatically with the subject in a public appearance in Washington during his recent visit, but it was plain enough that the changes in policy by the Reagan Administration on technology transfer and protectionist legislation by Congress over Administration objections are assuming a unified fabric of their own in the rest of NATO.

Pattie's visit was designed for what in government vernacular is called frank but cordial talks about U. S. delays in moving into Phase 3 of the four-nation Vought multiple launch rocket system program as well as the statutory mandate that a U. S.-built ejection seat go into the Navy/McDonnell Douglas F-18 in place of the Martin-Baker unit from Britain that won the original competition. His comments were unapologetically for motherhood and against sin. That is, he expressed much sympathy for the U. S. Administration's efforts to shut off the flow of Western technology to the Soviet Union that could be turned to military purposes. Yet, speaking of the rocket artillery system delay, he added: "It comes as something of either a shock or a jolt to find some hesitation on whether the technology can be transferred."

Transfer Question

How much high technology is involved is debatable. The specific issue is over homing device technology, and there are some in U. S. industry who raise the question over whether the U. S. should have agreed to transfer all the technology in the Vought system that it did. Nevertheless, in a decision made in the last Administration by William Perry, under secretary of Defense for research and engineering, the commitment was made, and now it leaves the impression with the European nations in the group—Britain, France and Germany—that the U. S. is starting to waltz on a deal. Up to now, Vought's data packages have been moving through the clearance system, but much of the system technology is straightforward engineering rather than breakthroughs.

Britain is in the middle on the situation since it has a reasonably explicit timetable on deployment, whereas Germany is in the early stages of its planning and the French situation is vague.

In the case of the General Dynamics F-16 coproduction program in Europe, where a higher level of technology transfer was entailed, the transfer went ahead without many hitches because the production and deployment plans were explicit and near enough to add deadline pressure to the approval process.

With the lack of specifics on the French and German plans, there was an invitation for U. S. skeptics to raise the question of how solid the commitment

was. If they were simply in the program for the technology to be gained but had no serious intent to produce or deploy the multiple launch rocket system, then the skeptics have a point about transfer of all the technology.

Multiple launch rocket system technology transfer is not in the class of 1,000-lb. gorilla problems, and it will be worked out sooner or later. U. S. sources contend the issue is not even one of technology transfer, that British raising of the issue is a red herring. Rather, the issue is one of affordability of the addition to the system of advanced terminally guided munitions to use against tanks. The Pentagon does not care for the potential cost of this modification.

Irritation Ensues

Whether or not technology transfer was the crux of the issue, there is little doubt of the irritation that ensued on both sides of the Atlantic or that it is a harbinger of more to come. NATO nations were bruised over the Administration's handling of the Soviet gas pipeline problem last year, and the Administration's doctrine of cutting off the flow of technology to the Soviets also has opened the door to doctrinaire opposition to all kinds of international cooperation. Pratt & Whitney's joint program with Rolls-Royce and other overseas companies for a new commercial engine has been stumbling all along over British opposition to submission to U. S. export controls for the powerplant, and even with the reaching of a technical agreement, its future is clouded by the Administration's policy.

A European tendency to link a slowdown on technology transfer with U. S. protectionism is not precisely on the mark, but it is not exactly wrong either. There is a gray area where the transition takes place between tough self-interest and old-fashioned isolationism.

The dilemma the U. S. faces is that by transferring technology it may be hurting its own interest, but that by not transferring technology it also will hurt its own interest. That is, the damage done by technology going to the Soviets or competitors may be outweighed by the damage done in NATO harmony and capability, as the British suggest in the multiple launch rocket system disagreement. As Pattie points out, such instances, whatever the rights and wrongs, do increase pressure within the European nations to stay out of joint programs with the U. S., to keep military systems production within country or within Europe.

One thing that is plain from the throng of business opponents to tighter export controls at Senate hearings on the subject last week is that the Administration has to make a choice of whether it is more interested in stopping technology flow overseas or increasing U. S. exports. It is going to have trouble trying to do both.

—William H. Gregory

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ANNEX 'E'

The Daily

No. 39717. LONDON, FRIDAY, FEBRUARY 25, 1983

U.S. 'TREATS ALLIES LIKE ENEMIES'

Minister attacks trade curbs

By RICHARD BEESTON in Washington

THE United States treated its Nato partners more like Communists than allies, on occasions, Mr Geoffrey Pattie, Minister of State for Defence, said in Washington yesterday.

Mr Pattie is visiting the United States to express Britain's growing concern over the Reagan administration's behaviour towards fellow Nato Countries.

He voiced unusually strong criticism of the administration for increasing "restrictionism" in its refusal to share military technology and for causing unnecessary squabbles in a critical year for the alliance.

In the "Year of the Cruise Missile," and of vital negotiations in Geneva on nuclear weapons, it was unfortunate that the allies were having to disengage their attention to attend to "a series of squabbles and arguments going on inside the alliance," he said.

These problems, he charged, were "stresses we could do without" and were the result of growing protectionism on Capitol Hill and restrictionism on the part of the Reagan administration.

the Reagan administration.

Mr Pattie said that while Britain supported the United States position of keeping advanced technology out of the hands of the Soviet Union, it had received "a shock and a jolt" when America began withholding technological secrets from a joint Nato weapons project already in phase three of its development.

Transfer problem

"I thought the technological transfer problem was something to do with the Communist world. I thought that we were not in the Communist world but that we were all allies together," he declared.

The project, he said, was for the joint development by the United States, Britain, France and West Germany of a multi-million dollar Multi-Launch Rocket System, for destroying artillery and missile sites, which had now reached a stage when allied technology had to be shared.

Mr Pattie said that this was just one of the issues he would be raising in talks with the Pentagon this week.

He complained that time and again when British firms had won a competition for defence contracts in the United States, they stepped forward to receive their prize only to find that Congress had changed the rules.

A recent "rather grotesque example," he said, was that after production had started on 300 Hawk British naval trainer aircraft for the United States navy, Congress had demanded that British ejection seats should be replaced by American ones.

'Bizarre situation'

Despite the fact that Britain was buying over twice as much military equipment from the United States than it was selling, restrictionism on British sales had begun with the arrival of the Reagan administration and was intensifying.

He went on to quote the "bizarre situation" created by the purchase of the British firm Marconi of the American firm Cincinnatti Electronics.

Although the firm was based in America, shortly after it was taken over by its employees, all United States citizens, were treated as if they were British and denied access to classified data necessary to enable them to carry on their jobs.

They had to go to the British embassy, he said, to apply for permission for access to the Pentagon.

"That type of situation does not happen in Britain. American owned companies there have total access. This sort of problem is getting people in Europe, to put it mildly, rather annoyed," he said.

There had been, said Mr Pattie, "a change of climate" since the Reagan administration took over. "An easy thing for us to do would be to sulk in our tent back in Europe," but instead he had come over to discuss the problems frankly with the United States government.

In defence of UK industry

Geoffrey Pattie, the new minister for Defence Procurement, wants to see a much better dialogue between the Ministry of Defence (MOD) and industry. Pattie reveals that "we are most interested, fascinated, and concerned at how consistently industry underperforms and undersupplies" when it comes to defence work; although he cheerfully admits that defence cutbacks and moratoria have done their bit in making it difficult to get industry to trust the MOD.

Financial rectitude

The MOD is industry's largest government customer by far and expects to have put out contracts worth at least £6 billion by the end of the present financial year. Nonetheless, Pattie is quick to scotch rumours that the MOD team is out to use defence spending as a means of artificially stimulating the economy. He stresses that "We have to operate under Treasury guidelines like anybody else and are committed to the government's strategy of financial rectitude".

However, he reports that the vital relationship between the MOD and industry is beginning to change from that of "master-slave" to one of at least "potential partners". But he adds, "We need a more candid approach (from industrialists) when they tell us what they can actually achieve".

At the moment, what happens in practice is that if the MOD asks a private firm to provide, say, 40 pieces of equipment in one year, that firm is likely to agree, sign the contract and then deliver perhaps only 28. The philosophy seems to be to get the signature on the contract and later plead all sorts of reasons why it cannot be fulfilled on time.

This matters to the MOD because of a thorn in its flesh called "annuality", for which the Treasury is the culprit. If the MOD underspends its budget for one year, it cannot roll that money over into its next financial year, and loses it forever. The pressure, therefore, is always to spend the money on something. If firm X only delivers 28 trucks instead of 40, then the money for the missing 12 will be spent on something unplanned. Industry knows this, and is therefore unperturbed when the MOD complains about undersupply.



Geoffrey Pattie: scotching rumours that the MOD will use defence spending to artificially boost the economy

But it is not a sensible way to budget. In a recession, as the civil sector retrenches, firms unexpectedly step up their deliveries to the MOD (but still not to the levels agreed in the contracts). The MOD is bound by law to pay on delivery, and hence the situation of two years ago, when the MOD having for years exhorted industry to speed up deliveries was caught out as industry did just that. The MOD had already spent what it thought it would have left over. It was then in the embarrassing situation of having to ask firms to slow down after all.

Slow production

Though funny, the situation is potentially disastrous. There is no doubt that some pieces of equipment that could have been ready in time for the Falklands crisis were not, because firms had been asked to slow production. And if firms, to load their production lines evenly and spin out the contract as long as possible (thus putting up costs to the taxpayer), consistently underproduce, there is no doubt in the minds of observers that bits of contracts finished off outside the five-year period the Treasury has allotted for Falklands replacements may have to come out of the defence budget instead of being footed from the contingency fund.

Pattie praises industry's efforts to get the task force on its way and supplied with equipment, but he says the team spirit needs carrying on into industry's everyday relations with the MOD: "We need a more candid approach when they tell us what they can actually achieve." The Falklands crisis underlined for the government the importance of a strong defence industrial base, because only that domestic base can be expected to respond in quite the same way to the challenge.

But apart from the boost to defence spending resulting from the Falklands replacements and some timely rethinks on equipment cutbacks as a result of the Falklands campaign, Pattie does not see the new team at the MOD providing any additional economic stimulation, over what is already planned. This would only be "possible if other projects were abandoned . . . or we would need someone to come along and say, 'Here's an extra £x million'."

Pattie points out that many of the changes envisaged are ones that "some of us have been hammering away at for some time". Among the most important are "the way we operate the system, the way we draw up contracts, for example". In the past, cost-plus contracts covered a multitude of cost and time over-

runs, paid for, of course, by the taxpayer.

Yet even fixed-price contracts, which on the face of it looked as if they might work out very much to industry's advantage, caused some ministerial grumbles. Here there was a temptation for firms to fix the price too high to be sure of making a profit and then make a really hefty one. And even if they did overrun on cost, the really large employers would not be allowed to go down the drain. So enter the taxpayer with cheque book in hand again.

Intelligent exchange

What is needed is an "intelligent early exchange" between the MOD and industry so costs can be kept down, but not to industry's detriment.

Pattie firmly believes that industry should indeed be allowed to make a reasonable profit — "We can't allow industry to take the risks and not have any of the profits." The current "target cost" solution is a compromise, Pattie points out.

Opportunities in
defence appear
from
page 33

USA



MINISTRY OF DEFENCE

WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State
for Defence Procurement

Filed on USA: USA
Relations Pt 2.

D/MIN/GP/19/5/24

25 March 1983

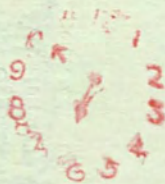
- PS/Prime Minister
- PS/Foreign and Commonwealth Secretary
- PS/Secretary of State for Industry
- PS/Secretary of State for Trade

Would you please note that the minute from Mr Geoffrey Pattie to Mr Michael Heseltine, dated 3rd March, reporting on his visit to the United States from 22nd February to 3rd March, should be downgraded from SECRET to CONFIDENTIAL.

only changed
PE 28/3

John Bilborough
 (J Bilborough)
 for APS/Minister (DP)

25 MAR 1983



OFFICE OF THE COMMISSIONER
GENERAL OF LAND REVENUE
MINISTRY OF DEFENCE
MINISTRY OF DEFENCE



BM.



10 DOWNING STREET

From the Private Secretary

21 March 1983

President Reagan's
St. Patrick's Day Statement

Thank you for your letter of 18 March.

The Prime Minister agrees that her thanks (and those of the Northern Ireland Secretary) should be conveyed to Mr. Shultz and to President Reagan in the way you suggest.

I am copying this letter to John Lyon (Northern Ireland Office).

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

SR

cc to

Foreign and Commonwealth Office

London SW1A 2AH

18 March 1983

Prime Minister*Yes**Agree that President Reagan should be invited?**A.J.C. 18/3**Dear John,*President Reagan's St Patrick's Day Statement

I enclose the text of President Reagan's St Patrick's Day statement and of remarks he made yesterday afternoon at a reception at the Irish Embassy in Washington. The President was even more forthright than last year in his condemnation of terrorism, in his reaffirmation of the US government's commitment to prosecuting those engaged in arms traffic and in his appeal to Americans not to support organisations engaged in violence. It was a most helpful statement.

HM Ambassador has recommended that he should be authorised to convey to Mr Shultz, and through Judge Clark to the President, the thanks of the Prime Minister and of the Northern Ireland Secretary. We endorse Sir O Wright's recommendation. I understand that Mr Prior has been consulted and is also content. If the Prime Minister agrees, instructions could issue in the form of the enclosed telegram.

A copy of this letter goes to John Lyon in the Northern Ireland Office.

*Yours ever**J E Holmes*(J E Holmes)
Private OfficeA J Coles Esq
10 Downing Street

ADVANCE COPY

PS PS/S of S Rm 66 A/2 GOGGS

PS/MR HURD	SIR P WOODFIELD)	
PS/PUS	MR BRENNAN)	
SIR J BULLARD	MR ANGEL)	NIO
MR GOODISON	MR BOYS SMITH)	

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FROM WASHINGTON 180050Z MAR 83.

TO IMMEDIATE F C O

TELEGRAM NUMBER 679 OF 17 MARCH

INFO PRIORITY NIO BELFAST, NIO LONDON, DUBLIN, BIS NEW YORK, C.G. NEW YORK.

INFO SAVING ALL OTHER C.G.'S U.S.A.

M.I.P.T.: NORTHERN IRELAND: ST PATRICK'S DAY.

