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USA

PE 1: MAY 1979

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16.10.84							
18.10.84							

PART 3 ends:-

TF to FCO 31.5.85.

PART 4 begins:-

FCS to SS/DTI 3.6.85.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(84) 41 st Meeting minutes, item 2	13/12/1984
OD(84) 14 Revise	27/09/1984

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

Signed J. Gray

Date 25/7/2014

PREM Records Team

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31 May 1985

Thank you for your letter of 28 May about the forthcoming visit to London by Senator Howard Baker. The Prime Minister regrets that her overcrowded schedule will prevent her from being able to see Senator Baker during his visit.

Timothy Flesher

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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Prime Minister

Agree not to see Senator Baker? MET 29/5



Foreign and Commonwealth Office

London SW1A 2AH

28 May, 1985

Paggett

Dear Charles,

Visit to London by Senator Baker

Senator Howard Baker, the former Republican Majority Leader, will visit London in late July. He has asked (through the US Embassy) if arrangements could be made for him to call on 24 July on the Prime Minister, the Secretary of State for Trade and Industry and the Foreign Secretary. Senator Baker said that he would appreciate an opportunity to renew his acquaintance with the Prime Minister and benefit from her assessment of world issues affecting Anglo-American relations.

Since retiring from the Senate, Senator Baker has returned to private law practice in Washington. He is widely expected to be a candidate for the Republican Presidential nomination in 1988, although few would give him more than an outside chance at this stage. Sir Oliver Wright describes him as a very worthwhile interlocutor on the American political situation. As the Prime Minister will know, Senator Baker is also a most agreeable person.

The Foreign Secretary plans to have a brief meeting with Senator Baker. He would not want to press the Prime Minister to see the Senator as well; but thought that you should have the opportunity to consult her about Senator Baker's request.

I am copying this letter to John Mogg at the Department of Trade and Industry to convey Mr Baker's request for a meeting with Mr Tebbit, to discuss trade and technology issues. I should be grateful if he would let me know Mr Tebbit's response.

*Yours ever
Peter Ricketts*

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

[Handwritten scribble]

28 MAY 1985

10 11 12 1
9 2
8 3
7 4
6 5

THE PRESIDENT OF THE UNITED STATES OF AMERICA
WASHINGTON, D.C. 20503

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②



CONFIDENTIAL

Prime Minister
EDP
14/5.

PRIME MINISTER

VISIT TO THE UNITED STATES 7-11 MAY

Last week I spent a day and a half in Washington, made a brief visit to New York and for a day and a half attended the Bilderberg Conference. As well as Mac Baldrige (Commerce), Bill Brock (Labor) and Ed Meese (Attorney-General), I saw senior people from the Treasury, State and the US Trade Representative's Office and talked to a number of Senators and Congressmen. In New York I met people from the financial community and opened the new premises of the British Trade Development Office.

2 My general impression is that in trade and the related financial policies the Administration is developing clearer ideas of where it wants to go, but is unsure how to get there. There is a certain similarity with Nakasone's position in Japan. He probably knows what he wants, but not how to get it.

3 The need to get the budget deficit down is very widely accepted, and I gave it every encouragement. Proposals for reducing the deficit are now through the Senate but still have to be passed by the House. Many of those to whom I spoke saw a reduction in the deficit as the key to lower interest rates, a realignment of currencies and in due course a better trade balance. But precisely how and when this virtuous circle of events can be achieved remains unclear.

4 Pressures for protectionism are rather stronger than when I was last in Washington a year ago. I was concerned that

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the influential Senator Danforth does not regard as protectionist retaliatory action against imports which the US chooses to regard as subsidised. The lower growth rate expected this year in the US will not help: their growth seems likely to be at around the same level as ours, and the pessimists, including some New York bankers, would say lower. But the Administration's heart is in the right place. Apart from Japan and steel (see below) I believe that they will work hard to resist protectionist proposals from the Congress. There is general agreement that the idea of an import surcharge is dead.

5 As to specific issues:

The GATT Round More thoughtful members of the Administration acknowledge that the US was at least partly responsible for the disagreement at the Bonn Summit by making an unnecessarily big issue of the start of the GATT Round. They now intend - sensibly - to play it down and to concentrate on the preparatory work due to be launched in the second half of July. But while they have Congressional authority to negotiate on non-tariff matters and want to concentrate on these, they do not have authority to agree on tariff reductions, and the Congress would not at present give it. Since there are still some high peaks in the US tariff, this will weaken their bargaining position against countries like Brazil and India who do not share the US objectives in GATT.

Japan There is still extensive criticism of Japan, even if feelings in the Congress are not running quite so high as a couple of months ago. The negotiations on

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opening up specific areas of the Japanese market have made some progress, but if that progress is not maintained the Administration may well act selectively against imports from Japan, under powers of doubtful compatibility with GATT.

I floated the idea of targets for global imports of manufacturers into Japan. I was told that this had been advocated in the US Cabinet early this year by Baker, Brock and Baldrige, but rejected by the majority, partly on grounds of inconsistency with free market principles. I got a positive response to my proposal that both through the Community and bilaterally we should keep in closer touch with the US over Japan without leaving the Japanese with the impression that we are ganging up against them. I am asking our Embassy in Washington to follow this up.

Extraterritoriality Although a wide difference remains over the principle, we are, in practice, now able to sort out satisfactorily most of the individual cases. The agreement for consultation over foreign policy controls on exports, which Mac Baldrige and I signed last November, set the right tone. It is reassuring that the Administration are not seeking to apply extraterritoriality to their new controls on trade with Nicaragua.

Steel The US wish for still more protection for their steel industry is our most difficult specific trade problem. The US emphasised their willingness to negotiate, but their present demands and the timescale they want to see are unlikely to be acceptable to the

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Community or ourselves. Mac Baldrige made the worrying comment that, while the Community have raised the issue to the political level, the Commissioners now dealing with the subject are not (unlike Davignon) masters of the detail. Steel remains a priority for us, both in Brussels and Washington, over the next few months. Against the background of fiercely protectionist demands from the US industry, the prospects for an early resoution seems remote even though the Commission are giving the Administration some misleading signals that progress may be more speedy.

South Africa It looks highly likely that some form of legislation affecting trade and investment in South Africa will be passed this year, and that the President will feel unable to veto it. The objective of the Administration, and of Mac Baldrige in particular, is to limit the damage. The risk for us is increased pressure, here and in the Community, to follow suit, which I would certainly want to resist.

Privatisation There was considerable interest in New York in our plans, especially for British Gas and British Airways. This should be reflected in the market when the time comes.

Financial Services As Alex Fletcher found during his recent trip, our City reforms continue to attract the most favourable comments.

6 I am grateful to our Ambassador in Washington and our Consul-General in New York for their hospitality and for enabling me to pack a good deal into a short visit. Their

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wide contacts with the Administration on the Hill and with US business are of enormous value to a visiting Minister.

7 I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Energy, Sir Robert Armstrong, our Ambassadors in Washington and Tokyo, the Consul-General in New York and the UK Permanent Representative to the European Communities.

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May 1985

Department of Trade and Industry

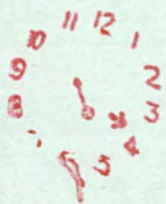
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14 MAY 1985



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AMENDED DISTRIBUTION 13/5/85

TO PRIORITY FCO

TELEGRAM NUMBER 1532 OF 10 MAY

INFO UKREP BRUSSELS, UKMIS GENEVA, TOKYO, EC POSTS

VISIT TO WASHINGTON OF SECRETARY OF STATE FOR TRADE AND INDUSTRY,
7/8 MAY.

SUMMARY

1. MR NORMAN TEBBIT PAID A WELCOME, WELL TIMED AND VERY SUCCESSFUL VISIT TO WASHINGTON ON 7/8 MAY. THE TIMING GAVE MR TEBBIT THE OPPORTUNITY TO GAIN IMPRESSIONS IN THE AFTERMATH OF THE BONN ECONOMIC SUMMIT. HE SAW ATTORNEY-GENERAL MEESE AND SECRETARIES BALDRIGE AND BROCK (THE LATTER DESPITE HAVING MOVED OVER TO LABOR WAS ANXIOUS TO SEE HIM). IN ADDITION HE SAW DARMAN (DEPUTY SECRETARY, TREASURY), SMITH (ACTING USTR), SENATOR DANFORTH (CHAIRMAN OF INTERNATIONAL TRADE SUBCOMMITTEE), CONGRESSMAN GIBBONS (CHAIRMAN OF HOUSE TRADE SUBCOMMITTEE) AND WAS GIVEN LUNCH WITH OTHER CONGRESSMEN BY CONGRESSMAN BONKER. MR TEBBIT ALSO MET OTHER MEMBERS OF CONGRESS, THE ADMINISTRATION AND SENIOR AMERICAN BUSINESSMEN AT MY HOUSE OVER DINNER. HIS DISCUSSIONS COVERED MAINLY TRADE POLICY ISSUES IN RELATION TO THE US BUDGET AND TRADE DEFICITS, THE DOLLAR, NEW TRADE ROUND, PROTECTIONISM AND JAPAN.

DETAIL

2. MR TEBBIT PRESSED ON HIS INTERLOCUTORS THE NEED FOR THE AMERICANS NOT TO TAKE OUT ON OTHERS THE CONSEQUENCES OF DOMESTIC POLICIES WHICH HAVE LED TO THE HIGH BUDGET DEFICIT, THE HIGH DOLLAR AND VAST TRADE DEFICIT. THIS MESSAGE FOUND A WIDE ECHO: ALL RECOGNISED THE URGENT NEED FOR A SUBSTANTIAL REDUCTION IN THE BUDGET DEFICIT. MOST SAW THIS AS NECESSARY FOR TRADE AS WELL AS DOMESTIC ECONOMIC REASONS ALTHOUGH SOME (WALLIS, STATE DEPARTMENT AND TREASURY OFFICIALS) TOOK THE VIEW THAT THE HIGH DOLLAR WAS LARGELY DUE TO THE RELATIVE ATTRACTIVENESS OF THE US ECONOMY. BALDRIGE SAID THAT THE PRESIDENT WOULD HAVE TO INVOLVE HIMSELF PERSONALLY ON HIS RETURN FROM EUROPE TO GET THE TEN OR SO EXTRA REPUBLICAN VOTES THE ADMINISTRATION NEEDED TO GET A REDUCTION PACKAGE THROUGH THE SENATE. BUT HE APPEARED GLOOMY ABOUT THE EVENTUAL OUTCOME GIVEN THAT THE DEMOCRATS (WHO CONTROL THE HOUSE) WOULD WANT A LOWER DEFICIT REDUCTION (DOLLARS 30 BILLION) COMBINED WITH A TAX INCREASE (DOLLARS 20 BILLION). HE THOUGHT THE PRESIDENT MIGHT WELL BE FACED WITH A DIFFICULT DECISION ABOUT WHETHER TO VETO WHATEVER EMERGED FROM CONGRESS. (BALDRIGE SAID ALSO THAT HE HAD QUOTE GOT INTO TROUBLE UNQUOTE WITH THE WHITE HOUSE FOR SAYING - MY TELNO 1493 - THAT US GROWTH THIS YEAR WOULD BE THREE AND A HALF PERCENT AND IMPLIED THAT IT WOULD IN FACT BE LOWER.) DARMAN AT THE TREASURY WAS ON THE OTHER HAND CONFIDENT THAT THERE WOULD BE A DEFICIT REDUCTION OF THE RIGHT SIZE, ALBEIT WITH THE WRONG DISTRIBUTION. HE SAW LITTLE CHANCE OF THE PRESIDENT DOING BETTER THAN A 0/3/3 PERCENT REAL INCREASE IN THE DEFENCE BUDGET OVER THREE YEARS, BUT THIS ALONE WOULD PRODUCE A REDUCTION OF DOLLARS 100 BILLION ON THE ORIGINAL REPUBLICAN PACKAGE.

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3. MR TEBBIT'S CONTACTS WERE CLEAR THAT THE ADMINISTRATION'S COMMITMENT TO RESISTING PROTECTIONISM WOULD NOT CHANGE. BUT THEY WERE CONCERNED THAT PROTECTIONIST SENTIMENT ON THE HILL WOULD BE STRONG ENOUGH TO OVERRIDE A PRESIDENTIAL VETO. CONGRESSMAN GIBBONS (ECHOED SEPARATELY BY CONGRESSMAN SHULTZE) SAID THAT THE MOOD IN THE HOUSE WAS SUCH THAT ANY PROTECTIONIST LEGISLATION OF ANY KIND WOULD BE VOTED THROUGH. AS CHAIRMAN OF THE TRADE SUBCOMMITTEE, HE REGARDED HIS TASK AS TO SIT ON SUCH LEGISLATION AND PREVENT OR SPIN OUT HEARINGS. BUT HE DID NOT KNOW HOW LONG HE COULD GO ON DOING THIS. HE WAS SITTING ON A TIME BOMB. IN THE SENATE DANFORTH TOOK A SLIGHTLY DIFFERENT LINE: ALTHOUGH PROTECTIONIST SENTIMENT WAS STRONG, IT WAS NOT THE PREVAILING MOOD IN THE COUNTRY. THAT WAS RATHER A DETERMINATION TO SECURE THE SAME ACCESS TO OTHERS' MARKETS AS OTHERS HAD TO THE US MARKET. THE US SHOULD ENFORCE THIS RECIPROCITY ON ITS TRADING PARTNERS: RETALIATION TO OBTAIN MARKET ACCESS WAS NOT PROTECTIONISM BUT PROMOTING FREE TRADE. THE CONGRESSMEN AND BUSINESSMEN MR TEBBIT MET ATTACHED URGENT PRIORITY TO ACTION TO BRING DOWN THE DOLLAR THROUGH REDUCING THE BUDGET DEFICIT AND THROUGH A MORE ACTIVE APPROACH TO THE PROBLEM OF EXCHANGE RATES. DANFORTH CLAIMED THAT TREASURY SECRETARY BAKER'S SUGGESTION OF A MONETARY MEETING IN WASHINGTON HAD BEEN BOTH A TACTIC (MISTAKEN) VIS-A-VIS FRANCE AND AN ATTEMPT TO DEFUSE DOMESTIC POLITICAL PRESSURE ON THIS ISSUE: IT WAS NOW PROVING USEFUL IN THE CONGRESS.

4. ON THE OUTCOME OF BONN, MR TEBBIT'S ADMINISTRATION AND CONGRESSIONAL INTERLOCUTORS RESPONDED WELL TO HIS THESIS THAT THE IMPORTANT THING WAS NOT THE SETTING OF A DATE (WHICH WAS USEFUL ONLY VIS-A-VIS CONGRESS) BUT THE LAUNCHING OF A PROCESS AND PREPARATIONS WHICH WOULD LEAD INELUCTABLY TO A TRADE ROUND.

5. DANFORTH SAID CATEGORICALLY THAT THERE WAS NOW NO CHANCE THAT THERE WOULD BE AN IMPORT SURCHARGE: THE PRESIDENT WOULD VETO IT BUT IN ANY CASE IT WAS BEING CONDEMNED BY THE ECONOMISTS.

6. THE CONGRESS MEN CONFIRMED THAT THE GATT ROUND WAS VERY LOW DOWN THEIR LIST OF PRIORITIES, ALTHOUGH THEY WERE NOT AGAINST IT IN DUE COURSE AND ONCE THE PRESENT URGENT PROBLEMS HAD BEEN TACKLED. FOR THIS REASON THE ADMINISTRATION WOULD NOT AT PRESENT GET FRESH NEGOTIATING AUTHORITY FOR A NEW TRADE ROUND. ALTHOUGH IN THE TREASURY THERE IS AN APPARENT ASSUMPTION THAT SUCH NEGOTIATING AUTHORITY IS BOTH NECESSARY AND OBTAINABLE, USTR'S OFFICE HAVE NO DOUBT THAT IT WOULD BE IMPOSSIBLE TO GO SUCCESSFULLY TO THE HILL THIS YEAR. MR BROCK'S INTENTION HAD BEEN TO BUILD UP A CONSTITUENCY IN THE COUNTRY AND IN CONGRESS IN FAVOUR OF TRADE NEGOTIATIONS AND THEN GO BACK TO CONGRESS. SMITH ACCEPTED THAT THIS WOULD PRESENT DIFFICULTIES IN NEGOTIATIONS ON TARIFFS, FOR WHICH THERE IS NO NEGOTIATING AUTHORITY AT ALL (WHEREAS AUTHORITY FOR NEGOTIATIONS ON NON-TARIFF ISSUES EXPIRES ONLY IN JANUARY 1988), BUT THOUGHT THE AMERICANS COULD SHELTER BEHIND THE UNWILLINGNESS OF THE NICS TO NEGOTIATE ABOUT THEIR OWN TARIFFS. SMITH SAID THAT THE CABINET WOULD ALSO BE LOOKING AT OTHER OPTIONS THAN A UNIVERSAL TRADE ROUND FOR TRADE LIBERALISATION: WHILE AWARE OF THE DANGERS OF BILATERALISM, THE AMERICANS WOULD BE WILLING TO TALK TO COUNTRIES OR REGIONS WHICH WANTED TO LIBERALISE TRADE, WITH THE DOOR LEFT OPEN FOR OTHERS WHO WANTED TO JOIN IN.

7. THE AMERICANS ALL AGREED THAT TEMPERS OVER THE JAPAN PROBLEM HAD COOLED SOMEWHAT, BUT COULD HEAT UP AGAIN AT ANY TIME. DARMAN TOOK A VERY OPTIMISTIC VIEW OF THE SUCCESS ACHIEVED IN THE MOSS NEGOTIATIONS. BALDRIGE WAS EQUALLY OPTIMISTIC ON TELECOMMUNICATIONS (95 PERCENT SUCCESS) BUT THOUGHT THAT THERE WAS STILL SOME WAY TO GO IN THE MEDICAL AND PHARMACEUTICAL SECTORS AND ALL THE WAY TO GO ON TIMBER. WHAT WERE NEEDED WERE MILESTONES AT 3 TO 6 MONTH INTERVALS TO MONITOR AND INSIST ON PROGRESS. BROCK EXPRESSED THE VIEW FORCEFULLY THAT ADMINISTRATION-INITIATED SECTION 301 ACTION AGAINST JAPAN WOULD BE NECESSARY AND ARGUED THAT THIS WOULD BE ENTIRELY COMPATIBLE WITH THE GATT. UNLESS THE ADMINISTRATION TOOK SUCH ACTION THE SITUATION ON THE HILL WOULD GET OUT OF CONTROL. BALDRIGE ON THE OTHER HAND ARGUED THAT ACTION AGAINST JAPAN WOULD REBOUND ELSEWHERE AND THAT THE BILATERALISM IN US/JAPANESE RELATIONS MUST NOT BE ALLOWED TO BECOME A PRECEDENT FOR TRADE NEGOTIATIONS WITH OTHER COUNTRIES; HENCE THE IMPORTANCE OF A TRADE ROUND.

8. MR TEBBIT RAISED THE DESIRABILITY OF BETTER COORDINATION BETWEEN THE EC AND THE US ON JAPAN. SMITH AT USTR RESPONDED POSITIVELY BUT STRESSED THAT THE US WOULD NOT BE INTERESTED IN ANY QUOTE GANGING UP UNQUOTE OR JOINT ACTION UNDER ARTICLE XXIII OF THE GATT. THE AMERICANS HAD HAD A POOR RESPONSE FROM THE COMMISSION WHEN THEY HAD BRIEFED THEM IN TOKYO AND BRUSSELS ON THEIR TALKS WITH THE JAPANESE, BUT HE AGREED THAT IT WAS WORTH TRYING FOR THE US AND EC TO TALK MORE TO EACH OTHER ABOUT JAPAN. SMITH SAID THAT THE IDEA OF GETTING THE JAPANESE TO ADOPT IMPORT TARGETS HAD BEEN FAVOURED BY SEVERAL AGENCIES, BUT HAD BEEN REJECTED BY THE CABINET, AND COULD NOT BE RETRIEVED.

9. MR TEBBIT ALSO DISCUSSED A NUMBER OF OTHER ISSUES, INCLUDING SOME OF BILATERAL INTEREST (STEEL, ANTI-TRUST, MFA, EXPORT CONTROLS, CHINA/COCOM, TELECOMMUNICATIONS, NORTH SEA PROCUREMENT POLICY) WHICH WE ARE REPORTING SEPARATELY AND/OR WHICH WILL BE COVERED IN THE RECORDS.

COMMENT

10. I HOPE MR TEBBIT FOUND THE VISIT USEFUL IN GIVING HIM PERSONAL IMPRESSIONS OF THE TRADE SCENE IN WASHINGTON AND THE CURRENT STATE OF THE U.S. ECONOMY. IT WAS CERTAINLY IN-VALUABLE TO ME THAT HE SHOULD CONVEY SO VIGOROUSLY TO HIS INTERLOCUTORS BRITISH VIEWS ON CURRENT TRADE ISSUES TO REINFORCE OUR OWN EFFORTS ON ALL THESE FRONTS.

11. FCO PLEASE ADVANCE TO ROBERTS, HUTTON, LANE (DTI), SHEPHERD (FCO).

WRIGHT

FRAME EXTERNAL

ECJ (E)
NAD

U.S. Reports -



10 DOWNING STREET

THE PRIME MINISTER

1 May 1985

Dear Mrs. Ferraro,

Thank you so much for the very pretty bowl which you so kindly left for me. It is very simple and very elegant and will be a happy reminder of an enjoyable and interesting conversation. It was a most generous thought.

I hope that we shall have a chance to meet again and send you my best wishes.

Yours sincerely
Raymond Stiller

Mrs. Geraldine Ferraro.

—

dg



Foreign and Commonwealth Office

London SW1A 2AH

26 April, 1985

mb

Prime Minister

I don't think you need any briefs.

Mrs. Ferraro is very unsound on Ireland and arms control. I suggest

Dear Charles,

Call on the Prime Minister by Mrs Geraldine Ferraro

The Prime Minister has as you know agreed to see Mrs Geraldine Ferraro on 29 April. The Embassy in Washington tell us that Mrs Ferraro will probably wish to concentrate on Northern Ireland, East/West relations, SDI, and South Africa.

We understand the Northern Ireland Office are providing separate briefing. I enclose notes on the other subjects, plus a personality note on Mrs Ferraro. She will be accompanied by the US Deputy Chief of Mission, Ray Seitz.

Mrs Ferraro's visit to Europe will take her to Denmark, Italy and France before London. She will then also visit Dublin, from where she will go on to Belfast on 3 May.

In London Mrs Ferraro will meet Mr Heseltine and Mr Hurd; also Messrs Kinnock, Owen and Steel, and Mrs Shirley Williams. Mrs Ferraro will in addition meet journalists and other Parliamentarians, and address the Oxford Union on 1 May.

It is widely expected that Mrs Ferraro will contest the New York Senate seat which comes up for re-election in November 1986, and is currently held by a Republican, Senator d'Amato. The Prime Minister may wish to ask Mrs Ferraro about this and about the electoral prospects for the Democratic Party as a whole.

that you focus on these subjects — and on Democratic prospects.

CDP 26/4

[We have arranged a photo-call upstairs: I hope this is all right]

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

GERALDINE ANNE FERRARO

Born New York 1935. BA Marymount College, New York 1956. Admitted to the New York Bar after obtaining a law degree from Fordham University in 1960.

Mrs Ferraro had her own private law practice from 1961-74. From 1974 to 1978 she was an Assistant District Attorney in Queens County, New York. During this time she specialised in prosecuting crimes against the elderly, child abuse, domestic violence and rape. She was elected to the 96th Congress in 1978 and was re-elected to the 97th and 98th Congresses.

In 1984 Walter Mondale chose Mrs Ferraro as his running mate for the Presidential election; she was the first female Vice-Presidential candidate for one of the major American parties. Throughout the campaign Mrs Ferraro suffered as a result of her husband's alleged business irregularities. This created problems in the Democratic camp and was certainly detrimental to the Mondale/Ferraro ticket. Earlier this year Mr Zaccaro was sentenced to 60 hours community service for the mishandling of a clients' funds.

Mrs Ferraro has voted against most of President Reagan's weapons programmes, she has supported a nuclear freeze and a unilateral test moratorium, and a delay in the deployment of Cruise and Pershing Missiles in Western Europe. She has opposed aid to the Contras in Nicaragua and to the Government of El Salvador. Although a Catholic she supports the Federal funding for abortion.

Mrs Ferraro is generally supportive of Irish-American causes in the United States. It is believed that she was one of the dozen members of Congress who signed a petition urging the Administration to lift its ban on the entry of Gerry Adams. She married John Zaccaro in 1960, they have three children; Donna (23), John (21), and Laura (18).

May 1985



CALL ON THE PRIME MINISTER BY MRS GERALDINE FERRARO : 29 APRIL

EAST/WEST RELATIONS

POINTS TO MAKE

1. Propaganda remains principal Soviet foreign policy vehicle. Russians aware that Gorbachev image useful to them.
2. Statements since Gorbachev succession indicate some changes of tone, but none of substance (eg his 8 April interview with Pravda spoke of better relations with US and West but gave no ground on arms control issues).
3. Gorbachev 23 April statement to Central Committee short on new ideas, harsh tone, gloomy. [REDACTED]
4. Probably a good thing that possible first US/Soviet Summit some way off. Time for understandable US bad feelings over Nicholson to dissipate. Gorbachev visit to UN in Autumn looks likely; would presumably be occasion for meeting with Reagan.
5. Nex six months could be difficult for West. Soviet wedge driving. Disappointing expectations of new Soviet leadership. Underlines need for Western co-ordination.
6. The economy Gorbachev's first priority. Promotion of technocrat Ryzhkov to full Politburo membership token of this. But will trying to make existing machine work better be enough?



ESSENTIAL FACTS

- A 1. Gorbachev's attack on US in speech to Central Committee Plenum 23 April further evidence of Soviet wedge driving over INF, SDI.
- B Alleged US not trying for agreement at Geneva. No new proposals on arms control in 8 April Pravda interview: unilateral moratorium announced by Brezhnev in 1982; mutual freeze first mooted in 1979.
2. Interest in contact with Western leaders. Informal suggestion by Pravda Editor of Gorbachev visit to UN in September/October. Meeting with President Reagan is likely. Gorbachev accepted invitation to visit France in meeting with Mitterrand at Chernenko's funeral.
3. Warsaw Pact Heads of Party and Government in Warsaw on 26 April. Warsaw Pact likely to be renewed without significant change for further 20 years.

North America Department
Foreign and Commonwealth Office
26 April 1985

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FM MOSCOW 241600Z APR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 568 OF 24TH APRIL 85

INFO PRIORITY WASHINGTON, PARIS, DORN, UKDEL NATO, ROUTINE HELSINKI
EAST EUROPEAN POSTS, PEKING, TOKYO.

INFO SAVING OTHER E C POSTS

MY TELNO 565 (NOT TO TOKYO) : GORBACHEV'S SPEECH AT THE CENTRAL
COMMITTEE PLENUM OF 23 APRIL: INTERNATIONAL AFFAIRS

SUMMARY

1. A DISAPPOINTING SENSE OF DEJU VU. NO NEW PERSPECTIVES.
PRIORITY CONTINUES TO BE GIVEN TO CLOSER COOPERATION BETWEEN
THE COUNTRIES OF THE ''SOCIALIST'' BLOC. ON EAST/WEST
RELATIONS AND ARMS CONTROL A PERVASIVE SUSPICIAN OF US MOTIVES
AND INTENTIONS. THE AMERICANS ALSO INTENT ON ECONOMIC DOMINATION.

DETAIL

2. IN THE RELATIVELY LONG SECTION DEVOTED TO INTERNATIONAL
ISSUES, GORBACHEV OFFERS NO NEW INITIATIVES OR INSIGHTS DESPITE
THE EXPECTATIONS AROUSED BY ALIEV'S SPEECH AT THE LENIN ANNIVERSARY
(MY TELNO 554) THAT WE MIGHT GET SOME NEW SIGNALS FROM GORBACHEV.
THE IMPRESSION HE SEEKS TO CREATE IS ONE OF RESTRAINT AND
STATESMANSHIP. THIS IS IN KEEPING WITH GORBACHEV'S GENERAL THEME
OF GREATER ENDEAVOUR AND TIGHTER DISCIPLINE. THE RANGE IS ALMOST
ENTIRELY RESTRICTED TO COOPERATION WITH THE OTHER ''SOCIALIST''
COUNTRIES, SOVIET/US RELATIONS AND ARMS CONTROL.

3. OF WESTER EUROPE THERE IS LITTLE MENTION. THE MIDDLE EAST,
AFRICA, ASIA AND LATINAMERICA ARE BARELY TOUCHED ON EXCEPT FOR
GENERAL STATEMENTS OF SOLIDARITY AND CRITICISM OF THE US OVER
NICARAGUA. CHINA, AS IN GORBACHEV'S MARCH PLENUM SPEECH. IS
SINGLED OUT FOR SPECIAL MENTION, BUT WITHOUT NOTICEABLE
ENTHUSIASM.

4. THE SPEECH AS A WHOLE CONFIRMS MY VIEW THAT GORBACHEV'S
NUMBER ONE PRIORITY IS THE STATE OF THE ECONOMY. EMPHASIS
ON SOLIDARITY WITH THE ''SOCIALIST'' COUNTRIES OF EASTERN
EUROPE CAN BE SEEN IN TERMS OF SOVIET SECURITY BUT IS ALSO DESIGNED
TO ENSURE CLOSER CONTROL OF THEIR ECONOMIES PARTICULARLY THOSE
LIKE HUNGARY AND THE GDR FROM WHICH NECESSARY ADVANCE TECHNOLOGY
MAY BE AVAILABLE. VIRTUALLY THE ONLY MENTION OF WESTERN EUROPE
(AND JAPAN) IN HIS SPEECH IS IN THE CONTEXT OF ECONOMIC,
SCIENTIFIC AND TECHNOLOGICAL CO-OPERATION WHERE HIS LANGUAGE
IS VERY POSITIVE. THERE IS HOWEVER NO EXPLICIT RECOGNITION OF A LINK

OF A LINK BETWEEN AN IMPROVEMENT IN RELATIONS WITH THE UNITED STATES AND AGREEMENT OVER ARMS CONTROL AND THE DIVERSION OF RESOURCES TO INTERNAL ECONOMIC DEVELOPMENT. THE SPEECH SUGGESTS THAT ON EAST/WEST RELATIONS GORBACHEV BELIEVES, OR AT LEAST WISHES THE WORLD AND THE SOVIET PUBLIC TO BELIEVE, THAT TIME IS ON HIS SIDE.