1. FOLLOWING ARE EXTRACTS FROM THE PRESIDENT'S REMARKS AT A RECEPTION AT THE IRISH EMBASSY THIS AFTERNOON:
BEINGS:-

I'VE PREVIOUSLY SPOKEN ABOUT OUR CONCERNS OVER THE VIOLENCE IN IRELAND AND DO NOT NEED TO EITHER ELABORATE, NOR IN ANY WAY DETRACT FROM WHAT I AND MY PREDECESSORS IN THIS OFFICE HAVE ALREADY SAID, OTHER THAN TO EMPHASIZE AGAIN MY SUPPORT FOR A JUST AND PEACEFUL SOLUTION TO THE PROBLEMS OF IRELAND AND MY STRONG CONDEMNATION OF ALL ACTS OF TERRORISM AND VIOLENCE. (APPLAUSE.)

~~ALL ACTS OF TERRORISM AND VIOLENCE. (APPLAUSE.)~~

AS I'VE SAID BEFORE, WE BELIEVE THAT A LASTING SOLUTION TO THE PROBLEMS OF IRELAND CAN BE FOUND ONLY IN A PROCESS OF RECONCILIATION AND I AGAIN TAKE THIS OCCASION ON ST. PATRICK'S DAY TO JOIN WITH MY FELLOW AMERICANS WHO WORK AND PRAY FOR AN END TO TERRORISM AND VIOLENCE.

THE BISHOP OF DOWN AND CONNOR, BISHOP DALY, SPEAKING AT THE FUNERAL MASS OF JUDGE WILLIAM DOYLE, WHO WAS GUNNED DOWN BY THE PROVISIONAL I.R.A. ON A SUNDAY MORNING AS HE LEFT CHURCH IN BELFAST, TOLD THE ASSEMBLED CONGREGATION, REPRESENTING BOTH IRISH COMMUNITIES, ''.... WE COMMIT OURSELVES ONCE MORE TO WORK FOR PEACE AND RECONCILIATION. OUR BELIEF IN PEACE IS UNSHAKEN. OUR HOPE FOR PEACE IS IRREPRESSIBLE.''

I'M TOLD THAT IN ARMAGH, THE ECCLESIASTICAL CAPITAL OF IRELAND SINCE THE DAYS OF ST. PATRICK, THAT THERE ARE TWO GREAT CATHEDRALS ON THE HILLS OF THAT TOWN, EACH DEDICATED TO ST. PATRICK. I UNDERSTAND THAT LATE LAST YEAR THE ARCHBISHOP OF THE PROTESTANT CHURCH OF IRELAND AND THE PRIMATE OF THE ROMAN CATHOLIC CHURCH IN IRELAND, THE INCUMBENTS OF THOSE CATHEDRALS, CAME TOGETHER IN A SPIRIT OF BROTHERHOOD AND RECONCILIATION TO JOINTLY SPONSOR A TOWN CELEBRATION DEDICATED TO PEACE AND HARMONY. IT IS THAT MESSAGE THAT I WISH MY FELLOW AMERICANS TO HEAR ON THIS ST. PATRICK'S DAY. I ENCOURAGE AMERICANS OF ALL FAITHS TO WALK TOGETHER IN SUCH A SPIRIT OF RECONCILIATION, REJECTING VIOLENCE IN ANY FORM.

SOME FEW BUT VOCAL AMERICANS BELIEVE THAT DIFFERENCES BETWEEN IRISHMEN CAN ONLY BE SOLVED BY VIOLENCE AND INTIMIDATION. THEY ARE NO FRIENDS OF IRELAND. THEY DISGRACE THE PRINCIPLES FOR WHICH BOTH IRELAND AND AMERICA STAND. I WOULD URGE MY FELLOW AMERICANS NOT TO LISTEN TO SUCH PEOPLE. I KNOW THAT FOREIGN MINISTER BARRY JOINS ME IN CALLING UPON PEOPLE EVERYWHERE TO TURN AWAY FROM THE MORAL BANKRUPTCY OF THE MEN OF VIOLENCE AND TO HELP OR HEED, INSTEAD, THE CALL FOR PEACE AND RECONCILIATION THAT IS THE TRUE MESSAGE WHICH ST. PATRICK HIMSELF FIRST BROUGHT TO IRELAND.

ENDS.

WRIGHT

NORTHERN IRELAND : ADVANCE COPIES *2/12/83*

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SIR J BULLARD	MR ANGEL) NIO
MR GOODISON	MR BOYS SMITH)
Mr. GIFFARD)

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 CONSUL GENERALS U.S.A.



NORTHERN IRELAND : PRESIDENT REAGAN'S ST PATRICK DAY STATEMENT.

1. FOLLOWING IS THE TEXT OF PRESIDENT REAGAN'S ST PATRICK'S DAY STATEMENT:

BEGINS:

FOR THOSE OF US WHOSE ANCESTORS COME FROM IRELAND
 AND FOR THOSE OF US WHO SHARE THE SPIRIT OF IRISH HUMOR, HARD WORK
 AND SPIRITUAL FAITH, ST. PATRICK'S DAY IS A TIME OF GRATEFUL
 CELEBRATION AND MUCH HAPPINESS.

TODAY IS A TIME TO HONOR AND CELEBRATE THE ENORMOUS CONTRIBUTION
 TO AMERICAN LIFE MADE BY IRISH IMMIGRANTS. AS FRONTIERSMEN IN THE
 AMERICAN COLONIES AND CITIZEN SOLDIERS IN WASHINGTON'S ARMY THEY
 HELPED FOUND OUR REPUBLIC. THEIR INGENUITY AND EFFORT BUILT OUR
 ECONOMY, ADDED TO OUR SPIRITUAL VALUES AND ENRICHED OUR LITERATURE.
 THEIR HUMOR ENRICHES LIFE'S HAPPY MOMENTS AND MAKES LIFE'S SETBACKS
 MORE BEARABLE.

AND YET OUR JOY IS TEMPERED BY THE TRAGEDY THAT DIVIDES NEIGHBOR
 FROM NEIGHBOR IN NORTHERN IRELAND. WE DEEPLY REGRET THAT SOME

~~MORE BEARABLE.~~

~~AND YET OUR JOY IS TEMPERED BY THE TRAGEDY THAT DIVIDES NEIGHBOR FROM NEIGHBOR IN NORTHERN IRELAND. WE DEEPLY REGRET THAT SOME WOULD USE THIS DAY TO ENLIST SUPPORT FOR MORE VIOLENCE AND CONFLICT ON THAT SMALL ISLAND WHICH IS SO MUCH IN OUR HEARTS TODAY. WE CANNOT REMAIN INDIFFERENT TO THE TRAGEDY THAT CONFRONTS THE PEOPLE OF NORTHERN IRELAND AND WHICH AFFECTS THE REPUBLIC OF IRELAND, BRITAIN AND THEIR FRIENDS IN THE UNITED STATES. THOSE WHO ADVOCATE OR ENGAGE IN VIOLENCE AND TERRORISM SHOULD FIND NO WELCOME IN THE UNITED STATES.~~

WE CONDEMN ALL SUCH ACTS AND OPPOSE THE FORCES OF DISCORD IN NORTHERN IRELAND, WHICH OBSTRUCT THE PROCESS OF RECONCILIATION SO ESSENTIAL FOR PEACE. WE ASK ALL AMERICANS TO REFRAIN FROM SUPPORTING, WITH FINANCIAL OR OTHER AID, ORGANIZATIONS INVOLVED DIRECTLY OR INDIRECTLY IN PERPETUATING VIOLENCE. AND WE URGE THAT THOSE AMERICANS -- AND THERE ARE MANY -- WHO WISH TO HELP, LEND THEIR SUPPORT AND CONTRIBUTIONS TO LEGITIMATE GROUPS AND ORGANIZATIONS WHICH WORK TO PROMOTE RECONCILIATION AND ECONOMIC COOPERATION.

THE UNITED STATES GOVERNMENT CONTINUES TO TAKE SPECIFIC ACTIONS TO HASTEN AN END TO THIS VIOLENCE AND DISCORD BY:

- DISCOURAGING AMERICANS FROM CONTRIBUTING TO ORGANIZATIONS ENGAGED IN VIOLENCE.
- ARRESTING AND PROSECUTING THOSE ENGAGED IN THE ILLEGAL EXPORT OF ARMS TO THOSE GROUPS.
- CONFISCATING WEAPONS INTENDED FOR TERRORISTS.

NEXT TO PEACE AND RECONCILIATION, NORTHERN IRELAND'S GREATEST NEED IS FOR JOBS TO BRING HOPE AND OPPORTUNITY TO ALL ITS PEOPLE, ESPECIALLY THE YOUNG. AMERICAN COMPANIES WHICH HAVE INVESTED IN NORTHERN IRELAND ALREADY EMPLOY A SIGNIFICANT PERCENTAGE OF ITS INDUSTRIAL WORK FORCE, MAKING A REAL CONTRIBUTION TO ITS WELL-BEING. THIS ADMINISTRATION WILL CONTINUE TO ENCOURAGE PRIVATE INVESTMENT IN AND THE CREATION OF MORE JOB OPPORTUNITIES IN BOTH NORTHERN IRELAND AND THE REPUBLIC.

WE RECOGNIZE THAT IT IS NOT FOR THE UNITED STATES TO CHART A COURSE FOR THE PEOPLE OF NORTHERN IRELAND, BUT WE DO HAVE AN OBLIGATION TO URGE OUR LONG-TIME FRIENDS IN THAT PART OF THE WORLD TO SEEK RECONCILIATION BETWEEN THE TWO TRADITIONS IN NORTHERN IRELAND AND ACCOMMODATION THROUGH DEMOCRATIC MEANS. DURABLE, EQUITABLE SOLUTIONS AND PEACE CANNOT BE IMPOSED BY OUTSIDERS, HOWEVER WELL MEANING. OUR ROLE, ACCORDINGLY, IS TO SUPPORT EFFORTS BY THE PEOPLE AND GOVERNMENTS DIRECTLY INVOLVED.

SO ON ST. PATRICK'S DAY 1983 LET US ALL CELEBRATE OUR IRISH HERITAGE IN FINE STYLE. BUT LET US ALSO REMEMBER THOSE IN NORTHERN IRELAND FOR WHICH 1983 IS ONE MORE YEAR OF TERRORISM AND DIM ECONOMIC PROSPECTS -- AND LET US REDEDICATE OURSELVES TO HELPING TO BRING THESE TWIN EVILS TO AN END.

ENDS.

WRIGHT

OUT TELEGRAM

	Classification and Caveats	Precedence/Deskby
	CONFIDENTIAL	IMMEDIATE

ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	CONFIDENTIAL
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO
PRE/ADD	7	IMMEDIATE WASHINGTON
TEL NO	8	TELEGRAM NUMBER
	9	INFO PRIORITY DUBLIN, BIS NEW YORK, CONSULATE-GENERAL NEW YORK
	10	PARAGRAPH 3 OF YOUR TEL 678: NORTHERN IRELAND: PRESIDENT'S
	11	ST PATRICK'S DAY STATEMENT
	12	Please convey in suitable terms the gratitude of the Prime
	13	Minister and Mr Prior for the statement and remarks made by the
	14	President. These are most welcome.
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NNNN ends telegram		BLANK		Catchword	
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Drafted by (Block capitals) P H C EYERS					
Telephone number 233 3994					
Authorised for despatch					
Comcen reference		Time of despatch			

SECRETARY OF STATE'S TALKS WITH SECRETARY REGAN: 4 MARCH

1. Regan, who was in San Francisco for the President's dinner for The Queen, called on the Secretary of State at his hotel accompanied by a notetaker. Sir Oliver Wright and I were also present. The meeting lasted a little over $\frac{1}{2}$ an hour.

2. US Economy

Mr. Pym said that he had heard some very optimistic predictions. Regan sounded a note of caution but acknowledged that the economy had turned the corner. The fear now was of a roman candle up and down similar to that which had occurred during the Carter Administration. He would be glad to settle for a lower slope to bring about sustained recovery. It could be done: it was surprising how quickly inflation had been brought right down. But too much bullish talk on the part of the administration (he mentioned that the President had a dilemma here, given his natural desire to capitalise on good news) would make it harder to maintain tight fiscal policies.

3. Oil Prices

Regan said that forces had been set in motion that would not be undone for many years to come. It was worth asking whether we might get back to the Dollars 12 to 14 range, but he had asked his people to work out the implications of prices at 25, 20 and 15 Dollars. He admitted that too sharp a fall would cause problems, but was inclined to discount them apart from what he regarded as the special case of Mexico (see below), the outstanding debt of the countries who would be most affected (he mentioned Nigeria, Indonesia, Venezuela, Peru, Ecuador and Egypt) was collectively no greater a problem than governments and financial institutions had proved able to deal with over Brazil. There would be a strain, but it would be handled and the corresponding benefits would be the greater. Wealth would start shifting back towards the oil consuming countries.

4. International Banking System

Regan said that one of the lessons of the recent debt crisis in Latin America had been the lack of knowledge on the part of individual banks of what others were lending to the same country.

The Ditchley Group was the beginnings of a clearing house which should prevent this happening again. What was to be avoided was the sort of pie in the sky super-central bank solution which found favour with the G77 and some others. The Secretary of State agreed that we should work on the basis of the institutions we had.

5. Mexico

Regan said that any further lowering of oil prices would increase the Mexican foreign exchange short-fall. It was reasonable for the international community to expect the US to play the major role, given its particular political concerns, but the US could not do it all. They would have to look at the BIS for collective help and another operation might be needed this summer.

6. Williamsburg Summit

Regan said that he had deliberately held off preparatory meetings of Finance Ministers until the political situation in the participating countries was clearer. He agreed with Mr. Pym that the major countries would have to work in the same direction to secure a sustainable recovery. Neither the US nor anyone else could do it alone, but it was difficult to think in terms of convergent policies until we knew the results of the German elections and which way French policy would turn. Finance Ministers would meet in Washington in April and then once more before the Summit. He suggested that the Secretary of State might wish to discuss with Shultz the possibility of a joint preparatory meeting of Finance and Foreign Ministers if this seemed ^{likely} to be helpful nearer the time. The Summit should look at two specific points:-

(i) Protectionism: Were we content with slogans or were we prepared to take action? At the moment the US was being pushed by the farm lobby into some very abrasive actions. Both sides had facts they could point to. It was essential that political leaders put international co-operation above the farm vote. The fact that both US and the French Government were subsidising sugar beet farmers was wastefully expensive and served at the same time to

/raise

ruin the economies of countries (e.g. Costa Rica) whose stability was important. US farmers were by no means poor, but were politically important. Mr. Pym emphasised the importance of avoiding a trade war and said that the talks between the US and the EC offered the way forward on agricultural trade. Regan said that even if the US won a trade war it would prove a pyrric victory: the US needed the EC market for its agricultural products.

(ii) The industrialised countries should ask themselves whether they could in effect act as the locomotive of recovery for the world economy. If they could not, how would we deal with the countries who could not generate growth by themselves. One possibility might be to expand the World Bank, or to do more through the IDA.

End.

USA

Prime Minister
To Mr. [unclear]



Mufaxed to Choques
-5/3

~~WAT~~ ^{WAT} Judy Clerk
5/12/83

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FROM SAN FRANCISCO 050255Z MAR 83.
TO IMMEDIATE F C O
TELEGRAM NUMBER 16 OF 4 MARCH
INFO IMMEDIATE WASHINGTON.

FOLLOWING FROM PRIVATE SECRETARY

SECRETARY OF STATE'S TALKS WITH SECRETARY REGAN: 4 MARCH.

1. REGAN, WHO WAS IN SAN FRANCISCO FOR THE PRESIDENT'S DINNER FOR THE QUEEN, CALLED ON THE SECRETARY OF STATE AT HIS HOTEL ACCOMPANIED BY A NOTETAKER. SIR O WRIGHT AND I WERE ALSO PRESENT. THE MEETING LASTED A LITTLE OVER HALF AN HOUR.

US ECONOMY

2. MR PYM SAID THAT HE HAD HEARD SOME VERY OPTIMISTIC PREDICTIONS. REGAN SOUNDED A NOTE OF CAUTION BUT ACKNOWLEDGED THAT THE ECONOMY HAD TURNUED THE CORNER. THE FEAR NOW WAS OF A ROMAN CANDLE UP AND DOWN SIMILAR TO THAT WHICH HAD OCCURRED DURING THE CARTER ADMINISTRATION. HE WOULD BE GLAD TO SETTLE FOR A LOWER SLOPE TO BRING ABOUT SUSTAINED RECOVERY. IT COULD BE DONE: IT WAS SURPRISING HOW QUICKLY INFLATION HAD BEEN BROUGHT RIGHT DOWN. BUT TOO MUCH BULLISH TALK ON THE PART OF THE ADMINISTRATION

~~WAS SURPRISING HOW QUICKLY INFLATION HAD BEEN BROUGHT RIGHT DOWN.~~

~~BT TOO MUCH BULLISH TALK ON THE PART OF THE ADMINISTRATION~~
(HE MENTIONED THAT THE PRESIDENT HAD A DILEMMA HERE, GIVEN HIS
NATURAL DESIRE TO CAPITALISE ON GOOD NEWS) WOULD MAKE IT HARDER
TO MAINTAIN TIGHT FISCAL POLICIES.

OIL PRICES

3. REGAN SAID THAT FORCES HAD BEEN SET IN MOTION THAT WOULD NOT
BE UNDONE FOR MANY YEARS TO COME. IT WAS WORTH ASKING WHETHER
WE MIGHT GET BACK TO THE DOLLARS 12 TO 14 RANGE, BUT HE HAD
ASKED HIS PEOPLE TO WORK OUT THE IMPLICATIONS OF PRICES AT 25, 20
AND 15 DOLLARS, HE ADMITTED THAT TOO SHARP A FALL WOULD CAUSE
PROBLEMS, BUT WAS INCLINED TO DISCOUNT THEM APART FROM WHAT
HE REGARDED AS THE SPECIAL CASE OF MEXICO (SEE BELOW). THE
OUTSTANDING DEBT OF THE COUNTRIES WHO WOULD BE MOST AFFECTED
(HE MENTIONED NIGERIA, INDONESIA, VENEZUELA, PERU, ECUADOR AND
EGYPT) WAS COLLECTIVELY NO GREATER A PROBLEM THAN GOVERNMENTS
AND FINANCIAL INSTITUTIONS HAD PROVED ABLE TO DEAL WITH OVER
BRAZIL. THERE WOULD BE A STRAIN, BUT IT COULD BE HANDLED AND
THE CORRESPONDING BENEFITS WOULD BE THE GREATER. WEALTH WOULD
START SHIFTING BACK TOWARDS THE OIL CONSUMING COUNTRIES.

INTERNATIONAL BANKING SYSTEM

4. REGAN SAID THAT ONE OF THE LESSONS OF THE RECENT DEBT CRISES IN
LATIN AMERICA HAD BEEN THE LACK OF KNOWLEDGE ON THE PART OF
INDIVIDUAL BANKS OF WHAT OTHERS WERE LENDING TO THE SAME COUNTRY.
THE DITCHLEY GROUP WAS THE BEGINNINGS OF A CLEARING HOUSE WHICH
SHOULD PREVENT THIS HAPPENING AGAIN. WHAT WAS TO BE
AVOIDED WAS THE SORT OF PIE IN THE SKY SUPER-CENTRAL BANK
SOLUTION WHICH FOUND FAVOUR WITH THE G77 AND SOME OTHERS.
THE SECRETARY OF STATE AGREED THAT WE SHOULD WORK ON THE BASIS OF
the institutions we had.

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5. REGAN SAID THAT ANY FURTHER LOWERING OF OIL PRICES WOULD INCREASE THE MEXICAN FOREIGN EXCHANGE SHORT-FALL. IT WAS REASONABLE FOR THE INTERNATIONAL COMMUNITY TO EXPECT THE UNITED STATES TO PLAY THE MAJOR ROLE, GIVEN ITS PARTICULAR POLITICAL CONCERNS, BUT THE UNITED STATES COULD NOT DO IT ALL. THEY WOULD HAVE TO LOOK AT THE BIS FOR COLLECTIVE HELP AND ANOTHER OPERATION MIGHT BE NEEDED THIS SUMMER.

WILLIAMSBURG SUMMIT

6. REGAN SAID THAT HE HAD DELIBERATELY HELD OFF PREPARATORY MEETINGS OF FINANCE MINISTERS UNTIL THE POLITICAL SITUATION IN THE PARTICIPATING COUNTRIES WAS CLEARER. HE AGREED WITH MR PYM THAT THE MAJOR COUNTRIES WOULD HAVE TO WORK IN THE SAME DIRECTION TO SECURE A SUSTAINABLE RECOVERY. NEITHER THE UNITED STATES NOR ANYONE ELSE COULD DO IT ALONE, BUT IT WAS DIFFICULT TO THINK IN TERMS OF CONVERGENT POLICIES UNTIL WE KNEW THE RESULTS OF THE GERMAN ELECTIONS AND WHICH WAY FRENCH POLICY WOULD TURN. FINANCE MINISTERS WOULD MEET IN WASHINGTON IN APRIL AND THEN ONCE MORE BEFORE THE SUMMIT. HE SUGGESTED THAT THE SECRETARY OF STATE MIGHT WISH TO DISCUSS WITH SHULTZ THE POSSIBILITY OF A JOINT PREPARATORY MEETING OF FINANCE AND FOREIGN MINISTERS IF THIS SEEMED LIKELY TO BE HELPFUL NEARER THE TIME. THE SUMMIT SHOULD LOOK AT TWO SPECIFIC POINTS:-

(1) PROTECTIONISM: WERE WE CONTENT WITH SLOGANS OR WERE WE PREPARED TO TAKE ACTION? AT THE MOMENT THE US WAS BEING PUSHED BY THE FARM LOBBY INTO SOME VERY ABRASIVE ACTIONS. BOTH SIDES HAD FACTS THAT COULD POINT TO. IT WAS ESSENTIAL THAT POLITICAL LEADERS PUT INTERNATIONAL CO-OPERATION ABOVE THE FARM VOTE. THE FACT THAT BOTH US AND THE FRENCH GOVERNMENT WERE SUBSIDISING SUGAR BEET FARMERS WAS WASTEFULLY EXPENSIVE AND SERVED AT THE SAME TIME TO RUIN THE

~~WASTEFULLY EXPENSIVE AND SERVED AT THE SAME TIME TO RUIN THE~~
ECONOMIES OF COUNTRIES (E.G. COSTA RICA) WHOSE STABILITY WAS
IMPORTANT. US FARMERS WERE BY NO MEANS POOR, BUT WERE POLITICALLY
IMPORTANT. MR PYM EMPHASISED THE IMPORTANCE OF AVOIDING A TRADE
WAR AND SAID THAT THE TALKS BETWEEN THE US AND THE EC OFFERED
THE WAY FORWARD ON AGRICULTURAL TRADE. REGAN SAID THAT EVEN IF THE
US WON A TRADE WAR IT WOULD PROVE A PYRRIC VICTORY: THE US NEEDED
THE EC MARKET FOR ITS AGRICULTURAL PRODUCTS.

(11) THE INDUSTRIALISED COUNTRIES SHOULD ASK THEMSELVES WHETHER
THEY COULD IN EFFECT ACT AS THE LOCOMOTIVE OF RECOVERY FOR THE
WORLD ECONOMY. IF THEY COULD NOT, HOW WOULD WE DEAL WITH THE
COUNTRIES WHO COULD NOT GENERATE GROWTH BY THEMSELVES? ONE
POSSIBILITY MIGHT BE TO EXPAND THE WORLD BANK, OR TO DO MORE
THROUGH THE IDA.

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Copy No 2 of 43 copies
Page 1 of 9 pages

MINISTER OF STATE FOR DEFENCE
PROCUREMENT

D/MIN/GP/19/5/24

Prime Minister
You may wish to glance at the
highlighted passage in Mr. Patten's report.
A.J.C. 4/3

Secretary of State

MY VISIT TO THE UNITED STATES - 22ND FEBRUARY-3RD MARCH

The purpose of the visit was to review progress or lack of it on a range of equipment programmes. The visit took place in a distinctly unpromising context characterised by increasing protectionism on the part of Congress (one leading Senator spoke of 80 Bills of a protectionist nature having been introduced in the past year) and growing 'restrictionism' by the Administration.

2. The most glaring example of protectionism in recent weeks has been Congressional action in effect to repudiate a contract awarded to Martin Baker to supply ejection seats for the F-18 programme. There are other examples such as the delaying of awards of contracts to British companies by a variety of stratagems in order to facilitate the development of an indigenous US capability wherever one does not exist.

3. The policy making staff in the Department of Defense are obsessively interested in the problem of technology transfer and they are ready to link any area of fruitful co-operation - even, for example the nuclear field - in order to bring pressure on us to accommodate their demands. While we share US concerns about technology transfer to the Soviet Union we have drawn attention to the deleterious effect their attitudes are having on the relationship between NATO Allies. Examples were given of advanced projects which were halted because the US has anxieties over transferring technology to Britain, France and Germany.

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4. No opportunity was lost to press home the real dangers of US attitudes. Protectionism in the US will face similar moves in the UK to the detriment of US military exports and the US jobs they sustain. On no occasion, whether at meetings in the Pentagon, or at meetings with Senators and Congressmen, or at Press Conferences, or at meetings with leaders of US industry did anyone disagree that the trend is other than has been described. All regretted the upsurge of protectionism while accepting it as a fact of political life. Two developments could reduce the impact of US protectionism. One would be some semblance of growth in the US economy and thereby a reduction in the immediate pressure on job security. Secondly, if a constituency was put together which combined the interests of the companies in varying Congressional districts in the continuance of US military exports. A campaign urging folk to be 'nice to the Europeans' would not wash probably at any time but certainly not in a time of recession. What is required is a counterbalancing presence from Congressmen with something to lose by European retaliation.
5. Protectionism in Congress is driven by good old fashioned 'pork barrel' thinking and can best be countered along the lines mentioned above. British Embassy staff are preparing an analysis of our purchases and how they are made up.
6. The Administration's attitudes are somewhat harder to counter because they originate from a position on technology transfer that we support. It would seem that those in the Administration who lead on such matters are fuelled by a distaste for what they see as NATO's bureaucratic inertia.

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We are being urged to support the US requests to have a greater military input into COCOM and also for a new body to be created within NATO to examine their new offensive counter-air strategy. (would appear to be worth serious reconsideration if the price can be the removal of difficulties and restrictions on several of our programmes. It may not be necessary for us to shift our position on these issues very much in order to attract a favourable response although we will have to have regard to the feelings of some of our European Allies.

7. Although it is clear that the Americans much preferred to be told of our concerns in frank and straightforward terms, frequent reference was made by us to the many good aspects of our relationship. We began most meetings with a review of the 1983 situation in Europe with particular reference to Elections, 'peace movements' and our wish to continue to support the US negotiating position in the disarmament talks at Geneva. Our concerns about the effects of protectionism and restrictionism were then put into this wider context by expressing regret that it was necessary to deflect energies from the main tasks in order to attend to what are in effect family type disputes.

8. It was clear that the Americans in addition to clearly understanding the message greatly appreciated the trouble that was taken to put it across at many meetings, breakfasts, lunches and dinners in Washington, Los Angeles and St Louis. Follow-up action will now be taken on all matters of detail. It would be wrong, however, to give the impression that such a complex set of issues can in some magical way be 'resolved' by a Ministerial visit. Both the Ambassador and the new Deputy Secretary of Defense, Paul Thayer, indicated that they

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would very much welcome further visits later in the year, particularly in conjunction with the Congressional Committee cycle.

9. Some progress was made on the following specific issues:

a. Skynet IV Communications Satellite.

Dr Richard DeLauer (Under Secretary of Defense for Research and Engineering) agreed that the launch of Skynet IV on the spare shuttle should be considered a "DOD sponsored mission". This will qualify the launch for a concessionary change and deferred payment schedule and should ensure that no problems arise over the provision of cryptographic and other special equipment. The US will benefit from use of spare capacity on the satellite.

b. ECM Resistant Communications System - JTIDS.

In 1976 the US told NATO nations that in the interests of Rationalisation, Standardisation and Interoperability they would make available information to allow us to build JTIDS equipment free of US R&D charges - the so-called Currie offer. The Pentagon have had difficulty delivering on this offer because of legal constraints. However, during my visit Dr DeLauer confirmed that R&D charges would be waived for the procurement of JTIDS by other NATO countries.

c. NATO Identification System - NIS.