5. I HAVE THE FOLLOWING SPECIFIC COMMENTS:

(I) GENERAL

THE SPEECH IS NOTABLY UNIDEOLOGICAL. SOME OBSERVERS HAD EXPECTED THAT AS, IN HIS LENIN ANNIVERSARY SPEECH, ALIEV HAD ESCHEWED DOCTRINAL ARGUMENT WE WOULD HAVE MORE OF AN EX-CATHEDRA STATEMENT BY GORBACHEV. BUT THIS IS NOT HIS STYLE. THE ONLY PASSAGE WHERE HE RESORTS TO IDEOLOGICAL ARGUMENT IS THAT WHERE HE STATES THAT AT PRESENT LEVELS OF NEAR-MILITARY PARITY WE SHOULD HAVE A RETURN TO PEACEFUL CO-EXISTENCE AND THE CONTINUATION OF THE HISTORIC DISPUTE BETWEEN SOCIALIST AND CAPITALISM BY NON-MILITARY MEANS - A THEME WHICH HE HAS EMPHASISED ON PREVIOUS OCCASIONS.

(II) COOPERATION BETWEEN THE SOCIALIST COUNTRIES

GORBACHEV SPEAKS OF THE SOCIALIST COUNTRIES AS 'ORGANICALLY COMBINING' RATHER THAN JUST COOPERATING. HE APPEARS TO MEAN GREATER EMPHASIS MEASURES OF ECONOMIC INTERGRATION BUT THERE ARE ECHOES OF THE BREZHNEV DOCTRINE.

(III) SOVIET/UNITED STATES RELATIONS

THE FIRST SESSION OF THE GENEVA TALKS IS PORTRAYED AS HAVING SHOWN THAT THE AMERICANS HAD NO WISH TO ACHIEVE AGREEMENT WITH THE SOVIET UNION AS THEY REFUSED TO TALK ABOUT AGREEMENT ON SPACE WEAPONS. THIS WAS AN INFRINGEMENT OF THE SHULTZ/GROMYKO ACCORD. I SEE THIS AS THE STRONGEST STATEMENT YET ON GENEVA BY THE SOVIET LEADERSHIP AND THE CLOSEST THEY HAVE COME TO SUGGESTING THAT THE TALKS MAY FAIL. GORBACHEV'S CONCLUSION THAT HE DOES NOT WANT AN RECURRENCE OF THE 'SAD EXPERIENCES' OF THE PREVIOUS TALKS COULD BE TAKEN TO MEAN THAT THE SOVIET UNION IS ANXIOUS NOT TO PAINT ITSELF INTO A CORNER AGAIN BUT CAN BE INTERPRETED AS AN IMPLIED WARNING TO THE AMERICANS THAT THEY COULD BE RESPONSIBLE FOR AN ENSUING BREAKDOWN. GORBACHEV ALSO ENLARGES ON THE THEME OF AMERICAN ECONOMIC DOMINATION, PARTICULARLY OF THE THIRD WORLD. BUT IN DOING SO /HE HA

HE HAS LITTLE TO OFFER DEVELOPING COUNTRIES BY WAY OF AN ALTERNATIVE. THE LANGUAGE ON US MOTIVES AND INTENTIONS, ALTHOUGH PARALLELED IN THE SOVIET PRESS, IS HARsher THAN HE HAS USED IN PRIVATE.

FCO PLEASE PASS SAVING ADDRESSEES.

SUTHERLAND

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EAST WEST & US/SOVIET RELATIONS

LIMITED	PS/MR RIFKIND
SOVIET D	PS/MR LUCE
DEFENCE D	PS/PUS
RESEARCH D	MR DEREK THOMAS
PLANNING STAFF	SIR W HARDING
EED	MR FERGUSSON
NAD	MR GOODALL
WED	MR JENKINS
ACDD NEWS . D	MR WESTON
FED	MR DAVID THOMAS
NED	
PUSD	
FS	
PS/LADY YOUNG	

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DESKBY FCU 080800Z
DESKBY EAST BERLIN 080800Z
DESKBY SINGAPORE 080800Z

FM MOSCOW 080530Z APR 85

TO IMMEDIATE FCU

TELEGRAM NUMBER 473 OF 8TH APRIL 85

AND TO IMMEDIATE EAST BERLIN (FOR S OF S'S PARTY)
IMMEDIATE SINGAPORE (FOR PRIME MINISTER'S PARTY)

INFO IMMEDIATE WASHINGTON, UKDEL NATO, UKDIS GENEVA, MODUK (DS17)
PRIORITY PARIS, BONN, OTHER EAST EUROPEAN POSTS.

INFO SAVING UKDEL CDE STOCKHOLM, UKDEL VIENNA, TOKYO, HELSINKI.

YOUR TELNO 349 (NOT TO ALL); ANNOUNCEMENT BY GORBACHEV OF MORATORIUM
ON DEPLOYMENT OF MEDIUM RANGE WEAPONS.

1. TEXT OF GORBACHEV'S INTERVIEW WITH PRAVDA (INCLUDING HIS
MORATORIUM ANNOUNCEMENT), BROADCAST ON SOVIET TELEVISION ON
THE EVENING OF 7 APRIL AND PUBLISHED IN PRAVDA ON 8 APRIL, IS
AS FOLLOWS:

TASS TEXT BEGINS:-

QUESTION. PRAVDA IS GETTING MANY LETTERS, FROM SOVIET PEOPLE
AND FROM ABROAD, DEVOTED TO INTERNATIONAL AFFAIRS. HOW WOULD
YOU, MIKHAIL SERGEYEVICH, CHARACTERISE THE PRESENT INTERNATIONAL
SITUATION?

ANSWER. I UNDERSTAND THE INCREASED INTEREST THAT PEOPLE HAVE IN
INTERNATIONAL AFFAIRS. THE BROAD POPULAR MASSES IN ALL
CONTINENTS STRIVE ACTIVELY TO INFLUENCE THE DESTINY OF THE PRESENT
WORLD. AND THIS IS NOT BY CHANCE. THE WORLD IS FULL OF COMPLEX
PROBLEMS - POLITICAL, ECONOMIC AND SOCIAL. THERE DO REALLY
EXIST TWO OPPOSITE SOCIAL SYSTEMS - SOCIALISM AND CAPITALISM.
DOZENS OF NEW STATES WITH THEIR OWN HISTORY, TRADITIONS AND THEIR
OWN INTERESTS ARE ACTIVE IN THE INTERNATIONAL ARENA, AND THIS,
TOO, IS A REALITY. IN ORDER TO DEVELOP INTERNATIONAL RELATIONS
IN THE PRESENT-DAY WORLD ONE CANNOT BUT TAKE THIS INTO ACCOUNT,
ONE MUST NOT IGNORE THE INTERESTS OF OTHER STATES AND THE MORE SO
TRY TO DENY THEM THEIR RIGHT TO CHOOSE THEIR ROAD OF DEVELOPMENT
THEMSELVES. IN THE BROAD CONTEXT THIS EXACTLY IS THE POLICY OF
PEACEFUL COEXISTENCE UNDER WHICH EACH OF THE SYSTEMS WILL PROVE
BY STRENGTH OF EXAMPLE AND NOT BY STRENGTH OF ARMS WHICH OF THEM
IS BETTER. ANOTHER CONCLUSION, WHICH IS JUST AS URGENT, IS THE
NECESSITY TO END THE ARMS RACE. THE DEVELOPMENT OF THE / INTERNATIONAL

copy to Mr. Jenkins & pa 15
MR
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INTERNATIONAL SITUATION HAS REACHED A LINE WHEN THE QUESTION ARISES: WHERE FURTHER CAN WE GO, IS IT NOT TIME FOR THOSE WHO SHAPE THE POLICY OF STATES TO STOP, THINK AND PREVENT THE ADOPTION OF DECISIONS THAT WOULD PUSH THE WORLD TO NUCLEAR CATASTROPHE. THERE IS AN ACUTE NEED OF INTERNATIONAL COOPERATION IN DEVELOPING DIALOGUE, IN SEARCHING FOR REALISTIC SOLUTIONS THAT WOULD EASE TENSION IN THE WORLD AND HELP BLOCK THE ROAD OF THE ARMS RACE. ALL STATES, BIG AND SMALL, SHOULD TAKE PART IN THIS. QUITE UNDERSTANDABLY, A SPECIAL ROLE BELONGS TO NUCLEAR POWERS AND FIRST OF ALL TO THE SOVIET UNION AND THE UNITED STATES OF AMERICA. OUR COUNTRY HAS PURSUED AND WILL PURSUE A VIGOROUS AND CONSTRUCTIVE FOREIGN POLICY IN THE NAME OF STRENGTHENING PEACE. THIS WAS CONFIRMED AT THE RECENT PLENARY MEETING OF THE CPSU CENTRAL COMMITTEE AT WHICH THE SOVIET STATE'S FOREIGN POLICY PRINCIPLES WERE OUTLINED.

QUESTION. MUCH IS BEING ASSOCIATED IN THE WORLD WITH THE STATE OF SOVIET-AMERICAN RELATIONS. HAVE THERE APPEARED, IN YOUR OPINION, POSSIBILITIES OF THEIR CHANGE FOR THE BETTER?

ANSWER. THE RELATIONS BETWEEN THE USSR AND THE USA ARE AN EXCEPTIONALLY IMPORTANT FACTOR OF INTERNATIONAL POLITICS. BUT WE ARE FAR FROM LOOKING AT THE WORLD ONLY THROUGH THE PRISM OF THESE RELATIONS. WE UNDERSTAND WHAT THE WEIGHT IS OF OTHER COUNTRIES IN INTERNATIONAL AFFAIRS AND TAKE THIS INTO CONSIDERATION WHEN EVALUATING THE GENERAL SITUATION IN THE WORLD. ARE THERE NOW ANY CHANGES FOR THE BETTER IN SOVIET-AMERICAN RELATIONS? THERE IS NO SIMPLE ANSWER TO THIS QUESTION. SOMETHING GIVES REASON FOR HOPE BUT THERE STILL IS A LOT AND EVEN PLENTY OF WHAT INSTILLS ALARM. NEW SOVIET-AMERICAN TALKS ON NUCLEAR AND SPACE ARMS HAVE BEGUN IN GENEVA. THIS IS A POSITIVE FACT. JOINTLY WITH THE UNITED STATES WE DEFINED THE SUBJECT AND AIMS OF THE TALKS AND, TO PUT IT BRIEFLY, DEFINED THEM AS FOLLOWS: NOT TO START AN ARMS RACE IN SPACE, STOP IT ON EARTH AND TO START A RADICAL REDUCTION OF NUCLEAR ARMS, THEIR TOTAL LIQUIDATION BEING THE ULTIMATE AIM. NOW IT IS NECESSARY TO CARRY OUT THIS ACCORD. THE TALKS ARE IMPORTANT ONES. I AM SAYING THIS FIRST OF ALL BECAUSE THE DIRECTION OF THE FURTHER DEVELOPMENT OF SOVIET-AMERICAN RELATIONS AND WORLD DEVELOPMENT AS A WHOLE IS NOW BEING DECIDED. THE CHOICE IS AS FOLLOWS: EITHER AN ARMS RACE ALONG ALL DIRECTIONS, A GROWTH OF THE WAR DANGER, OR STRENGTHENING OF UNIVERSAL SECURITY, A MORE DURABLE PEACE FOR ALL. THERE ARE SOME SHIFTS IN OTHER FIELDS OF SOVIET-AMERICAN RELATIONS, BUT VERY SMALL ONES. ON THE WHOLE RELATIONS REMAIN TENSE. THEY IN WASHINGTON ARE BANKING ON STRENGTH, AND NOT CONCEALING THIS. AND THEY ARE COUNTING ON SUPERIOR STRENGTH THAT WOULD SUBORDINATE THE REST OF THE WORLD TO AMERICA. DIPLOMACY AND TALKS THERE ARE VIRTUALLY SUBORDINATED TO MISSILES AND BOMBERS. FOR IT IS A FACT THAT THE NEW STRATEGIC ARMS PROGRAMMES ARE BEING PUSHED THROUGH CONGRESS, AMONG OTHERS, ALSO BY THE PEOPLE WHO ON BEHALF OF THE UNITED STATES ARE CONDUCTING THE TALKS IN GENEVA. EVERYBODY HAS HEARD QUITE A LOT ABOUT THE 'STAR WARS' PLANS ANNOUNCED BY THE UNITED

STATES ADMINISTRATION. THE TERMINOLOGY APPEARS TO BE TAKEN FROM SCIENCE FICTION BUT IT IS ATTEMPTED TO USE IT AS A SCREEN TO CONCEAL THE REAL AND GRAVE DANGER TO OUR PLANET. I WOULD DESCRIBE AS FANTASTIC THE ARGUMENTS USED TO SUBSTANTIATE THE MILITARISATION OF OUTER SPACE. THEY SPEAK OF DEFENCE BUT PREPARE FOR ATTACK, THEY ADVERTISE THE SPACE SHIELD BUT ARE FORGING A SPACE SWORD, THEY PROMISE TO LIQUIDATE NUCLEAR ARMS BUT IN PRACTICE BUILD UP THESE ARMS AND PERFECT THEM. THEY PROMISE THE WORLD STABILITY BUT IN REALITY STRIVE TO WRECK THE MILITARY BALANCE. SINCE PEOPLE INTUITIVELY FEEL THE DANGER OF THE 'STAR WARS' PLANS THE AUTHORS OF THESE PLANS WANT TO MAKE THEM BELIEVE THAT THESE PLANS SUPPOSEDLY AMOUNT TO NOTHING MORE THAN HARMLESS RESEARCH, WHICH, MOREOVER, SUPPOSEDLY HOLDS PROMISE OF TECHNOLOGICAL BENEFITS. BY USING THIS BAIT THE AUTHORS OF THESE PLANS WANT TO TURN THEIR ALLIES ALSO INTO ACCOMPLICES IN THIS DANGEROUS PROJECT. IT IS EVEN CONTENDED THAT BY WAY OF CREATING SPACE ARMS IT IS SUPPOSEDLY POSSIBLE TO ARRIVE AT THE LIQUIDATION OF NUCLEAR ARMS. A FRAUDULENT METHOD. JUST AS THE APPEARANCE OF NUCLEAR ARMS DID NOT ELIMINATE CONVENTIONAL TYPES OF ARMS AND ONLY GENERATED AN ACCELERATED RACE IN THE MANUFACTURE OF BOTH NUCLEAR AND CONVENTIONAL ARMS, THE CREATION OF SPACE ARMS WILL HAVE ONLY ONE RESULT - THE ARMS RACE WILL BECOME EVEN MORE INTENSIVE AND ENCOMPASS NEW SPHERES. IT SINGLED OUT THE MOMENTS WHICH IN THE FIRST TURN COMPLICATE SOVIET-AMERICAN RELATIONS, SOMETIMES BRINGING THEM TO THE BRINK OF ACUTE TENSION. BUT IT APPEARS THAT THERE ARE SOME IN THE UNITED STATES WHO REGARD SUCH A STATE OF AFFAIRS AS A NORMAL ONE AND VIEW CONFRONTATION AS ALMOST A NATURAL STATE. WE DO NOT THINK SO. CONFRONTATION IS NOT AN INBORN DEFECT OF OUR RELATIONS. IT IS RATHER AN ANOMALY. THERE IS NO INEVITABILITY AT ALL OF ITS CONTINUATION. WE REGARD THE IMPROVEMENT OF SOVIET-AMERICAN RELATIONS NOT ONLY AS AN EXTREMELY NECESSARY BUT ALSO AS A POSSIBLE MATTER. BUT, OF COURSE, ONE CANNOT DO WITHOUT RECIPROCALITY HERE.

QUESTION. THERE IS MUCH INTEREST IN THE QUESTION OF THE POSSIBILITY OF YOUR MEETING WITH THE PRESIDENT OF THE UNITED STATES. WHAT ARE THE PROSPECTS HERE?

ANSWER. THE QUESTION OF SUCH A MEETING WAS DEALT WITH IN MY CORRESPONDENCE WITH PRESIDENT REAGAN. I CAN SAY THAT A POSITIVE ATTITUDE TO SUCH A MEETING BEING HELD WAS EXPRESSED FROM BOTH SIDES. ITS TIME AND PLACE WILL BE THE SUBJECT OF SUBSEQUENT ARRANGEMENT. IN THE BROADER PLANE THE CORRESPONDENCE DEALT WITH THE FINDING OF JOINT WAYS OF IMPROVING RELATIONS BETWEEN THE USSR AND THE USA AND IMPARTING A MORE STABLE AND CONSTRUCTIVE NATURE TO THEM. I AM CONVINCED THAT A SERIOUS IMPULSE SHOULD BE GIVEN TO THE SOVIET-AMERICAN RELATIONS AT A HIGH POLITICAL LEVEL. WE OFFER THE GOVERNMENT OF THE UNITED STATES TO CONDUCT THE MATTER IN SUCH A WAY THAT IT WOULD BE SEEN TO ALL OUR PEOPLES, TO OTHER COUNTRIES THAT THE POLITICAL COURSES OF THE USSR AND THE UNITED STATES ARE ORIENTED NOT AT HOSTILITY AND CONFRONTATION BUT AT THE SEARCH OF MUTUAL UNDERSTANDING AND PEACEFUL DEVELOPMENT.

QUESTION. FROM WHAT YOU HAVE SAID, MIKHAIL SERGEYEVICH, IT FOLLOWS THAT IT IS NECESSARY TO WORK ON A BROAD FRONT. BUT STILL, WHAT DO YOU REGARD AS THE MAIN LEVER FOR ACHIEVING A BREAKTHROUGH?

ANSWER. INTENSIVE MUTUAL EFFORTS, AND INDEED EFFORTS ON A BROAD FRONT. MUTUAL UNDERSTANDING ON THE NEED TO FACILITATE THE SETTLEMENT OF CONFLICT SITUATIONS IN THE WORLD WOULD HAVE A BENEFICIAL INFLUENCE ON OUR AND INTERNATIONAL RELATIONS. MUCH, AND TO MUTUAL BENEFIT, CAN BE DONE IN THE DEVELOPMENT OF BILATERAL TIES BETWEEN THE USSR AND THE UNITED STATES. BUT STILL, WHAT YOU CALLED THE MAIN LEVER LIES IN THE SPHERE OF SECURITY. WHAT COULD BE A CONCRETE BEGINNING HERE? IF ONE HAS TAKEN ONE'S SEAT AT THE TABLE TO NEGOTIATE ARMS REDUCTIONS THEN ONE SHOULD AT LEAST REFRAIN FROM INCREASING THEM FURTHER. THAT IS WHY WE PROPOSE THAT THE USSR AND THE USA INTRODUCE FOR THE ENTIRE DURATION OF THE TALKS A MORATORIUM ON THE DEVELOPMENT, INCLUDING RESEARCH, TESTING AND DEVELOPING OF STRIKE SPACE ARMS AND FREEZE THEIR STRATEGIC OFFENSIVE ARMS. AT THE SAME TIME THE DEVELOPMENT OF AMERICAN INTERMEDIATE RANGE MISSILES IN EUROPE SHOULD BE TERMINATED AND, CORRESPONDINGLY, THE BUILDUP OF OUR REPLY MEASURES. THE AMERICAN LEADERS ARE DECLARING THAT THEY ARE FOR RADICAL REDUCTIONS OF ARMAMENTS. IF THAT IS SO, IT WOULD BE LOGICAL FIRST TO PUT A BRAKE ON THE ARMS RACE AND THEN IMMEDIATELY TO GO OVER TO ARMS REDUCTIONS. WE ARE FOR AN HONEST DIALOGUE. WE ARE PREPARED TO DEMONSTRATE OUR GOODWILL AGAIN. AND STARTING WITH THIS DAY, AND I WANT TO EMPHASISE THIS, THE SOVIET UNION IS INTRODUCING A MORATORIUM ON THE DEPLOYMENT OF ITS INTERMEDIATE RANGE MISSILES AND SUSPENDING THE IMPLEMENTATION OF OTHER REPLY MEASURES IN EUROPE. THE DURATION OF THE MORATORIUM IS TILL NOVEMBER OF THIS YEAR. THE DECISION WE WILL MAKE AFTER THAT DEPENDS ON WHETHER THE UNITED STATES FOLLOWS OUR EXAMPLE: WILL IT STOP OR NOT THE DEPLOYMENT OF ITS INTERMEDIATE RANGE MISSILES IN EUROPE. SUMMING UP, I WILL SAY THE FOLLOWING. THERE EXIST POSSIBILITIES OF IMPROVING THE GENERAL INTERNATIONAL SITUATION. THESE POSSIBILITIES SHOULD NOT BE MISSED. THEY SHOULD BE DIRECTED INTO THE PLANE OF CONCRETE POLICIES AND PRACTICAL DECISIONS.

TASS TEXT ENDS

FCO PLEASE PASS SAVING ADDRESSEES.

BEATTIE

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LIMITED
NEWS D
DEF D
SOV D
MR WESTON
MR JENKINS



CALL ON THE PRIME MINISTER BY MRS GERALDINE FERRARO :
29 APRIL

STRATEGIC DEFENCE INITIATIVE (SDI)

POINTS TO MAKE

1. UK supports and hopes to share in US research. Camp David four points sound basis for future policy :

- (i) aim to achieve balance not superiority
- (ii) deployments of defences, in view of treaty obligations, a matter for negotiation;
- (iii) overall aim to enhance not undercut deterrence;
- (iv) negotiations to achieve security at lower levels of forces on both sides.

2. Research necessary to balance Soviet efforts. Russians have world's only ASAT and active ABM system; also large space capability and extensive BMD research programmes.

3. Ban/Freeze on BMD research in any case unverifiable. Reject simplistic approach that calls for space 'demilitarisation' or 'moratorium' on space weapons. Ignores beneficial military uses of space (eg monitoring of arms control agreements).

/BACKGROUND



BACKGROUND

4. Mrs Ferraro is likely to take a strongly anti-SDI line. The 1984 Democratic Party platform accused President Reagan of attempting to create a 'vulnerable and provocative shield' that would alienate the Allies, kill the ABM Treaty and provoke a new arms race. It dismissed the idea of general protection of population as technically not feasible. The platform also called for a freeze on nuclear weapon levels, but stopped short of precluding implementation of the 1979 'twin-track' decision on INF.

FOREIGN AND COMMONWEALTH OFFICE
24 APRIL 1985



CALL ON THE PRIME MINISTER BY MRS GERALDINE FERRARO: 29 APRIL

POINTS TO MAKE

SOUTH AFRICA

1. System inherently unstable. Danger for West. Violent collapse would serve only Soviet interests.

2. Present period politically difficult. Rising black expectations and frustrations; economic recession; Government fearful of right-wing backlash and determined to preserve law and order.

3. Some encouraging signs (suspension of forced removals; decision to repeal Mixed Marriages Act and Section 16 of the Immorality Act; apparent acceptance of large permanent urban black population). But Uitenhage shootings and continuing unrest emphasise urgency of need to address fundamental problem of black political rights.

4. Internal (economic, social) rather than external (sanctions) forces most effective levers for change. West must remain engaged economically and politically, encouraging progress while condemning repression.

5. Likely outcome of disinvestment campaign in the US? Adoption of measures by US could encourage radicals at UN interested in wider measures.



CALL ON THE PRIME MINISTER BY MRS GERALDINE FERRARO: 29 APRIL

BACKGROUND

SOUTH AFRICA

1. Moves towards limited reform following President Botha's speech on 25 January (when he called for a wider dialogue with blacks) have been overshadowed by continuing serious violence in black townships and particularly by the shooting dead of 19 blacks at Uitenhage on 21 March. This led to strong international reaction. South African Government's tough law and order stand and moves against opposition movements (16 United Democratic Front leaders face treason charges on 20 May) may further polarise opinion and undermine already limited prospects for any real dialogue with blacks.

2. Positive moves following President Botha's speech included suspension of forced removals from "black spots" pending a review of the resettlement policy on a case-by-case basis; the extension of leasehold rights to blacks in townships near Capetown and promise of freehold rights to some urban blacks in other areas; eventual development of squatters camp at Crossroads (Capetown) as permanent residential site; decision to repeal Mixed Marriages Act and Section 16 of the Immorality Act in current Parliamentary session; possible changes later this year to influx control legislation.

3. Increasing violence may have put further impetus behind moves to introduce legislation in US for limited sanctions. A number of Bills. The Gray/Kennedy Bill introduced in the Senate and the House of Representatives calls for bans on new investment and bank loans to South Africa and on the sale of computer technology and krugerrands. In some proposals (eg the Mathias Bill adopted by the Senate Foreign Relations Committee) measures would be delayed pending clear evidence that the South African Government was embarking on a programme of fundamental reform.

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FROM WASHINGTON 200120Z APR 85.

TO IMMEDIATE F C O

TELEGRAM NUMBER 1335 OF 19 APRIL.

CHANCELLOR OF THE EXCHEQUER'S BILATERAL MEETING WITH SECRETARY BAKER.

SUMMARY

1. UNITARY TAXATION AND INTERNATIONAL MONETARY REFORM WERE THE MAIN ISSUES DISCUSSED. SECRETARY BAKER SAID HE WAS AWARE OF EX-SECRETARY'S REGAN'S COMMITMENT TO PROGRESS ON THE UNITARY TAXATION ISSUE BY JULY 31, AND WOULD TRY TO WORK WITH THE AUTHORITIES IN CALIFORNIA TOWARDS AN EARLY SOLUTION. BAKER EXPLAINED THE THINKING BEHIND HIS PROPOSAL FOR A POSSIBLE MEETING ON THE INTERNATIONAL MONETARY SYSTEM.

DETAIL

2. THE CHANCELLOR MET TODAY WITH TREASURY SECRETARY BAKER. THE US SIDE INCLUDED BAKER, DARMAN, SPRINKEL, MULFORD, DALLARA, MCLURE AND MS WALSH, AND THE CHANCELLOR WAS ACCOMPANIED BY LITTLER, WICKS, WALSH, WYNN OWEN AND MYSELF. THE DISCUSSION CENTRED ON TWO MAIN ISSUES: UNITARY TAXATION AND THE HANDLING OF A MEETING ON INTERNATIONAL MONETARY REFORM ISSUES.

3. ON UNITARY TAXATION, BAKER SAID THAT HE WAS AWARE OF THE COMMITMENT MADE BY SECRETARY REGAN THAT FEDERAL ACTION WOULD BE TAKEN AGAINST UNITARY TAXATION UNLESS APPRECIABLE PROGRESS WAS MADE AT STATE LEVEL BY 31 JULY. MCLURE POINTED OUT THAT PROGRESS HAD BEEN MADE IN SEVERAL US STATES, BUT NOT AS YET IN CALIFORNIA. DARMAN CLAIMED THAT THE MAIN PROBLEM THERE WAS THE DISPUTE BETWEEN DOMESTIC AND FOREIGN MULTINATIONALS, BUT WALSH POINTED OUT THAT CALIFORNIA STATE LEGISLATORS, AND MOST RECENTLY THE GOVERNOR AS WELL, WERE MAKING PROGRESS ON UNITARY TAX CONTINGENT ON REMOVING JAPANESE RESTRICTIONS ON IMPORTS OF CALIFORNIAN PRODUCTS. THE CHANCELLOR MADE IT CLEAR THAT CALIFORNIA WAS THE KEY, THAT LEGISLATION WAS REQUIRED THIS YEAR, AND THAT HE WOULD BE HARD PUT TO RESIST PARLIAMENTARY PRESSURE IF THE TRICK WAS NOT TURNED THIS YEAR IN CALIFORNIA.

4. THE UPSHOT WAS THAT SECRETARY BAKER, WHILE FALLING SHORT OF UNDERTAKING PUBLICALLY TO RENEW THE REGAN COMMITMENT, SAID THAT THE ADMINISTRATION WOULD WORK WITH THE CALIFORNIAN AUTHORITIES TOWARDS THE EARLY RESOLUTION OF THE PROBLEM, AND WOULD MEET WITH THEM FOR THIS PURPOSE.

MEETING ON INTERNATIONAL MONETARY REFORM.

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5. BAKER DARMAN EXPLAINED THAT THE US INITIATIVE FOR A POSSIBLE MEETING HAD BEEN DESIGNED TO FORESTALL ANY FRENCH PROPOSAL FOR A SPECIAL MEETING UNDER FRENCH CHAIRMANSHIP TO CONSIDER THE G10 MINISTERS REPORT. IT WOULD ALSO BE HELPFUL DOMESTICALLY IN MEETING PRESSURES FOR PROTECTIONISM AND FIXED EXCHANGE RATES IF THE ADMINISTRATION COULD DEMONSTRATE, THROUGH A MEETING UNDER US CHAIRMANSHIP, THAT ALL OPTIONS HAD BEEN CONSIDERED AND THAT THE EXISTING SYSTEM OF FLOATING EXCHANGE RATES WAS THE ONLY ONE WITH INTERNATIONAL APPROVAL. THE CHANCELLOR AND BAKER AGREED THAT WIDER DISCUSSION OF G10 REPORT NEEDED TO BE KEPT WITHIN THE INTERIM COMMITTEE. (THIS APPROACH WAS ENDORSED BY THE INTERIM COMMITTEE WHICH AGREED THAT THE COMMITTEE WOULD REVIEW AT ITS NEXT MEETING IN SEOUL, IMPROVEMENTS OF THE INTERNATIONAL MONETARY SYSTEM CURRENTLY UNDER STUDY.

WORLD BANK

6. BOTH SIDES AGREED THAT A GENERAL CAPITAL INCREASE FOR THE WORLD BANK WAS NOT AS YET JUSTIFIED, AND THAT ANY DIFFERENCES BETWEEN THE US AND UK APPROACH WERE MERELY MATTERS OF PRESENTATION.

7. FCO PLEASE ADVANCE TO HM TREASURY, BANK OF ENGLAND, ODA, CABINET OFFICE, AND INLAND REVENUE.

WRIGHT

(ADVANCED AS REQUESTED)

FINANCIAL
ERD
ECD(E)
NAD
MR BRAITHWAITE
MR MAUD

COPIES TO:-
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PS/FINANCIAL SECRETARY } H M TREASURY
MR R I G ALLEN }
MR HEALEY OT2 DTI



NBM

QUEEN ANNE'S GATE LONDON SW1H 9AT

9 April 1985

2 Attorney General,

I am writing to express the gratitude of the British Government at the outcome of the recent discussions which took place in Washington on the proposed supplementary extradition treaty. We greatly appreciate the initiative which the United States government has taken in putting forward proposals for strengthening our bilateral extradition arrangements. We are especially grateful for the way in which the delegations were able to agree upon the main elements of a draft supplementary treaty which would enable the political dimension to be completely removed from extradition proceedings for a wide range of serious criminal offences.

I hope that the draft supplementary treaty can soon be initialled on the basis agreed in the recent discussions: that is with the omission of the original draft Article 2 (broader political safeguard) and 3 (prosecution if extradition refused). We entirely accept the case made by the US delegation for their omission, namely that such restrictions were inappropriate to a treaty which related to the very similar criminal justice system in our two countries and that Article 2 in particular held out the risk of protracted and unmeritorious litigation. I know that some of the proposals made by your delegation (for example, the wish to provide for extradition in the case of all offences which carry a maximum sentence of at least 12 months' imprisonment) could not be accepted because of the limitations imposed by the UK's extradition law. But some at least of these points could be met if our law is reformed in the next few years.

However, as you will know, there was one matter which could not be resolved in the course of the discussions and which, it was accepted, must be referred to Ministers on each side for decision in the light of the relevant political considerations. This concerned the proposal made by the United States delegation that Article IV of the present Treaty, which relates to the death penalty, should be deleted. The United States delegation explained the importance which was attached to this matter. They made clear (and I accept) that it would be most serious if on any occasion the Article led to a failure of justice as a result of a refusal to surrender. They made clear also that the Article could place your Government in an invidious position by reason of the constitutional independence of the courts and the States, which might preclude the Federal Government from giving the sort of assurance that we would be at liberty to seek under the Article. Nor could it be certain that in some future case a State governor might not be willing to give an assurance on whether the death penalty would actually be imposed, thus placing both our Governments in a difficult position.

These are weighty arguments and I have, with my Ministerial colleagues, considered them most carefully. Our view nonetheless is that it would be very difficult for us to agree to the deletion of the Article. Since the death penalty was abolished in the United Kingdom twenty years ago, it has been the practice to negotiate

The Hon Edwin Meese III

in all our new extradition treaties a provision along the lines of Article IV. On the advice of a recent committee of experts, our recent consultative document on the reform of our extradition law stated our intention to embody a provision of this kind in any new legislation on extradition. Of more immediate concern, I and my colleagues consider that, given the sensitivities surrounding the question of capital punishment in the UK, the removal of Article IV would in political terms be highly contentious. I believe that, when we introduce the subordinate legislation needed to ratify the supplementary treaty, we could well face considerable Parliamentary criticism if we were to propose the removal of Article IV. The controversy aroused might well overshadow the real achievements embodied in the rest of the supplementary treaty, and put at risk the passage of the necessary legislation. Critics could point to the possibility of a British subject facing extradition to the United States for a capital crime without the United Kingdom government having any formal right to seek assurances or make representations. It might be argued that, in the absence of any scope for seeking such assurances or for conveying representations, a future Secretary of State might consider himself obliged to refuse to extradite offenders who faced the death penalty.

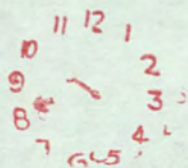
There is also the need to take account of our international obligation. The United Kingdom is a party to the European Convention on Human Rights. In the recent case involving the extradition of Kirkwood to the United States, it is my impression that our ability to make representations that the death penalty should not be imposed went a long way towards helping to satisfy the European Commission on Human Rights that the complaint of the fugitive was inadmissible.

I therefore very much hope that you will be able to take account of the very real difficulties which the removal of Article IV would cause us. I believe too that in practice the present wording of Article IV provides a broad enough discretion for the matter not to cause any major difficulty in particular cases (as the Kirkwood case again demonstrated).

I and my colleagues all recognise the considerable lengths to which your negotiators have already gone to meet our aims in these negotiations. But I felt it right to let you know of the very limited room I have for manoeuvre on this point, especially in view of the need to secure the specific approval of our Parliament for the supplementary treaty. I hope therefore that it may be possible now to proceed to the initialling of the supplementary treaty on the basis of the agreed text (subject to the resolution of any technical or drafting changes) and with the omission of draft Articles 2, 3 and 4. I believe this would be a really major achievement, of which both our governments can be justifiably proud.

L. S. S. Secretary
L. S. S. Secretary

- 9 APR 1985



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ORR (2)

Prime Minister
CDI
3/4.

MS.

Prime Minister

VISIT TO THE UNITED STATES
24 MARCH - 2 APRIL

In Washington and the four other cities which I visited it was possible to talk on Northern Ireland to a substantial number of Senators, Congressmen, Editorial staffs and TV and radio commentators. On the whole, and with one proviso, the impression I got was reassuring. The level of general public interest in Irish matters is low. Most Irish-American leaders, of whom Speaker O'Neill is the most prestigious, understand that we are making a constructive effort in Northern Ireland and are for the moment content to await the outcome. In Los Angeles I sampled the rooted hostility of Noraid supporters and their efforts to make capital out of human rights issues. But the great majority of those with whom I spoke saw clearly and condemned what Noraid are up to. In Washington at the start of the visit Congressmen advised me to stress Libya's public support for PIRA and I found this good advice. There is a telling quotation from a recent article in the Jana Report (the organ of the Official Libyan News Agency) on 19 February which spoke of the duty of the Libyan people to adopt the IRA, and to ensure that they are trained and armed.

2. My proviso is that too much weight is being placed on the present Anglo-Irish discussions. Everyone, even on the West Coast, had heard of the Mail on Sunday story of an imminent breakthrough. As you know, despite their own recent experiences, Americans continue to believe that most problems can be solved quickly if only the right amount of energy and good will is available. They listened patiently to my explanations about the limits of the Anglo-Irish talks and the need for parallel progress on security, internal reconciliation and jobs. But there is a widespread belief that an agreement is in reach by which you and Dr FitzGerald could solve the Irish problem, and that the

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island could then be blessed with substantial American aid. This is of course dangerous. Any Anglo-Irish agreement will be more modest in scope than Americans generally suppose; yet if we do not reach agreement the disappointment will rise to a damaging level. It would be vital that our own efforts should be fully understood and explained at that time. I think it is important therefore that HM Ambassador should be kept fully informed of the state of play.

3. My talks with the FBI, the National Security Council and the State Department show that the Administration itself is solidly co-operative on security. If we can complete the new extradition agreement it should be a real help.

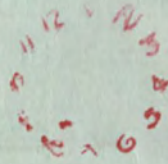
4. I am sending copies of this minute to all members of OD(I) and to Sir Robert Armstrong.

DH.

DH

3 April 1985

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NBM
CDP
2/4.

SECRETARY OF STATE FOR THE HOME DEPARTMENT

UK/US EXTRADITION TREATY

1. Thank you for sending to me a copy of your minute to the Foreign Secretary concerning the US proposal to delete Article IV.
2. I agree with you that in practice the main advantage of our being able to seek assurances is presentational only. In the Kirkwood case we did not refuse to extradite the offender, even though we did not receive an assurance that the death penalty would not be carried out. I also agree that our ability to obtain certain assurances from the US authorities helped us to satisfy the European Commission on Human Rights that Kirkwood's complaint was inadmissible. Lest there be any misunderstanding, however, I do not think that one should infer from the Commission's decision on admissibility that, had we not sought assurances or had Article IV not existed, the UK would necessarily have been in breach of the Convention. The retention of Article IV should not therefore be seen as essential to satisfy our obligations under the Convention; the seeking of assurances is just one factor which the Commission will take into consideration.
3. I agree with the approach you propose to adopt with the Americans.
4. I am sending a copy of this minute to the Prime Minister, the Lord President, the Foreign Secretary, Secretary of State for Northern Ireland and to Sir Robert Armstrong.

M.H.
—

2 April 1985

CONFIDENTIAL

USA : Relations P+3

cc k

FCS/85/81NB RM
CDD
2/4SECRETARY OF STATE FOR THE HOME DEPARTMENTUK/US Extradition

1. You minuted to me on 29 March about the proposed revision of our extradition arrangements with the United States.
2. I was delighted to learn how successful the official talks held in Washington on 19-20 March had been. The US Administration are clearly trying to be as helpful as possible to our efforts to ensure the extradition of fugitive Irish terrorists from the United States.
3. I agree that the US pressure to persuade us to agree to the deletion of the death penalty safeguards clause (Article IV) in the main Treaty puts us in a difficulty. However, I am advised that there is a good chance that this will not be a sticking point with the Americans. I can understand the arguments which they have put forward for its deletion, but its existence has so far not given rise to the sort of political difficulty for the Americans which the political exception loophole has given us.
4. There is no way of discovering to what extent the Americans want to press their demand without being frank with them about the difficulties it would cause us. I therefore welcome your intention of sending a personal message of explanation to Ed Meese. My advice, after consulting our people in Washington, is that the Embassy should convey this when giving our overall reply. To send it later might give the impression of trying to make up lost ground. If this means a slight delay I do not think that matters, so long as we take action before Easter.

/ 5. ...



5. If the American response were to be such that the deletion of the death penalty clause remained a sticking point, we should, of course, want to consider very carefully whether the political disadvantages to us of conceding on this point (both in domestic terms and in relation to other countries with whom we have extradition arrangements) outweighed the undoubted prize represented by the US concessions in the rest of the Supplementary Treaty. I wonder therefore whether it might be sound tactics to suggest in your personal message that in the interests of rapid action we would like to initial the Supplementary Treaty now but without the provision deleting Article IV of the main Extradition Treaty, since the provision for deletion gives us the sort of political and parliamentary difficulties set out in your letter to me. I think it would be wise for you then to add that we would like to think further about this provision, and that, although the point causes us real difficulty, you would not entirely rule out action in the future. This would leave open the possibility of some later accommodation leading in turn to a further separate amendment to the Treaty. HM Embassy in Washington believe that such an approach might well get us off the hook.

6. I am sending copies of this letter to the Prime Minister, the Lord President, Secretary of State for Northern Ireland, the Attorney General and to Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

2 April 1985

MA: Relations A3.

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10 DOWNING STREET

From the Private Secretary

1 April 1985

REQUEST FOR A CALL ON THE PRIME MINISTER
BY MRS GERALDINE FERRARO

Thank you for your letter of 29 March.

The Prime Minister could see Mrs Ferraro
from 1800-1830 on 29 April.

(Charles Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

1 April 1985

VISIT OF THE UNITED STATES SENATORS

BT

We spoke on the telephone about the visit of a Senate Delegation to London over Easter and Lord Bethell's decision to give a reception for them. I now enclose a copy of a letter which I have received from Lord Bethell. I should be grateful if you could let me know as early as possible this week whether a Foreign Office Minister will be able to attend. It would also be helpful to know from the Northern Ireland Office whether a Northern Ireland Office Minister could go.

I am copying this letter to Neil Ward (Northern Ireland Office).

(CHARLES POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

CST.

TO SENATCH DOLE FROM AMBASSADOR PRICE

F. O. 12356: N/A
SIGS: OREP, ASEC
SUBJECT: CODEL DOLE

REF: STATE 090051

1. BEGIN TEXT:

DEAR BOB:
UNDER ALMOST ANY CIRCUMSTANCES IMAGINABLE A VISIT BY YOUR REPUBLICAN LEADERSHIP DELEGATION TO LONDON WOULD BE A UNIQUE OPPORTUNITY FOR ALL CONCERNED. REGRETTABLY, THE EASTER WEEKEND IS A POOR TIME. BOTH FRIDAY, APRIL 5, AND MONDAY, APRIL 8, ARE LEGAL HOLIDAYS HERE, SETTING UP A FOUR-DAY WEEKEND AROUND WHICH MANY PEOPLE, BOTH IN THE BRITISH GOVERNMENT AND AMONG MY OWN STAFF, HAVE MADE PLANS WELL IN ADVANCE. LONDON WILL SEEM LIKE A STAGE-SET GHOST TOWN -- STORES CLOSED, SERVICES DOWN AND TUMBLEWEED ON THE MAIN STREETS. WORSE, NO ONE IN THE TOP RANKS OF HMG WILL BE AVAILABLE FOR MEETINGS, AND THE EMBASSY WILL BE OPERATING AT LESS THAN FULL STRENGTH.

MY BIGGEST DISAPPOINTMENT IS THAT A VISIT BY YOUR DELEGATION COULD BE AN ENORMOUS SUCCESS HERE. BUT WE WOULD WANT TO DO IT RIGHT, INCLUDING INVOLVING KEY MEMBERS OF HMG AS WELL AS THE PRESS AND INCLUDING AN APPROPRIATE FUNCTION AT WINFIELD HOUSE. YOUR PRESENCE WOULD HELP US ATTRACT A VERY USEFUL GROUP FOR SUCH AN OCCASION. FINALLY, CAROL AND I, TOO, WILL BE AWAY AND WOULD REGRET MISSING ELIZABETH, YOU AND THE REST OF YOUR DELEGATION. I REALLY DO NOT WANT TO MISS SUCH AN OPPORTUNITY AND WONDER WHETHER IT WOULD BE POSSIBLE FOR YOU TO IDENTIFY A BETTER TIME IN YOUR SCHEDULE WHEN WE CAN ALL GET MUCH MORE PROFIT OUT OF THIS.

WITH WARMEST REGARDS, CHARLIE.

2. END TEXT. PRICE

BT

#7077

NNNN

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PS Prime Minister
R



NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

Parliamentary Under Secretary of State

Rt Hon Leon Britton QC MP
Secretary of State for
the Home Department
Queen Anne's Gate
LONDON SW1

DL 4/4

| April 1985

Dear Mr Britton

UK/US EXTRADITION

In Douglas Hurd's absence in the United States, I am responding to your minute of 29 March to the Foreign Secretary.

The outcome of the Washington talks about extradition was reported to Douglas Hurd before his departure and I know that he is entirely satisfied with the intended changes. As you point out, the supplementary treaty, if approved by the Senate and Parliament in due course, will deprive Irish fugitives who face serious charges of the 'political' defence behind which they have hidden for so long in the United States.

The US Administration's wish to excise Article IV of the existing Treaty has no distinct Northern Ireland implications but we hope that the difficulties in the way of this revision will not cause either the Administration or the Senate to take the view that the new package will lack balance. It could be argued that in effect we are asking the United States to return murderers, alleged murderers and others accused of serious offences to the United Kingdom with no defence (except for a challenge of the prima facie case), but that we are reserving the right not to return those accused or convicted of murder in the United States where we fear that the death penalty could be carried out. When one links that with the constitutional difficulty which the Federal Government faces in seeking assurances from a State Governor, one can understand why the Americans would like the provision deleted.

However I can well see the formidable political difficulties we would face in asking Parliament to approve the Article's deletion, particularly in relation to British nationals who could face the death penalty if a prima facie case was made in proceedings here for their return to the United States. I am therefore in agreement

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/with

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with the course you propose. We must hope that the Administration will agree to initial the supplementary treaty without the proposed change and that their Attorney General will accept the arguments you propose to put to him shortly in your personal letter.

I am sending a copy of this letter to the Prime Minister, the Lord President, the Foreign Secretary, the Attorney General and to Sir Robert Armstrong.

Liz Kennedy

for NICHOLAS SCOTT

*Approved by the Minister +
signed in his absence.*

E.R.

Hidden copies:

Prime Minister
Lord President
Foreign Secretary
Attorney General
Sir R Armstrong
PS/S of S (L&B)
PS/Mr Scott (L&B)
PS/PUS (L&B)
Mr Brennan
Mr A Stephens
Mr Buxton
Mr Lyon
Mr Coulson
Mr Bickham



01 APR 1985

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1 2 3 4 5 6 7 8 9

1985



Handwritten notes: "Prime Minister You should be aware of this." and "CDP 3072".

FOREIGN SECRETARY

UK/US EXTRADITION

Following last week's negotiations with United States officials on a draft supplementary extradition treaty, I thought it would be helpful if I let you and other colleagues know the line I suggest we take in relation to the points discussed in Washington.

As you know, the underlying object of the negotiations was to change the existing extradition arrangements so that the US courts could no longer decide that Irish terrorists cannot be extradited on the ground that their offences are political. As your officials will no doubt have told you, the discussions on this point were most successful. The Americans have accepted an extensive list of crimes for which the political offence exception would no longer apply; these include all serious crimes of violence, including terrorist, firearms and explosives offences. The Americans have in fact gone much further than we had anticipated, by not requiring the inclusion of the broader political exception which is contained in section 2 of our Suppression of Terrorism Act 1978. This is a major concession and means that in respect of crimes of violence, consideration of the political dimension would be entirely excluded from extradition proceedings. It is also envisaged that the Supplementary Treaty would apply to fugitive criminals already in the United States. The opportunity is also being taken to make some minor technical improvements to the existing Treaty.

There is, however, one outstanding point of difficulty. The United States wishes to have Article IV of the existing Treaty removed. This Article provides that if the offence for which extradition is requested is punishable by death, extradition may be refused unless the requesting Party gives satisfactory assurances that the death penalty will not be carried out.

It was evident from the discussions in Washington that the United States authorities attach considerable importance to the removal of the Article. The independence of the courts and state governors makes it constitutionally difficult for them to implement any commitment made under

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the Article, since the federal government cannot require a state governor to give an assurance that he would commute any particular capital sentence which the courts might impose. The US authorities are concerned that we might refuse a request for extradition, so allowing the worst criminals to escape prosecution.

While recognising the validity of the US arguments, I believe that it would be very difficult for us to agree to the removal of the Article. Since the death penalty was abolished in this country it has been our practice to negotiate in all new extradition treaties a provision along the lines of Article IV. The recent Green Paper indicates our intention to embody a provision of this kind in any new legislation on extradition. The removal of Article IV would be highly contentious. Critics could point to the possibility of a British subject facing extradition to the United States for a capital crime without our having any right to seek assurances or make representations. There is a risk that the death penalty issue could overshadow the very significant benefits which the Supplementary Treaty could give us.

I am also doubtful whether the deletion of the Article would have the practical advantages which the Americans foresee. In view of the controversy that this change might arouse in the United Kingdom, Secretaries of State might in future refuse to extradite offenders who were liable to the death penalty if there was no commitment at least to convey the representations of the United Kingdom Government to the authorities responsible for imposing the death penalty. I accept that in practice the main advantage of our being able to seek assurances is presentational, since it is always open to the requesting authority either to refuse to give assurances or else to disregard representations made on our behalf. But our experience in the only capital case involving extradition to the United States (that of Kirkwood last year) is a reminder that our ability to obtain assurances from the US authorities helped us to satisfy the European Commission on Human Rights that the complaint of the offender was inadmissible.

I recognise that the US negotiations have given a good deal of ground in agreeing to the main components of the draft Supplementary Treaty. But I am very concerned that the sensitivities surrounding the question of the death penalty could put at risk the passage of the necessary ratifying Orders in Parliament. We would also be hard pressed to convince our

critics that the removal of the Article did not worsen the position of the person whose extradition is sought.

I am not entirely certain whether the US negotiations have taken on board the political difficulties which the removal of Article IV would cause us, and the difficulty we would have in explaining the practical consequences of its removal. I believe that it might be helpful if I were to write to the US Attorney General expressing our gratitude for the very substantial concessions which his officials have made and pointing out the difficulties which the removal of Article IV would cause us. I would not at this stage reject out of hand the removal of Article IV, but would emphasise the Parliamentary and public sensitivity surrounding capital punishment.

I understand that the US side are very anxious to proceed swiftly and that it has been agreed that we should aim to initial a Supplementary Treaty in Washington on or shortly after 2 April. Subject to your agreement and that of our colleagues, I should be content for the Supplementary Treaty to be initialled at the earliest opportunity on the basis agreed in the negotiations, with the exception of the draft article which would remove Article IV of the present Treaty. I would hope that our Embassy in Washington might be able to convey this message to the Americans and indicate that I shall be writing personally to their Attorney General within the next few days explaining our difficulties on Article IV. In the light of the American response we can then consider further how best to pursue this particular point.

I am sending copies of this letter to the Prime Minister, the Lord President, the Secretary of State for Northern Ireland, the Attorney General, and to Sir Robert Armstrong. In view of the proposed timescale it would be most helpful to have colleagues' reactions in the course of Monday.

L. B

29 MARCH 1985

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Foreign and Commonwealth Office

London SW1A 2AH

*It would be desirable
not to see her.*

*Prime Minister
Would you
like to see
Mrs. Ferraro?
Yes no CDP
30/3*

29 March 1985

Dear Charles,

*A statement
would be possible
over these days.
MKA.*

Request for a call on the Prime Minister by Mrs Geraldine Ferraro:
29 or 30 April

I enclose Washington telno 1069 concerning a visit to the UK by former Congresswoman and Vice-Presidential candidate Mrs Geraldine Ferraro.

The Embassy have been asked to explore whether it would be possible for Mr Ferraro to call on the Prime Minister on 29 or 30 April. The Ambassador's view is that this is entirely a matter for the Prime Minister's personal inclination. We agree.

Lady Young would be happy to see Mrs Ferraro if the Prime Minister does not wish to or is unable to do so.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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GPS 325
RESTRICTED
FROM WASHINGTON 262305Z MAR 85.
TO ROUTINE F C O
TELEGRAM NUMBER 1069 OF 26 MARCH
INFO SAVING C.G. NEW YORK.

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TOP COPY

PROPOSED VISIT TO BRITAIN BY GERALDINE FERRARO.

1. FORMER CONGRESSWOMAN GERALDINE FERRARO WILL VISIT BRITAIN AT THE END OF APRIL AND IS LIKELY TO MAKE A SPEECH EITHER AT CHATHAM HOUSE OR AT THE OXFORD UNION ON 1 MAY. WE HAVE BEEN ASKED TO EXPLORE WHETHER IT WOULD BE POSSIBLE FOR HER TO CALL ON THE PRIME MINISTER ON 29 OR 30 APRIL.

2. MRS FERRARO WAS OF COURSE THE FIRST WOMAN IN AMERICAN HISTORY TO RECEIVE THE VICE-PRESIDENTIAL NOMINATION OF A MAJOR PARTY. SHE HAD TO RELINQUISH HER HOUSE OF REPRESENTATIVES SEAT IN ORDER TO FIGHT THE PRESIDENTIAL ELECTION, AND AT PRESENT DOES NOT HOLD POLITICAL OFFICE. SHE HAS SINCE NOVEMBER BEEN WRITING A BOOK, BUT HAS ATTRACTED MORE ATTENTION FOR APPEARING (FOR A CONSIDERABLE FEE) IN A PEPSI COLA ADVERTISEMENT. HER POLITICAL FUTURE IS NOT CLEAR. HER FIRST OPPORTUNITY TO RE-ENTER PUBLIC LIFE WILL BE THE 1986 ELECTION FOR THE NEW YORK SENATE SEAT AT PRESENT OCCUPIED BY SENATOR D'AMATO. BUT THE INCUMBENT'S PRESENT STRENGTH MAY DETER A CHALLENGE. THEREAFTER SHE COULD SEEK TO ENTER THE PRESIDENTIAL OR VICE-PRESIDENTIAL STAKES IN 1988: THOUGH HER CHANCES WOULD PROBABLY BE FAIRLY LOW.

3. HER HUSBAND, JOHN ZACCARO, WILL NOT BE COMING TO LONDON WITH HER. ADVERSE PUBLICITY FOR HIS BUSINESS DEALINGS, INCLUDING AT LEAST ONE TECHNICAL BREACH OF FINANCIAL REGULATIONS, HAS NOT HELPED HER POLITICALLY.

4. MY RECOMMENDATION IS THAT THIS IS ENTIRELY A MATTER FOR THE PRIME MINISTER'S PERSONAL INCLINATIONS. MRS FERRARO IS AN INTERESTING WOMAN AND THE PRIME MINISTER MIGHT FIND A TALK INTERESTING IF SHE HAD THE TIME. THE WHITE HOUSE WOULD NOT MIND ONE WAY OR ANOTHER. MRS FERRARO HERSELF, WHILE OBVIOUSLY WISHING TO TALK SERIOUSLY WITH THE PRIME MINISTER, IS ALSO CONCERNED TO RAISE HER PROFILE WHILE OUT OF OFFICE. NO GREAT HARM WILL BE DONE TO THE BRITISH INTEREST IF THE PRIME MINISTER FINDS SHE CANNOT SEE HER: EQUALLY NO GREAT BENEFIT IF SHE CAN. IT WOULD BE ADVANTAGEOUS, IF THE PRIME MINISTER CANNOT SEE MRS FERRARO, IF LADY YOUNG COULD FIND TIME TO DO SO.

WRIGHT

LIMITED

NAD
PROTOCOLS
NEWS D
PS
PS/LADY YOUNG
PS/MR RENTON
PS/PLS
SIR WY ARBING
MR DAVID THOMAS

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FROM
NICHOLAS
BETHELL

TELEPHONE
01-402-6877

73 SUSSEX SQUARE
LONDON W2 2SS

Charles Powell Esq
10 Downing Street
LONDON SW1

28 March 1985

Dear Charles,

Thank you very much for offering to help over the reception that I have rashly agreed to give next Saturday for the delegation of US Senators.

I enclose a list of those who will be coming and I would be very grateful for anything that you can do to improve representation.

It would be particularly useful, I would have thought, if a minister from the Northern Ireland Office could come.

Yours ever,

Nicholas



Senate Delegation to London on April 6th, 1985

Senator Robert Dole	Majority leader of US Senate
Senator Strom Thurmond	President pro-tem of US Senate
Senator Mark Hatfield	Chairman, Appropriations Committee
Senator Paul Laxalt	Former manager of President Reagan's election campaign
Senator John Chafee	
Senator John Hines	
Senator Thad Cochran	

The Senators are all accompanied by their wives - Mrs Elizabeth Dole is Secretary for Transportation in President Reagan's Cabinet - and by senior Senate staffers, including Mrs Joanne Coe, Secretary of the Senate and Mr Howard Greene, Secretary for the Majority.

3

cc Ireland: Meetings
With The Taoiseach
H8

Foreign and Commonwealth Office

London SW1A 2AH

28 March 1985

CDP

Dear Charles,

Contributions from the United States to Irish Causes

Thank you for your letter of 22 March about the Prime Minister's conversation with Mayor Feinstein, during which she developed the idea that she and the Taoiseach should encourage the creation of a charitable fund to benefit worthwhile causes both in the Republic and in Northern Ireland.

The Foreign Secretary thinks that this could be an excellent scheme but has pointed out that it needs to be related to the idea of setting up a fund for economic reconstruction and development in Ireland which forms part of the secret proposals under discussion between the British and Irish Governments (see para 5 of the draft British Proposal attached to the Foreign Secretary's minute to the Prime Minister of 19 March). This was discussed in some detail by officials in the margins of the Ministerial meeting in Dublin on 22 March. It appeared that the Irish had already taken some preliminary soundings in Washington, where they had been reassured that President Reagan was interested in the proposed fund and was generally benevolent towards it. (We have received similar indications from officials in the State Department.) It was suggested that if such a fund were set up the possibility would be for it to be administered by a charitable foundation rather than by the two Governments. There was also some discussion in Dublin of the possibility of attracting contributions from the European Community; and it was noted that the subject of the Fund would be likely to be raised at the meeting between the Prime Minister and Dr FitzGerald in the margins of the coming European Council.

If the Prime Minister wishes to raise the subject with Dr FitzGerald, she may wish to make the following points:

/(i)



- (i) the idea of a fund for reconstruction is a good one;
- (ii) it is encouraging that the Americans appear to be looking favourably on it, but we must beware of raising hopes prematurely;
- (iii) the organisation of the fund and the modalities of running it would require great care;
- (iv) one possibility might be to establish a charitable foundation, independent of governments but with representatives of all the interested parties (i.e. Republic of Ireland, HMG, US Administration and perhaps EC) included on it;
- (v) officials will need to think very carefully about the terms of reference and scope of the fund.

Whether or not the subject comes up in the margins of the European Council, the Foreign Secretary thinks that it is important that we should avoid taking any action which would have the effect of pre-empting the proposal under discussion between the two Governments, since that proposal could prove to be an important element in any agreement which we might eventually reach in relation to Northern Ireland. To launch in isolation a fund of the kind envisaged by the Prime Minister would cut across the present negotiations and, for that reason, would be misunderstood by the Irish, whose support we should want to seek.

You mentioned in your letter that Mayor Feinstein reacted enthusiastically to the Prime Minister's idea and said that she might well make some public comment. So far she does not appear to have done so, but if she does we will no doubt be asked for a reaction. Subject to your views, we would propose simply to confirm that the subject was indeed discussed between the Prime Minister and the Mayor, and to say that the idea is under careful consideration.

I am copying this letter to Jim Daniell (NIO) and to Richard Hatfield (Cabinet Office).

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

NORTHERN IRELAND

PS
 PS/LADY YOUNG
 PS/PUS
 MR GOODALL

APS/ S of S
 PS/MR R ANDREW, OAB 1/56
 MR BRENNAN
 MR BURNS
 MR J LYON

NIO

HD/RID
 Dep. HD/PUSD (2)
 HD/INFO DEPT
 HD/NEWS DEPT
 RESIDENT CLERK

SIR R ARMSTRONG
 DIO } CABINET OFFICE
 PS/ NO 10 DOWNING STREET (3)

14.11.84

IMMEDIATE

ADVANCE COPY

GRS 1250
 CONFIDENTIAL
 FM WASHINGTON 271755Z MAR 85
 TO IMMEDIATE F C O
 TELEGRAM NUMBER 1077 DATED 27 MARCH
 INFO IMMEDIATE NIO LONDON, NIO BELFAST, DUBLIN, BIS NEW YORK,
 CG NEW YORK
 INFO SAVING ATLANTA, BOSTON, CHICAGO, CLEVELAND, HOUSTON,
 LOS ANGELES, SAN FRANCISCO.

SECRETARY OF STATE FOR NORTHERN IRELAND'S VISIT TO WASHINGTON.

SUMMARY

1. MR HURD MET A BROAD RANGE OF LEADING CONGRESSMEN AND ADMINISTRATION OFFICIALS WITH AN INTEREST IN NORTHERN IRELAND. BRITISH COMMITMENT TO ANGLO-IRISH DIALOGUE AND TO SEARCH FOR PROGRESS WITHIN NORTHERN IRELAND RE-AFFIRMED; SPECULATIVE UK STORIES OVER THE WEEKEND DOWN-PLAYED. HELPFUL PLEDGE FROM THE ADMINISTRATION ON EXTRADITION. USEFUL DISCUSSION OF INVESTMENT AND EMPLOYMENT IN NORTHERN IRELAND.