The Pentagon have said that they cannot afford the intended technical approach (embodied in a

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draft NATO Stanag) to a key element of NIS and that they have decided - unilaterally - to adopt their own cheaper solution, even though its ability to meet the agreed NATO requirement is not yet proved. Joint studies to evaluate the options are in hand and the Americans now seem to accept the advantages of incorporating a radar interrogation mode in their D band NIS proposal. They have been made aware of our insistence on the release of information on their system to enable European industry to obtain a fair share of the work.

d. MLRS Phase 3. The plan has been for European industry to be fully involved in development and production of intelligent sub-munitions for the Multiple Launch Rocket System. Progress has been seriously delayed and we believed this was because the US Army had not received authority to discuss the technology sharing arrangements which are essential to the project. We were assured, however, that technology transfer regulations were not behind the US reluctance to share information on their proposal. Apparently the Americans have not yet decided on the technical solution they favour and are also assessing the relative priority for resource allocation of this system compared with Copperhead and Assault Breaker.

e. Reciprocal Use of Communications Equipment. The DOD now believe that they can legally justify the continuation of no charge agreements

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for the reciprocal use of communications and satellite facilities under the terms of the NATO Support Act.

f. Martin Baker Ejector Seats. John Lehman (Secretary of the Navy) believes he can get Congressional agreement to a proposal involving the selection of two contractors to supply all the Navy's ejector seats under a 70%/30% leader/follower arrangement. A competition would be run every year and Martin Baker would be allowed to take part. I think this scheme will be as good as we can get if Lehman can deliver it. Although there was agreement among the Congressmen I met that the US move had been ill advised, this will still be a major issue in Congress.

g: Sales Prospects. John Lehman assured me of the good prospects of selling EMI's Searchwater radar and Marconi's ICS 3 HF radios to the US Navy. However, in the case of Searchwater there appear to be problems in the relationship between EMI and the US contractor, Lockheed, which could jeopardise the programme. I am working on a way to resolve these difficulties - and on ILS 3, resistance has been encountered at levels below John Lehman. Also touched on in discussion were the possible sale of Plessey's SCRA communications equipment to the Army and Short's 330 transport aircraft to the Air Force, and on both of these the prospects seem good.

Uncertainties remain over how the following issues will be resolved:

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h. Hawk Lease. John Lehman still believes that the lease of 12 RAF Hawks to the USN would help to ensure the survival of the US Navy's programme to adopt the Hawk as its new trainer. However, he has recently run foul of Congress with the ship leasing and is convinced that Congress would not approve such an arrangement, unless it was a 'zero cost' lease. I am examining whether we can agree to a reduction in the costs to a level where they can be 'hidden' in the maintenance and support contract.

i. UK Purchase of USN F4s. Because of our deployment of Phantoms to the Falklands we wish to buy 15 USN F4s currently held in reserve to maintain our front line numbers in Europe. The Navy have delayed in sending us a letter of offer and I have now discovered that this was because Congr. Stratton had called John Lehman to attend a hearing to explain why he was prepared to sell USN assets at an allegedly 'knock down' price. I have explained the background to this proposal to Congr. Stratton and John Lehman now believes the hearing can be avoided.

j. Rapier - Further Sale to USAF. Congress have allocated \$50m to the USAF for the purchase of a 'Rapier type system' to improve air defence of the USAF base in Europe. We have offered 12 fully supported Rapier fire units manned by RAF personnel for this amount. However, the Germans are proposing a deal under which they would provide and man Roland systems for US and German Air Force bases,

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and accept the American deployment of the Patriot area air defence system in Germany. In addition the US Air Force and Army are conducting a general review of air defence in Europe and the outcome is not expected for a couple of months - but I am advised it is unlikely to be in Rapiers' favour.

k. Sidewinder AIM9L - Sale to Sweden. Both the US Navy and the European consortium which produces the missile wish to sell the AIM9L to Sweden. The DOD have opposed supply by the consortium on security grounds, but claim that sale by the USN does not raise such problems. Dr DeLauer has admitted that the US Navy are using this bogus argument to ensure they get the sale which will enable them to modernise their inventory with the improved AIM9L. Richard Perle (Assistant Secretary of Defense for International Security Affairs) has agreed to look into this as he claims to oppose the misuse of security restrictions because such actions undermine the credibility and integrity of the Administration's stand on technology transfer. Paul Thayer (Deputy Secretary of Defense) has also said he will investigate this.

l. Security Restrictions on British-owned Firms in the US. When American defence contractors are acquired by British firms they lose their access to US EYES ONLY classified information which can prevent them winning contracts in their traditional fields. The UK applies no such restrictions to US-owned firms based in Britain. I raised this

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problem in several of my meetings and Dr DeLauer admitted that the security regulations were administrative rather than statutory. Both he and Paul Thayer agreed to look into this longstanding issue.

m. USAF Non-Payment of Rent for Married Quarters in UK. Last October the USAF abrogated without warning the 1955 agreement under which they pay rent for the married quarters they occupy in the UK. No explanation was given. DOD officials explained that this was because of a Congressional directive and said that a fuller explanation was 'in the post'. I raised this subject on the telephone with Verne Orr (Secretary of the Air Force) who apologised and admitted that, whatever the actual merits of the issue, the way in which the Air Force had acted was most regrettable.

/ 10. A list of my meetings is attached.

11. I have sent copies of this minute to the Prime Minister, the Foreign Secretary and the Secretaries of State for Industry and Trade.

Jel

3rd March 1983

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PROGRAMME OF MEETINGS

Wednesday 23rd February

12.00 Press Lunch

Afternoon Call on The Hon John Marsh, Secretary of the Army and The Hon James Ambrose, Under Secretary of the Army.

Call on The Hon Richard DeLauer, Under Secretary of Defense, Research and Engineering

Call on Mr Tom Cooper, Assistant Secretary of the Air Force

Evening Address the Washington Institute of Foreign Affairs

Thursday 24th February

Morning Press breakfast hosted by 'Foreign Policy' magazine

Call on The Hon Paul Thayer, Deputy Secretary of Defense

Call on Congressman Edwards

Host lunch for Senator John Tower with Senators Cohen and Dickinson

Afternoon Call on Senator Stevens

Call on Congressman Chappell

Call on Senator Rudman

Evening Reception in British Embassy

Dinner with Staff Directors of Senate and House Armed Services Committees

Friday 25th February

Morning Breakfast with The Hon Richard Perle, Assistant Secretary of Defense for International Security Policy

Call on Senator Warner

Call on Senator Hatfield

Call on Congressman Stratton

/ Lunch ...

Lunch with The Hon John Lehman,
Secretary of the Navy

Afternoon Interview with Armed Forces Journal

Sunday 27th February

Travel to Los Angeles

Evening Dinner with Hughes Aircraft Company

Monday 28th February

Morning Visit Hughes Aircraft Company and
Lockheed Aircraft Company

Evening Host Dinner for Chief Executives of
Hughes, Lockheed, McDonnell Douglas,
Northrop, Rockwell and Litton

Attend Reception on Royal Yacht

Tuesday 1st March

Travel to St Louis

Evening Dinner hosted by McDonnell Douglas
Astronautics Company

Wednesday 2nd March

Morning Visit McDonnell Douglas Aircraft
Company and return to London

4 MAR 1983



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Prime Minister

MR. COLES

A. J. C. 3/11.

I had lunch today with Mr. David Aaron who was Mr. Brzezinski's deputy at the White House in the Carter Administration.

2. Mr. Aaron, who is now working with a firm in Wall Street, is associated with Mr. Walter Mondale's campaign for the Presidential election in 1984. He particularly asked me, making it clear that he was speaking on Mr. Mondale's behalf, to convey Mr. Mondale's regards to the Prime Minister.

RA

Robert Armstrong

6th January 1983

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VISIT TO WASHINGTON BY LORD COCKFIELD, SECRETARY OF STATE FOR TRADE.

1. LORD COCKFIELD, ACCOMPANIED BY LADY COCKFIELD, PAID A HIGHLY SUCCESSFUL VISIT TO WASHINGTON FROM 14-17 NOVEMBER. IN THE COURSE OF A STRENUOUS PROGRAMME, WHICH INCLUDED CALLS ON KEY FIGURES IN THE ADMINISTRATION, A SPEECH, WHICH WAS VERY WELL RECEIVED, TO THE INTERNATIONAL INSTITUTE FOR ECONOMICS AND INTERVIEWS WITH THE MEDIA, HE ACHIEVED HIS BASIC OBJECTIVES OF GETTING TO KNOW HIS OPPOSITE NUMBERS AND SETTING OUT CLEARLY THE BASIC BRITISH STANDPOINT OVER THE BROAD RANGE OF CONTEMPORARY AND CONTROVERSIAL SUBJECTS. I AM QUITE SURE THAT HIS AMERICAN OPPOSITE NUMBERS APPRECIATED THE LUCIDITY AND FIRMNESS WITH WHICH LORD COCKFIELD SET OUT HIS OWN VIEWS AND THE COURTESY WITH WHICH HE LISTENED TO THEIRS.
2. IN HIS CALL ON DARRELL TRENT, DEPUTY SECRETARY FOR TRANSPORTATION, THE MAIN DISCUSSION WAS OF BAA USER CHARGES. THE SECRETARY OF STATE EXPLAINED DISADVANTAGES OF ARBITRATION IN OUR VIEW: EXPENSE, DELAY AND DANGER OF POLITICISATION. TRENT SAID THAT AN INTERAGENCY DECISION HAD BEEN TAKEN TO SEEK ARBITRATION, BUT THE DETAILS (ESPECIALLY FINANCIAL APPROPRIATIONS) REMAINED TO BE SETTLED. THE ADMINISTRATION WAS UNDER PRESSURE FROM CONGRESS AS WELL AS THE AIRLINES. DISCUSSION ALSO COVERED RECENT AGREEMENT ON AIR TRAFFIC RIGHTS: AND SHIPPING ISSUES, ON WHICH VIEWS WERE VERY CLOSE.
3. IN DISCUSSION WITH ECKES, CHAIRMAN OF THE INTERNATIONAL TRADE COMMISSION (ITC), LORD COCKFIELD EXPRESSED CONCERN THAT THE ITC HAD APPLIED AN EXTREME TEXT OF MATERIAL INJURY IN THE STEEL CASES. ECKES REPLIED THAT THE COMMISSION WAS BOUND BY THE LAW AND CONGRESSIONAL INTENT WHICH WERE CONSISTENT WITH THE GATT SUBSIDIES CODE.
4. AT STATE DEPARTMENT, LORD COCKFIELD SAW WALLIS, UNDER SECRETARY FOR ECONOMIC AFFAIRS. DISCUSSION COVERED PIPELINE AND EXTRATERRITORIALITY, STEEL, PROSPECTS FOR GATT MINISTERIAL MEETING, AND JAPAN. LORD COCKFIELD ALSO RAISED BAA USER CHARGES. WALLIS WAS UNBRIEFED ON THIS BUT PROMISED TO LOOK INTO IT.
5. IN HIS CALL ON SECRETARY OF COMMERCE BALDRIGE LORD COCKFIELD EXPRESSED SATISFACTION THAT THE STEEL DISPUTE HAD BEEN SETTLED. HE REPEATED HOWEVER HIS CONCERN FOR THE FUTURE THAT THE US WAS APPLYING AN EXTREME INTERPRETATION OF SUBSIDY AND MATERIAL INJURY. SECRETARY BALDRIGE EXPRESSED HIS SYMPATHETIC UNDERSTANDING OF THE RESTRUCTURING TASK CARRIED OUT BY BSC. THE ADMINISTRATION'S ROOM TO MANOEUVRE HAD BEEN UNDERMINED BY THE SHARP INCREASE IN STEEL SHIPMENTS FROM EUROPE IN THE FIRST QUARTER OF 1982.

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6. IN WELCOMING THE LIFTING OF THE PIPELINE SANCTIONS LORD COCKFIELD SAID THAT THE PROBLEM OF EXTRATERRITORIAL JURISDICTION REMAINED AND HE HOPED THAT TALKS COULD BE UNDERTAKEN ON THIS. SECRETARY BALDRIGE EXPRESSED HIS SUPPORT IN PRINCIPLE.

7. LORD COCKFIELD EXPLAINED HIS GREAT CONCERN ABOUT THE IMBALANCE OF TRADE WITH JAPAN AND URGED THAT THE US SHOULD SUPPORT THE EC'S ARTICLE XXIII ACTION IN THE GATT. SECRETARY BALDRIGE SAID THAT THE US HAD BEEN INITIALLY RESERVED ABOUT THIS. HOWEVER THEY HAD TALKED TO THE JAPANESE FOR TWO YEARS AND THEY NOW NEEDED ACTION. HE WOULD ENCOURAGE THE ADMINISTRATION TO LOOK AGAIN AT ARTICLE XXIII.

8. IN DISCUSSION OF THE GATT MINISTERIAL BALDRIGE REFERRED TO TRADE IN SERVICES AND LORD COCKFIELD EXPRESSED SUPPORT FOR THE US IN SEEKING AN EFFECTIVE WORK PROGRAMME ON SERVICES. MORE GENERALLY IT WAS DIFFICULT TO FORECAST THE OUTCOME OF THE MINISTERIAL. UNREASONABLE EXPECTATIONS MIGHT BE ONE CAUSE OF PERCEIVED FAILURE. A WORTHWHILE OUTCOME WOULD BE ENDORSEMENT OF FREE TRADE BUT THIS MUST INCLUDE SOLUTIONS TO SPECIFIC PROBLEMS WHICH WERE PUTTING THE SYSTEM UNDER STRAIN. SOME WAY MUST BE FOUND OF BRINGING THE NEWLY INDUSTRIALISED COUNTRIES TO ASSUME GREATER OBLIGATIONS UNDER THE GATT. BALDRIGE SUGGESTED THAT A REASONABLE OUTCOME WOULD BE CONFIRMATION OF GENERAL PRINCIPLES, STRENGTHENING OF SAFEGUARDS, STUDY OF SERVICES AND AN AGREEMENT TO MEET AGAIN IN TWO YEARS' TIME. THIS WOULD BUILD SOME HOPE FOR THE FUTURE.

9. IN HIS CALL ON AMBASSADOR BROCK, LORD COCKFIELD REPEATED HIS CONCERNS ABOUT THE STEEL CASES AND ABOUT EXTRATERRITORIAL JURISDICTION. BROCK SAID THAT AN INTER-DEPARTMENTAL GROUP ATTENDED BY REGAN, BALDRIGE AND HIMSELF AMONG OTHERS HAD JUST MET FOR A FIRST EXCHANGE ON HOW TO CARRY FORWARD INTERNATIONAL DISCUSSION ON EXTRATERRITORIALITY. THE AMERICANS HAD THEIR CONCERNS TOO (VREDELING). BROCK ALSO LOOKED FORWARD TO DISCUSSIONS ON SUBSIDIES.

10. ON THE GATT MINISTERIAL, LORD COCKFIELD EXPRESSED DISAPPOINTMENT ABOUT THE CURRENT POSITION ON SERVICES AND HIS SUPPORT FOR THE US EFFORT TO MOVE THIS. HIS GENERAL POSITION ON THE MINISTERIAL HAD BEEN SET OUT IN THE HOUSE OF LORDS ON 20 OCTOBER. BROCK SAID THAT SERVICES WAS A BOTTOM LINE ISSUE FOR THE US IN EVALUATING THE SUCCESS OR THE FAILURE OF THE MINISTERIAL.