DETAIL

2. MR HURD VISITED WASHINGTON ON 24-26 MARCH. HE MET THE SPEAKER AND SENIOR SENATE AND HOUSE COLLEAGUES IN THE FRIENDS OF IRELAND AND MET MEMBERS OF THE HOUSE FOREIGN AFFAIRS COMMITTEE. HE CALLED ON THE NSC, STATE DEPARTMENT AND FBI, THE AFL-CIO AND THE EDITORIAL BOARD OF THE WASHINGTON POST (CHAIRD BY THE EXECUTIVE EDITOR BEN BRADLEE). HE ALSO UNDERTOOK A NUMBER OF MEDIA ENGAGEMENTS.

3. MR HURD EXPLAINED THAT BRITISH POLICY WAS TO WORK IN PARALLEL ON FOUR FRONTS: ANGLO-IRISH, WITHIN NORTHER IRELAND ITSELF, SECURITY AND THE ECONOMY. HIS PRINCIPAL MESSAGE WAS THAT, ALTHOUGH SERIOUS WORK WAS GOING ON BETWEEN LONDON AND DUBLIN, IT WAS TOO EARLY TO SAY WHAT PRACTICAL RESULTS COULD EMERGE FROM THE DIALOGUE. HE HOPED THAT AN ANGLO-IRISH SUMMIT WHICH SAW THE PRESENT DISCUSSIONS THROUGH TO A CONCLUSION MIGHT BE HELD BEFORE THE END OF THE SUMMER, BUT THIS WOULD DEPEND ON PROGRESS MEANWHILE. MR HURD INDICATED IN CONFIDENCE TO THE STATE DEPARTMENT THAT A CONSULTATIVE ROLE WAS ENVISAGED FOR THE IRISH GOVERNMENT IN CERTAIN ASPECTS OF NORTHERN IRELANDS AFFAIRS. MR HURD ALSO REFERRED TO THE NEED TO ENGAGE THE POLITICAL LEADERS IN NORTHERN IRELAND IN RATIONAL DISCUSSION OF ACCEPTABLE ARRANGEMENTS FOR THE DEVOLUTION OF POWER WITHIN NORTHERN IRELAND. HE EXPLAINED THE TASK HE HAD ASSIGNED TO MR PATTEN, BUT DID NOT DISGUISE THE DIFFICULTY OF ACHIEVING PROGRESS IN CIRCUMSTANCES WHERE UNIONIST OPINION FELT THREATENED BY SPECULATIVE REPORTING ON THE ANGLO-IRISH PROCESS.

4. MR HURD'S INTERLOCUTORS WERE SENSITIVE TO THESE POINTS. ALL WERE NATURALLY INTERESTED IN THE PRESS STORIES OVER THE WEEKEND, BUT NONE SEEMED IMPATIENT OF THE PRESENT PACE OF NEGOTIATION WITH DUBLIN. THE SPEAKER SAID THAT HE HAD ENCOUNTERED A QUOTE TREMENDOUSLY OPTIMISTIC FEELING UNQUOTE IN DUBLIN THAT THERE WOULD BE A BREAKTHROUGH. HE HOPED THAT IRISH OPINION QUOTE WAS NOT TOO EXHILARATED UNQUOTE. HE AND OTHERS MR HURD MET IN CONGRESS AND THE ADMINISTRATION SEEMED TO GRASP VERY WELL THE COMPLEXITY OF THE DISCUSSIONS. KELLY (PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR EUROPEAN AFFAIRS, STATE DEPARTMENT) SAID THAT IF THE ANGLO-IRISH PROCESS WAS SUCCESSFUL AND LED TO A SUMMER SUMMIT, THE US ADMINISTRATION WOULD BE REQUIRED TO COMMENT IMMEDIATELY ON THE OUTCOME. IT WOULD THEREFORE BE EXTREMELY USEFUL IF THEY COULD BE BRIEFED ON THE COURSE OF NEGOTIATIONS. MR HURD UNDERTOOK TO KEEP THE ADMINISTRATION UP TO DATE ON BRITISH THINKING AND THE DISCUSSIONS WITH DUBLIN.

ON THE OUTCOME. IT WOULD THEREFORE BE EXTREMELY USEFUL IF THEY COULD BE BRIEFED ON THE COURSE OF NEGOTIATIONS. MR HURD UNDERTOOK TO KEEP THE ADMINISTRATION UP TO DATE ON BRITISH THINKING AND THE DISCUSSIONS WITH DUBLIN.

5. THE FIGHT AGAINST THE IRA AND INTERNATIONAL TERRORISM WAS DISCUSSED AT MEETINGS AT THE NSC AND FBI AND MORE GENERALLY ELSEWHERE. BOTH POINDEXTER (DEPUTY NATIONAL SECURITY ADVISER) AND DAM (DEPUTY SECRETARY OF STATE) RE-AFFIRMED THE ADMINISTRATION'S DETERMINATION TO BRING THE REVISION OF OUR BILATERAL EXTRADITION TREATY TO REMOVE THE POLITICAL OFFENCE LOOPHOLE TO A SUCCESSFUL CONCLUSION IN THE SENATE. CONGRESSMAN MICA, WHO CHAIRED THE MEETING WITH THE HOUSE FOREIGN AFFAIRS COMMITTEE, PLACED THE IRA FIRMLY IN THE CONTEXT OF THE THREAT TO THE USA AND OTHER WESTERN DEMOCRACIES POSED BY INTERNATIONAL TERRORISM. AT HIS MEETINGS AT THE NSC AND FBI IN PARTICULAR, MR HURD EXPRESSED SATISFACTION AT THE CURRENT LEVEL OF PRACTICAL COOPERATION ON SECURITY MATTERS WHILE EMPHASISING THE NEED TO DO EVERYTHING POSSIBLE TO RESTRICT EVEN FURTHER THE FLOW OF WEAPONS AND MONEY FROM THE US. HE MADE CLEAR BOTH IN PUBLIC AND PRIVATE THE BRITISH GOVERNMENT'S APPRECIATION OF WHAT THE ADMINISTRATION AND CONGRESS WERE DOING.

6. THE MACBRIDE PRINCIPLES AND EMPLOYMENT PRACTICES IN NORTHERN IRELAND WERE RAISED AT THE MEETING WITH THE AFL-CIO AND IN QUESTIONS BY CONGRESSMEN BIAGGI AND GILMAN AT THE FOREIGN AFFAIRS COMMITTEE MEETING. MR HURD MADE CLEAR THAT IT WAS MORE JOBS, NOT MORE LAWS THAT WERE NEEDED IN NORTHERN IRELAND. ECONOMIC EXPANSION WOULD NOT ONLY CREATE EMPLOYMENT OPPORTUNITIES FOR THE MINORITY COMMUNITY BUT HAD A DIRECT IMPACT ALSO ON SECURITY AND THE PROSPECTS FOR POLITICAL DEVELOPMENT. HE ENCOURAGED MEMBERS OF CONGRESS TO SPEAK FAVOURABLY ABOUT NORTHERN IRELAND AS AN INVESTMENT LOCATION IN THEIR CONTACTS WITH US INDUSTRIALISTS AND OPINION-FORMERS.

7. THE QUESTION OF A LARGE US AID PACKAGE TO NORTHERN IRELAND WAS RAISED BY THE SPEAKER'S STAFF AND AT OTHER MEETINGS AND MEDIA INTERVIEWS. MR HURD MADE CLEAR THAT AN OFFER BY THE US ADMINISTRATION OR CONGRESS TO PROVIDE FINANCIAL ASSISTANCE TO NORTHERN IRELAND FOLLOWING A SUCCESSFUL OUTCOME TO THE PRESENT TALKS WOULD BE WELCOME. BUT HE WAS CONCERNED TO TAKE THINGS ONE STEP AT A TIME AND DID NOT WISH TO GET INTO DETAIL ON WHAT FORM SUCH ASSISTANCE MIGHT TAKE BEFORE THE SHAPE OF ANY AGREEMENT WITH DUBLIN WAS CLEAR.

8. MR HURD HAS NOW LEFT FOR A SERIES OF PUBLIC ENGAGEMENTS IN NEW YORK, CHICAGO, SAN FRANCISCO AND LOS ANGELES.

COMMENT

9. THIS WAS A MOST SUCCESSFUL FIRST VISIT TO WASHINGTON BY MR HURD AS NORTHERN IRELAND SECRETARY. I AM VERY GRATEFUL TO HIM FOR TAKING ON SUCH A HEAVY PROGRAMME, BUT I AM SURE IT WILL PAY DIVIDENDS IN THE FORM OF INCREASED UNDERSTANDING OF THE DEEP-SEATED NATURE OF THE PROBLEMS AND OF ENHANCED CREDIBILITY OF OUR SERIOUSNESS OF PURPOSE IN TACKLING THEM.

10. THE VISIT WAS WELL TIMED, GIVEN THE CURRENT LEVEL OF INTEREST IN THE DISCUSSIONS BETWEEN LONDON AND DUBLIN. DESPITE A FEW PREDICTABLE BUT LOW-KEY QUESTIONS FROM THE BIAGGI GROUP, I THINK HE FOUND CONGRESSIONAL OPINION PREPARED TO TAKE US AT OUR WORD AND AWAIT THE OUTCOME OF THE TWO-TRACK POLICY: THE ANGLO-IRISH PROCESS AND THE PATTEN CONSULTATIONS. IF THAT OUTCOME IS SUCCESSFUL IT IS CLEAR THAT THERE WOULD BE CONSIDERABLE BACKING IN THE ADMINISTRATION AND CONGRESS FOR US HELP TOWARDS NORTHERN IRELAND'S ECONOMIC RECONSTRUCTION.

11. MR HURD SOUGHT TO CORRECT THE WIDESPREAD IMPRESSION THAT THE ONLY THING NEEDED TO SOLVE THE NORTHERN IRELAND PROBLEM WAS AN AGREEMENT BETWEEN LONDON AND DUBLIN; BUT IT WAS CLEAR TO HIM THAT THIS IMPRESSION WAS DEEPLY ROOTED HERE, AND THAT IT HELD SOME DANGERS FOR THE FUTURE.

12. IT IS NOW UP TO ME AND MY STAFF TO FOLLOW UP AND CONSOLIDATE WHAT MR HURD HAS ACHIEVED. BUT TO DO SO, WE SHALL NEED TO BE KEPT MORE CLOSELY IN THE PICTURE THAN WE HAVE BEEN IN THE PAST; IN FACT, AS CLOSELY IN THE PICTURE AS MY IRISH COLLEAGUE IS. MR HURD AGREES WITH THIS AND HAS AUTHORISED ME TO SAY SO, SO I HOPE, SIR, YOU WILL AUTHORISE YOUR DEPARTMENT TO PASS TO US THE AMMUNITION WE NEED.

13. PLEASE PASS ADVANCE COPIES TO WARD (APS/S OF S, NIO), LYON (NIO), CLARK (RID, FCO) AND GILLILAND (NIO, B).

WRIGHT

NNNN

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Subject

cc Europa Pt 20

Brussels



10 DOWNING STREET

From the Private Secretary

20 March, 1985.

Contributions from the United States to Irish causes

In the course of her meeting with Mayor Feinstein of San Francisco this morning, the Prime Minister developed the idea that she and the Taoiseach should encourage the creation of a charitable fund to benefit worthwhile causes both in the Republic and in Northern Ireland, to which the generous impulses of Americans who wished to contribute to Irish causes could be channelled. One purpose would of course be to tap sources of the funds which are at present channelled to NORAID and divert them to more constructive purposes. The Prime Minister said that she would pursue the idea when she met the Taoiseach in the margins of the European Council on 29/30 March.

Mayor Feinstein reacted enthusiastically. She may well make some public comment.

BF1
I should be grateful if this point, worked up if possible into a concrete proposal, could be covered in the briefing for the Prime Minister's meeting with the the Taoiseach.

I am copying this letter to Jim Daniell (Northern Ireland Office) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

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DIANNE FEINSTEIN (MAYOR OF SAN FRANCISCO)

Dianne Feinstein (fine-stine) was chosen by the Board of Supervisors of San Francisco to become Mayor when the elected Mayor was murdered in 1978. She has subsequently been elected in her own right for two four-year terms. She will not be eligible for re-election when her present term ends in 1987.

She was born in San Francisco in 1933, and attended schools in the city before going to Stanford University from which she graduated in 1955 with degrees in history and political science. She has been active in city and state politics since the mid-fifties, and was a member of the City's Board of Supervisors (equivalent to city councillor) for nine years.

A Democrat, Mrs Feinstein is a dynamic Mayor. Politically very well attuned, she has worked hard to establish support among the key pressure groups of the city, especially the gay community (now reckoned to comprise 20% of the voting population), blacks and organised labour.

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Very forceful and ambitious, she is said to be considering running for Governor of California or challenging Alan Cranston for his Senate seat in 1986. She has received considerable national attention, most recently as a possible Vice-Presidential running-mate for Walter Mondale. She is on the 'right' of the Democratic Party.

The first of her three marriages ended in divorce; her second husband died; and she was married in 1980 to Richard Blum (rhymes with plum). She and her husband are Jewish. She has retained the name of her second husband. She has one daughter by her first marriage.

Her husband is a wealthy investor and investment adviser, generally regarded as very sharp - even ruthless - in his business dealings, but straight. Any suggestions of similarities to Mrs Ferraro's husband are discounted locally. He is a keen mountain climber, and a regular visitor to Nepal where he has climbed with Sir Edmund Hillary.

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THE CITY OF SAN FRANCISCO, AND THE BAY AREA

1. The City of San Francisco is surrounded on three sides by water - the Pacific Ocean to the West and the San Francisco Bay to the North and East. The city rests on forty hills, with elevations varying from below sea level to almost 1,000 feet above.
2. The city dates from 1776, where the first colonising party of Spaniards arrived and established a mission and military base. San Francisco was transformed from a sleepy outpost to a boom town when gold was found in 1849 in the foothills of the Sierras. The city's growth further accelerated with the completion of the first trans-continental railroad in 1869.
3. The San Francisco earthquake of 1906, and the fire which followed, destroyed 28,000 buildings and killed 600 people. By 1911 the city had been rebuilt and in the 1930's the completion of two bridges - the San Francisco-Oakland Bay Bridge and the Golden Gate Bridge - greatly improved its access and encouraged further expansion. In 1945 San Francisco was the site of the founding of the United Nations.

Economy:

4. San Francisco is the hub, with Oakland, of what is known locally as the



Bay Area -that part of Northern California which borders the Pacific from the Napa Valley in the North to San Jose in the South. The Bay Area's economy is diverse but has little heavy manufacturing industry. Much of San Francisco's wealth derives from Silicon Valley, the world's largest concentration of high-tech companies, to be found in the counties immediately South of the city. The Bay Area is also the centre of California's wine industry. San Francisco itself has become a commercial and financial centre for the West Coast, although tourism is still the city's major industry with over 3 million visitors each year. Generally, the city's economy is thriving although some sectors - eg banking - have their problems.

5. San Francisco has the world's largest natural harbour and is, with Oakland immediately across the Bay, a centre for shipping and international trade. Whilst Asia is Northern California's leading trading region, trade and investment in both directions between California and Britain is showing healthy growth. The United Kingdom now ranks as the eighth largest exporter to the area, on a par with West Germany. The Bay Area contains the headquarters of a number of major United States corporations with United Kingdom subsidiaries - including Standard Oil of California, Hewlett-Packard and Levi Strauss. A number of British companies, including British Petroleum and Dalgety, have significant interests headquartered in San Francisco, as do the major British banks.



Culture and Politics:

6. San Franciscans are proud of their city. New and architecturally pleasing highrise buildings in the downtown financial and business area blend well with older structures. In the residential areas the predominantly Victorian houses and apartment buildings are well preserved and cared for. The cable transport system, invented by the Scottish Engineer Andrew Hallidie in 1873, has been carefully preserved and the Victorian-style cable cars have become a civic symbol. In and around the city there are many wide open spaces and magnificent countryside. San Francisco boasts a renowned opera, and leading ballet and symphony companies as well as museums and theatre. Other features include Japantown and Chinatown, the latter constituting the largest Chinese quarter outside Asia and reflecting the diverse nature of a community which also has large Italian, Spanish and Latin elements. It has always been difficult to determine the size of the community claiming British ancestry; the best estimate is about 80,000 living in the Bay Area.

7. The diversification in the people of San Francisco is further seen politically, philosophically and culturally in a city known for its liberal and democratic leanings. (It was the host city for the Democratic National Convention in 1984.) There are also prominent conservation and anti-nuclear lobbies and, not least, a very large and politically active gay community which any San Franciscan politician needs to take into account as they represent a substantial proportion of the voting population.

15 MAR 1985

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NOTE FOR THE RECORD

PRIME MINISTER: HONORARY DEGREES

Professor Carl Brunner of Rochester University, New Jersey, telephoned me today about the suggestion, which Professor Walters had mentioned to me, that Rochester University should confer an honorary degree on the Prime Minister.

I said that the Prime Minister had received several offers of honorary degrees since Oxford University had refused her one. She was grateful for these offers, but felt that there would be political overtones if she were to accept any of them, since it might be thought that they were a deliberate snub to Oxford University. She would therefore prefer to leave the question of honorary degrees aside for the time being. I suggested that Professor Brunner might reconsider the matter after the next Election or even when Mrs. Thatcher was eventually no longer Prime Minister. At that stage it would be easier for her to visit the Universities concerned in order to collect an honorary degree.

Professor Brunner said that he thoroughly understood this position, and would report to the President of his University.

F.R.B.

15 March 1985



cc PC

cc MARSH set

cc Soviet Union!
PM's attendance @ USSR funerals
Feb 1974

10 DOWNING STREET

From the Private Secretary

14 March 1985

Dear Gen,

Prime Minister's Meeting with Vice-President Bush

I enclose a record of the Prime Minister's meeting with Vice-President Bush, while she was in Moscow for President Chernenko's funeral.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office). The section on Laker is copied to Callum McCarthy (Department of Trade and Industry), Richard Allan (Department of Transport) and Rachel Lomax (HM Treasury).

Yours sincerely

(C.B. Powell)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND VICE-
PRESIDENT BUSH AT THE BRITISH EMBASSY MOSCOW ON 13 MARCH 1985

Prime Minister	Vice-President Bush
Sir G. Howe (for some of the time)	Secretary Shultz
Sir I. Sutherland	Ambassador Hartman
Mr. C.D. Powell	Assistant Secretary Burt
Mr. N. Broomfield (FCO)	Mr. Matlock (NSC)
	Mr. Gray (Deputy Chief of Staff to the Vice- President)
	Mr. Gregg (NSC Adviser to the Vice-President)
	Mr. Clark (US Embassy)

Mozambique: Nkomati Accord

The Prime Minister said she had just been talking to President Machel. He was in some difficulty. He thought that the South Africans were supporting Renamo and that the Nkomati Accords were in danger. Mr. Shultz said that the Americans had been in touch with the South Africans and thought that they had succeeded in getting the South African Government to see that it would not be in their interests for Nkomati to fail. The Prime Minister said that we would support this line with the South Africans.

Arms Control

The Prime Minister said she had been grateful for the President's message on the Strategic Defence Initiative. She expected Mr. Gorbachev to raise the matter with her and wanted to check the line which she intended to take with him. She had noted that the words used by Gorbachev in his acceptance speech on 12 March about the abolition of nuclear

CONFIDENTIAL

weapons were very close to those used by President Reagan. Her fear was that the Soviet Union might try to take the initiative at Geneva which so far had rested with President Reagan based on the resoluteness of the Alliance. Her basic approach would be that there was no way an agreement could be reached on research. When and if it came to deployment then this fell within the 1972 ABM Treaty. It seemed to her that the thing to do would be for both sides to reaffirm the ABM Treaty. She had noted the expression used in the President's recent letter about "stopping the erosion of the 1972 Treaty". She would also make it clear to Gorbachev that there was no possibility of dividing the UK from the US.

In commenting on the Geneva talks the Prime Minister asked whether the US would start by explaining their ideal of stopping the possibility of nuclear war and then go on to probe the Soviet position. Her fear was that the Russians might propose cuts on ICBMs and intermediate nuclear weapons and then make these hostage to some agreement on space. She did not yet know how the Americans intended to deal with this.

Mr. Shultz said that the ABM Treaty contained a provision in which either side could give notice if they were not satisfied with it. Saying that they were continuing to abide by the Treaty was not the same as saying that the US would never deploy defensive weapons unless all parties agreed to it. He thought that in speaking to Gorbachev the Prime Minister should stand on the four points she had agreed with the President. This was firm ground.

As far as the Geneva talks were concerned Mr. Shultz said that he expected some procedural wrangling. The Russians were saying that there should be five or six plenary sessions in which all the proposals should be put on the table before dividing into working groups. The US preference was to go straight into working groups. He expected the

sides to go round this problem for a while but hoped that it would be resolved without too much delay.

The Prime Minister asked how the US intended to tackle space at Geneva. Mr. Bush said there was much to talk about. Mr. Shultz added that he had taken some trouble at the first Geneva meeting to be precise on this point with Gromyko. Space included anything on the ground capable of being fired into space, for example the Soviet Galosh system. The US would talk about the erosion of the ABM Treaty. This would be going beyond the normal discussion in the ABM verification panel. Instead of simply drawing attention to a problem like the Krasnoyarsk radar, the Americans wanted to discuss with the Russians what should be done about it.

Mr. Bush reiterated the advice that in her discussions with Gorbachev the Prime Minister should stick to the principles of her common declaration with the President. Gromyko had been told that the Americans were not seeking superiority. (Mr. Burt interjected that the President had said this to Scherbitsky during his recent visit to Washington.) But thought needed to be given to the position if a greater element of defence was present in the US mix. The Prime Minister agreed that she would stick broadly to the Camp David statement. Both sides were doing research. If it came to deployment that would be the time to take decisions. Mr. Shultz said that the Russians were worried on two counts. There was a possibility of the US developing a defence system which the Russians did not have. They were also uncertain about what might happen if the US and other Western scientists and engineers turned their attention to defensive technology. The Prime Minister commented that the Russians judged everyone by their own standards. They could not understand that the Americans were sincere in what they said. Mr. Shultz said that the Prime Minister's speech to Congress had attracted a great deal of attention in the United States and had a ripple effect.

Lebanon

The Prime Minister said that things were going badly. Israel had retaliated too hard and there had been much criticism of her activities the previous day in Parliament. Mr. Shultz replied that Israel was trying to negotiate a withdrawal, but the Lebanese were refusing to negotiate. The Prime Minister said that the Israelis were clearly not responsible for the bomb explosion in Beirut. Mr. Shultz said that the US had appreciated the UK's efforts over the recent resolution in the UN. When terrorists tried to dictate how countries voted it was time to stand up to them firmly. The US had been revolted by France's last minute move. The Prime Minister agreed that it had been impossible to support the UN resolution. That was why we had abstained. The Israelis would now have to complete their withdrawal. The result would be that they would once again have to defend their northern villages. Mr. Shultz said that an unnegotiated withdrawal was a recipe for continued violence. But the Syrians were not prepared to negotiate and would not let the Lebanese negotiate. The Prime Minister added that, having let the terrorist genie out of the bottle the Syrians would not find it easy to get it back in again.

Egypt

Mr. Bush asked how the Prime Minister saw the latest Jordanian/Egyptian initiative. The Prime Minister replied that the critical point was for King Hussein to get agreement from the PLO on Resolution 242. But there was no evidence of this yet. There were even some contradictory statements. The only way forward was to get some non-PLO Palestinians to represent the West Bank.

Mr. Shultz said that President Mubarak had not, during the first part of his Washington visit, pressed the US Administration to receive a joint Jordanian/Palestinian

delegation. The US view was that President Mubarak's efforts were helpful in creating some movement towards Resolution 242. The Americans were trying to encourage this. Their tactics were to say that they would be glad to help but those on the spot had to show that there was something concrete to help with. The Prime Minister said that we were giving encouragement to King Hussein. That was where the key to a solution lay. Mr. Shultz suggested that the line to take with President Mubarak might be to say that to the extent that he was able to warm up Egypt's relations with Israel, he would be doing something for the peace process. He understood President Mubarak's difficulties about Taba, civil rights and his desire to see Israel out of Lebanon. But any encouragement for Egypt to improve relations with Israel would help the peace process.

Laker

The Prime Minister said that agreement had been reached with Exim over Laker, which she hoped would stick with other creditors. We were grateful to the Administration for their help. Mr. Shultz referred to his own and the President's personal interventions. He too hoped that the Exim agreement would hold. The best course was to go quietly about our business. If it all came out publicly, a number of other creditors might emerge from the woodwork. The object was to do the job quietly and then get on with liberalising the air services regime. The Prime Minister agreed that a quiet approach would be best. There remained the problem of the class actions. But once the problems in this area had been settled, she shared the aim of resuming negotiations on liberalisation.

Gorbachev

Mr. Bush asked for the Prime Minister's views on Gorbachev. The Prime Minister said she expected him to gain

ascendancy over the Politburo quite rapidly. He had the ability, the personality and the will. Nevertheless, the fundamental problem of Soviet society still remained. Gorbachev wanted more initiative but without any deviation from the system. He was formed by the system. He could not envisage other concepts. He would probably go the same way as Andropov in trying to make the existing system work better.

Afghanistan

The Prime Minister said that both the US and UK were helping in Afghanistan. But the UK concealed it better. When she had seen President Zia earlier, he had expressed concern about the tougher measures being taken by the Russians against the resistance in Afghanistan. He had also noted that the public Western approach was not as forceful as it had been previously. We should all try and do more about this. President Zia had also mentioned the problem of drugs in Afghanistan which were being exported through Afghanistan. Mr. Bush said that the US had asked the Indians to consider whether they could do anything about Afghanistan. Indira Gandhi had always refrained from this. If Mr. Gandhi could publicly encourage the Russians to withdraw, it would be a big step forward. But this was probably too difficult for him. The Americans thought they might have opportunities for improving their relations with Rajiv Gandhi. They had stressed that US support for Pakistan was not to the detriment of India. The Prime Minister agreed that Pakistan would never attack India. They did not have the necessary means. Mr. Shultz thought there might be real prospects of India and Pakistan moving closer together.

Exchange Rates

The Prime Minister noted that the gyrations between the dollar and the pound and other European currencies were

continuing. She thought that Congress would have a go at the US deficit and that the President might get about two-thirds of the reduction which he sought. Mr. Shultz thought that the Administration would succeed in making a real dent in the deficit. Mr. Bush commented that the first test on agriculture had not been hopeful. The Democrats were playing pure politics on this issue. But the President had stepped straight in with a veto.

US/Soviet Relations

Mr. Bush said that he would not wish to end the meeting without informing the Prime Minister that when he met Gorbachev later in the evening he would be conveying to him a letter from President Reagan with an invitation to visit the US. The Americans hoped this could be soon this year. The intention had been to keep this a private invitation but there had already been speculation in the US press. Sir G. Howe asked if the Americans intended to publicise the invitation. Mr. Shultz replied that this was not the intention. Mr. Bush added that unless the Russians wished to make it public, he would, at his press conference after meeting Gorbachev, refrain from confirming that an invitation had been extended. He would say only that the President would welcome a meeting with Gorbachev soon.

The meeting ended at 1715 hours.

CDP

14 March 1985



10 DOWNING STREET

DB.

The PM earlier
agreed in principle

to see her. I

suggested put her in

the diary & tell

the FCO yes.

edm.

CF FCO tell me Charles
had the brief on Friday 15/3



Open
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10 DOWNING STREET

From the Private Secretary

22 January 1985

Reminded FCO today:
requested briefing on
Monday 18 March.

Chased again
19/3 KD
15/3

VISIT BY MAYOR FEINSTEIN

Thank you for your letter of 22 January.
The Prime Minister agrees to see Mrs. Feinstein
for half-an-hour at 9 a.m. on 20 March. I
should be grateful if you could let her know, and
provide a brief at the appropriate time.

(DAVID BARCLAY)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

Subject
c. Thusten Set

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND PRESIDENT REAGAN AT CAMP DAVID ON 22 DECEMBER 1984 AT 1120 HOURS

Present:

Prime Minister
HM Ambassador, Washington
Mr. F.E.R. Butler
Mr. C.D. Powell

President Reagan
Vice President Bush
Secretary of State Shultz
Ambassador Price
Mr. Macfarlane
Mr. Burt
Mr. Sommer

Strategic Defence Initiative

President Reagan reported briefly on his tête-à-tête with the Prime Minister. He had explained to her the reasons why he had decided that the United States should pursue research on the Strategic Defence Initiative (SDI). We owed it to the present generation to rid the world of weapons of such destructive possibilities as the existing nuclear arsenals of both the Soviet Union and the United States. He quoted from a letter from President Eisenhower: when we have weapons of such destructive power that they threaten to destroy mankind, itself, we have to find a better way to settle disputes.

The Prime Minister gave an account of her report to President Reagan on her discussions with Mr. Gorbachev. She continued that she agreed with President Reagan that it was essential to pursue research on a Ballistic Missile Defence (BMD) system. But if this research reached the point where a decision had to be made whether to produce and deploy weapons in space, very difficult problems would arise. Deployment would not be consistent either with the 1972 ABM Treaty, which was not limited in time, nor with the 1967 Outer Space Treaty.

The former in particular was a keystone of the doctrine of deterrence and of existing arms control arrangements. Deployment of BMD would mean that both Treaties would have to be re-negotiated. The issue of SDI was likely to present itself at an early stage in the US/Soviet talks in Geneva. Her fear was that if the Soviet Union perceived that the United States were intending to acquire a BMD capability, they would insist on acquiring far more offensive nuclear weapons to counter it. This would mean that arms control negotiations were doomed to failure. It would be tragic if a concept whose objective was the reduction of nuclear weapons were to result in an increase of them.

The Prime Minister continued that another consideration was the effect of BMD on the doctrine of deterrence. The fact was that the existence of nuclear weapons had prevented both nuclear and conventional war and had brought Europe an unprecedented period of peace. There was a risk that deployment of a BMD system, particularly a partial one, would be destabilising, would undermine the existing doctrine of deterrence and would increase the risk of conventional, chemical or biological war. The period of transition from deterrence to defence would be particularly risky. Beyond this there were a host of technical ways in which a BMD system could be countered, overwhelmed or knocked out. A pre-emptive first strike against BMD systems would become an attractive option. Moreover any system would have to rely on automatic triggering. This would make crisis management even more difficult.

The Prime Minister acknowledged that we might not be fully informed of all the technical aspects of BMD. She would be happy to learn more. She did not want to find herself in a position at odds with that of the United States. Press stories to this effect were wide of the mark. Equally, it would be a mistake to pre-empt decisions on the SDI until the results of research showed what was actually possible. Otherwise there was a serious risk that arms control negotiations would reach deadlock rapidly and the West would find itself wrong-footed with public opinion.

President Reagan said that the scientists who were working on the SDI had deemed it worth going forward. He acknowledged that the answers to many of the points which the Prime Minister had raised would depend on what the scientists eventually came up with. He recognised that decisions on production and deployment would need to take into account many of the difficulties which the Prime Minister had mentioned. In addition to the arguments in favour of the SDI which he had earlier put forward there was another consideration in his mind: that was the strain which keeping up with the United States would impose on the Soviet Union. There had to be a practical limit to how far the Soviet Government could push their people down the road of austerity. The Russians would face difficult choices. Were they ready to face defence expenditure far greater than the massive effort which they were already making? Or would they prefer to join the United States in substituting Ballistic Missile Defence for offensive nuclear weapons? The United States was not seeking superiority. But equally it would not allow the Soviet Union to have it. The fact was that in recent years the United States had been unilaterally disarming. For instance, President Carter had agreed to cancel the B1 bomber without seeking any counter concession from the Soviet Union. President Reagan continued that Russian scientists had joined the international community in recognising the risk of nuclear winter from the use of offensive nuclear weapons. He believed that realisation of the consequences of such use would bring them to see the SDI in a more favourable light. It would be possible to achieve adequate deterrence with only one third of the nuclear weapons currently available to each side.

The Prime Minister said that she wanted to work out a position on the SDI which she could use publicly to make clear that suggestions of a split between Britain and the United States on the issue were unfounded. There seemed to be several points on which she and President Reagan were agreed: the West was not seeking superiority but balance: that in the light of Soviet research into BMD, it was necessary for the United States similarly to pursue research to preserve

balance: but it was only research which was involved and this did not contravene any treaty: if the stage were reached when BMD appeared feasible there would have, in view of treaty obligations, to be negotiations: in the meantime talks should be renewed with the Soviet Union on the reduction of offensive nuclear weapons.

Secretary Shultz said that the problem went rather wider than the Prime Minister suggested. The conditions assumed at the time of the ABM Treaty and SALT I were not being fulfilled. Instead of the major reductions expected, the Russians had acquired many more offensive weapons than had been foreseen. While the United States had dropped the notion of defence even though it was permitted by the ABM Treaty, the Soviet Union had deployed a defensive system round Moscow and subsequently modernised it. They were now moving to the construction of a large phased array radar which would be in violation of the ABM Treaty. The Soviet Union had invested heavily in defence while the United States had relied on equal offensive strength. There was a real risk that the United States would be left behind on defence. The Prime Minister had pointed out that a BMD system would not necessarily be water tight. He did not dispute this. But even so, if such a system existed, the Soviet Union could not be sure how many of their offensive missiles would be intercepted and destroyed and would not know therefore what retaliatory strength the United States would retain. There was thus a good argument that BMD would enhance deterrence.

The Prime Minister acknowledged this argument but pointed out that deployment of BMD would also put a premium on a pre-emptive strike to eliminate BMD weapons. Despite recent statements casting doubt on the doctrine, she believed that deterrence remained vital. Her fear was that BMD would undermine it.

Mr. Macfarlane said that the Prime Minister had made some well-reasoned criticisms of the SDI concept. But her position rested upon presumption that offensive deterrence could

endure. Analysis of this proposition led one to ask whether it was true. We simply did not have full details of what the Soviet Union was up to, for instance in the development of mobile strategic weapons. There was a risk that the West might be taken by surprise and find the strategic balance upset to its disadvantage well before the end of the century. There were various options in the face of this risk. The United States could build more offensive systems. But this was difficult morally and hard to sell to public opinion. Alternatively, offensive systems on each side could be reduced. This was the preferred option. But the Soviet Union had shown no willingness to negotiate seriously about this during the last four years. The third option was for the United States to defend itself and its allies. The purpose of research into SDI was to discover whether this was possible. The Prime Minister interjected that the question to be answered was whether there was any absolute defence against nuclear weapons. Mr. Macfarlane acknowledged that no perfect defence existed. Nonetheless, he agreed with Secretary Shultz that acquisition of BMD could change the strategic calculus by increasing the risk and uncertainties of a first strike. It could thus add to deterrence. The Prime Minister had suggested that a BMD system could easily be overwhelmed. He had to say that remarkable strides had been made in the technology of space-based non-nuclear systems, including their survivability some of which had become known only in recent months. One had also to consider the costs of trade-offs. It might be cheaper for the United States to put up partial defence systems than for the Soviet Union to acquire the capability to overwhelm them. The Prime Minister said that the implication of this was that the United States was trying to acquire superiority. Any such suggestion would greatly weaken the Alliance's public image. Mr. Macfarlane continued that he did not think that the differences between the British and American positions were very extensive. The United States believed that a space-based defence system could contribute to enhancing deterrence. Equally they recognised that deployment of a BMD system would be a matter for negotiation with the Soviet Union. He also acknowledged that re-orientation of the

United States' strategy towards space-based defence risked de-stabilising the strategic balance, unless it was done in negotiation with the Soviet Union. But he hoped that the Prime Minister shared the view that defence could contribute to stable deterrence.

Secretary Shultz said the point which he had been trying to make was that, by enhancing the survivability of American nuclear systems, BMD could contribute to deterrence. It could leave both sides with a capability to defend themselves if offensive forces were reduced. The Prime Minister asked whether BMD would be operative against Cruise missiles. Mr. Macfarlane said that the short answer was that it would.

The Prime Minister emphasised again that she was anxious to avoid any impression of a split in the Alliance on this issue. She would ask her officials to draw up a statement which she could use at her subsequent press conference which she hoped the President would approve. The text subsequently approved and used by the Prime Minister is attached to this record.

Civil Aviation

The Prime Minister said that she had been immensely grateful for the President's courageous decision to drop the indictments over Laker and was very relieved that the press reception of his decision had been favourable. But she wanted to explain the problems which remained for the British Government. We had been negotiating with the US Administration in October new arrangements for competition and deregulation, which both sides wanted, in return for legislation to remove liability to private triple damage suits against our airlines. Following the President's decision, the US side had ended these discussions and the British Government was faced with two major difficulties. One was that we had been hoping to implement the denationalisation of British Airways early in the coming year. All the preparations had been made, and our financial projections contained provision for substantial receipts. Because of the liability to triple damages there was no possibility of proceeding within the timescale originally proposed. Second, the prices which were the subject of the anti-trust actions had been approved by both the CAB and CAA under the Bermuda Agreement. We thought that, in circumstances where there was a conflict of domestic laws, the Bermuda Agreement ousted liability to triple damages. But she understood that the Agreement did not have treaty status and that the US authorities did not regard it as overriding liability to triple damages. As a consequence, British airlines, who had no right to provide services within the United States, were faced with substantial difficulties on transatlantic services and there was no satisfactory framework for discussing competition and liberalisation.

President Reagan said that there had been a procedure in place for fifteen years which had effectively prevented anti-trust suits. Unfortunately, it had not been followed in the current cases. In present circumstances, he saw no realistic prospect that Congress would pass legislation to remove liability to anti-trust actions. The Prime Minister commented that the arrangements for avoiding anti-trust

actions had been followed in the case of the recent negotiation of winter fares and had taken three months. They would not result in less regulation and greater competition: indeed they would make them more difficult.

Continuing the discussion over pre-lunch drinks, Ambassador Price said that, during the negotiations of Bermuda 2, the British had asked for a specific provision for exemption of tariff discussions between airlines from the anti-trust laws and this had been rejected: indeed Article 12.4 of the Agreement contained a specific reference to anti-trust legislation. He also suggested that the UK Government could overcome the difficulties in the way of denationalising British Airways by granting an indemnity in respect of the triple damage suit.

The Prime Minister, concluding this part of the discussion at the working lunch, said that she hoped that there could be further discussion of these matters. In her view the present arrangements left the British airlines in an unacceptable position and obstructed the cause of competition and deregulation, as the British Government's difficulties over the denationalisation of British Airways illustrated.

United States Economy

President Reagan pointed out to the Prime Minister that the United States discount rate had just been reduced to 8%, the lowest in six years, and the prime rate was bound to come down in consequence. The US Administration would be announcing an austerity spending plan under which it hoped to hold cash outlays in FY86 at the same level as those for FY85. This was expected to bring the budget deficit down to 4% of GDP. In the two subsequent years the Administration hoped to reduce this percentage to 3% and then to 2%. At this point, when account was taken of the States' local surpluses currently running at \$58 billion, the budget should be approximately in balance.

The Prime Minister welcomed the fall in US interest rates and expressed her admiration for Mr. Volcker. She also welcomed the Administration's efforts to reduce the deficit. She recalled the Budget deficit in Britain had risen to an alarmingly high proportion of GDP in the mid-70s. In consequence, the proportion of the UK budget which had to be devoted to debt interest was very high when her Government had taken office. This was one of the reasons why it had been essential for the British Government to reduce the deficit. There was always a danger that, if a socialist government were elected again in Britain, the deficit would increase. This vulnerability to socialist policies was one of the reasons why Europe did not attract the same financial confidence as the United States. At present the majority of countries on the southern flank of the European Community had socialist governments, although not all of them were pursuing unsound budgetary policies. President Reagan agreed. Between 1965 and 1980 the US budget had increased 4½ times but the deficit had increased 38 times. There had been deficit spending over the last 50 years in the United States and for almost all of them Congress had had Democratic majorities. When he had been Governor of California, he had succeeded in reducing welfare payments by mobilising the private sector to find jobs for the unemployed. There were plenty of alternatives to

unemployment. He quoted Milton Friedman's remark: "if you pay people to be poor, you will get a lot of poor people". He always watched carefully the pages of job advertisements: in Washington he had recently counted 43 pages of such advertisements in one edition of the newspapers and in Los Angeles 69 pages.

Middle East

The Prime Minister said that she had recently seen King Hussein. He had been pleased with the outcome of the Palestinian National Council (PNC) meeting in Amman. The new PNC was more moderate and included two West Bank Mayors. King Hussein's objective appeared to be to get the PNC to accept Security Council Resolution 242 as the basis for a settlement. She had made clear to King Hussein that his idea of an international conference on the Middle East was not helpful. The Prime Minister continued that King Hussein and the Saudis would ask her whether the President intended to take a new Middle East initiative. Time was short and it was important that such an initiative should be taken rapidly before electoral considerations again came into play and while Peres was still Prime Minister of Israel.

President Reagan said that it was his firm intention to press ahead with his initiative. He was anxious to see progress in the Middle East. He regretted the problems which had arisen between the United States and King Hussein: the fact was that the Congress would not approve supply of the sort of weapons which the King wanted. He recognised the importance of securing the co-operation of moderate Arab states for any peace moves. There had been encouraging developments and he expected Iraq to restore diplomatic relations with Egypt. He would be seeing King Fahd soon. He did not wish to impose any plan. American ideas were based firmly on Security Council Resolution 242. He agreed with the Prime Minister that the prospects of progress were better with Peres than they had been with Shamir.

The Prime Minister commented that it was a positive development that the moderate Arab countries were now more united while the extremists were at odds with each other. Secretary Shultz agreed with this. But the fact was that Peres had many problems of which the most pressing were to extract Israel from the Lebanon and to restore the Israeli economy. He would have to achieve these two objectives first if he was to rally sufficient support in the country for progress towards a peace settlement. This should be based on Security Council Resolution 242 modified to take account of Israel's security needs. Meanwhile, Peres was committed to working with the United States on a programme to improve the quality of life on the West Bank. The Prime Minister said that this seemed to imply that progress towards a peace settlement was in suspense. Secretary Shultz said that this was not so. It was apparent from the discussions which Mr. Murphy was holding in the Middle East that the centre of gravity remained the President's September 1982 initiative. The United States was reassuring its friends that it would stand by that initiative and work with moderate Arab governments to make progress. The Prime Minister commented that the situation on the West Bank was very bad. The Israelis had done nothing to improve conditions. She hoped that the US Administration would keep up the pressure on them. Secretary Shultz admitted that the American programme for improving the quality of life had not yet had much success. But they hoped shortly to establish an Arab Bank on the West Bank. More generally the prospects were better under Peres than with the previous government. President Reagan said that Peres did not believe in the policy of settlement on the West Bank. Secretary Shultz continued that the Palestinians were not, in relative terms, badly off. But as their well-being increased their capacity to control their lives had deteriorated, and this was the main source of their dissatisfaction.

Secretary Shultz continued that the Americans were very active in trying to help Israel leave Lebanon. The Israelis had shown flexibility but the Syrians seemed not to want negotiations to take place. The Naqura talks had not achieved very much. The Israelis wanted to leave Lebanon on a

negotiated basis if possible. But if they could not do so they would withdraw unilaterally and take their own security measures in South Lebanon. This would probably include keeping a salient of territory, continuing to sponsor^a Lebanese militia in South Lebanon and conducting their own patrolling. The result of Israeli withdrawal under these conditions was likely to be a renewed violence between Lebanese. UNIFIL could make a useful contribution to avoiding this. President Reagan added that the Soviet Union was to blame for restrictions imposed on UNIFIL.

President Reagan expressed gratitude for the UK's prompt response to his request to position an assault force in Cyprus during the recent hijacking of a Kuwaiti aircraft. It was a pity that there had not been a chance to use it.

Famine in Africa

The Prime Minister gave President Reagan a brief account fo the United Kingdom's contribution to famine relief in Ethiopia. President Reagan said that he had recently had a graphic account of the appalling conditions in that country. The United States had also made great efforts to help both as a government and through the private sector. They were now seeking authority for a military airlift. It was important to expose publicly the very limited contribution made by the Russians. The Prime Minister agreed. She added that it was important to let it be known publicly that she and President Reagan were taking a close interest in the dreadful problem of famine in Africa.

Central America.

The Prime Minister referred to the recent elections in Belize. She expected the new Prime Minister to maintain the policies of his predecessor. He clearly wanted Britain to help its forces in Belize and we would do so. President Reagan said that the United States remained greatly concerned by the situation in Nicaragua. A former member of the

Sandinista Government had described Nicaragua as an occupied country. The size of Nicaragua's armed forces was extraordinary. If one applied the same ratio to the population of the United States, the figure would be some 25 million. Similarly, the number of Cuban military advisers would, proportionately be 300,000, with several hundred thousands advisers from other Soviet bloc countries. The Prime Minister commented that the Soviet Union appeared to becoming bolder. She understood that previously Soviet ships had not delivered weapons to Nicaragua but now they were doing so. President Reagan said that the Americans honestly did not know whether Nicaragua had received Soviet MIGs or not, although they remained suspicious.

Anglo-Irish Relations

The Prime Minister said that she just wished to let the President know that she and Dr FitzGerald were on very friendly terms and would continue their discussions on Northern Ireland early in the New Year. President Reagan commented that what the Prime Minister had said would be very helpful to him. He had received a letter from Mr. Tip O'Neill asking him to appeal to the Prime Minister to be reasonable. From what she had just said it was apparent that she was being reasonable.

Terrorism

The Prime Minister said that she was very grateful for the excellent co-operation between Britain and the United States in this area. She understood that the declaration which had been agreed at the Economic Summit was still not fully operative and that the French were proving difficult. Secretary Shultz said that a technical group was to meet shortly in Bonn. He hoped that this would provide the basis for a fuller discussion by Foreign Ministers at the Bonn Economic Summit. President Reagan said that it was important to keep a careful eye on Iran's handling of the forthcoming trial of the hijackers of the Kuwaiti aircraft, to make sure

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that they did not get out by the backdoor. The Prime Minister commented that she suspected there had been a degree of Iranian connivance with the hijackers.

Prime Minister's Visit to Washington next year

President Reagan said that his people were working on plans for the Prime Minister's visit to Washington in February and that he was looking forward to seeing her then.

C.D.P.

23 December 1984

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND PRESIDENT
REAGAN AT CAMP DAVID ON 22 DECEMBER 1984 AT 1030 HOURS

Present:

Prime Minister
Mr. C.D. Powell

President Reagan
Mr. P. Sommer

The Prime Minister congratulated President Reagan on his famous election victory and expressed her pleasure that he had kept most of the team from his first Administration. This would ensure continuity. President Reagan agreed that it had been a good idea, although some people had thought differently.

President Reagan commented that the Prime Minister had had an exciting time over the past few days. He would be grateful for an account, particularly of her meeting with Mr. Gorbachev. The Prime Minister said that Gorbachev was an unusual kind of Russian. He was less constrained in what he said than other Soviet leaders whom she had met. He had a considerable amount of charm. He spoke with authority. He did not stick to prepared statements but was able to discuss and debate easily. He was prepared to have points raised with him which, in her experience, would offend other Soviet leaders. He had a delightful wife.

The Prime Minister continued that she had tackled Gorbachev over lunch on the subject of emigration from the Soviet Union. Gorbachev had claimed that 89 per cent of those who had applied to leave had received permission to do so. The Prime Minister said that she did not believe this. President Reagan did not either. The Prime Minister continued that she had made clear to Gorbachev that in her view it was a sign of the weakness of the Soviet system to have to keep

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people in. She had also raised with him the fact that the Soviet Union had been supplying assistance to striking miners. President Reagan commented that this was a case of the sort of interference in internal affairs which the Soviet Union was always very quick to complain about. The Prime Minister said that she had also tackled Gorbachev on Soviet support for Communists in British trade unions. Gorbachev had replied in effect "your Communists are nothing to do with us". Their discussion had moved on to the Soviet economic system. Gorbachev had made plain that he was in favour of some decentralisation of government powers and was interested in the economic reforms being pursued in Hungary. The Prime Minister said that she had replied that the essence of a free society was not delegation of central government powers but limitation of government itself. She thought that no-one had spoken to Gorbachev in this fashion before and it had been salutary for him. But he had taken it in good part.

The Prime Minister said that she had told Gorbachev explicitly that there was no point in the Soviet Union trying to divide Britain from the United States in any way. They would never succeed. It was not just that Britain was part of the Western Alliance. We also had very special ties with the United States. But she had gone on to suggest that the Soviet Union and the West shared a number of common interests, for instance the avoidance of conflict and the improvement of contacts in order to build confidence. Each side was entitled to security which meant that there must be a balance of forces and armaments and that balance must be verifiable. Her main task had been to persuade Gorbachev that the United States was sincere in wanting arms reductions. The Prime Minister gave the President a detailed account of her remarks to Gorbachev on this point.

President Reagan said that what the Prime Minister had said to Gorbachev was very much on the same lines as he had followed in talking to Mr. Gromyko. He had pointed out to Gromyko that the Soviet Union and the United States each perceived themselves to be under threat from the other and

therefore needed to establish mutual confidence. He had referred to Chernenko's statement that the world would be better off with no nuclear weapons and challenged Gromyko to discuss how to give effect to this goal. President Reagan continued that his fear was that the Soviet Union, having lost the propaganda battle on arms control the first time round, was now trying to exploit the issue of weapons in space to gain a propaganda advantage. They might be planning to walk out of the Geneva negotiations on this point.

President Reagan, speaking with notable intensity, said that he wished to explain personally to the Prime Minister his thinking on the Strategic Defence Initiative (SDI). At present the only defence against nuclear weapons was retaliation with nuclear weapons which meant killing millions of people. He had therefore asked the question whether it was possible to find a weapon that would destroy other weapons rather than people. The Joint Chiefs of Staff had agreed that this question ought to be studied. As a result research into Ballistic Missile Defence was now being conducted. This would be a defensive system. If it was successful it could lead to the elimination of nuclear weapons. It would also offer protection if some mad man such as Gaddafi were to acquire nuclear weapons. It was not his intention to obtain for the United States some unilateral advantage. If the SDI concept succeeded, he would be ready to internationalise it so that it was at the service of all countries. He had told Gromyko this. Research to date had indicated that his goal was attainable. He wished to emphasise that the United States was not violating the ABM Treaty through its research programme. He saw negotiations on reduction in offensive nuclear weapons proceeding in parallel with this research. These should start with equal and verifiable reductions. But it was his long-term goal to get rid of nuclear weapons entirely.

The Prime Minister said that she agreed that the President had been right to go ahead with research on the SDI. She had told Gorbachev this. She had pointed out to him that the Russians had been the first to acquire an ASAT capability

and that they must expect the Americans to match it. She also believed that the Russians had been doing extensive research on lasers and directed energy weapons. If they were to get ahead in this area, the strategic balance would be put at risk. However, looking further ahead, she foresaw grave difficulties with the deployment of Ballistic Missile Defence. In practice she believed that it would be too easy to neutralise or overwhelm such a system. President Reagan suggested that they should continue their discussion on this point in a wider circle.

The meeting ended at 1115 hours.

C.D.P.

22 December 1984

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1656</i> (one piece/item number)	Date and sign
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10 DOWNING STREET

CAROLINE

The Dowager Lady Camoys
rang this morning. She would
like to see the Prime Minister
either this week or next to
discuss the United States!!
Her no. is 049 163 300

Sue

21 January 1985

RESTRICTED



Mr Barclay

10 DOWNING STREET

CR
X pre

From the Private Secretary

~~Carstairs~~ (o/v)

9 January 1985

Could you pl discuss
dates with the FCO
in due course? Dms 9/1

TOM

200th Anniversary of UK/US Diplomatic Relations

X | Thank you for your letter of 8 January about events to mark the 200th Anniversary of UK/US Diplomatic Relations.

The Prime Minister agrees to accept the candlesticks on behalf of HMG. A short ceremony at 10 Downing Street might be most appropriate. We could be in touch about a date nearer the time.

The Prime Minister proposes that the candlesticks should stand on the Cabinet table with those already there (but don't tell anyone this until we have had a look at them and made sure they are not an eyesore).

CR.

BF |

I offered 19 June
w. u same
They back to continue.
CR

CHARLES POWELL

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1656</i> (one piece/item number)	Date and sign
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Treaty of Paris Candlesticks

The American Revolution ended in a Paris hotel room early on the morning of September 3, 1783, when American and British representatives signed a treaty of peace. After over two years of negotiations, both countries pledged "to forget past Misunderstandings & Differences" and to seek perpetual "Harmony." Wrote John Jay, one of the American negotiators: "The definite treaty is concluded and we are now, thank God, in full possession of peace and independence." Jay kept these candlesticks, from the room where the treaty was signed, as mementos of the occasion.



American peace commissioners had signed a preliminary treaty with Britain in 1782. But both parties agreed not to sign a final treaty until Britain had negotiated separate peace settlements with America's two major European allies, France and Spain. These

negotiations had dragged on for another year.

Once news of the final peace treaty was released, the celebrations began. In Paris, the people danced in the streets and feasted on wine and sausages. The citizens of Philadelphia erected a triumphal arch decorated with illuminated "transparent paintings" and flanked by fountains of fireworks.

"I join with you most cordially in rejoicing at the return of peace," wrote Benjamin Franklin to a friend in England. "I hope it will be lasting, and that mankind will at length . . . have reason and sense enough to settle their differences without cutting their throats; for, in my opinion, *there never was a good war or a bad peace.*"

Lent by Peter Jay.

Read More About It

The Peacemakers, by Richard B. Morris.

The Diplomacy of the American Revolution, by Samuel Flagg Bemis.

**A Bookmark for
An American Anthology
Highlights of the Collections**
An exhibition at the National
Museum of American History
Smithsonian Institution

- 8 JAN 1985





10 DOWNING STREET

From the Private Secretary

7 January, 1985

Thank you for your letter of 31 December about the visit to London of the Mayor of San Francisco. You confirmed subsequently that the dates of her visit were 18-19 March, not 19-20 March.

Since 19 March will be Budget Day, the Prime Minister's programme for these two days is very heavy. Mrs. Thatcher very much regrets that she will therefore be unable to receive Mrs. Feinstein.

Could you please arrange for this reply to be conveyed to her, with the Prime Minister's good wishes.

DAVID BARCLAY

Colin Budd, Esq.,
Foreign and Commonwealth Office

VC



FILE

VC

cc: Foo

10 DOWNING STREET

THE PRIME MINISTER

4 January 1985

Dear Professor Brzezinski,

I finally had a chance during the Christmas-New Year break to read your article on the Future of Yalta which you were kind enough to send me with your letter of 19 November. It is a stimulating and provoking piece though I find much in it with which I do not agree.

I have no doubt of the need for greater European cooperation on political, economic and security matters with the goal of strengthening the European pillar of the Alliance and of enabling Western Europe to speak and act with greater authority. Your article makes a powerful case for this, though you should not underestimate what has already been achieved in this respect or our determination to press on. I am disappointed however that you appear to ignore Britain's contribution to Europe's defence which is considerably more significant than the Franco-German cooperation to which you do refer.

But I believe that a reduction, especially a punitive reduction, in the American military commitment to Europe would produce the reverse of the result which we both seek. So long as the Soviet military threat remains at its present high level, it is only with unambiguous American military backing that Western Europe will be able successfully to resist Soviet pressure for the sort of neutralized Europe explicitly contemplated in your article. I am convinced that a collective effort by all the Allies including the US will

RW

be needed to maintain adequate capabilities to match those of the Warsaw Pact; and that US participation in each of the three legs of the NATO triad of forces will be essential to continue to deter the Soviet Union from an attack.

As will be clear from these remarks, I cannot go along with several of your policy prescriptions, though I do agree with your proposal for a reaffirmation of the Helsinki Final Act. There will be an opportunity for this at the 10th Anniversary celebrations next August. But more generally I think that the most effective way for us to exercise a long term influence over developments in Eastern Europe is by the force of example of the West's achievements in the forty years since Yalta. The implications for the East speak for themselves.

Thank you again for sending me the article, and best wishes for the New Year.

Yours sincerely
Rangachari

Professor Zbigniew Brzezinski

PRIME MINISTER

The attached letter from the Foreign and Commonwealth Office asks if you would like to see the Mayor of San Francisco who will be here on Monday, 18, and Tuesday, 19 March. March 19 is Budget Day, and there is a possibility of Anglo-Irish talks on the 18th.

May I say no?

CR
*Very much
repet
not*

4 January, 1985.



10 DOWNING STREET

THE PRIME MINISTER

January 1985

Charles - this won't do - it has several phrases that could be very damaging. We shall have to redraft - a short letter I think

Thank you so much for sending me, with your letter of 19 November, a copy of your article on The Future of Yalta. You will not be surprised that I have not been able to read it until the Christmas break.

Quoted out content then looked to be desirable

(I believe that you have made an important contribution to the debate on both sides of the Atlantic about the development of Europe.) Your analysis of Soviet policy in Europe and your prescriptions for Western policy will be read with the close attention they deserve. Even those who may not agree with all of your reasoning will recognise that you have strengthened the already strong case for greater cooperation among the governments of Western Europe.

I think interesting that we should content themselves with merely part of his argument of the simple not

I share your view that Western Europe needs to develop its own authority and relevance, both internally and externally. But I ~~must confess that~~ ^{before} ~~I remain to be convinced~~ that a reduction, especially a punitive reduction, in the American military commitment to Europe would produce the *reverse of* result we all seek: to encourage the gradual re-creation of a wider Europe in which States would be free to choose their own path of development, but in which all would be conscious of their common European ties. Indeed, it is at least arguable that some of the policies you propose might produce precisely the opposite result. At the same time, we must be wary of underestimating both what Western Europe has already achieved,

the

in terms of political, economic and security coordination, and the determination of Britain and other leading Europeans to reinforce those achievements in future.

These are issues of vital concern to all who enjoy or who yearn for freedom and you do a public service in airing them.

Professor Zbigniew Brzezinski

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1656</i> (one piece/item number)	Date and sign
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Foreign and Commonwealth Office

London SW1A 2AH

28 December 1984

Prime Minister (3)

A draft reply on these lines is at flag A.

Dear Charles, ^{ans} ^{31/12} attached

Europe - The Future of Yalta

Your letter of 28 November to Colin Budd asked for a draft reply from the Prime Minister to Professor Brzezinski's letter and article on The Future of Yalta.

The Foreign Secretary believes that Brzezinski has made a number of important points which deserve careful attention, even if his historical analysis and policy proposals are of uneven quality. Brzezinski's central theme - that only Europe can save itself ("only Europeans can restore Europe") - is one for which Sir Geoffrey has much sympathy. He believes that, for economic reasons above all, the impulse for greater European cooperation in the political, economic and security fields is a powerful one, which we should welcome and seek to turn to our own advantage. The Foreign Secretary is also convinced that proposals of the Nunn-Cohen type will remain an important, and growing, factor in the equation. And he shares Brzezinski's view that history has not spoken its last word on the post-war division of Europe, though he does not expect history to move quickly on this point.

?
? Nevertheless, the Foreign Secretary has a number of reservations about Brzezinski's ideas, some of which might have dangerous implications for the future of a strong and free Western Europe. His initial reaction is that the lesson which Brzezinski draws from the experience of the last few decades - that "the historic balance in Europe will be changed gradually in the West's favour only if Russia comes to be faced West of the Elbe rather less by America and rather more by Europe" (p 16) - is a dubious guide to policy, at least in the short and medium term. A closer East-West European relationship bought at the cost of endangering and/or diluting Western freedoms would not be acceptable to the great majority in the West. And it would risk dashing the hopes of the large number of East Europeans, who are sustained by the sight of Western advances in political freedom and free international association as well as by economic and technological progress.

/So long as

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So long as the East's military threat remains at its present level, it is only with strong and unambiguous US military backing that Western Europe can hold on to its values and achievements and hold out against Soviet pressure for European "reunification" on the wrong, neutralist terms. The risk of a drift towards the kind of neutralised Europe explicitly contemplated by Brzezinski on page 18 of his article would be much greater if West European opinion ever lost its confidence in the US commitment to European defence - as expressed in the presence of US ground and air, as well as nuclear, forces in Europe.

As for Brzezinski's prescriptions for Western policy, the Foreign Secretary has considerable doubts about the wisdom of adopting his first and fourth policy proposals, for a public repudiation of Yalta by the Western powers, and for increased assistance to Eastern European dissidents, at a time when the West is seeking to resume a constructive dialogue with the Soviet Union with the aim of achieving genuinely balanced arms control agreements.

The most likely Soviet response would be to put off any arms control talks with the US for a considerable time until they had a clearer idea of what this radical switch in Western declared policy meant. In the meantime they would certainly tighten their grip on the Eastern European leaderships, putting at risk individual attempts by the latter to develop their own links with the West and their own minor reforms. Moreover, the Russians would no doubt exploit this extra excuse to intensify their propaganda attacks on Federal German "revanchism". Through these and through pressure on the GDR to curtail inner-German contacts, they would seek to create real doubt in West Germans' minds as to whether the Federal Republic's interests were best served by its present defence and economic alignments.