11. THE SECRETARY OF STATE ASKED BROCK ABOUT JAPAN AND THE US VIEW OF ARTICLE XXIII ACTION. BROCK REPLIED THAT THERE HAD BEEN NO PROGRESS IN BILATERAL DISCUSSIONS WITH JAPAN, THE AMERICANS WERE THEREFORE NO LONGER WORRIED THAT THE JAPANESE WOULD RESENT THE US AND EUROPEANS QUOTE GANGLING UP UNQUOTE AGAINST THEM. WHILST HE WAS NOT SURE WHETHER THE US WOULD TAKE THE ARTICLE XXIII ROUTE OR SOME METHODS OF ITS OWN, HE WOULD CERTAINLY EXPLORE THE GATT OPTION. IT WOULD BE EASIER FOR THE US TO JOIN IN IF THERE WAS SUPPORT FROM SOME ASEAN COUNTRIES, SO AVOIDING A WHITE-YELLOW CONFRONTATION.

12. LORD COCKFIELD ASKED ABOUT PROTECTIONISM IN THE UNITED STATES. BROCK SAID THAT THE MID-TERM ELECTIONS HAD ADDED BETWEEN 20 TO 40 VOTES IN FAVOUR OF DOMESTIC CONTENT LEGISLATION. THE US FACED A RISING DEFICIT AND A PERSISTING HIGH DOLLAR. THE DOMESTIC CONSTITUENCY FOR FREE TRADE WOULD BE OVERWHELMED IF THE GATT MINISTERIAL FAILED, IF JAPAN WERE NOT DEALT WITH AND IF THE AGRICULTURAL PROBLEMS WITH EUROPE CONTINUED. HE WAS ESPECIALLY BITTER ABOUT FRANCE IN THE LATTER CONTEXT. THERE WAS AGREEMENT IN THE ADMINISTRATION ON FINDING WAYS OF DEALING WITH EUROPEAN AGRICULTURAL SUBSIDIES. LORD COCKFIELD REFERRED TO THE HEAVY US SURPLUS IN AGRICULTURAL TRADE WITH THE COMMUNITY. HE ADDED THAT THE UK HAD SERIOUS RESERVATIONS ABOUT CERTAIN ASPECTS OF THE CAP. BROCK REMARKED THAT THE FRENCH IN PARTICULAR WERE EXPOSED TO US COUNTER-ACTION IN THIRD MARKETS. WERE IT NOT DIFFICULT TO FIND AN INSTRUMENT WHICH WOULD NOT DAMAGE AUSTRALIA AND NEW ZEALAND, THE US WOULD ALREADY HAVE ACTED. LORD COCKFIELD POINTED OUT THAT THE ISSUES WERE CLOUDED BY DISAGREEMENT OVER BASIC FACTS. OECD FIGURES, FOR EXAMPLE SUGGESTED THAT OFFICIAL EXPENDITURE ON AGRICULTURE WAS MUCH THE SAME IN THE US. AS IN EUROPE THE UK WOULD SUPPORT THE US IN SEEKING A STUDY IN THE GATT.

13. LORD COCKFIELD EXPRESSED STRONG DISAPPOINTMENT THAT CONGRESS HAD OVERRIDEN THE PRESIDENT'S VETO ON THE MANUFACTURING CLAUSE. BROCK DESCRIBED THIS AS A RIDICULOUS AND UNNECESSARY LAW WHICH WOULD BE CHANGED SOME DAY.

14. THE SECRETARY OF STATE ALSO GAVE A SPEECH TO THE INTERNATIONAL INSTITUTE FOR ECONOMICS. THIS WAS WELL RECEIVED BY AN INFLUENTIAL AND PROFESSIONAL AUDIENCE AND WAS FAVOURABLY REPORTED IN THE WASHINGTON POST. HE ALSO HELD A DISCUSSION OF INTERNATIONAL ECONOMIC ISSUES AT THE BROOKINGS INSTITUTION, GAVE AN INTERVIEW TO NATIONAL PUBLIC RADIO AND HAD A MEETING WITH LOCAL REPRESENTATIVES OF THE BRITISH PRESS.

15. ALL IN ALL A VALUABLE VISIT WHICH HAS ADMIRABLY REINFORCED OUR WORK HERE.

FCO PLEASE PASS TO PS MINISTER FOR TRADE.

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16 November 1982

Thank you for your letter of 12 November.

The Prime Minister read with interest the report by the Deputy Chief of Defence Staff on his visit to the United States in October.

A. J. COLES

Nick Evans, Esq.,
Ministry of Defence

A

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THE PRIME MINISTER

16 October 1982

Dear Ron.

Thank you both very much for remembering my birthday. I am extremely grateful to you for this kind thought.

With all best wishes.

*George
Bush*

The President of the United States of America

—

AG

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PRIME MINISTER'S
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THE RIGHT HONMRABLE MARGARET THATATCHER M.P. PRIME MINISTER
LONDONS W1 10 DOWNING STREET

DEAR MADAME PRIME MINISTER:
NANCY AND I OFFER OUR HEARTFELT CONGRATULATIONS
WE HOPE YOU HAVE A WONDERFUL DAY FULL OF GOOD CHEER AND HAPPY
MEMORIES.
OUR WARMEST WISHES FOR A VERY HAPPY BIRTHDAY
RONALD REAGAN

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FM WASHINGTON 072339Z JUL 82
TO PRIORITY FCO
TELEGRAM NUMBER 2370 OF 7 JULY

GEORGE SHULTZ.

1. I HAVE HAD A WORD WITH THE NEW SECRETARY OF STATE. HE SAYS THAT HE IS LYING LOW READING PAPERS AND NOT SEEING ANYBODY UNTIL HIS CONFIRMATION BY THE SENATE, THE HEARINGS FOR WHICH BEGIN ON 13 JULY.

2. HE KNOWS THAT HE WILL BE MEETING YOU AND OTHER COLLEAGUES TOWARDS THE END OF SEPTEMBER BUT VERY MUCH HOPES THERE WILL BE A CHANCE OF SEEING YOU BEFORE THEN. AT THE MOMENT HOWEVER HE CANNOT MAKE ANY PLANS TO SEE ANYONE.

3. I GATHER THAT CHEYSSON AND COLOMBO HAVE BOTH EXPRESSED A WISH TO SEE SHULTZ AND HAVE BEEN TOLD THAT NOTHING CAN BE FIXED UP FOR THE TIME BEING

HENDERSON

[THIS TELEGRAM WAS NOT ADVANCED]
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TO IMMEDIATE FCO
TELNO 2255 OF 26 JUNE 1982.
INFO IMMEDIATE BTDO NEW YORK (PERSONAL FOR OVERTON).

TRANSATLANTIC TRADE ISSUES: VISIT OF MINISTER FOR TRADE

1. MR REES IS VISITING THE UNITED STATES AT A TIME WHEN TRANS-ATLANTIC TRADING RELATIONS HAVE TAKEN A SHARP TURN FOR THE WORSE. THE US ADMINISTRATION HAS BEEN MAKING POLICY IN THE LIGHT OF ITS OWN POLITICAL BELIEFS AND OF ITS DOMESTIC AND ECONOMIC PREOCCUPATIONS, OFTEN WITHOUT MUCH REGARD FOR THE INTERESTS OF ITS PARTNERS ABROAD. MR REES'S VISIT WILL BE A TIMELY OCCASION FOR AN AUTHORITATIVE STATEMENT OF BRITISH POLICY BOTH TO THE ADMINISTRATION AND TO THE PRESS.

GENERAL ATTITUDES

2. THE ADMINISTRATION HAS A STRONG POLITICAL COMMITMENT TO FREE ENTERPRISE AND FREE TRADE. IT IS OPPOSED TO SUBSIDIES TO INDUSTRY WHETHER AT HOME OR ABROAD. IT IS ALSO COMMITTED TO THE VIEW THAT THE SOVIET THREAT CAN BE EFFECTIVELY COUNTERED BY ECONOMIC AS WELL AS MILITARY AND POLITICAL MEANS.

3. THESE VIEWS ARE COLOURED BY THE TENSIONS ARISING FROM RECESSION, THE HIGHEST UNEMPLOYEMENT RATE SINCE 1945, AND BY THE IMPACT OF FOREIGN COMPETITION EVEN IN THE AREAS OF AGRICULTURE AND HIGH TECHNOLOGY WHERE THE AMERICANS ARE ACCUSTOMED TO THINKING OF THEMSELVES AS PRE-EMINENT. ALL THE ADMINISTRATION'S ECONOMIC

THEMSELVES AS PRE-EMINENT. ALL THE ADMINISTRATION'S ECONOMIC POLICIES ARE AFFECTED BY THEIR FAILURE TO GET A GRIP ON THE HISTORICALLY HIGH REAL INTEREST RATE, OR TO FASHION A COHERENT BUDGET.

4. ALL THIS IS ACCOMPANIED BY A HEIGHTENED FEELING, NOT ONLY IN THE ELECTORATE BUT EVEN IN THE ADMINISTRATION, THAT FOREIGN COMMERCIAL SUCCESSES MUST BE DUE IN SOME WAY TO UNFAIR PRACTICES, AND NEED TO BE DEALT WITH SEVERELY.

PROTECTIONISM

5. THERE IS NO DOUBT ABOUT THE ADMINISTRATION'S DESIRE TO KEEP PROTECTIONIST SENTIMENT HERE UNDER CONTROL: THEY HAVE MANOEUVERED THEMSELVES OUT OF ANY COMMITMENT TO VARIOUS CONGRESSIONAL IDEAS ABOUT "RECIPROCITY" WHICH AT ONE TIME SEEMED TO ATTRACT THEM. BUT BECAUSE OF THE POLITICAL PRESSURES, THEY ARE THE MORE ASSIDUOUS IN SEEKING OUT AND DENOUNCING "UNFAIR" PROTECTIONIST MEASURES AND SUBSIDIES ADOPTED BY FOREIGN GOVERNMENTS. HITHERTO THEY HAVE FOUND THE JAPANESE PARTICULARLY IRRITATING. BUT THERE ARE SIGNS THAT THEIR DISPLEASURE IS TURNING MORE TOWARDS THE EUROPEANS. NOT ONLY DO THEY OBJECT TO THE COMMON AGRICULTURAL POLICY; BUT THEY DISLIKE THE EXISTENCE OF NATIONALISED INDUSTRIES IN EUROPE AND OF LONG ESTABLISHED INDUSTRIAL POLICIES, EVEN WHERE THERE IS NO EVIDENT CONNECTION BETWEEN THESE AND THE EXPORT PERFORMANCE OF THE INDUSTRIES CONCERNED. THEY HAVE SEIZED PARTICULARLY ON THE SOCIALIST POLICIES OF THE MITTERAND GOVERNMENT BUT THE REST OF US COME IN FOR CRITICISM TOO.

6. THE AMERICANS ARE NOT MUCH IMPRESSED BY THE COUNTER-ARGUMENT THAT THEY TOO OPERATE PROTECTIVE DEVICES AND SUPPORT SCHEMES (AGRICULTURAL SUPPORT LEVELS HERE ARE COMPARABLE TO THOSE IN EUROPE, INDUSTRY BENEFITS FROM SUBSTANTIAL GOVERNMENT R AND D AND FISCAL DEVICES, AND MANY US EXPORTS BENEFIT FROM FAVOURABLE TAX TREATMENT UNDER THE DISC). NOR ARE THEY MUCH MOVED BY THE ARGUMENT THAT THEY HAVE A VERY FAVOURABLE TRADE BALANCE IN EUROPE, AND THAT THEY SELL EUROPE FIVE TIMES THE AGRICULTURAL GOODS THAT THEY RECEIVE THENCE: THEY DO NOT THINK THAT THEIR BEST CUSTOMER IS NECESSARILY RIGHT.

STEEL

7. THE ADMINISTRATION'S RECENT MOVES AGAINST THE EUROPEAN STEEL INDUSTRY ARE A REFLECTION OF THESE ATTITUDES. THEY ARE ANALYSED MORE FULLY IN WASHINGTON TELNO 2256.

EAST-WEST TRADE

8. PRESIDENT REAGAN'S DISTRUST OF THE SOVIET UNION IS DEEPLY ROOTED. SO IS THAT OF HIS CLOSEST WHITE HOUSE ADVISERS AND OF DEFENCE SECRETARY WEINBERGER. THESE PEOPLE BELIEVE THAT THE CURRENT ECONOMIC DIFFICULTIES OF THE SOVIET BLOC GIVE THE WEST AN HISTORIC OPPORTUNITY TO FORCE THE SOVIET UNION TO CHOOSE BETWEEN GUNS AND BUTTER AND TO RELAX ITS GRIP ON EASTERN EUROPE, THEY HAVE CONCENTRATED PARTICULARLY ON THE DENIAL OF HIGH TECHNOLOGY AND HARD CURRENCY TO THE RUSSIANS. HENCE THE STEADY PRESSURE TO TIGHTEN THE COCOM ARRANGEMENTS, THE ATTEMPT TO CUT CREDITS TO THE SOVIET UNION BEYOND THE LIMITS DEMANDED BY COMMERCIAL PRUDENCE, AND MOST RECENTLY THE EXTENSION OF THE US EMBARGO AGAINST THE SIBERIAN GAS PIPELINE.

9. THE PRESIDENT HIMSELF SEES THE LAST AS A MATTER OF PRINCIPLE ON WHICH HE IS PREPARED TO MOVE ONLY IF THERE ARE SIGNIFICANT IMPROVEMENTS IN POLAND. HIS ADVISERS AT LEAST KNEW THAT THE FRENCH AND GERMAN GOVERNMENTS WOULD SEE THE DECISION AS GOING BEYOND THE ISSUES OF TRADE AND INTERNATIONAL LAW (THE EXTRATERRITORIALITY PRETENSIONS ABOUT WHICH WE OURSELVES HAVE HAD LONG STANDING RESERVATIONS) TO WHAT AMOUNTS TO INTERFERENCE IN THE SOVEREIGN RIGHT OF EUROPEAN GOVERNMENTS TO TAKE THEIR OWN ECONOMIC DECISIONS. HAIG TRIED HARD TO PERSUADE THE PRESIDENT TO TAKE A BROADER VIEW AND THIS MAY HAVE BEEN ONE OF THE LAST STRAWS BEFORE HIS RESIGNATION.