The Foreign Secretary believes that the right approach is that which the Prime Minister has already generally approved in the context of next year's war-time anniversaries: not to rake over the coals of forty years ago, but to stress the West's achievements since Yalta and our conviction that they are a valuable example for the whole of Europe. The precise implications for the East will largely speak for themselves.

Brzezinski's other ideas (his second and third policy proposals) - for a reaffirmation of the Helsinki Final Act and for increased Eastern European participation in pan-European organisations are ones which the Foreign Secretary

/finds



finds less objectionable. Indeed, as the Prime Minister will be aware, the 10th Anniversary celebrations of the signing of the Final Act in Helsinki next August will provide an opportunity for such a reaffirmation through the statements made by participating states. Brzezinski's third suggestion is best pursued by building on existing points of contact between East and West, especially those connected with the CSCE process, and considering new East-West bodies only when and if there is a clear practical task to be done. Inviting the East Europeans into such distinctively Western and democratic institutions as the Council of Europe would risk diluting precisely what makes these bodies of value: although we should perhaps consider whether we put out enough information on their activities in the East.

Brzezinski's fifth idea - that Europe should assume a more direct role in its own defence - is the one for which the Foreign Secretary has most sympathy, for the reasons mentioned above and rehearsed in his "European Pillar" article in Foreign Affairs. Even so, he thinks that Brzezinski considerably underestimates what Europe has already achieved in this field, and, in doing so, manages to ignore Britain's contribution to European defence (itself considerably more significant than the Franco-German cooperation to which Brzezinski refers). This is yet another example of the way in which our allies too often fail to give enough weight to the importance of Britain's role.

Moreover, Brzezinski totally misapprehends the nature of the problem about the US security commitment to Europe. There are two major flaws in the case he makes for the withdrawal of US ground forces. The first is the problem of defence resources. The collective efforts of all the Allies including the US are going to be needed to maintain adequate capabilities to match those of the Warsaw Pact over the next ten years. It is extremely improbable that European Governments could produce either the men or equipment to compensate for massive US withdrawals. Second, US participation in each of the three legs of the NATO triad of forces has long been regarded as essential to deter the Soviet Union from believing that they could get away with a conventional attack on Western Europe. Brzezinski's offer of strategic defence as part of the compensation for withdrawal of US conventional forces makes neither technical or political sense.

/Overall,

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Overall, the Foreign Secretary's conclusion is that Brzezinski's own analysis gives useful support to the already strong case for increased European cooperation; but some of his arguments are less valid; and several of his policy proposals are seriously flawed. Sir Geoffrey reserves judgement on Brzezinski's version of the post-war settlement, which FCO experts will be looking at in more detail. Perhaps the most significant general shortcoming in the article is Brzezinski's failure clearly to establish what he means by "Europe". Thus Sir Geoffrey has some difficulty in reconciling Brzezinski's call for strengthened Western European defence with his support for a "more authentic Europe" on the lines of the allegedly "positive experience" of Austria and Finland.

/ I enclose, as requested, a draft reply to Brzezinski which conveys the essence of these points without going into his arguments in detail.

*Yours ever,
Peter Ricketts*

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

~~Top Secret~~
~~Secret~~
Confidential
~~Restricted~~
~~Unclassified~~

Professor Zbigniew Brzezinski
1800 K Street, NW,
Suite 400,
Washington DC 20006

Copies to:

slzabg

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you so much for sending me, with your letter of 19 November, a copy of your article on The Future of Yalta. You will not be surprised that I have not been able to read it until the Christmas break.

CAVEAT.....

I believe that you have made an important contribution to the debate on both sides of the Atlantic about the development of Europe. Your analysis of Soviet policy in Europe and your prescriptions for Western policy will be read with the close attention they deserve. Even those who may not agree with all of your reasoning will recognise that you have strengthened the already strong case for greater cooperation among the governments of Western Europe.

Enclosures—flag(s).....

I share your view that Western Europe needs to develop its own authority and relevance, both internally and externally. But I must confess that I remain to be convinced that a reduction, especially a punitive reduction, in the American military commitment to Europe

would produce the result we all seek: to encourage the gradual re-creation of a wider Europe in which States would be free to choose their own path of development, but in which all would be conscious of their common European ties. Indeed, it is at least arguable that some of the policies you propose might produce precisely the opposite result. At the same time, we must be wary of underestimating both what Western Europe has already achieved, in terms of political, economic and security coordination, and the determination of Britain and other leading Europeans to reinforce those achievements in future.

These are issues of vital concern to all who enjoy or who yearn for freedom and you do a public service in airing them.

UK USA Relations A3.

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28 DEC 1984



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

17 December 1984

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Dear Charles,

I wrote to you on 5 December enclosing a message from the Prime Minister to be read out at a presentation ceremony in honour of two astronauts in the White House on 7 December. You will see from the enclosed letter from Sir Oliver Wright that the ceremony was a big success, and that the Prime Minister's message was very well received.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street



BRITISH EMBASSY,

WASHINGTON, D. C. 20008

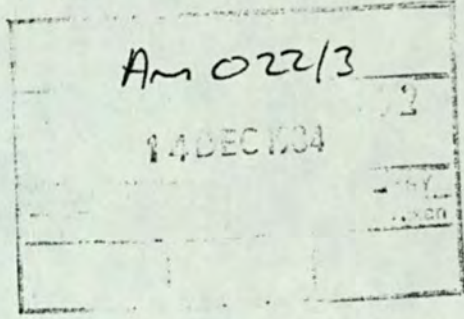
TELEPHONE: (202) 462-1340

7 December 1984

FROM THE AMBASSADOR

N H Marshall Esq
North America Department
Foreign & Commonwealth Office
London SW1

hym 17/12



Dear Noel,

LLOYD'S OF LONDON SILVER MEDAL FOR US ASTRONAUTS

1. Perhaps I should just place on record that at a ceremony at the White House at 1.00 pm today, the President presented, on behalf of Lloyd's of London, Lloyd's Silver Medal for Meritorious Services to the five astronauts who had salvaged the two lost satellites in space. The ceremony was simple, dignified and cheerful and lasted about 15 minutes.

2. It was a brilliant stroke of public relations genius for Lloyd's to have thought this up. There is no doubt at all that Lloyd's themselves had conducted a very efficient financial operation. I understood from the Chairman of Lloyd's that the loss had cost them about \$180 million; the recovery had reduced that loss by something of the order of \$60 million. But the fact that Lloyd's have entered new territory by insuring in space must, surely, stand them in very good stead for their future insurance business.

3. The ceremony opened when, at the invitation of the President, I read to the assembled press the Prime Minister's message. That message, for which Mr Peter Miller, the Chairman of Lloyd's was most grateful, was very well received. Then Mr Miller made a short but felicitous speech about Lloyd's Silver Medal and invited the President to make the presentation. The President did so with his usual cheerful charm and everything was over in about 15 minutes.

4. It was good for Lloyd's, good for Britain and good for Anglo-American relations.

Oliver Wright

7 DEC 1984

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The Lord Fanshawe of Richmond K.C.M.G.



House of Lords · Westminster

December 12th, 1984.

Mr. Denis Caplan C.R. 12/12

Many thanks for your note about the Prime Minister's visit to the United States. I am most grateful to you for keeping me in the picture. I understand that the plan is still retained for her to visit the States again in February. Perhaps I can talk to you on the telephone about this in the near future.

Love

Mrs. Richard Ryder

FILE

USA US/UK Relations



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10 DOWNING STREET

From the Private Secretary

30 November, 1984.

You will remember that when we spoke in April you asked me to let you know when the Prime Minister was next going to the United States.

She is now going for literally a few hours to see President Reagan on her way back from China just before Christmas. Please let me know if there is anything I can do to help.

As I am not sure where best to reach you, I am copying this letter to the House of Lords.

Caroline Ryder

Lord Fanshawe of Richmond, KCMG.

The Chapter Manor,
South Cerney,
Gloucestershire.

Lo



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10 DOWNING STREET

From the Private Secretary

28 November, 1984

-19/11/84.

I enclose a copy of a letter to the Prime Minister from Zbigniew Brzezinski, with which he sent her an article on the Future of Yalta.

I should be grateful for a draft reply.

(C.D. Powell)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

From the Private Secretary

28 November, 1984

I write to acknowledge your letter of 19 November to the Prime Minister. I shall lay this before her as soon as possible and am sure she will want to write to you when she has had time to read your article.

(C.D. Powell)

Mr. Zbigniew Brzezinski

10 DOWNING STREET

From the Private Secretary

27 November, 1984

The Prime Minister agreed to sign a message to Senator Tower, as suggested in your letter of 26 November. I enclose a signed version. I suggest that you telegraph the text and send the original by bag.

I am copying this letter and enclosure to Colin Budd (Foreign and Commonwealth Office) and Neil McMillan (Department of Trade and Industry).

C. D. POWELL

S. H. Lowe, Esq.,
Ministry of Defence

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cc: FCO
M/S, DTI
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10 DOWNING STREET

THE PRIME MINISTER

27 November 1984

My dear Senator,

I understand that Oliver Wright is giving a dinner to honour your retirement from the Senate after 24 years of outstanding service. I could not let such an occasion pass without taking the opportunity to say how very much we in the United Kingdom have appreciated your work.

We are particularly grateful for your invaluable contribution to promoting the cause of NATO and our common defence during your time as Chairman of the Armed Services Committee. Your influence has consistently been used to strengthen transatlantic ties and to solve problems when they have arisen. You have been a staunch believer in strong defences and a champion of freedom. We on this side of the Atlantic owe an enormous debt to you.

You will be sadly missed. But I trust that you will continue to play a part in public life, where you have so much to offer.

Please let me know whenever you visit London. I shall look forward to seeing you

Yours sincerely

Margaret Thatcher

Senator John Tower

DRAFT MESSAGE FROM PRIME MINISTER TO SENATOR TOWER

~~You have been a champion of strong defence~~
You have been a champion of strong defence and collaboration in

I understand that Oliver Wright is giving a dinner to honour your retirement from the Senate after 24 years of ~~service~~ ^{service}. I could not let such an occasion pass without taking the opportunity to say how ^{very} much we in the United Kingdom have appreciated your work.

We are particularly grateful for your invaluable contribution to promoting the cause of NATO and our common defence during your time as Chairman of the Armed Services Committee. Your influence has ~~led to a bridging of the trans-Atlantic gap, and a closer understanding within NATO of our common problems~~ ^{consistently been used to strengthen transatlantic ties and to work for to solve problems when they have arisen. We on this side of the Atlantic owe an enormous debt to you}

~~Although~~ ^{But} you will be sadly missed. I trust that you will continue to play a part in public life, where you have so much to offer.

You have been a staunch believer in strong defences and a champion of freedom.

RESTRICTED



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~430XXXX~~ 218 2111/3

MO 14/2

26th November 1984

Dear Charles

SENATOR JOHN TOWER

Senator John Tower, the senior Senator for Texas, chose not to run for re-election this year, and will therefore be retiring from the Senate in January, after 24 years service. For the past 4 years he has been Chairman of the Senate Armed Services Committee; in this capacity he has acted as the chief proponent in Congress of President Reagan's defence build-up. Sir Oliver Wright has suggested that the Prime Minister may wish to write to him.

Senator Tower is a noted Anglophile of long standing. He is also a staunch believer in the American commitment to the defence of Europe, and in the two-way street in defence equipment. He has used his Chairmanship of the Armed Services Committee to promote these views, and in doing so has been an invaluable friend and ally to the United Kingdom. It is probably true to say that without him, the wave of protectionism in defence procurement, and of efforts to legislate the Europeans out of several sectors of the US defence market, would not have receded. We would be faced today with a much more serious situation with inevitable political implications for European Governments. In addition, Senator Tower's help has been unstinting in sustaining such programmes as the Hawk, the AV8 B and the 81 mm Mortar.

It is thought unlikely that Senator Tower will fade from the US political scene when he leaves the Senate. He has an outstanding international reputation, is an acknowledged expert on defence matters and is in good standing with the Republican Party. He has been mentioned as a possible future successor to Mr Weinberger.

Sir Oliver Wright is hosting a dinner for Senator Tower on Thursday 29th November, in order to mark his departure from the Senate and to express our thanks for his past efforts.

C Powell Esq

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Sir Oliver believes that it would be appropriate for the Prime Minister to send a message for him to use at the dinner, and a suitable draft is attached. The Defence Secretary will also be sending a message, as will Mr Pattie who had much to do with Senator Tower when a Minister in this department.

If the Prime Minister agrees to write along these lines, it might be most convenient if her message were signalled along with Mr Heseltine's. I would therefore be grateful if you could send me a copy of the final version.

I am sending a copy of this letter and attachment to Colin Budd (FCO), and to Neil McMillen in Mr Pattie's office.

Yours ever

Simon Lowe
(S H LOWE)



10 DOWNING STREET

Prime Minister

You raised BNOC with the
Chancellor. You should
be aware that the US
Administration is hostile
to the way we have used
BNOC - see para 11.

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CONFIDENTIAL

NOTE OF BREAKFAST MEETING BETWEEN THE CHANCELLOR OF THE EXCHEQUER
AND THE SECRETARY OF THE US TREASURY AT 7.30 A.M. ON 24 SEPTEMBER 1984

THOSE PRESENT:

United Kingdom

Chancellor of the Exchequer
H M Ambassador
Mr. G. Littler
Sir T. Burns
Mr. N. Wicks
Mr. D. Peretz
Mr. H.G. Walsh

United States

Secretary Regan
Under Secretary Sprinkel
Assistant Secretary Mulford
Mr. C. Dallara
Mr. C. Hicks
Ms. Helen Walsh

1. Secretary Regan introduced a short discussion of the day's developments in the foreign exchange rate markets. Going on to interest rates, he believed that Morgan Guaranty's reduction in its prime rate of 1/4% the previous Friday had been a "pre-emptive strike" because that bank expected a 1/2% reduction in the prime rates of other banks which had not yet been forthcoming. He commented that banks were usually aggressive in putting up their rates but tended to be slow in reducing them. (Mr. Sprinkel added that this applied to central banks as well.)

Coal Strike

2. In a discussion of economic developments in the UK, the Chancellor said the second dock strike had ended but the coal strike (which had lasted for six months) was still in progress. There would be an important ballot of colliery overseers on the following Wednesday; they were balloting on whether to support the strike. A two-thirds majority was necessary. Their decision was significant in that some coalface miners were at work and could not continue without supervision. The political background to the coal strike was that a Marxist union leader had been looking to present the Government with a political challenge for some time. But the timing of the strike was favourable to the Government, since it had begun in the Spring and when coal stocks were high. It was also helpful that the Government was just beginning its second term of office. The men were slowly trickling back to work and the TUC were not particularly happy with a strike that had been called without a vote. Public opinion was largely on the side of the Coal Board. Sir Terence Burns said that the strike would reduce GDP growth in the UK by 1% in 1984, although the annual rate of reduction was slightly greater in the second quarter. The Chancellor said that the union had hoped that the Government would crumble at an early stage; hoped to get all miners out on strike, and further hoped that there would be massive support from other unions. In the event none of this had happened. He saw the outcome as being that the union would eventually be forced to hold a strike ballot, in which case the miners could well decide to go back to work.

Agriculture

4. In a discussion of agricultural policy, Secretary Regan explained that the Administration's Payment in Kind (PIK) programme had ended earlier in the year. Under this programme farmers were in effect paid not to produce and were given grain out of storage which they were

.../2

allowed to sell at a profit. Following the ending of this programme, a deal had been concocted between the farmers and Congressmen to make \$1.3 billion available through the Farm Credit Bureau to relieve the debt of farmers. The Administration had just announced a programme under which the Farmers' Home Administration will be granting five years of grace on both principal and interest for farmers in financial difficulties. He had been against these proposals but had lost the battle. In resisting such proposals, and those for US retaliation against the CAP, it would be helpful if CAP reforms were carried out.

5. The Chancellor described the European Community had managed to get agreement to a cutback in milk production. This had given rise to political problems when small dairy farmers went out of business, albeit farmers who should not have been in production in the first place. There was a further need to reduce CAP expenditure, especially on Mediterranean agriculture which would become more expensive after the accession of Spain and Portugal to the Community planned for 1 January, 1986.

Unitary Taxation

6. In response to a question from the Chancellor, Secretary Regan said that he had been disappointed by the outcome of his Working Group; it had been on the verge of agreement (with US business fully in agreement and State Governors partially in agreement) when State tax commissioners had dug in their heels. The result was that the States and US business had each to be allowed separate appendices in the final report, expressing partly dissenting views. He had told States that they must act by 31 July, 1985 or face the possibility of pre-emptive Federal legislation; that threat was still in place. The Chancellor said that he would need to know by the beginning of July 1985 whether progress was being made because he had to consider how to react to UK pressures for retaliation within the Finance Bill timescale.

7. Secretary Regan said that the Administration was doing what it could to encourage elimination of world-wide combined reporting at State level. It would be most helpful if foreign businessmen continued to make it clear that they would not invest in States with worldwide combined reporting; the recent trip to the United States of the Japanese Keidanren had been most effective. Mr. Walsh said that he understood the position in Florida to be that the last remaining obstacle to repeal of unitary tax should have been removed by the agreement of the Association of Florida Industries to make good the State's estimated gain of \$74.6 m from the introduction of world-wide combined reporting, even though that gain had not fully been realised. Secretary Regan said that he had asked Mr. Magowan (Chairman of Safeway stores) to mobilise US business in California against the unitary tax. Mr. Walsh said that the basic problem in California was that the interests of the domestic and foreign multi-nationals diverged. If it were suitably modified, the Alquist Bill would meet foreign companies' needs, and also those of the Governor since the revenue loss involved was only slightly above \$200 million. It would not, however, meet the domestic companies' request for dividend relief which would bring the cost up to \$500 million and make the legislation

CONFIDENTIAL

-3-

unacceptable to the Governor. Domestic companies would therefore continue to try to block the Alquist bill. There was potential antagonism between the foreign companies and the domestic ones during the coming session of the California legislature.

The Federal US Elections

8. In a discussion of the election prospects, Secretary Regan said that the next main events were the debates between the two Presidential candidates and the two Vice Presidential candidates. The President felt confident about the Presidential debate, but the Secretary thought that the debate between Vice President Bush and Mrs. Ferraro might be difficult for the Vice President. If Bush took a modest, understated approach, Mrs. Ferraro would cut him down with sharp sallies. On the other hand, if he raised the temperature, he would be accused of being over-aggressive. Secretary Regan said that he thought, especially since votes were counted on a state-by-state basis, there was little doubt about the outcome of the Presidential Election. He commented that US Presidential candidates were not as used to the cut and thrust of debate as UK political leaders. The Chancellor noted that British Prime Ministers never agreed to head-to-head debates with leaders of the Opposition during election campaigns, although these sometimes might take place between individual constituency candidates.

9. Mr. Wicks asked about the prospects in the Congress, and in particular about whether a Reagan landslide would benefit Congressional Republicans. Secretary Regan said that, in past elections, the "coattail effect" had been minimal. There was however a maximum effort to associate local candidates in difficult races with the President, for instance in the Senatorial race in Tennessee.

Beirut

10. In a short discussion about Beirut, Secretary Regan said that he thought the attack on the Embassy might have been an inside job. The attacker never reached the inner compound but was able to reach as far as he did by attacking (just before protective gates had been installed) with over 900lbs of explosive. The Chancellor said that he was glad the UK had been able to help out during the incident.

Oil Prices

11. Secretary Regan said that he had been puzzled by the UK decision in the Summer to support oil prices at a time when they were softening, and when the US was hoping that they would decline to \$27 or \$25 a barrel. He was surprised when BNOB came out in favour of no reduction in prices and in effect held OPEC's hand. The Chancellor said that the UK's desire was simply to see an orderly market. He was quite content to see oil prices edging down in real terms; but sharp price movements were in no one's interest. One problem was that OPEC quoted its prices in dollars and, since the dollar had been going up, this meant that stable nominal prices in dollar terms represented rising real prices in other currencies. While the UK would not intervene to stop a slow decline in real prices, it did wish to stop rapid fluctuations which had a disruptive effect on a number of

countries. Secretary Regan said that, since the UK action, the oil price had firmed. The Chancellor replied that to some extent this was a matter of a normal seasonal pattern and said that the UK was neither a member of OPEC nor holding their hand and pointed out that it had consistently refused to limit crude oil production. Mr. Wicks said that the UK action had represented smoothing only and that a UK "signal" by itself could not have reversed the trend of the entire oil market.

Tax Reform

12. Secretary Regan said that he would propose a revolutionary tax reform in his report to the President. He thought that the general American citizenry would welcome the concept proposed, although specific sectors might object. The Chancellor said that it was desirable to put such a reform into effect quickly, and that his experience was that the presentation of the concept was very important. If this were done well, it could make it much less difficult to deal with groups disadvantaged by the reform. Secretary Regan said that the very different political processes in the US than in the UK made it difficult to introduce reforms quickly and that the Administration's proposals would be subject to passage through the relevant Senate and House Committees. Certain pre-election pledges had also to be met. The groups disadvantaged by the reform would be many and scattered widely.

Hong Kong

13. In a short discussion on Hong Kong, the Ambassador said that the UK expected to initial an Agreement on Wednesday and would send the text to the Treasury. This would spell out the deal between the two sides in a great amount of detail. Secretary Regan said that he did not understand why the Chinese had agreed to the detailed provisions thirteen years before the Agreement was due to take effect. The Chancellor said he thought that there were several reasons, including the financial interest of the Chinese. At the back of their minds he also thought the Chinese believed that, if they behaved well over Hong Kong, it would improve their chances in due course of reaching a similar agreement over Taiwan. The Ambassador said that the agreement would be self-policing: the Chinese would wish to further their interests in Taiwan, would wish to maintain Hong Kong's viable economy and would wish to use the Hong Kong Agreement as a benchmark as to whether their word could be accepted in the future. The Chancellor commented that the outcome would be that a part of a Communist country would be more capitalist than any capitalist country.

14. The meeting ended at 8.30 a.m.

H.G.

H G Walsh
24 September, 1984

CONFIDENTIAL

-5-

Circulation: PS/Chancellor
PS/Financial Secretary
Mr. Littler
Sir T. Burns
Mr. Lavelle
Mr. Spence (Inland Revenue)

HMA
Minister
Minister (E)
Minister (C)
Mr. Exeter
Econ Registry

W/END Box. (F)

ZBIGNIEW BRZEZINSKI
1800 K STREET, N. W., SUITE 400
WASHINGTON, D. C. 20006
(202) 833-2408

~~Prime Minister~~
Draft reply in
hand.
f26. CDP
20/11/84

November 19, 1984

Dear Madame Prime Minister:

With the approaching anniversary of the Yalta agreement, the issue of Yalta will again become politically active, and a common stand by the West will be needed. I hope the enclosed article, with some specific suggestions, is helpful to that end.

I still recall with much pleasure the stimulating conversations that I have had with you both in London and in Washington, and I do hope that at some point in the future there will be an opportunity to exchange views on the old and the new problems that confront us all.

Respectfully,

Zbigniew Brzezinski

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

DAIRY
RECORDED

Yalta is unfinished business. It has a longer past and it may have a more ominous future than is generally recognized. Forty years after the fateful Crimean meeting of February 4-11, 1945, between the Allied Big Three of World War II, much of our current preoccupation with Yalta focuses on its myth rather than on its continuing historical significance.

The myth is that at Yalta the West accepted the division of Europe. The fact is that Eastern Europe had been conceded de facto to Stalin by Roosevelt and Churchill as early as the Teheran Conference (in November-December 1943), and at Yalta the British and American leaders had some halfhearted second thoughts about that concession. They then made a last-ditch but ineffective effort to fashion some arrangements to assure at least a modicum of freedom for Eastern Europe, in keeping with the Anglo-American hopes for democracy on the European continent as a whole. The Western statesmen failed, however, to face up to the ruthlessness of the emerging postwar Soviet might, and in the ensuing clash between Stalinist power and Western naïvete, power prevailed.

Yalta's continuing significance lies in what it reveals about Russia's enduring ambitions toward Europe as a whole. Yalta was the last gasp of carefully calibrated Soviet diplomacy designed to obtain Anglo-American acquiescence to a preponderant Soviet role in all of Europe. At Yalta, in addition to timidly reopening the issue of Eastern Europe, the West also deflected, but again in a vague and timorous fashion, Soviet aspirations for a dominant position in the western extremity of the Eurasian land mass.

Yalta thus remains of great geopolitical significance because it symbolizes the unfinished struggle for the future of Europe. Forty years after Yalta that struggle still involves America and Russia, but by now it should be clear that the issue is unlikely to be resolved in a historically constructive manner until a

Zbigniew Brzezinski was the Assistant to the President for National Security Affairs during the years 1977-1981. He is currently Professor of Government at Columbia University and Senior Adviser to the Center for Strategic and International Studies at Georgetown University. His most recent book is *Power and Principle*.

2 FOREIGN AFFAIRS

more active role is assumed by the very object of the contest, Europe itself.

II

The setting for Yalta was prostrated Europe. That once globally dominant civilization had committed historical suicide in the course of two devastating wars fought within the span of a mere quarter-century. When the two leaders of the British and American democracies met with the Georgian tyrant of the Great Russian Empire to resolve the future of Europe, continental Europe was absent from the deliberations. In the meantime, much of Europe's future was being decided on the ground, by the great extra-European armies pushing from the east and the west into Germany, the heart of Europe.

Until Yalta, the key issue perplexing the wartime alliance was Poland, the key to control of Eastern Europe. Thereafter, the issue has increasingly been Germany, the key to control over Western Europe. Poland represented to Moscow the gate to the West, and thus the Kremlin in its wartime diplomacy adopted an attitude of utter intransigence on the question of Poland's future. Though Churchill later described in his memoirs the Polish issue as "the first of the great causes which led to the breakdown of the Grand Alliance," neither he nor his Atlantic partner, President Roosevelt, seemed to grasp the central strategic importance of the Polish issue; nor was either of them inclined to exploit Russia's initial weakness to obtain a satisfactory resolution of the Polish-Soviet dispute, initiated by the Soviet seizure of almost half of Poland in 1939 as a result of the Stalin-Ribbentrop agreement.

Stalin correctly saw in the territorial dispute the opportunity to transform Polish independence into dependence on Moscow. So did the Poles. Prior to the Teheran meeting, the Polish prime minister desperately warned Churchill (as recorded by Sir William Strang on September 9, 1943) that "what was at stake between Poland and Russia was not merely a question of frontiers but a question of general relations and indeed the question of the survival of Poland as an independent state. . . ."¹ A month later, Foreign Minister Anthony Eden reported to the British War Cabinet that the Polish prime

¹ This, and the other documents cited, are contained in the very useful collection edited by A. Polonsky, *The Great Powers and the Polish Question*, London: L.S.E., 1976. I also benefited from V. Mastny, *Russia's Road to the Cold War*, New York: Columbia University Press, 1979, and I am pleased to acknowledge my debt.

minister had told him on October 6, "The general attitude of Stalin towards Poland, towards Germany and the Free German movement and towards questions touching other occupied countries, as well as his record and his whole mentality, implied more extensive ambitions than ambitions only in the eastern provinces of Poland which were strategically important to Poland but in no sense vital to Russia." Finally, on the eve of the Teheran meeting, Eden briefed the War Cabinet on November 22 that the Poles feared "that Russia's long-term aim is to set up a puppet government in Warsaw and turn Poland into a Soviet republic. . . ."

The British took a more benign view of Stalin's goals. Eden assured the Poles "that British experience suggested that Stalin was much less intransigent. . .," and his internal memorandum on preparations for the forthcoming Teheran Conference makes it clear that the United Kingdom was prepared to satisfy Stalin's territorial goals in the hope that this would produce acceptable political arrangements. If anything, the Americans were even more inclined to gratify Stalin. In keeping with the foregoing, at Teheran in late November and early December 1943, both Churchill and Roosevelt agreed to changes in the Polish frontiers, without any further consultation with the Poles, and more generally conceded to Moscow a preponderant role in the Balkans.

To make matters worse, while pressing the Poles to make territorial concessions to Moscow in the hope of assuaging Russian desires, the British and Americans were unwilling to offer the Poles any assurances regarding compensation in the West. Adopting the position that changes in Germany's frontiers must await the end of the war, London and Washington made the Polish plight more desperate. As a result, most Poles simply refused any compromise on the grounds that a truncated Poland could not survive as an independent entity, while others, shocked and embittered, increasingly saw in Moscow the only sponsor of major Polish territorial acquisition of German territory as a compensation for what was to be absorbed by Russia. The price, however, was the inevitable emergence of Polish dependence on Russia, and through it Soviet domination over Eastern Europe.

By the time of Yalta, not only was Poland occupied by the Red Army, but a new government, sponsored by Stalin, had been installed in Warsaw. At Yalta, the West exacted Soviet promises that the Soviet-installed government would be en-

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larged and would hold free elections, following which the West would recognize it, but Western leaders agreed not to have any binding obligations regarding the elections inserted into the joint communiqué issued at the conclusion of the Yalta Conference. As a result, how free elections were to be organized remained an exclusive Soviet prerogative, with the outcome thereby predetermined. (Indeed, the Western powers recognized the Warsaw government in mid-1945, even though—contrary to the Yalta agreement—no elections had been held.)

III

By finally foreclosing the issue of Poland in Russia's favor, Yalta opened the battle for the future of Germany. Eastern Poland had been incorporated into the Soviet Union, but the West continued to oppose major Polish expansion at Germany's expense. The Russians at first hesitated in deciding how extensively they ought to support Polish claims. But at the Potsdam Conference in July 1945, following Germany's final collapse, Stalin apparently concluded that with his armies firmly implanted in the middle of Germany he could afford to satisfy Polish needs (thereby permanently cementing Polish dependence on Russia), while continuing to wage his struggle for a preeminent Soviet role in Western Europe.

For Stalin, that struggle was the vital substance of his wartime alliance with the West. Late in 1943, on the eve of the Teheran Conference, Stalin, whose armies were then still fighting on Soviet soil, had succeeded in obtaining Western accord for a major Soviet role in both postwar Germany and Italy, and Western acquiescence to the scuttling of the Polish-Czechoslovak plans for a central European confederation which might have presented an obstacle to Soviet domination over the region.

The Teheran Conference further nurtured Stalin's grandiose hopes that the British would be unable and the Americans unwilling to oppose his larger designs, which he revealed cautiously, while continuously probing the intentions and the will of his British and American interlocutors. Throughout, Stalin and his associates skillfully played on the anti-imperialist sentiments of the Americans to weaken the British role in any postwar arrangements and on the British rivalry with France to make certain that no center of effective power would emerge in postwar Western Europe. In the Soviet interpretation, Roo-

sevelt's penchant for speaking of the world's "four policemen" could have had only one geopolitical meaning: America's central concern would be the Western hemisphere, a weak China would be preoccupied with its own problems, and a bankrupt Britain would be enmeshed in its imperial dilemmas, leaving most of Eurasia to the care of the fourth policeman.