10. THE AMERICANS ARE OF COURSE VULNERABLE TO THE COUNTER ARGUMENT THAT THE BEST WAY OF PUTTING ECONOMIC PRESSURE ON THE RUSSIANS WOULD BE TO RESTORE THE GRAIN EMBARGO. BUT THEY ARE VERY UNLIKELY TO DO THIS FOR DOMESTIC REASONS. THEIR EXCUSE IS THAT NO GRAIN EMBARGO IS WATERTIGHT, AND THAT THE GRAIN TRADE DOES NOT GENERATE HARD CURRENCY FOR THE RUSSIANS: IT SOPS IT UP.

THE GATT MINISTERIAL MEETING

11. THERE IS A BELIEF BOTH IN THE ADMINISTRATION AND CONGRESS THAT THE GATT MEETING IN NOVEMBER WILL HELP TO PRESERVE THE FREE TRADE SYSTEM THOUGH THE PROSPECTS OF A GOOD MEETING MUST NOW BE DIMINISHED. SOME OF THE PRESIDENT'S ADVISERS ALSO HOPE THAT IT WILL PROVIDE AN OPPORTUNITY TO RECTIFY WHAT THEY SEE AS THE WEAKNESS IN THE ARRANGEMENTS WHICH EMERGED FROM THE TOKYO ROUND, (EG ON AGRICULTURE AND THE SUBSIDIES CODE) FOR WHICH THEY BLAME THE CARTER ADMINISTRATION. A HANDFUL OF LARGE COMPANIES IN THE SERVICE INDUSTRIES (NOTABLY AMERICAN EXPRESS) AND ONE OR TWO IDEOLOGUES IN THE OFFICE

(NOTABLY AMERICAN EXPRESS) AND ONE OR TWO IDEOLOGUES IN THE OFFICE OF THE TRADE REPRESENTATIVE ALSO HOPE THAT THE MEETING WILL MARK THE DEVELOPMENT OF NEW INTERNATIONAL MEASURES FOR THE LIBERALISATION OF SERVICES. OTHERS POINT OUT THAT THE US GOVERNMENT ITSELF MIGHT FIND IT HARD TO NEGOTIATE NEW RULES, GIVEN THE EXTENT TO WHICH SERVICES ARE REGULATED BY THE STATES AND THEREFORE NOT UNDER DIRECT FEDERAL CONTROL, AND CONCLUDE THAT FOREIGN GOVERNMENTS WOULD BE WISE TO PAUSE BEFORE COMMITTING THEMSELVES TOO FAR.

CONCLUSION

12. ALL THESE MISUNDERSTANDINGS COULD LEAD TO A DAMAGING CONFRONTATION WHICH MIGHT SPILL OVER INTO THE AFFAIRS OF THE ALLIANCE AS A WHOLE. IN HIS VARIOUS EXCHANGES, MR REES MAY WISH TO ARGUE THAT IT IS IN THE INTERESTS OF THE AMERICANS AS MUCH AS THE EUROPEANS THAT DIFFERENCES OVER TRADE MATTERS (WHICH ARE BOUND TO MULTIPLY IN A RECESSION) NEED TO BE HANDLED WITH DUE REGARD FOR THE INTERESTS OF ALL CONCERNED. ATTEMPTS BY ONE OR OTHER SIDE TO IMPOSE ITS OWN SOLUTIONS (HOWEVER THESE MAY REFLECT ITS OWN DOMESTIC POLITICAL AND ECONOMIC CONCERNS) ARE LIKELY TO BE COUNTER-PRODUCTIVE. IN PARTICULAR MR REES MAY WISH TO DISPEL THE ROOTED FACTUAL ERRORS ABOUT THE EUROPEAN STEEL INDUSTRY, THE PIPELINE PROJECT, AND THE EXTENT OF EUROPEAN PROTECTIONISM, WHICH REGULARLY SURFACE BOTH IN THE PRESS AND IN STATEMENTS BY ADMINISTRATION REPRESENTATIVES. SOME CLEAR SPEAKING IS NEEDED IF OUR CONCERNS ARE TO BE TAKEN SERIOUSLY.

FCO PLEASE PASS IMMEDIATELY TO DEPARTMENT OF TRADE DUTY OFFICER TO GIVE (AS ARRANGED) TO MINISTER FOR TRADE BEFORE HE LEAVES ON 28 JUNE AND TO PS/MR FRANKLIN.

HENDERSON

NNNN

USA

As prepared for delivery

②

Prime Minister.

REFLECTIONS ON A PARTNERSHIP:
BRITISH AND AMERICAN
ATTITUDES TO POSTWAR FOREIGN POLICY

A.P.C. 10/5

-
ADDRESS BY THE HONORABLE
HENRY A. KISSINGER

IN COMMEMORATION OF THE
BICENTENARY OF THE
OFFICE OF FOREIGN SECRETARY



MONDAY, MAY 10, 1982

Royal Institute of International Affairs
Chatham House
LONDON

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REFLECTIONS ON A PARTNERSHIP: BRITISH AND AMERICAN

ATTITUDES TO POSTWAR FOREIGN POLICY

BY HENRY A. KISSINGER

Introduction

Michael Howard, in his earlier lecture in this series, confirmed what I had suspected: that the United States deserves some of the credit for Britain's decision to create a Foreign Office in the first place. The Foreign Office was founded only a few months after the battle of Yorktown. The "politicians" of the time having just mislaid America, the need was evidently felt for some more professional machinery to run Britain's newly expanded sphere of "foreign" affairs.

Since then, Britain and America have never ceased to play important roles in each other's history. On the whole it has been a productive and creative relationship, perhaps one of the most durable in the history of nations. In the last 200 years, we have approached each other sometimes warily, and dealt with foreign affairs often from different perspectives. Still, on balance the relationship has been of considerable benefit to world peace. This has been true particularly of the period since the Second World War.

All accounts of the Anglo-American alliance during the Second World War and in the early postwar period draw attention to the significant differences in philosophy between Franklin Roosevelt and Winston Churchill reflecting our different national histories. America, which had never experienced a foreign threat to its survival, considered wars an historical aberration caused by evil men or institutions; we were pre-occupied with victory defined as the unconditional surrender of the Axis. Britain had seen aggression take too many forms to risk so personal a view of history; she had her eyes on the postwar world and sought to gear wartime strategy toward forestalling Soviet domination of Central Europe. Many American leaders condemned Churchill as needlessly obsessed with power politics, too rigidly anti-Soviet, too colonialist in his attitude to what is now called the Third World, and too little interested in building the fundamentally new international order towards which American idealism has always tended. The British undoubtedly saw the Americans as naive, moralistic, and evading responsibility for helping secure the global equilibrium. The dispute was resolved according to American preferences--in my view, to the detriment of postwar security.

Fortunately, Britain had a decisive influence over America's rapid awakening to maturity in the years following. In the 1940s and 50s our two countries responded together to the geopolitical challenge of the Soviet Union and took the lead in creating the structures of Western cooperation for the postwar era which brought a generation of security and prosperity.

In the process a rather ironic reversal of positions took place. Today it is the United States that is accused of being obsessed with the balance of power, and it is our European allies who are charged by us with moralistic escapism.

I believe that the extraordinary partnership among the democracies will overcome the occasional squabbles that form the headlines of the day and, even more important, meet the objective new challenges that our countries face.

Philosophies of Foreign Policy

The disputes between Britain and America during the Second World War and after were, of course, not an accident. British policy drew upon two centuries of experience with the European balance of power, America on two centuries of rejecting it.

Where America had always imagined itself isolated from world affairs, Britain for centuries was keenly alert to the potential danger that any country's domination of the European continent--whatever its domestic structure or method of dominance--placed British survival at risk. Where Americans have tended to believe that wars were caused by the moral failure of leaders, the British view is that aggression has thrived on opportunity as much as on moral propensity, and must be restrained by some kind of balance of power. Where Americans treated diplomacy as episodic--a series of isolated problems to be solved on their merits--the British have always understood it as an organic historical process requiring constant manipulation to keep it moving in the right direction.

Britain has rarely proclaimed moral absolutes or rested her faith in the ultimate efficacy of technology, despite her achievements in this field. Philosophically, she remains Hobbesian: She expects the worst and is rarely disappointed. In moral matters Britain has traditionally practiced a convenient

form of ethical egoism, believing that what was good for Britain was best for the rest. This requires a certain historical self-confidence, not to say nerve, to carry it off. But she has always practiced it with an innate moderation and civilized humaneness such that her presumption was frequently justified. In the nineteenth century, British policy was a--perhaps the--principal factor in a European system that kept the peace for 99 years without a major war.

American foreign policy is the product of a very different tradition. The Founding Fathers, to be sure, were sophisticated men who understood the European balance of power and skillfully manipulated it to win independence. But for a century and more after that, America, comfortably protected by two oceans--which in turn were secured by the Royal Navy--developed the idiosyncratic notion that a fortunate accident was a natural state of affairs, that our involvement in world politics was purely a matter of choice. Where George Canning viewed the Monroe Doctrine in terms of the world equilibrium, "call[ing] the New World into existence to redress the balance of the Old," Americans imagined the entire Western Hemisphere a special case, safely insulated from the rest of the world. We had created a nation consciously dedicated to "self-evident" truths, and it was taken for granted in most American public discourse that our participation (or non-participation) in the world could be guided exclusively by moral precepts. That geography gave us this luxury was only evidence of God's blessing upon us; we owed Him that quid pro quo. The competitive, sometimes cynical, and always relativistic style of European power politics was viewed in America as an unsavory example of what to avoid and as further evidence of our moral superiority.

In American discussion of foreign policy, even through much of the twentieth century, the phrase "balance of power" was hardly ever written or spoken without a pejorative adjective in front of it--the "outmoded" balance of power, the "discredited" balance of power. When Woodrow Wilson took America into the First World War, it was in the expectation that under American influence the postwar settlement would be governed by a "new and more wholesome diplomacy" transcending the wheeling and dealing, secrecy, and undemocratic

practices that were thought to have produced the Great War.¹ Franklin Roosevelt, on his return from the Crimean Conference in 1945, told the Congress of his hope that the postwar era would "spell the end of the system of unilateral action, the exclusive alliances, the spheres of influence, the balances of power, and all the other expedients that have been tried for centuries--and have always failed."² Both Wilson and Roosevelt put their faith in a universal organization of collective security in which the peace-loving nations would combine to deter, or combat, the aggressors. It was assumed that all nations would come to the same conclusions regarding what constituted aggression and be equally willing to resist it, no matter where it occurred, regardless of how far from their borders, irrespective of the national interest involved.

In the American view, nations were either inherently peaceful or inherently warlike. Hence, after World War II the "peace-loving" US, Britain, and USSR had together to police the world against Germany and Japan even though the former enemies had been rendered impotent by unconditional surrender. If there were doubts about the peace-loving virtue of our war-time allies, they seemed to many American leaders to apply as much to Britain as to the USSR: Roosevelt toyed with the idea of nonalignment between a balance-of-power-oriented, colonialist Britain and an ideologically obstreperous Soviet Union. Even Truman took care not to meet with Churchill in advance of the Potsdam conference; he did not want to appear to be "lining up" with Britain against the USSR. The secret dream of American leaders, if great power conflict proved unavoidable, was to arrogate to themselves the role to which the nonaligned later aspired: that of moral arbiter, hurling condescending judgments down at all those engaged in the dirty game of international diplomacy.

As late as 1949, the Department of State submitted to the Senate Foreign Relations Committee a memorandum that strove mightily to distinguish the new North Atlantic Treaty from traditional military alliances and above all from any relationship to the very balance of power it was supposed to establish. The Treaty, the memorandum said,

is directed against no one; it is directed solely against aggression. It seeks not to influence any shifting "balance of power" but to strengthen the "balance of principle."³

American attitudes until quite literally the recent decade have embodied a faith that historical experience can be transcended, that problems can be solved permanently, that harmony can be the natural state of mankind. Thus our diplomacy has often stressed the concepts of international law, with its procedures of arbitration and peaceful settlement, as if all political disputes were legal issues, on the premise that reasonable men and women could always find agreement on some equitable basis. Theodore Roosevelt won a Nobel Peace Prize for helping mediate the Russo-Japanese war in 1905; thus Alexander Haig's recent efforts on the Falklands have a long tradition behind them. There is also a perennial American assumption that economic well-being automatically ensures political stability, a belief which has animated American policies from Herbert Hoover's relief efforts after World War I to the Marshall Plan to the recent Caribbean initiative--never mind that, in many parts of the world, the timeframes for economic progress and the achievement of political stability may be seriously out of phase. In our participation in the two world wars of this century, and afterward, our bursts of energy were coupled with the conviction that our exertions had a terminal date, after which the natural harmony among nations would be either restored or instituted.

Disillusionment was inevitable. America fluctuated between moral crusading and frustrated isolationism, between overextension and escapism, between extremes of intransigence and conciliation. But history was kind to us. For a long time it spared us from the need to face up to fundamental choices. Not being called upon to help preserve the equilibrium--a service rendered gratis by Great Britain--we could avoid the responsibility of permanent involvement in world politics, of unending exertion with no final answers or ultimate resolution.

Even when the United States finally entered the world stage of permanent peacetime diplomacy after 1945, it did so under conditions that seemed to confirm our historical expectations. For several decades we had the overwhelming resources to give effect to our prescriptions, and thus conducted foreign policy by analogy to the great formative experiences of the 1930s and 40s: The New Deal translated into the Marshall Plan; resistance to Nazi aggression translated into the Korean "police action" and the policy of "containment." We tended to attribute our dominance in the Western Alliance to the virtue of our motives rather than to the preponderance of our power. In fact, the United States enjoyed nearly half the world's Gross National

Product and an atomic monopoly; our NATO allies, given their dependence, conducted themselves less as sovereign nations than as lobbyists in Washington decision-making.

It was therefore a rude awakening when in the 1960s and 70s the United States became conscious of the limits of even its resources. Now with a little over a fifth of the world's GNP, America was powerful but no longer dominant. Vietnam was the trauma and the catharsis but the recognition was bound to come in any event. Starting in the 70s, for the first time, the United States has had to conduct a foreign policy in the sense with which Europeans have always been familiar: as one country among many, unable either to dominate the world or escape from it, with the necessity of accommodation, maneuver, a sensitivity to marginal shifts in the balance of power, an awareness of continuity and of the interconnections between events.

Our perennial domestic debates reflect the pain, and incompleteness, of that adjustment. The American Right still yearns for ideological victory without geopolitical effort; the American Left still dreams of reforming the world through the exercise of goodwill unsullied by power. We are edging towards a synthesis but it will be a slow, painful, perhaps bitter process.

The Nature of the Special Relationship

That two countries with such divergent traditions could form a durable partnership is remarkable in itself. The periods of the close Anglo-American "special relationship," the object of such nostalgia today, were also times of occasional mutual exasperation.

For quite a while we stressed different aspects of our histories; in more senses than one, we lived in different time zones. It was only some while after the settlement of the Alabama affair just over a century ago that American and British interests began to run parallel. The need for intimacy seemed to be greater on this side of the Atlantic (that is, in Britain), and Britain began to avoid alliances that could entangle her against the United States--including a tantalizing offer from Germany around the turn of the century.⁴ American memories were longer: The First World War was a temporary exertion, after which we withdrew into isolationism; during the 20s the US Navy Department still maintained a "Red Plan" to deal with the contingency of conflict with the British fleet.

It was not until the war with Hitler that the gap closed permanently. In the immediate postwar period we were held together by strategic circumstances which imposed the same necessities, whatever the different philosophical premises. American resources and organization and technological genius, and British experience and understanding of the European balance of power, were both needed to resist the sudden threat from the Soviet Union. The Marshall Plan and North Atlantic Treaty, while formally American initiatives, were inconceivable without British advice and British efforts to organize a rapid and effective European response. Ernest Bevin, as Professor Howard pointed out in the first lecture, was the indispensable architect of the European response as well as the staunch helmsman of Britain's journey from power to influence.

Even then, Anglo-American difficulties persisted occasionally. The anguished disagreements over immigration into Palestine; the misunderstandings over atomic cooperation; competition over Iranian oil; the abrupt, unilateral ending of Lend-Lease; and the race to demobilize were only some of the items in a stream of irritants. More serious policy differences were to follow in the 50s, causing Anthony Eden to reflect on the "tough reality of Anglo-American relations."⁵ Even when the politics were parallel, the personalities were often divergent. Eden and Dean Acheson were friends as well as colleagues; the same could not be said for Eden and John Foster Dulles. Misunderstandings and conflicts of interest continued through European integration, the rearmament of Germany, and Indochina, right up to the tragic climax of Suez--to which I will return in a few moments.

That these irritations never shook the underlying unity was due to statesmanship on both sides. One factor was a brilliant British adjustment to new circumstances. To the outside world it may have seemed that Britain clung far too long to the illusion of Empire; in her relations with Washington, she proved that an old country was beyond self-deception on fundamentals. Bevin, the unlikely originator of this revolution in British diplomacy, shrewdly calculated that Britain was not powerful enough to influence American policy by conventional methods of pressure or balancing of risks. But by discreet advice, the wisdom of experience, and the presupposition of common aims, she could make herself indispensable, so that American leaders no longer thought of

consultations with London as a special favor but as an inherent component of our own decision-making. The wartime habit of intimate, informal collaboration thus became a permanent practice, obviously because it was valuable to both sides.

The ease and informality of the Anglo-American partnership has been a source of wonder--and no little resentment--to third countries. Our postwar diplomatic history is littered with Anglo-American "arrangements" and "understandings," sometimes on crucial issues, never put into formal documents. The stationing of B-29 atomic bombers in Britain in 1948 was agreed between political and service leaders but not committed to writing. Less happily, only general principles were recorded when Churchill and Roosevelt agreed in 1942 to cooperate in producing the atomic bomb. After Roosevelt died, Clement Attlee reflected with admirable restraint: "We were allies and friends. It didn't seem necessary to tie everything up."⁶

The British were so matter-of-factly helpful that they became a participant in internal American deliberations, to a degree probably never before practiced between sovereign nations. In my period in office, the British played a seminal part in certain American bilateral negotiations with the Soviet Union--indeed, they helped draft the key document. In my White House incarnation then, I kept the British Foreign Office better informed and more closely engaged than I did the American State Department--a practice which, with all affection for things British, I would not recommend be made permanent. But it was symptomatic.⁷

For a brief moment in the early 1970s, Britain seemed to decide to put an end to the special relationship in order to prove itself a "good European" in the year that it entered the European Community. The attempt was short-lived.⁸ By 1976, James Callaghan and Anthony Crosland had restored the traditional close relationship--without resurrecting the label--and it was enormously valuable, indeed indispensable, in the Southern Africa negotiations that began in that year. In my negotiations over Rhodesia I worked from a British draft with British spelling even when I did not fully grasp the distinction between a working paper and a Cabinet-approved document. The practice of collaboration thrives to our day, with occasional ups and downs but even in the recent Falkland crisis, an inevitable return to the main theme of the relationship.

Clearly, British membership in Europe has added a new dimension. But the solution, in my view, is not to sacrifice the special intimacy of the Anglo-American connection on the altar of the European idea, but rather to replicate it on a wider plane of America's relations with all its European allies, whether bilaterally or with a politically cohesive European Community--that is for Europe to decide. The special frankness and trust that may have been originally resorted to as compensation for a disparity of power may now be even more essential in the partnership of equals that must characterize the future relations between America and Europe.

Britain, America, and Europe

In fact, Europe has been a traumatic issue for both Britain and the United States.

Americans often forget that Britain, too, has been a reluctant internationalist, at least as far as Europe was concerned. Tradition pulled Britain across distant oceans. The glory of foreign policy was identified with Empire and Commonwealth, its problems and perils with the continent of Europe. It was Czechoslovakia--in the heart of Europe--which Chamberlain described as a small faraway country of which Britons knew little--after a century and a half of fighting on the borders of India.

In Britain, reluctance to enter Europe was always bipartisan, and somewhat mystical. Eden once said that Britain knew "in her bones" that she could not join it; and Hugh Gaitskell spoke of the impossibility of throwing off 1000 years of history. But there were more substantial reasons: worries about sovereignty--which on the Left was combined with concern for the unfettered development of socialist planning; an instinctive disinclination to deal with continentals on an equal footing; trade ties with the Commonwealth; and the special relationship. Even Churchill, despite his intimations of the future, remained as ambivalent in government as he had been prescient in opposition when he had called as early as 1947 for a United States of Europe. In office, he never quite found the balance among his three concentric circles--the Commonwealth, Europe, and the English-speaking peoples.

Only after Suez did the risks of isolation become obvious, as well as the opportunity that the emerging Europe offered for exercising in a different but equally effective form

Britain's traditional role of guardian of continental equilibrium. If the economic benefits were ambiguous, the political necessities were not: Only as one of the leaders of Europe could Britain continue to play a major role on the world scene.

By entering the European Community, Britain did not abandon her instinct for equilibrium. But for the first time in peacetime she threw herself into the scales. As I have already noted, she did so with the fervor of a frustrated convert who had been kept waiting for a decade at the doors of destiny.

If Britain has had a difficult adjustment to make in its relationship to Europe, so has the United States.

After the war, American leaders applied a heavy dose of our usual missionary zeal and the full rigor of our "problem-solving" energy to the task of promoting European integration. Federalism, of course, was a hallowed American principle. Shortly after the Philadelphia Convention, Benjamin Franklin was urging on the French the attractions of a federal Europe. A similar evangelism, in a more practical form, shone through the Marshall Plan. Even Acheson, not usually seen as a moralist, was carried away by the European idea; he recalled listening to Robert Schuman outlining his plan for a European Coal and Steel Community: "As he talked, we caught his enthusiasm and the breadth of his thought," Acheson wrote, "the rebirth of Europe, which, as an entity, had been in eclipse since the Reformation."⁹

Despite the idealism of our commitment, tensions between America and a unified Europe were inherent in the logic of what we were so enthusiastically endorsing. We had grown accustomed to the devastated, temporarily impotent Europe of the postwar period; we forgot the Europe that had launched the industrial revolution, that had invented the concept of national sovereignty, and that had operated a complex balance of power for three centuries. A Europe reasserting its personality was bound to seek to redress the balance of influence with the United States; Charles de Gaulle in this respect differed largely in method from Jean Monnet, who never disguised his hopes for a more powerful and effective European voice.

Thus, later American disillusionments were inherent in our goals. It was naive for Americans to take for granted that a federal Europe would be more like us, that a united Europe would automatically help carry our burdens, and that it would

continue to follow American global prescriptions as it had in the early postwar years of European recovery--and dependency. That cannot be so.

Yet even if some of our more unhistorical expectations were disappointed, our original judgment was correct: European unity, strength, and self-confidence are essential for the future of the West. It is beyond the psychological resources of the United States--not only the physical--to be the sole or even the principal center of initiative and responsibility in the non-Communist world. (This is one reason why I always favored the independent British and French nuclear deterrents.) American support for European unification was therefore an expression of self-interest even if it paraded under the banner of altruism; it was to our advantage even if we paid occasionally in the coin of clashing perspectives--provided we found a way toward creative unity on fundamentals.

Britain, Europe, the United States, and the Soviet Union

The central foreign policy problem that Britain, America, and Europe have had to confront together since 1945 is, of course, the Soviet Union. And the need for creative unity among us as we do so has not ended.

One thing that is clear from the historical record is that neither side of the Atlantic has had a monopoly of special insight into this problem. As soon as the war had ended, both Britain and America fell over each other in the rush to demobilize. All American troops were due to leave Europe by 1947. After a visit to Moscow in May 1945, Harry Hopkins told President Truman that he saw no major sources of conflict between America and Russia on the horizon.¹⁰

After Churchill left office, British policy for a brief period ironically fell prey to some of the same illusions that had bedeviled American leaders. The Labour Government at first hoped that "Left could speak unto Left." The brief moment of nostalgia reflected the hope that Britain would stand neither for the unbridled capitalism of the United States nor for Soviet Communism. A resolution calling for the "progressive unity" between the British Labour and Communist parties was only narrowly defeated. There is not much doubt, in fact, that once the US was committed after the Greek-

Turkish aid program in 1947, some in Britain were tempted--as Roosevelt and Truman a few years earlier--by the idea of enhancing British influence by remaining aloof not just from Europe but from the emerging superpower confrontation, adding to her traditional role as manipulator of the balance in Europe that of intermediary between East and West. This attitude has reappeared in some circles in Europe today.

No amount of revisionist distortion can change the fact that it was the Kremlin which turned Anglo-American hopes into mirages. There is today in some circles a curious assumption of diabolic Soviet cleverness and foresight. Yet in those years, Stalin's conduct of relations with his former allies made him the chief architect of NATO. A few more fleeting smiles on the wooden features of Mr. Molotov, and a modicum of self-restraint and diplomatic delicacy, would have done much to prise apart the young and still brittle Atlantic cooperation: and all the boys might have been home, as planned, by 1947.

The Soviets did not manage this degree of subtlety. Instead, Moscow went out of its way to estrange and alienate, where it could have softened through a little courtship, however heavy-handed. The Russians declined Britain's invitation to send a Soviet contingent to a victory parade, and Stalin side-stepped an offer from Attlee to renew the wartime alliance. Every door that Ernest Bevin, mindful of the influential left wing of his party, was careful to keep open was resoundingly slammed and loudly bolted. As was soon to be shown in the persecution of social democrats in Eastern Europe, the Soviet Union countenanced only one form of "socialism" and fought other, democratic versions even more bitterly than capitalists. The outright Soviet rejection of the Marshall Plan was an egregious blunder; a mild expression of interest, however disingenuous, could have caused untold disruption and delay in the Western camp. Acceptance would have changed the face of postwar politics.

It was one of those moments when America's activism and idealism brought out the best in her. The 40s were years of imaginative men and bold measures on both sides of the Atlantic: The Marshall Plan, the Truman Doctrine, the Berlin airlift, the Brussels treaty, and finally NATO, were inspired and creative initiatives. And in the years following, the United States and its allies stood fast against Soviet pressures and blackmail in crises over Korea, Berlin, and missiles in Cuba.

But we in America had only begun to scratch the surface of the long-term problem of US-Soviet relations in the nuclear age, which would soon produce more ambiguous challenges. The problem was, at bottom, conceptual. Americans were uncomfortable with the notion of a Cold War. They tended to treat war and peace as two distinct phases of policy. Total victory was the only legitimate goal for war; conciliation the appropriate method for peace. In this sense the postwar period fulfilled neither of America's conceptual expectations. If in wartime we lacked a sense of political strategy, in peacetime we had difficulty forming an understanding of the permanent relation between power and diplomacy. The policy of containment, and its variant called "negotiation from strength," was based on the experience with the anti-Hitler coalition. It focused on the buildup of military strength towards some hypothetical day of greater parity; it aimed at eventual negotiation of some kind with the Soviet Union but offered no clue as to either its timing or its content, nor even a clear definition of the nature of the relevant military strength. George Kennan's famous "X" article in Foreign Affairs in 1947 looked vaguely to the eventual "mellowing" of the Soviet system; Dean Acheson spoke of building "situations of strength" which, somewhere down the road, would induce the Kremlin "to recognize the facts..."¹¹ But how precisely this negotiation would emerge or to what end it would be conducted was left vague.

The flaw in containment was not only, as the cliché has it today, that it was overly preoccupied with military counterforce but that it misunderstood that the West in the immediate postwar period was precisely at the apex of its relative strength. Containment thus deferred the moment for a diplomatic encounter with the Soviet Union to a later time by which Soviet power could only have grown. In 1945 the United States had an atomic monopoly and the Soviet Union was devastated by 20 million casualties. Our policy paradoxically gave the Kremlin time to consolidate its conquests and to redress the nuclear imbalance. The West's military and diplomatic position relative to the USSR was never more favorable than at the very beginning of the containment policy in the late 40s. That was the time to attempt a serious discussion on the future of Europe and a peaceful world.

As so often, Winston Churchill understood it best. In a much neglected speech at Llandudno in October 1948, out of office, he said:

The question is asked: What will happen when they get the atomic bomb themselves and have accumulated a large store? You can judge yourselves what will happen then by what is happening now. If these things are done in the green wood, what will be done in the dry? If they can continue month after month disturbing and tormenting the world, trusting to our Christian and altruistic inhibitions against using this strange new power against them, what will they do when they themselves have huge quantities of atomic bombs?... No one in his senses can believe that we have a limitless period of time before us. We ought to bring matters to a head and make a final settlement. We ought not to go jogging along improvident, incompetent, waiting for something to turn up, by which I mean waiting for something bad for us to turn up. The Western Nations will be far more likely to reach a lasting settlement, without bloodshed, if they formulate their just demands while they have the atomic power and before the Russian Communists have got it too.¹²

So the postwar world came into being. A precarious peace was maintained, based on a nuclear equilibrium, with occasional negotiations to ease tensions temporarily, but ultimately dependent on a balance of terror. The problem of maintaining security took on an unprecedented new dimension. Technology was soon to make the United States directly vulnerable to attack; the Atlantic Alliance increasingly based its defense strategy on reliance on weapons of mass destruction that posed risks more and more difficult to reconcile with the objectives being defended.