In testing Western reactions to his design, Stalin used as bait two somewhat varying schemes for Europe. Though one will never know to what extent these plans were alternative scenarios or competing concepts, both plans provided for a major Soviet role in all of Europe. The two options were succinctly summed up in a conversation on August 31, 1943, between British Foreign Minister Eden and the Soviet ambassador to London, Ivan Maisky, as reported by Eden:

... Maisky continued that there were two possible ways of trying to organize Europe after the war. Either we could agree each to have a sphere of interest, the Russians in the East and ourselves and the Americans in the West. He did not himself think this was a good plan, but if it were adopted we should be at liberty to exclude the Russians from French Affairs, the Mediterranean and so forth, and the Russians would claim similar freedom in the East. If, on the other hand, we would both, and the United States also, agree that all Europe was one, as his Government would greatly prefer, then we must each admit the right of the other to an interest in all parts of Europe. If we were concerned with Czechoslovakia and Poland, and the United States with the Baltic States, then we must understand Russian concern in respect of France and the Mediterranean. . . .

The latter variant was apparently advocated at least until Yalta by Maxim Litvinov, the former Soviet Commissar for Foreign Affairs and former ambassador to Washington. Postulated on the unstated assumption that America would disengage militarily from Europe but that at least a semblance of congeniality between the Soviet Union and its principal wartime allies would continue even after the war, and bound to appeal to the idealistic American dislike of spheres of influence, the plan envisaged not only a Soviet role in all of occupied Germany but in effect a thinly camouflaged arrangement for a Europe dominated indirectly by the Soviet Union, the only effective power in the region. British influence was to be confined to several narrow maritime enclaves, France was to play a negligible role, while continued Soviet-American accommodation would be tacitly premised on American noninvolvement in European affairs. There can be little doubt that the Soviets took seriously Roosevelt's repeated hints both at Teh-

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eran and even later at Yalta that the United States would not maintain a postwar military presence in Europe. Given their ideological cast, they must also have been reassured by Roosevelt's tendency to speak privately to Stalin in most negative terms both of the British and of the French, seeing in that confirmation of their theory of "inherent capitalist contradictions."

The alternative to this strategy of domination through Western acquiescence was associated with Litvinov's principal rival and successor at the helm for foreign affairs, Vyacheslav Molotov. It took more for granted that an American-Soviet collision would eventually occur, presumably after the expected U.S. disengagement from Europe and probably in the context of sharpened intercapitalist conflicts. Molotov's alternative strategy of exclusive control by *fait accompli* put more emphasis, therefore, on directly subordinating eastern Europe and as much of central Europe as possible, while vigorously asserting Soviet claims to a major role in the West and to a coequal veto-wielding status in relations with the United States. In more specific discussions regarding postwar arrangements for Germany, Stalin was careful to keep his options open. At times he seemed to be favoring a central German government, at other times he would opt for the fragmentation of Germany into several constituent states. In either case, he was always insistent that the Soviet Union have a major say in all of Germany, while making certain that no major West European power was reconstituted.

As the Soviet armies marched westward, Stalin's claims became more explicit both territorially and politically. In addition to retaining everything seized during the collaboration with Hitler, by late 1944 and early 1945 the Soviet Union surfaced territorial demands on Norway (Bear Island and the Spitzbergen), regarding the Far East (southern Sakhalin, the Kurile Islands, and a preponderant role in Manchuria and Outer Mongolia). Stalin also sought a share in controlling Tangier and a slice of the Italian colonies on the Mediterranean, in addition to proposals for joint action against Franco's Spain and increased political pressure on neutral Switzerland and Sweden. This was followed later by demands for territorial concessions by Turkey. Moreover, the Soviets consistently spoke of France as totally demoralized and worthless, underlining the proposition that Europe was a political vacuum.

Anglo-American surprise and protracted failure to come to grips with the scope of these Soviet ambitions is all the more remarkable when one considers the extent to which Stalin's aspirations mirrored traditional Russian goals. Indeed, they so closely replicated Tsarist objectives in World War I that one may suspect that old Russian planning papers were disinterred for Stalin's and Molotov's use. Some 30 years earlier, in late 1914, the Russian Council of Ministers had also considered the related problems of Poland and of Russian postwar objectives. The majority report focused on the restoration of a Polish kingdom, but under Imperial Russian sway, as Russia's major postwar objective. However, the minority report prepared by the more reactionary members went beyond that priority and defined Russian war objectives much more ambitiously.

Russia's general aims were stated as involving the "strengthening of Russia herself, in an ethnic, economic and strategic way"; in addition to "the possible weakening of Germanism as the chief enemy of Slavdom and Russia at the present time"; and to "the possible liberation of other Slavic peoples from the authority of Germany and Austria-Hungary (insofar as such liberation does not conflict with the direct interests of Russia)." To accomplish the above, Russia was to attain the following specific goals in order of importance:

(1) Completion of the historic task of uniting all sections of the Russian people by reuniting eastern Galicia, northern Bukovina and Carpathian Rus' with Russia.

(2) Realization of the historic tasks of Russia in the Black Sea by the annexation of Tsar'grad (Constantinople) and the Turkish Straits.

(3) Rectification of the borders of the Russian state at the expense of East Prussia and also in Asiatic Turkey.

(4) The weakening of Germany internally in every possible way by means of her complete territorial reconstruction on a new basis, with a possible decrease in Prussian territory to the advantage of France, Belgium, Luxemburg, Denmark and the smaller German states as well, and, perhaps, the restoration of the Kingdom of Hanover, Hesse-Nassau, etc.

(5) Unification and liberation of Poland within the widest possible boundaries, but, in any case, within limits which are ethnographic rather than historic (which would be contrary to the basic interest and entire history of Russia).

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(6) Liberation of the remaining Austrian Slavs.²

What is striking about these war aims, drafted by the more nationalistic and reactionary members of the Council, is their identity with Soviet post-World War II objectives defined by Stalin and Molotov. Every one of the objectives became Stalin's: the incorporation of parts of Polish Galicia never previously held by Russia and of Czechoslovak Sub-Carpathia were identical with the first 1914 goal; the second objective was denied to the Soviets, but they did press for it in their conversations with the Western allies (presumably recalling that in the spring of 1915 France and Britain had conceded as much to Tsarist Russia); the third objective was obtained in East Prussia (again a surprise to Westerners), and the Soviets in 1945 pressed for territorial concessions from Turkey but without success; the fourth was achieved in a different form in Germany; the fifth pushed Poland further west than was thought possible in 1914 but with functionally the same result—the creation of a Poland highly dependent on Russia for its territorial integrity.

One can thus classify Soviet wartime objectives as falling into three categories: first, recovery of the territorial status quo ante as of June 1941; second, securing politically acquiescent regimes in east central Europe; third, gaining a preponderant voice regarding the political organization of the rest of Europe. The Soviets were totally unyielding and quite open about the first objective; they were prepared, however, to camouflage the second objective if it served to promote the attainment of the third goal. It is easy to forget how uncertain at the time was America's postwar role in Europe, while American unwillingness during wartime to focus concretely on postwar issues fortified the expectation that it would again turn inward. As Soviet forces moved westward, their pursuit of the second objective became more brazen, and it assumed brutal manifestations when it dawned upon the Soviets that there might not be an American acquiescence to the attainment of the third objective. That realization dawned on Stalin and his colleagues with increasing intensity after Yalta.

IV

Yalta can therefore be said to have initiated the postwar struggle for Europe. Yet it was hailed in the West as an

² Gifford D. Malone, quoting *Rusko-pol'skie otnosheniia v period mirovoi voiny* (Moscow, 1926), in *Russian Diplomacy and Eastern Europe, 1914-1917*. New York: King's Crown, 1963, pp. 20-21, 139-40.

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unmitigated diplomatic triumph, foreshadowing a period of prolonged East-West accommodation. Forty years later this very same Yalta continues to evoke equally simplistic—though opposite—emotions. It is now the synonym for betrayal. At the time its decisions were said (according to a *New York Times* editorial of February 13, 1945) to “justify and surpass most of the hopes placed on this fateful meeting . . . they show the way to an early victory in Europe, to a secure peace and to a brighter world.”

Sumner Wells might be accused of some partiality when he announced (in *The Washington Post* on February 28, 1945) that “. . . the Declaration of Yalta, whatever the future may bring forth, will always stand out as a gigantic step forward toward the ultimate establishment of a peaceful and orderly world.” But even such an experienced observer as Walter Lippmann was not to be outdone. Writing in *The New York Herald Tribune* on February 15, 1945, Lippmann informed his readers that Churchill, Stalin and Roosevelt “have checked and reversed the normal tendency of a victorious coalition to dissolve as the war, which called it into being, approaches its end. . . . The military alliance is proving itself to be no transitory thing, good only in the presence of a common enemy, but in truth the nucleus and core of a new international order.”

Skeptical voices were few and far between. *The Wall Street Journal* warned on February 16, 1945, that the Yalta deal on central Europe “can only lead to increasingly unsatisfactory relations between the United States and Russia”; while a perceptive Frenchman, Andre Visson, (writing in *The Washington Post* on February 18, 1945, in an article entitled “Big Powers and Small Nations”) noted that the United States was finally becoming committed to the future of Europe and was showing signs of a willingness even to contest the Soviet domination over Eastern Europe—unlike at Teheran, where it seemed uninterested in postwar arrangements and willing to settle for “the division of Europe into two zones of influence.”

In fact, Yalta was the last effort by the wartime partners to construct the postwar world jointly. Unlike Teheran, where Churchill was still clearly Roosevelt’s equal, at Yalta the lead was taken by the Americans, foreshadowing the bipolar world that was in fact emerging. The real collision at Yalta was between Roosevelt’s well-meaning vagueness about arrangements for Europe’s postwar future and Stalin’s studied vagueness about the extent of Russia’s desire to dominate that future.

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The former desperately wanted to believe in postwar cooperation while the latter deliberately exploited that faith to create facts on the ground while pressing for Western acceptance of Soviet claims in both the west and the far east of the Eurasian continent.

As a result, the Yalta declarations were manifestly escapist in character. The provisions regarding free elections in Poland were at best a transparent fig leaf for outright Soviet domination, while the rhetoric concerning future peace simply obscured the emerging and very basic differences between the major powers. However, that rhetoric did serve to further delude Western public opinion regarding Russia's true intentions, thereby making it more difficult for the Western democracies to cope effectively with the emerging East-West confrontation.

By failing to construct an agreed-upon world, while in effect sanctioning the concessions made earlier at Teheran, Yalta became subsequently the symbol of Europe's partition. The follow-on meeting at Potsdam was merely a contentious session to carve the spoils. It was at Yalta that the Westerners belatedly had their first inklings that the concession of Eastern Europe to Soviet domination might be the beginning of the contest for central and Western Europe, while to Stalin Western reticence regarding satisfaction of the wider Soviet goals foreshadowed a more difficult political struggle than apparently anticipated earlier. Henceforth, the increasingly overt preoccupation of Soviet policy became one of driving the United States out of Eurasia.

v

That preoccupation has endured for the 40 subsequent years—and today it is still the central motif of Soviet foreign policy. Its concomitant is the determination to prevent the emergence of a genuine Europe motivated by shared political will. The last four decades, however, also reveal an important strategic lesson: what has come to be seen as the legacy of Yalta—namely the partitioned Europe—can only be undone either in Soviet favor through Litvinov's more subtle design of domination through acquiescence, or to Europe's historical advantage by the emergence of a truly European Europe capable both of attracting Eastern Europe and of diluting Soviet control over the region. America does not have the power or the will to change basically the situation in Eastern

Europe, while crude and heavy-handed Soviet efforts to intimidate West Europe merely consolidate the Atlantic connection.

Of the two principal sides, it has been the Soviet that has been much more persistent than the American to achieve a geopolitical breakthrough, settling the fate of Eurasia. Yalta had stimulated Soviet anxieties that America might not in fact disengage totally from Europe; Potsdam reinforced them, while the subsequent announcement of the Marshall Plan confirmed Moscow's worst fears: America, contrary to Stalin's hopes and expectations, was becoming implanted on the continent, de facto checking the expansion of Soviet power.

Subsequent history has been punctuated by more overt and direct Soviet efforts to challenge that reality head-on—above and beyond the relentless attempts to undermine it. The political campaign against the Marshall Plan, and Stalin's open decision to keep both Czechoslovakia and Poland out of it, were undertaken in the context of the strategic conclusion that not only would America remain engaged in European affairs but that a protracted political conflict was now inevitable. The subsequent Berlin crisis was thus an important test of will, designed to challenge America's suddenly improvised determination to play a major role in the truncated Germany.

It is important to be clear about it: neither Stalin's blockade of Berlin, nor Khrushchev's Berlin crisis of a decade later, was about Berlin itself. In both cases, the stake was the American security connection with Western Europe. This is why both Stalin and Khrushchev were willing to risk even a period of very high tension—dangerously high tension—with America, something which Berlin itself did not merit. Had the Soviets prevailed, Germany would have been panicked, and the vaunted American commitment to the defense of Europe would have been rendered impotent. The geopolitical effect of a Soviet success in Berlin would have been to establish Soviet paramountcy over Western Europe.

Though the two Berlin crises were the most overt indicators of the enduring Soviet determination to sever the Atlantic security connection, Soviet diplomacy throughout the postwar era has pursued also the cardinal objective of ensuring that a geopolitically vital Europe does not surface as a competitor or even as a neighbor. Soviet foreign policy—using all its diplomatic leverage as well as such overt and hidden tools as the West European communist parties and the myriad of fellow travelers—has been active in opposing such schemes as the

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European Defense Community, and it has above all persistently tried to place obstacles in the way of the Common Market's evolution toward a political personality. Even if Western Europe cannot be severed from America, it must at least be kept divided and weak.

The commitment to the goal of expelling America from Europe is not just lingering in the Kremlin. It animates the current Soviet leadership, a leadership more Stalinist in substance than any since 1953. Attempting to exploit the West European "peace movements" and unease regarding the anti-Soviet rhetoric of the Reagan Administration, the current Soviet leadership decided to elevate the INF (intermediate-range nuclear forces) issue into a new test of will, again making the Atlantic security connection the ultimate stake. The Soviet decision to refuse to negotiate with the United States on arms control issues unless the United States dismantles and removes its Pershing IIs and ground-launched cruise missiles is tantamount to an attempt to impose on America a public humiliation with wide-ranging strategic consequences. It is the functional equivalent to the earlier Berlin crises.

But the Soviet leadership has again overreached itself. Its heavy-handed tactics contributed to the defeat of the neutralist Social Democratic Party in Germany, to the discrediting of the unilateral disarmers in the Labour Party in Britain, and to the strong show of solidarity with America displayed by Europe on this issue. (Parenthetically, one may add that almost simultaneously the present Soviet leadership has stimulated in Japan the highest degree of anti-Sovietism since World War II.) It did so because it overestimated the depth of the neutralist sentiments and the extent of the West European, even the German, stake in the East-West détente. It may also have overestimated the impact on West European public opinion of the greatly increased Soviet strategic power, especially in comparison to the Berlin crises of the late 1940s and the late 1950s. The Soviet leaders may have calculated that the combination of a specifically West European interest in détente with the growing fear of Soviet military power (especially with the massive deployment of the SS-20s targeted on Western Europe) might stampede the West Europeans—even if not the Americans—into a unilateral accommodation. They thus relied too much on simple political intimidation.

Nonetheless, in addition to noting Soviet persistence in seeking to achieve the subordination of Western Europe, it is

important not to be overly reassured by the Soviet failure. For that failure is due more to the crudeness of the Soviet tactics than to the resilience of Western Europe. The fact is that Western Europe as such has not emerged politically. In that respect the Soviet Union can be said to have achieved at least a part of what it has been seeking since Yalta. In the meantime, the continued division of Europe breeds growing resentment not only of the direct Soviet domination over Eastern Europe but also of the American role in Europe, a situation which more skillful Soviet diplomacy could at some point more intelligently exploit.

The political reality is that America cannot undo Europe's partition, but the existence of that partition intensifies the American-Soviet rivalry which in turn perpetuates the partition. Though America has at times sought to loosen the bonds that both tie and subordinate Eastern Europe to Moscow, at the truly critical junctures America has chosen not to contest Soviet domination directly. American policy has aimed at carefully encouraging the peaceful evolution of a somewhat more pluralistic Eastern Europe, a process that is bound to take time and which can periodically be reversed by force, as through martial law in Poland in 1981. However, when the East German regime collapsed in 1953, when Hungary arose in 1956, when Czechoslovakia peacefully emancipated itself in 1968 only to be invaded by Soviet armed forces, the United States adopted a passive posture masked by anti-Soviet rhetoric. Whether more could have been done is debatable, but that not much *was* done is undeniable.

VI

American prudence is one reason why the Europeans sense that America cannot undo the division of Europe. The other reason is even more basic. America cannot undo the partition of Europe without in effect defeating Russia. And that the Russians must and will resist firmly—just as the direct expulsion of America from Western Europe would be resisted by America as an intolerable defeat. At the same time, the partition of Germany in the context of the partition of Europe makes both partitions a live issue. It ensures a continuing political struggle for the future of Germany and thus for the future of Europe. It locks America and Russia into a strategically central conflict, but with the stakes so high that neither can countenance a direct defeat. With divided Germany thus

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serving as the permanent catalyst for change, the issue of the future of Europe remains a live issue, despite the stalemate of the last 40 years.

The situation might have been altogether different if the division of Europe had not entailed simultaneously the division of Germany. If instead of the Elbe the geopolitical American-Soviet frontier had been fixed on the Rhine or on the Oder-Neisse line, the division of Europe into two spheres of influence would have been neater and politically easier to maintain. With the Rhine as the dividing line, the West European rump would have felt so threatened by the Soviet presence, backed by a Sovietized Germany, that henceforth its enduring preoccupation would have been to insure the closest possible ties with America, forgetting altogether about the fate of the Soviet-dominated central and eastern Europe. If, on the other hand, Soviet sway had been extended only to the Oder-Neisse line, the Poles and the Czechs would have been so fearful that an American-backed Germany might resume its traditional *Drang nach Osten* that the partition of Europe would have been of very secondary concern.

As it happens, the existing stalemate is increasingly resented by all Europeans. The Germans—no longer dominated by feelings of war guilt, less mesmerized by the American ideal, distressed by the failure of Europe to become an alternative to divisive nationalisms—are naturally drawn to a growing preoccupation with the fate of their brethren living under an alien system. The notion that the destiny of a united Germany depends on a close relationship with Russia is not a new one in German political tradition. Frustration with the nation's division is giving it a new lease on life.

Moreover, for Germany especially but also for Western Europe as a whole, the East holds a special economic attraction. It has been the traditional market for West European industrial goods. As Western Europe discovers that in its fragmented condition it is becoming less competitive with the high-tech economies of America and Japan, the notion of a special economic relationship with the East becomes particularly appealing. The fear that America may be turning from the Atlantic to the Pacific has in this connection a self-fulfilling and a self-validating function: it justifies a wider economic, and potentially even a political, accommodation between an industrially obsolescent Western Europe and the even more back-

ward Soviet bloc, a logical consumer for what Western Europe can produce.

More than most Europeans, the East Europeans, no longer expecting American liberation, long for a genuine Europe, which would free them from the Soviet yoke. That longing explains the extraordinary standing to this day in Eastern Europe of de Gaulle—simply because he raised the standard of "Europe to the Urals." It explains also the special appeal of the Pope, whose vision of Europe's spiritual unity has obvious political implications. But the East Europeans will settle for half a loaf if they cannot have the whole. Faced with the choice of exclusive Soviet domination, only occasionally contested by American policy, or of at least growing ties with even a politically weak Western Europe, the East Europeans clearly prefer the latter.

To register all of this is not to say that Europe will simply drift into a separate accommodation with the Soviet Union, fulfilling long-standing Soviet ambitions. It is to note, however, the potential and growing West European susceptibility to a Soviet policy based more on Litvinov's prescriptions than on Stalinist practices. A Soviet policy designed to exploit more subtly the continued absence of a united Europe, the mounting American frustration with the low level of the European defense effort, and the inevitable appeal of escapist notions regarding disarmament, nuclear freezes, and the like, could have a significant impact on both American and European public opinions. Indeed, under certain circumstances, one can even envisage a spontaneous American inclination to disengage from Europe, with conservatives advocating it out of irritation with European unwillingness to do more for common defense, and with liberals propounding it because of their current tendency to deal with difficult security matters by evasion. The U.S. deficit will, in any case, drive Congress toward a more critical look at the cost of the U.S. NATO commitment.

In Europe itself, such a more subtle Litvinov-type Soviet policy would aim not at the dismantling of NATO as such but at depriving it of any political or military substance. Exploiting the duality of German feelings and the growing ties between Bonn and East Berlin, it would seek to transform Germany into a quasi-neutral member of NATO, thereby alarming and further fragmenting Western Europe. Instead of concentrating on trying to inflict on America a visible and direct political defeat in Europe, it would play on European unwillingness to

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associate itself with America in the wider global and ideological rivalry with Russia, in order to achieve European acquiescence to a subordinate relationship with Moscow.

It is not self-fulfilling pessimism to note that a Europe dependent militarily, fragmented politically, and anachronistic economically remains a Europe more vulnerable to such blandishments. In brief, a sustained Soviet peace offensive poses the greater danger that Moscow finally might succeed in splitting Europe from America and thus, taking advantage of Europe's continued historical fatigue, attain finally a Yaltanized Europe.

VII

As President Mitterrand put it some two years ago, "*tout ce qui permettra de sortir de Yalta sera bon. . .*" But how to escape from Yalta? Forty years later, there must be a better option for both Europe and America than either a partitioned and prostrated Europe that perpetuates the American-Soviet collision, or a disunited Europe divorced from America acquiescing piecemeal to Soviet domination over Eurasia. And there is such a third option: the emergence of a politically more vital Europe less dependent militarily on the United States, encouraged in that direction by an America guided by a timely historic vision, and leading eventually to a fundamentally altered relationship with Eastern Europe and with Russia.

This third option requires a long-term strategy of the kind that the West simply has not devised in dealing with the enduring post-Yalta European dilemma. The point of departure for such a long-term strategy has to be joint recognition of the important conclusion which the experience of the last several decades teaches: *the historic balance in Europe will be changed gradually in the West's favor only if Russia comes to be faced west of the Elbe rather less by America and rather more by Europe.*

Thoughtful Europeans realize, moreover, that the future of Europe is intertwined with the future of Germany and of Poland. Without spanning, in some non-threatening fashion, the division of Germany, there will not be a genuine Europe; but continuing Russian domination of Poland makes Russian control over East Germany geopolitically possible. Thus the relationship between Russia on the one hand and Germany and Poland on the other must be peacefully transformed if a larger Europe is ever to emerge.

Both Americans and Europeans must also face up to the implications of the fact that the division of Europe is not only the unnatural consequence of the destruction of Europe in the course of two-world wars; in the long run it is also an inherently unstable and potentially dangerous situation. It is likely to produce new explosions in East Europe and it could also generate a basic and destabilizing reorientation in West Europe, especially since for many Europeans the existence of the two alliances across the dividing line in the middle of Europe is seen as an extension of superpower efforts to perpetuate the status quo.

Accordingly, concentration on the purely military dimension of the East-West problem, or trying to get the West Europeans to hew to the U.S. line in the Middle East or in Central America, is not going to preserve Western unity. America has to identify itself with a cause which has deeply felt emotional significance to most Europeans. Undoing the division of Europe, which is so essential to its spiritual and moral recovery is a goal worthy of the Western democracies and capable of galvanizing a shared sense of historic purpose.

But that objective, so essential to Europe's restoration, cannot be accomplished as an American victory over Russia. Nor will it be achieved by an explicit Russian acceptance, through a negotiated agreement, of East Europe's emancipation from Russian vassalage. Moscow will not yield voluntarily. A wider Europe can only emerge as a consequence of a deliberately but subtly induced process of change, by historical stealth so to speak, which can neither be quickly detected nor easily resisted.

The West must shape that process and give it historical direction. As the point of departure for seeking the common goal, one can envisage a strategy combining five broad political, economic and military dimensions. Some involve relatively simple acts and can be summarized succinctly; some require more complicated processes of change, are bound to be more controversial, and thus require a fuller justification.

First, on the symbolic plane, it would be appropriate for the heads of the democratic West as a whole, perhaps on February 4, 1985, to clarify jointly, through a solemn declaration, the West's attitude toward the historic legacy of Yalta. In publicly repudiating that bequest—the partition of Europe—the West should underline its commitment to a restored Europe, free of extra-European control. It should stress its belief that there now exists a genuine European political identity, the heir to

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Europe's civilization, which is entitled to unfettered expression. It should affirm the right of every European nation to choose its sociopolitical system in keeping with its history and tradition. It should explicitly reject and condemn Moscow's imposition on so many Europeans of a system that is culturally and politically so alien to them. Finally, by drawing attention to the positive experience of neutral Austria and Finland, it should pledge that a more authentic Europe would not entail the extension of the American sphere of influence to the European state frontiers of the Soviet Union.

Second, and in direct connection with the renunciation of Yalta's burden, the West should simultaneously reconfirm its commitment to the Helsinki Final Act. This is absolutely essential, for otherwise the repudiation of Yalta could give the Soviets the convenient argument that the territorial integrity of Poland and of Czechoslovakia is thereby again endangered. The Helsinki agreements confirmed the durability of the existing frontiers in central and eastern Europe, and the eastern nations must be reassured on this score. At the same time, the Helsinki agreements legalized and institutionalized the notion that the West has a right to comment on the internal practices of East European governments and that respect of human rights is a general international obligation. Accordingly, the repudiation of Yalta's historic legacy should be accompanied by the reaffirmation of the West's commitment to peaceful East-West relations, to the maintenance of the existing territorial status quo, and to the indivisibility of the concepts of freedom and human rights.

Moreover, reaffirmation of the continued Western commitment to the Helsinki Final Act could help to resolve the potentially fatal European ambivalence regarding Germany. The fact is that, while the Europeans resent their historic partition, they fear almost as much a reunited Germany. Therefore, the renunciation of Yalta's legacy—the division of Europe—should be accompanied by an explicit pledge, through the reaffirmation of Helsinki's continued relevance, that the purpose of healing the East-West rift in Europe is not to dismantle any existing state but to give every European people the opportunity to participate fully in wider all-European cooperation. In that context, the division of Germany need not be undone through formal reunification but by the gradual emergence of a much less threatening loose confederation of the existing two states.

Third, much in keeping with the spirit of these symbolic acts, Western Europe should strive to create the maximum number of opportunities for East European participation in various all-European bodies. There is today a proliferation of such institutions, both private and public. East Europeans should be encouraged quietly but systematically to increase their participation—even if initially only as observers—in such bodies as the European Parliament, as well as the myriad of more specialized technical agencies. The fostering in Eastern Europe of the European spirit, and of greater East European recognition that there is more to Europe today than meets the eye, is clearly in the interest of all Europe. But a new burst of energy in this regard is much needed.

It would also be appropriate for the major West European nations, as well as for America, to sponsor during the Yalta year of 1985—on either a private or public basis—a series of seminars and conferences on the future of post-Yalta Europe. A special effort should be made to invite East Europeans to participate, on whatever basis is possible, in deliberations designed to forge during that year a wider consensus on how best to undo peacefully Yalta's legacy.

In addition, Western Europe should reactivate efforts previously initiated but lately dormant designed to encourage closer contacts and eventually even some form of collaboration between the Common Market and Eastern Europe. In different ways, both East Germany and Yugoslavia today have a practical relationship with that important West European entity. Precisely because the present Soviet leadership has stepped up its efforts to integrate Eastern Europe into COMECON and thus to bind it to the Soviet economy, additional initiative on the part of the Common Market is now badly needed. Even if the East Europeans, under Soviet pressure, were to rebuff such Western efforts at closer contacts, exchange of information and some cooperative projects, the Western initiative would still have a positive effect. The recent East German willingness to risk Soviet displeasure at growing inter-German ties reflects the widespread desire as well as economic need of Eastern Europe for closer links with the rest of Europe. The continued economic stagnation of the Soviet-type economies makes the timing for greater Western activism in this regard particularly propitious.

Fourth, and in no way in conflict with the preceding, Europe should intensify its aid to those East Europeans who are strug-

20 FOREIGN AFFAIRS

gling actively for the political emancipation of Eastern Europe. That struggle is the necessary concomitant and at least partially also the cause of evolutionary change in Eastern Europe. Only too often West European well-wishers of a more independent Eastern Europe look askance at those in the East who undertake more direct forms of struggle. While cultivation of East European officials enjoys a certain fashionable prestige in Western circles, tangible assistance to those resisting totalitarianism is viewed only too frequently as somehow "in the spirit of the cold war."

Yet a division of labor between America and Europe in which the former is seen as alone in supporting dissident "subversion" while the latter engages exclusively in official courtship would be self-defeating. West Europeans should undertake to provide support for some of the activities that America has quite generously, for Europe's sake as well as for its own, sustained for more than three decades. The French recently have done so for the Polish Solidarity movement, and so have some other Europeans. Radio Paris has been gaining more East European listeners. But much more needs to be done. Germany, for example, after Chancellor Schmidt in effect endorsed Jaruzelski's martial law in Poland, confined itself to truly humanitarian private philanthropy, but it has not been as active as it could be in sustaining various forms of East European political activity designed to induce the existing regimes to transform themselves.

In subtle but sustained fashion West Europe could aid the East Europeans in such efforts, because in the age of transistors and mass communications totalitarian control can be pierced, with positive political effect. Western Europe should, after all, be a direct partner in the struggle for Europe's future, and a well-funded Franco-British-German-Italian consortium (a Foundation for a Post-Yalta Europe) to aid East European efforts to emancipate peacefully the eastern portion of Europe would be an appropriate and long overdue contribution.

Fifth, the time has come for a more fundamental rethinking of the relationship between Western security and political change in Europe as a whole. The West can make the needed adjustment, and America—since it plays the central military role—should take the lead to that end. America is needed in Europe to deter Russia not only from military aggression but from political intimidation. That is obvious and it justifies NATO and the American military presence on the continent. But an

American military presence that reduces the incentive for the Europeans to unite politically, yet simultaneously increases the incentive for the Soviets to stay put militarily in central and eastern Europe, is a military presence not guided by a subtle political-historical calculus. A more sensitive calibration of the political-military equation is needed in order to safeguard Western Europe while promoting change in the East-West relationship.