In the nuclear age, peace became a moral imperative. And it imposed a new dilemma: The desire for peace is the mark of all civilized men and women. Yet the democracies' desire for peace, if divorced from a commitment to defend freedom, could turn into a weapon of blackmail in the hands of the most ruthless; if the desire to avoid nuclear war turns into undifferentiated hysteria, nuclear blackmail may well be encouraged. The problem of the relationship of power to peace, the balance between ends and means, has been evaded for a generation by an abdication to technology. But history tolerates no evasions. To develop a strategy that relates ends to means, to build military forces that avoid the choice between Armageddon and surrender, is a preeminent moral as well as political problem for

our period. Of at least equal importance is to develop an Allied consensus behind proposals of arms control based on analysis not panic and freed of either the quest for confrontation or the tendency towards abdication.

Third World Perspectives: What is the Limit of Inter-Allied Conflict

In a period of nuclear stalemate, ironically, conflict became more likely at the level of local, nonnuclear crisis. In an age of decolonization, many of these clashes were bound to occur in the Third World. This was another area in which, in the immediate postwar period, American and European attitudes diverged sharply.

Americans from Franklin Roosevelt onward believed that the United States, with its "revolutionary" heritage, was the natural ally of peoples struggling against colonialism; we could win the allegiance of these new nations by opposing and occasionally undermining our European allies in the areas of their colonial dominance. Churchill, of course, resisted these American pressures, as did the French and some other European powers for a longer period than did Britain.

As Europe decolonized, partly under American pressure, there began a reversal of roles, the march by each side towards the philosophical positions vacated by the other--to an America focused on international security and a Europe affirming general moral precepts of conduct. On Third World issues especially, many in Europe have ended up adopting the attitude embodied in Roosevelt's anticolonialism and Eisenhower's conduct over Suez. Now Europe would seek to identify with Third World aspirations, economic and political, intensifying its efforts at conciliation the more insistent, peremptory, and radical that Third World demands become. At the same time, the United States, at least in some administrations, has come to a perception closer to Eden's: that appeasement of radical challenges only multiplies radical challenges.

Different perceptions of national interest were involved as well. Thus in the India-Pakistan war of 1971 Britain did not share our sense of concern for the country which had opened the first tenuous links to China; the historic nostalgia for India was too strong. So too in the early stages of the Falkland crisis America hesitated between its Atlantic and its Western Hemisphere vocations. But neither of these disagreements did any lasting damage. In the end we came

together; the old friendship prevailed over other considerations.

The lesson I draw is that in the Third World we may occasionally operate from different perspectives. But we must take care not to let these differences reach a point where they undermine the basic self-confidence and sense of mission of the other party, lest we threaten prospects for progress and stability transcending the immediate issue.

In this context the experience of Suez is instructive. Our prolonged and never-reconciled clash had lasting consequences not only for the Middle East and the Third World but also for the long-term evolution of Western policies.

The details of that disaster are not relevant to my immediate purpose. The British-French expedition against the Suez Canal was clearly misconceived. The fact remains that Eden had got hold of what was intellectually the right problem, while the American reaction, among other things, begged some crucial questions: to what extent our "revolutionary" historical analogy was relevant; to what extent it was wise to humiliate one's closest ally; and what would be the long-term consequence of such a course.

Britain and France, in my view, were acting on a strategic analysis which may have been traditional and even self-serving but was far from frivolous. Nasser was the first Third World leader to accept Soviet arms and to play the radical, pro-Soviet game in an attempt to blackmail the West. Eden's perception was that a dangerous precedent was being set: can there be any dispute of this today? Had Nasser's course been shown a failure, a quite different pattern of international relations would have developed, at least for a decade or more. As it turned out, Nasser's policy was vindicated; revolutions spread in the Middle East in the following years, and he has countless imitators today around the world relying on Soviet arms to increase their influence and to destabilize their neighbors.

Even more important, our humiliation of Britain and France over Suez was a shattering blow to these countries' role as world powers. It accelerated their shedding of international responsibilities, some of the consequences of which we saw in succeeding decades when reality forced us to step into their shoes--in the Persian Gulf, to take one notable example.

Suez thus added enormously to America's burdens--and simultaneously fueled a European resentment at America's global role which continues to this day.

It is clear that a world of progress and peace requires that more than 100 new and developing nations be made part of the international system; no international order can survive unless they feel a stake in it. It is incontestable that many conflicts in the developing world arise from legitimate social, economic, or political grievances; this, however, does not exclude the possibility that these can be exploited by extremists and turned against the long-term security interests of the West. The democracies, whatever their shifting positions, have failed to relate their philosophical and moral convictions to a coherent analysis of the nature of revolution and an understanding of how best to foster moderation. Above all, disputes among the democracies over this problem should not be permitted to turn into a kind of guerrilla warfare between allies. Whatever the merit of the individual issue, the price will be a weakening of the West's overall psychological readiness to maintain the global balance.

The strategic position or self-confidence of a close ally on a matter it considers of vital concern must not be undermined. It is a principle of no little contemporary relevance. In this sense the Falkland crisis in the end will strengthen Western cohesion.

Suez, by weakening Europe's sense of its own importance as a world power, accelerated the trend of Europe's seeking refuge in the role of "mediator" between the United States and the Soviet Union. The role that some American leaders naively saw the United States as playing between Churchill and Stalin, in the end too many Europeans seek to adopt between Washington and Moscow.

It is not a new phenomenon. It began, at least where Britain was involved, as wise advice to us that negotiation could be an element of strategy. This is a lesson of which Americans often need to be reminded. It has its antecedents in Attlee's flight to Washington for reassurance when Truman seemed to hint at using nuclear weapons in Korea; in Eden's efforts at various Geneva conferences to sponsor a dialogue in the era of Dulles's moralism; in Macmillan's appearance in an astrakhan hat in Moscow in 1959; in the strenuous Western European importunings of the Nixon Administration in 1969 to join Europe in the pursuit of détente. But carried too far,

it runs the risk of abdicating any share of responsibility for a cohesive Western strategy toward the USSR, or toward anti-Western radicalism in the Third World.

And thus we see the ironic shift of positions reflected in some of our contemporary debates. The deprecation of the importance of power, the abstract faith in goodwill, the belief in the pacific efficacy of economic relations, the evasion of the necessities of defense and security, the attempt to escape from the sordid details of maintaining the global balance of power, the presumption of superior morality-- these features once characteristic of America now seem to be more common in Europe. Where the United States has never quite abandoned its earlier moralism or fully developed a concept of equilibrium as Europe had once maintained, many in Europe paradoxically seem to have adopted some of the illusions that Americans clung to in years of isolation from responsibility.

The unity of the industrial democracies remains crucial to the survival of democratic values and of the global equilibrium. We must at last answer the perennial questions of all alliances: How much unity do we need? How much diversity can we stand? An insistence on unanimity can be a prescription for paralysis. But if every ally acts as it pleases, what is the meaning of alliance? There is no more important task before the Alliance than to deal with these problems concretely, seriously, and above all immediately.

The Contemporary Debate

Let me make a few general points, therefore, about the contemporary debates between America and Europe.

I do not claim that the United States is always correct in its perceptions. But Europeans ought to take care not to generate such frustrations in America that either an embittered nationalism, or unilateralism, or a retreat from world affairs could result.

I fully acknowledge that the United States by its actions has sometimes stimulated or intensified the feelings in Europe that Europe had to strive to maintain its own interests, its own policies, its own identity. Indeed, as I said, naive American expectations that a rejuvenated Europe would follow our lead are partly responsible for the sometimes petulant

reaction to Europe's assertions of its own role. In recent times the United States may have appeared unintentionally callous toward the danger of nuclear war or insufficiently alert toward the opportunities for peace. But the United States has nevertheless been more nearly correct than its critics in warning that those who seek peace not backed by strength will sooner or later find the terms of peace dictated to them; that peace to be meaningful must be just; that nations live in history, not utopia, and thus must approach their goals in stages. To ask for perfection as a precondition of action is self-indulgence, and in the end an abdication.

Observers, including myself, have been sounding the alarm for decades about this or that "crisis" in the Western Alliance. But today's, I am afraid, is more genuinely, objectively, serious than ever. It comes after decades of a relentless Soviet military buildup, when the West, for a decade, is edging in some areas toward a dangerous dependency on economic ties with the East, while in Poland the Soviet Union enforces the unity of its empire, its clients press on to undermine the security interests of the West from Southeast Asia to the Middle East to Africa to Central America. Not all our difficulties are caused by the Soviet Union, but the Soviet Union has shown little restraint in exploiting them, and their solution --whatever their cause--has been impeded by the lack of a unified Western response.

One of Britain's contributions to the Western Alliance has been to supply a needed global perspective: the knowledge, from centuries of experience in Europe, that peace requires some clear-eyed notion of equilibrium and a willingness to maintain it; the insight, from centuries of world leadership, that Europe's security cannot be isolated from the broader context of the global balance; the awareness, from heroic exertions in this century, that those who cherish the values of Western civilization must be willing to defend them. In the Falkland crisis, Britain is reminding us all that certain basic principles such as honor, justice, and patriotism remain valid and must be sustained by more than words.

The issue before the allies now is not to assess blame but to face our future. An alliance at odds over central issues of East-West diplomacy, economic policy, the Middle East, Central America, Africa, and relations with the Third world is in serious, and obvious, difficulty. Indeed it cannot be called an alliance if it agrees on no significant

issue. Sooner or later such divisions must affect the field of security. For too long, all of us in the community of free nations have put off the uncomfortable questions; our evasions are now coming home to roost.

Thirty-five years ago after the war, the democracies for a time overestimated the immediate dangers and underestimated their own capabilities; yet in the end they came up with a creative and effective response. Today too, we may be underrating our own capacities and confusing long- and short-term dangers.

The strange aspect is that the disarray is taking place at the precise moment that the bankruptcy of the system that denies the human spirit seems to become clear beyond doubt. The Communist world has fundamental systemic problems and has not shown any ability to solve them except by recurrent brute force, which only delays the day of reckoning. In the sixty-five-year history of the Soviet state, it has never managed a legitimate, regular succession of its political leadership; the country faces the demographic time-bomb of its growing non-Russian population, soon to be a majority. The system has failed to deal seriously with the desire for political participation of its intellectual and managerial elite. Or else it has sought to preempt their political aspirations by turning the ruling group into a careerist "new class" bound to produce stagnation if not corruption. Its ideology is a discredited failure, without legitimacy, leaving the Communist Party a smug privileged elite with no function in the society except its own self-perpetuation, struggling to deal with bottlenecks and crises which its own rigidity has caused. It is an historic joke that the ultimate crisis in every Communist state, latent if not evident, is over the role of the Communist Party.

Soviet economic performance is a disaster. It seems impossible to run a modern economy by a system of total planning, yet it seems impossible to maintain a Communist state without a system of total planning. How ironic that the West is tearing itself apart over how best to coordinate Western financial, technological, and agricultural aid to a so-called "superpower" incapable of sustaining a modern economy.

In short, if Moscow is prevented by a coordinated Western policy from deflecting its internal tensions into international crises, it is likely to find only disillusionment in the boast that history is on its side.

It is the Communist world, not the West, that faces a profound systemic crisis. Ours are problems of coordination and policy, theirs are of structure. And therefore it is not beyond the realm of hope that a coherent, unified Western policy could at long last bring into view the prospect of a negotiated global settlement that Churchill foresaw at Llandudno.

The solutions to the West's problems are, to a significant degree, in our own hands.

One problem is that the democracies have no forum for addressing the future in a concrete way, let alone harmonizing disagreements or implementing common policies. As my friend Christopher Soames has recently emphasized, the Atlantic Alliance has no institutional machinery for addressing economic or Third World issues, or any long-term political strategy; the European Community, while eminently successful in its political coordination, has no mechanism as yet for formulating a coherent European view on matters of defense. The economic summits of Western and Japanese leaders, begun in the mid-70s, are an attempt to surmount this procedural impasse, but they can do little more than call key leaders' attention to key problems in an informal, unsystematic way. Procedures do not solve substantive problems. Nevertheless, creating an appropriate forum for broader and deeper consultation would be an important first step.

America has learned much in the postwar period, perhaps most of all from Britain. In the last decade we have also learned something of our limits, and in the new Administration we have shaken off the trauma of perhaps excessive preoccupation with our limits. An America that has recovered its vitality and its faith in the future is as much in the interests of the West as a Europe shaping its identity.

Both Britain and America have learned that whatever their histories, their futures are part of the common destiny of freedom. Experience has taught that moral idealism and geopolitical insight are not alternatives but complementary; our civilization may not survive unless we possess both in full measure. Britain and America, which have contributed so much to the free world's unity and strength, have another opportunity now, together with our allies, to show that the democratic nations are the masters of their destiny.

Thank you.

NOTES

- 1 Woodrow Wilson, address before the League to Enforce Peace, Washington, D.C., May 27, 1916.
- 2 Franklin D. Roosevelt, address to Congress on the Yalta (Crimea) Conference, March 1, 1945.
- 3 U.S. Senate, Committee on Foreign Relations, Hearings on the North Atlantic Treaty, 81st Cong., 1st sess. (1949), pt. 1, Appendix, p.337.
- 4 See R.B. Mowat, The Diplomatic Relations of Great Britain and the United States (London, 1925), p.92.
- 5 Anthony Eden, Full Circle (Cambridge, Mass., Houghton Mifflin Co., 1960), p.225.
- 6 Clement Attlee and Francis Williams, Twilight of Empire (New York: A.S. Barnes & Co., 1962), p.108.
- 7 Henry Kissinger, Years of Upheaval (London: Weidenfeld and Nicolson/Michael Joseph, 1982), pp.274-286.
- 8 Ibid., pp.140-143.
- 9 Dean Acheson, Sketches from Life (New York: Harper & Bros., 1961), pp.36-37.
- 10 Attlee and Williams, above, p.161.
- 11 U.S. Senate, Committee on Armed Services and Committee on Foreign Relations, Hearings on the Military Situation in the Far East, 82nd Cong., 1st sess. (1951), p.2083.
- 12 Winston Churchill, speech at Llandudno, October 9, 1948, in New York Times, October 10, 1948.

PART 1 ends:-

13.4.82

PART 2 begins:-

10.5.82