If Europe is to emerge politically, it must assume a more direct role in its own defense. A Europe that plays a larger defense role will require a lesser, or at least a redefined, American military presence. A Europe that can defend itself more on its own is a Europe that is also politically more vital, while less challenging to the Soviet Union from a purely military point of view, than a Europe with a large American military presence in its very center. Such a Europe would then be better able to satisfy the East European yearning for closer association without such association being tantamount to an American defeat of Russia.

But Europe must be prodded to move in that direction. Left as it is, Europe's cultural hedonism and political complacency will insure that not much is done. Even the modest 1978 NATO commitment to a three percent per annum increase in defense expenditures was not honored by most European states. America should, therefore, initiate a longer-term process to alter the nature of its military presence in Europe gradually, while making it clear to the Europeans that the change is not an act of anger or a threat (à la Mansfield resolution) but rather the product of a deliberate strategy designed to promote Europe's unity and its historic restoration.

Ultimately, the United States in NATO should be responsible primarily for offsetting Soviet strategic power, thus deterring both a Soviet attack or nuclear blackmail. But on the ground, the defense of Europe should become over the next decade even a more predominantly European responsibility. The needed process of replacing gradually but not totally (and certainly not in Berlin) the U.S. ground combat forces could perhaps be accelerated if, through the Mutual and Balanced Force Reductions talks or otherwise, the Soviet Union were willing to reciprocate by comparable withdrawals of its own ground forces. But, in any case, it should be accompanied by appropriate European efforts to assume greater responsibility

22 FOREIGN AFFAIRS

for the defense of Europe not only on a purely national basis but through enhanced European defense coordination.

The United States should particularly encourage efforts at increased Franco-German military cooperation and eventual integration. France has a historic awareness of a European identity while Germany chafes under Europe's partition. A Franco-German army would have the manpower, the resources, and the fighting potential to pick up the slack created by a gradual decrease in the American combat presence on the ground. The eventual fusion of these two national forces into a joint combat force would represent a giant step toward a politically more vital Europe, yet a Europe which would be less conflictual with the Soviet Union than a Europe hosting a large U.S. army and less threatening to Eastern Europe than a Europe with a powerful separate German army. A gradually reduced U.S. ground presence would in turn create pressure from even the existing East European regimes for a commensurate Soviet redeployment, thereby gradually creating a more flexible political situation.

To move Europe in this direction, the United States will have to take the first steps, even perhaps unilaterally through a ten-year program of annual cuts in the level of the U.S. ground forces in Europe. But these steps should be taken in the context of an articulated strategy that has a constructive political as well as military rationale. Its political purpose should be openly proclaimed: to create the setting for Europe's restoration and, through it, also for a more stable East-West relationship. It would also have to be made clear that some American combat forces would remain in Europe, as they do in Korea, thereby ensuring immediate American engagement in the event of hostilities. Moreover, continued American strategic protection of Europe should not remain confined only to the possible employment of nuclear weaponry. It should over time, with technological advance, be enhanced to include also some strategic defense. As strategic defense for America becomes more viable, it should be a major American goal to extend some of its protection to Europe as well.

A division of labor in NATO along the foregoing lines would make it much easier to consider by Yalta's fiftieth anniversary also those East-West security and political arrangements which at the moment seem premature, unrealistic, or excessively threatening to America or to Russia. These could include demilitarized or nuclear-free zones or extension of the Aus-

trian-type neutrality to other areas, including later even to a loosely confederated Germany. It would encourage a process of change permitting the latent or frustrated West and East European impulses for the restoration of Europe gradually to surface. Eventually, it would permit Europe to emerge, and to play a major role on the Eurasian continent, along with the Soviet Union, India and China, while helping to ensure through its links with America that no single power dominates that geopolitically vital continent.

VIII

The fiftieth anniversary of Yalta is only ten years away. It should be our shared goal to fashion by then political-military arrangements which, instead of perpetuating the division of Europe—and perhaps even prompting West Europe's political decay, create the preconditions for peacefully undoing Yalta. A Western Europe essentially self-reliant in regional defense, while covered by the U.S. system of nuclear deterrence and also eventually by U.S. strategic defense, would be a Western Europe more capable of pursuing a positive policy toward the East without fear of domination by Moscow. In the final analysis, only Europeans can restore Europe; it cannot be done for them by others.

To be sure, Moscow will resist the aspirations of the Europeans. No empire dissolves itself voluntarily—at least not until it becomes evident that accommodation to gradual dissolution is preferable to the rising costs of preserving the imperial system. So it will be also with the Soviet empire. Moscow will violently protest any Western disavowal of Yalta's legacy and will accuse the West of worsening East-West relations; that is only to be expected. But such public disavowal is the necessary point of departure for more focused efforts by all the Europeans gradually to undo their continent's division. Once that historic commitment has been made, these efforts, as recommended here, need not be either aggressive or initially even very explicit. As time passes, with the organic growth of a larger Europe gathering momentum, it will become more and more difficult for the Kremlin to resist a process that over time may acquire the hallmarks of historical inevitability. At some point, then, even the Soviets may find it useful to codify some new neutrality arrangements in central Europe and to reduce and eventually to remove their occupation forces.

One should not underestimate in this connection Moscow's

24 FOREIGN AFFAIRS

adaptability. Despite his ruthlessness, even Stalin accommodated himself to the reality of an independent Catholic Church in Poland; Khrushchev to a Polish peasantry free from collectivization and to a separate Romanian foreign policy; Brezhnev to "goulash communism" in Hungary and to army rule in Poland. Why then should not the next generation of Soviet leaders be pressed also to come to terms with the fact that even the interests of the Soviet people would be better served by a less frustrated and oppressed east central Europe, partaking more directly of the benefits of all-European cooperation?

As divided Europe enters the fifth decade after Yalta, it is important to reiterate that undoing Yalta cannot involve a precise blueprint or a single dramatic initiative. The shape of the future cannot be reduced to a neat plan, with specific phases and detailed agreements. Rather, it requires an explicit commitment and a sense of strategic direction for a process of change that is bound to have also its own dynamic. In any case, for America the emergence of a more vital Europe would be a positive outcome, for ultimately a pluralistic world is in America's true interest. Moreover, such a development would avert the major danger that if Yalta's legacy is not deliberately—though peacefully—undone in the East, it will eventually become the reality in the West. In other words, Yalta must be consigned to Europe's past if it is not to become Europe's future.



seen by JM

2

(4)

CHARLES H. PRICE II
AMBASSADOR OF THE UNITED STATES OF AMERICA
LONDON

R26

Dear Prime Minister,

I wanted to thank you most genuinely for seeing Mr. Secretary Wallis and me on Sunday morning at Chequer. The issue was of obvious importance but the notice was quite short. You were most understanding to fit us into a very busy

schedule.

Again, I know how much the President appreciates your help and involvement in reaching an early accord on the new agreement.

My very best wishes to you and Dennis.

Sincerely,
Charles Price

November 21, 1984

Prime Minister
It is for Bernard
to advise you on
this. But he is
certainly very

WONFO 002720

inhabited & would
help you get across
two or three major

points to a
wide audience.

FM WASHINGTON 192300Z NOV 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 3435 OF 19 NOVEMBER

INFO BIS NEW YORK

ADVANCE COPY

~~IMMEDIATE~~

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CDP

GEORGE WILL: REQUEST FOR INTERVIEW WITH THE PRIME MINISTER

1. THE WASHINGTON POST COLUMNIST, GEORGE WILL, HAS ASKED ME IF THERE IS ANY CHANCE OF HIS SEEING THE PRIME MINISTER FOR A 30-45 MINUTES TALK WHEN HE IS IN BRITAIN AT THE END OF THIS MONTH. THE BEST TIME FOR HIM WOULD BE BETWEEN 24-27 NOVEMBER INCLUSIVE WHEN HE WILL BE IN LONDON (SAVOY HOTEL), BUT HE WILL ALSO BE IN YORKSHIRE FROM 27 NOVEMBER - 1 DECEMBER AND WOULD BE READY TO TRAVEL DOWN TO SEE THE PRIME MINISTER AT ANY TIME CONVENIENT TO HER.

2. WILL IS ONE OF THE MOST INTELLIGENT AND WIDELY READ SYNDICATED COLUMNISTS HERE. HIS COLUMNS ARE CARRIED REGULARLY IN THE WASHINGTON POST BUT SYNDICATED AS WELL IN HUNDREDS OF US NEWSPAPERS ACROSS THE COUNTRY. HE IS ALSO A WELL-KNOWN TELEVISION INTERVIEWER AND COMMENTATOR; THE PRIME MINISTER MAY REMEMBER MEETING HIM, AND DAVID BRINKLEY AND SAM DONALDSON, INTERVIEWING HER AT NO 10 IN SEPTEMBER 1983 FOR THE SUNDAY TALK SHOW QUOTE THIS WEEK WITH DAVID BRINKLEY UNQUOTE.

3. WILL IS CERTAINLY ONE OF THE MOST PROMINENT U.S. COLUMNISTS WITH REPUBLICAN AFFILIATIONS, AND HAS A CLOSE BUT NOT UNCRITICAL RELATIONSHIP WITH THE PRESENT ADMINISTRATION. HE IS A STRONG BELIEVER IN THE ENTERPRISE ECONOMY, AND IN ECONOMIC DEREGULATION; AND A HARDLINER ON DEFENCE, URGING WASHINGTON TO LIVE UP TO ITS STATUS AS A SUPER-POWER. WILL HAS A STRONG AFFINITY FOR BRITAIN, FROM THE TIME HE STUDIED AT OXFORD AND DEVELOPED A DEEP INTEREST IN BRITISH CONSTITUTIONAL HISTORY. HE GREATLY ADMIRES THE PRIME MINISTER, AND HIS OCCASIONAL REFERENCES TO BRITAIN AND THE GOVERNMENT IN HIS COLUMNS TEND TO BE FAVOURABLE.

4. IF THE PRIME MINISTER CAN SPARE GEORGE WILL 30-45 MINUTES (ON OR OFF THE RECORD), I THINK IT WOULD BE WORTHWHILE AND REASONABLY REFLECTED IN HIS COLUMN. I AM SEEING HIM ON 23 NOVEMBER; ANY GUIDANCE YOU WERE ABLE TO OFFER ON THIS REQUEST BEFORE THEN WOULD BE WELCOME.

5. IF THE PRIME MINISTER CAN SEE...

NOVEMBER; ANY GUIDANCE YOU WERE ABLE TO OFFER ON THIS REQUEST BEFORE THEN WOULD BE WELCOME.

5. IF THE PRIME MINISTER CAN SEE WILL, WE WOULD SEEK TO ESTABLISH WHETHER THERE ARE ANY PARTICULAR SUBJECTS HE WISHES TO RAISE; BUT I WOULD EXPECT HIM TO WANT TO RANGE OVER THE MAJOR FOREIGN AND ECONOMIC POLICY ISSUES.

6. WILL HIS ALSO TRYING (THROUGH THE US EMBASSY IN LONDON) TO ARRANGE MEETINGS WITH MR KINNOCK, MR STEEL AND DR OWEN.

7. FCO PLEASE ADVANCE TO HEADS OF NEWS DEPARTMENT AND NAD, AND TO NO 10.

WRIGHT

NNNN

TO THE SECRETARY OF STATE
FROM THE AMERICAN EMBASSY
LONDON
NOVEMBER 1954
RE: ADVANCE TO HEADS OF NEWS DEPARTMENT AND NAD, AND TO NO 10.

ADVANCE TO HEADS OF NEWS DEPARTMENT AND NAD, AND TO NO 10.

ADVANCE TO HEADS OF NEWS DEPARTMENT AND NAD, AND TO NO 10.

Handwritten notes and initials, including "10/10" and "11/10".



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

20

My ref:

Your ref:

12 November 1984

Geoffrey Pattie Esq MP
Minister of State for Industry
and Information Technology
1-19 Victoria Street
London
SW1H 0E7

nbpm

Sub
12/

Dear Geoff

Thank you for sending Nicholas Ridley a copy of your minute of 26 October to the Prime Minister on the subject of anti-kerosene and the forthcoming crash trial in the United States. *missing?*

Of course, as you appreciate, and is thoroughly brought out in paragraph 6 of the background note to your letter, before we could introduce AMK into airline service we would need to establish that the advantages gained don't cause other operational performance or airworthiness problems. A great deal of further testing work will be required, and I am glad this was made clear in your suggested "line to take".

I am most grateful for the information you provided and would appreciate it if you will keep me informed on further developments.

I am copying this letter to the Prime Minister, Geoffrey Howe, Michael Heseltine and Sir Robert Armstrong.

MICHAEL SPICER



FILE

da

10 DOWNING STREET

From the Private Secretary

8 November 1984

I promised to let you have a note of your talk with the Prime Minister this afternoon. It's the best that my memory can do, and I hope that you find it reasonably accurate! I have deliberately omitted some of the personal references. I am giving it only a very restricted circulation here.

C.D. Powell

His Excellency The Honourable Charles H. Price II

SUBJECT
cc Master

PRIME MINISTER'S MEETING WITH THE UNITED STATES AMBASSADOR
AT 10 DOWNING STREET ON 8 NOVEMBER AT 3.00 P.M.

The Prime Minister saw Ambassador Price this afternoon for a general discussion.

2. The Prime Minister asked Ambassador Price to give her warmest congratulations to the President on his re-election. The scale of his triumph had been breath-taking. Ambassador Price said that his impression was that changes in the main Cabinet posts were unlikely, though there might be moves among the White House staff and a number of others such as Mrs. Kirkpatrick. He thought that the President would wish to avoid 'gerrymandering' over jobs.

3. Ambassador Price said that the President gave priority to pressing ahead with tax reform. In his judgement, the President would have to move quickly in this area before becoming bogged down in the 1986 Congressional elections. The Prime Minister remarked on the concern in Britain and elsewhere in Europe about the continuing high budget deficit in the US and the effect of this on interest rates.

4. The Prime Minister said that she saw a "historic opportunity" for the President in his second term in the field of East/West relations and arms control. He had rightly used his first term to build up US and Western strength. Now was the time to enter negotiations. Ambassador Price saw some grounds to hope that the Soviet Union would be more responsive than in the past.

5. The Prime Minister told Ambassador Price of the interesting discussion which she had held with Secretary Shultz in New Delhi on the Strategic Defence Initiative. Secretary Shultz had suggested that it might be followed up at a seminar between her and the President. The Prime

Minister said that she would be happy to do this if the President would find it useful. It would be important for a seminar to be well prepared with papers exchanged in advance. Ambassador Price welcomed the idea.

6. Ambassador Price said that he had been in touch with Washington shortly before coming to see the Prime Minister about the situation over MIGs for Nicaragua. There was no conclusive proof that MIGs had been shipped, though the ships in question and their cargo were being kept under close surveillance. MIGs would not actually be much use to the Nicaraguans. The Soviet Union was well aware that the US would not tolerate the supply of MIGs. Ambassador Price said that he was a bit disappointed to find that some observers had gone from this country to follow the Nicaraguan elections. The Prime Minister said that they were most certainly not official observers. She had refused to send any since it was quite plain that the elections would be a sham. But there was a tricky presentational problem to be overcome about the elections. The technical conduct of them appeared to have been above board and the rate of participation as high as 80%. It would be important to emphasise that the main opposition forces had not taken part, that the election meetings of others had been broken up, and that the Sandinista Government had made clear that the only acceptable outcome was their own return to power. This would deprive the elections of any spurious reputation for fairness.

7. Ambassador Price raised the question of Laker (just beating the Prime Minister to the draw). He was concerned that the issue should not get out of hand or emotions run riot. It was a dispute which needed to be managed carefully. By his own interpretation of Article 12(4) of the Bermuda Agreement the United States was on strong ground in acting as it had. The Prime Minister said that she took a very grave view of the matter. While she welcomed the

official talks which were going on and which seemed to be making some progress, it must be clear that if the Department of Justice were to bring indictments against British airlines and former British Airways' employees, we should face a very difficult situation. It would be worse, distinctly worse, than the Siberian pipeline dispute. She very much hoped that the Department of Justice would exercise its discretion not to indict.

8. Ambassador Price asked about the coal dispute. The Prime Minister said that she expected it to last for several weeks yet, though she believed that it would eventually crumble. There had been a very encouraging return to work this week, with more than 2,000 additional miners back at work. There was nothing more which the National Coal Board could offer. In any case it was quite clear that the strike was political and that Mr. Scargill was prepared to inflict great suffering on miners and their families to suit his political ends. Ambassador Price commented that Mr. Scargill's involvement with the Libyans must have turned many miners against him.

9. The Prime Minister said that she would visit Peking on 20 December to sign the Hong Kong agreement and would be in Hong Kong itself on 21 December. She had wondered whether she might call in on the President on 22 December on her way back to the United Kingdom, if he happened to be in California. She had mentioned this in a private message to him. Ambassador Price thought that the President would welcome the idea. He would find out what the reaction was. The Prime Minister mentioned that she was also hoping to pay a more extensive visit to the United States in February, preferably between 19-25 February. This might be the occasion to pursue the idea of a seminar.

10. Ambassador Price mentioned that Senator Hatch would be passing through London early next week and had asked to see

the Prime Minister. The Prime Minister said that she would be happy to see him if a convenient time could be found. (Wednesday morning looks the most promising).

11. The meeting ended at 3.40 p.m.

CDD

8 November 1984



10 DOWNING STREET

From the Private Secretary

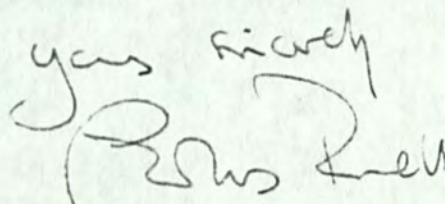
8 November 1984

Dear Colin,

Prime Minister's Meeting with the US Ambassador

I enclose a note recording the Prime Minister's meeting with Ambassador Price this afternoon. I am also sending him a copy.

I am copying paragraph 7 to the Department of Trade and Industry and Department of Transport.

Yours sincerely

C.D. Powell

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

PRIME MINISTER

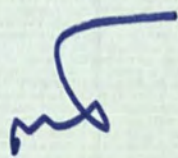
Call by American Ambassador

You agreed to see him for a brief chat. He was recently back in Washington and saw President Reagan.

Points to raise:

- (i) Send congratulations to President Reagan on his election victory. Ask for assessment of the balance in Congress.
- (ii) ask about his likely priorities in his second term.
- (iii) tell him in strict confidence about your talk with Shultz, and particularly the seminar idea which you would be happy to follow up if the President wishes to.
- (iv) mention possibility of meeting with President Reagan in California on 22 December and ask him to find out whether the President would welcome this.
- (v) raise Laker issue (please see separate note attached).

C.D.P.



7 November, 1984.

CONFIDENTIAL

cc PC



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

CDP
7/ki

7 November 1984

Dear Charles,

Call by Ambassador Price on the Prime Minister: Thursday
8 November: 1500

Fur A /

Fur B /

I understand that the US Ambassador will be calling on the Prime Minister at 1500 on 8 November. As agreed I am enclosing only a brief on the Laker case. The Prime Minister may also wish to thank the Ambassador for his helpful statement on terrorism and Northern Ireland after his return from Washington (copy enclosed).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



US AMBASSADOR'S CALL ON THE PRIME MINISTER
1500 HOURS ON 8 NOVEMBER

LAKER

Talking Points

1. Glad to see progress at last being made: essential we find means of bringing to an end this long-running dispute, and its ramifications for our civil aviation relationship generally.
2. Chances of achieving mutually satisfactory overall settlement through inter-government agreement bound to be jeopardised if US Department of Justice (DoJ) indicts British airlines and former BA employees. That would make the difficult political decisions involved in the new arrangements now under discussion very hard to proceed with in London.
3. (Defensive) Cannot accept that indictments are relatively insignificant. Could have wide-ranging practical implications both for immediate Laker dispute (effect on civil actions) and wider aviation relations (interpretation of Bermuda 2 and arrangements to avoid future disputes).
4. (Defensive) Little point in discussing wider liberalisation on capacity and frequency at this stage: paramount need is to settle immediate problems thrown up by Laker case.
5. (Defensive) Cannot accept any suggestion that UK is wrong to argue Bermuda 2 superior to national laws in areas covered by both.

Maritime, Aviation and
Environment Department
7 November 1984



Background

1. Progress now appears to being made at last in our long running dispute with the United States over the legal and political problems following the 1982 collapse of Laker Airways. Our sustained political pressure has helped focus attention on the trouble caused by the intrusion of US domestic anti-trust law on the aviation relationship. The United States have now made constructive proposals for handling the matter in the future; but the threat of indictments against BA and BCal and against BA employees is still hanging over them. We have been making the point that agreement to US ideas for the future could be seriously jeopardised if the US Department of Justice proceeds with the indictments - which we consider both inappropriate and prejudicial to the airlines defence in the Laker civil actions in the US courts. The Prime Minister is invited to to reinforce this pressure with Ambassador Price who has recently showed some tendency to argue that we are on weak ground in maintaining that Bermuda 2 is superior to anti-trust law in the bilateral civil aviation field.

2. At bilateral official consultations in London last week, progress on an outline settlement continued, but there is still a long way to go. In return for a more liberal fares regime and new arrangements to control inter-airline discussions, the United States appears prepared to place before Congress a Bill to relieve airlines of civil anti-trust liability. In parallel talks - the US deny the possibility of linkage affecting their duty to enforce their law - the US Department of Justice also undertook to consider seriously our arguments that it should use its discretion and not indict British airlines for alleged past breaches of anti-trust law. Fuller consultations are scheduled during thenext few weeks to try to reach an acceptable overall package: a UK delegation will be in Washington from 8-10 November.

/3.



3. The DoJ are expected to take a final decision on the indictments before the Grand Jury is dissolved on 7 December. They have revealed little of their intentions but US officials (including Ambassador Price's deputy, Mr Seitz) have suggested that we should be ready to accept at least some DoJ action on indictments. It is important to give the US Government no grounds to think that we might be ready to compromise on this issue.

4. US officials have suggested in course of the talks (though without much expectation that we would accept) that the Laker dispute might be easier to solve in the context of wide-ranging liberalisation of the North Atlantic traffic, perhaps amounting to complete deregulation. This far reaching idea would need careful consideration by the UK interests involved and could only be negotiated in an atmosphere of mutual trust; with a 7 December deadline on indictments still before us, neither the time nor the atmosphere are appropriate at present. It will be best to start with limited measures of liberalisation, eg on tariffs, and to consider more ambitious moves in the light of our experience of the initial changes.

Maritime, Aviation and
Environment Department
7 November 1984



**United States
Information
Service**

Embassy of the United States of America
55/56 Upper Brook Street
London W1A 2LH

Tel: (01) 499 9000

November 2, 1984

*Ms Ferguson
Mr Marshall
cc Mr Ferguson, Mr
Mr Barrie, R
Mr Shearnald
Wilton*

- helpful.

*The ✓
S/Si*

STATEMENT BY UNITED STATES AMBASSADOR

CHARLES H. PRICE, II

following his recent visit to the United States

During my recent visit to Washington, I met with officials at the White House, the Departments of State, Justice and Defense, Customs, and the Federal Bureau of Investigation to discuss the issue of the activities of the IRA and the support being rendered to this organization by a small number of misguided Americans. I found an increased understanding in Washington of the dimensions of the problems we face and increased determination to take all possible measures to resist an organization which used criminal and terrorist means in pursuit of its political ends. I also found an awareness of the need for increased efforts to cut the flow of funds and support which some Americans give to the IRA.

There has long been useful dialogue between American and British officials on the question of terrorism, including personal exchanges between the President and the Prime Minister. The American side is prepared to intensify this dialogue and to cooperate in any appropriate way in an effort to meet the challenge to democratic states and institutions posed by terrorist organizations such as the IRA.

SUBJECT
cc Master.

SECRET

JWRALB

bc PC 2



10 DOWNING STREET

From the Private Secretary

5 November 1984

**MEETING BETWEEN THE PRIME MINISTER AND SECRETARY SHULTZ AT
THE BRITISH HIGH COMMISSIONER'S RESIDENCE IN NEW DELHI
AT 2200 HOURS ON SATURDAY 3 NOVEMBER 1984**

Secretary Shultz called on the Prime Minister in the British High Commissioner's Residence in New Delhi on 3 November. He was accompanied by Senator Baker, Senator Moynihan, Mr. Burt (Assistant Secretary for European Affairs) and Mr. Hughes (State Department spokesman). Mr. Ingham and I were also present. It was agreed that no notes would be taken. This letter therefore reconstructs the conversation from my memory.

The Prime Minister said that she was very glad that Secretary Shultz had come to India for Mrs. Gandhi's funeral and hoped that he would establish a good relationship with Rajiv Gandhi. She believed that Rajiv Gandhi was distinctly to the right of his mother, though his freedom of manoeuvre would be circumscribed particularly in the early months. His succession was an opportunity for the West as a whole to improve its relations with India and she hoped that the United States would take advantage of this. The Prime Minister went on to give a brief account of her talks with President Zia. Secretary Shultz commented that he had complained forcefully to Tikhonov about Soviet innuendoes of American involvement in Mrs. Gandhi's assassination. Tikhonov had denied it, but then said surlily that the Russians would stop doing what they were not doing anyway.

The Prime Minister complimented Secretary Shultz warmly on his recent speech on terrorism. This had raised important issues as to how far certain activities could be permitted in a democratic society. Secretary Shultz said that he believed there was scope for much wider and more effective international cooperation against terrorism. The aim should be to pre-empt terrorist actions. He cited as

SECRET

an example the FBI's recent arrest of a number of Hondurans in Florida who had been planning a coup in Honduras and the murder of the President.

The Prime Minister said that it was an important moment in East/West relations. She had welcomed the way in which the US Administration had handled Gromyko's visit to Washington. She thought that there was an opportunity, if the West was patient, to get back into serious negotiations with the Russians. But it was hard to know what was going on within the Soviet leadership. For instance, it seemed from some reports that Gorbachev was slipping down the hierarchy. There were also the constraints of the Soviet system itself.

Secretary Shultz agreed generally with this analysis. The very fact that one had to rely on where people stood in photographs for analysis of the Soviet leadership showed how little was really known about what went on in the Soviet Union. He had recently made a speech on the management of US/Soviet relations which he believed could apply equally to UK/Soviet relations. He saw a need for more equilibrium, avoiding unrealistic threats to break relations altogether in response to particular Soviet actions as well as unnecessarily sensational treatment of minor advances. He looked forward to discussing the subject in detail with Sir Geoffrey Howe. Senator Moynihan interjected that it was important to recognise that the Soviet system was in decline. The Prime Minister said that she agreed that the Soviet economic system was in decline but one had to recognise that Soviet Communism was here to stay. It had been established longer in the Soviet Union than had universal suffrage in Europe and the United States. There was no point in deluding ourselves about its permanence. But she agreed with Secretary Shultz about the management of relations with the Soviet Government.

In response to an invitation from Secretary Shultz, the Prime Minister outlined her views on the prospects for disarmament, and particularly the question of weapons in outer space. Evidence had mounted over several years of a major Soviet research effort in the field of lasers and particle beam weapons. It was important for the United States to match this effort. American success earlier this year in intercepting and destroying an incoming nuclear warhead had been a sharp reminder to the Russians of American technological superiority. She thought that, taken with President Reagan's so-called Star Wars speech, it had come as quite a shock to them.. The Strategic Defence Initiative offered the West useful leverage in other nuclear arms control negotiations.

At the same time, one had to be realistic. There was no serious likelihood of developing the technology to the point when nuclear weapons could be made redundant. An attempt to achieve this would only mean that, after incurring massive expenditure, both sides would find themselves once again in a situation of balance though at higher cost. She believed, therefore, that this was a good moment to probe the Russians to see whether progress could be made on disarmament. She thought that once the new US Administration had settled down after the elections, say by next spring, they might find the Russians ready for negotiations.

The Prime Minister continued that we had prepared a paper on these issues. But we were aware that American knowledge and technological capacity in this area was much higher than our own and had therefore not sought to press our views upon them. Probably the Americans would have thought of all the aspects which had occurred to us. None the less it would be helpful to have bilateral discussions. Secretary Shultz welcomed this. Although the Americans would say that they had thought of all the points which occurred to us, it would not necessarily be true.

The Prime Minister continued that it was important to take account, too, of chemical weapons. She was curious about Russian motives in being ready for negotiations in this area given that they had superiority. She herself thought that, if serious negotiations were to be engaged, it would be necessary for the Americans to update their chemical weapons capability. Secretary Shultz said that the problem was to get the necessary funds through Congress.

Secretary Shultz continued that he had found what the Prime Minister said extremely interesting. He thought it would be an excellent idea to hold a small seminar between the two Governments at the highest level, that is the Prime Minister and the President, himself and the Secretary of State early in the life of the new US Administration. This could thrash out these and similar issues. The Prime Minister said that she would welcome this. Both she and President Reagan would be into a second term and it would be a good time to take stock. The seminar should be kept extremely small. It would also be essential to have papers prepared in advance to focus discussion.

The Prime Minister said that she hoped that the new US Administration would give urgent attention, after the elections, to a new initiative on the Middle East. This was widely expected and was essential if King Hussein were to be brought back into the peace process. He was depressed about the prospects but had taken an important step by restoring relations with Egypt. Secretary Shultz took note

of this but wondered whether there was really material to constitute a significant new initiative.

The Prime Minister said that she had declined to send observers to the Nicaragua elections since they were clearly going to be a sham. She had been put out to discover that a small number of British parliamentarians were going as observers. Secretary Shultz applauded the Government's decision.

At the end of their discussion, the Prime Minister took Secretary Shultz aside to stress the great importance to the UK of reaching a settlement in the Laker case. The Department of Justice must avoid prosecutions. Secretary Shultz nodded but made no comment.

I am sending copies of this letter to Richard Mottram (Ministry of Defence) and to Richard Hatfield (Cabinet Office). I should be grateful if it could be shown only to those with a strict need to know.

(C.D. POWELL)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

From the Private Secretary

1 November 1984

ANTI-MISTING KEROSENE

The Prime Minister has seen and noted your Minister's minute to her of 26 October on the above subject. Mrs. Thatcher is grateful to Mr. Pattie for drawing this development to her attention.

I am copying this letter to Colin Budd (Foreign and Commonwealth Office), Nick Evans (Ministry of Defence), Sarah Straight (Department of Transport) and Richard Hatfield (Cabinet Office).

David Barclay

Neil McMillan, Esq.,
Office of the Minister of State,
Department of Trade and Industry.

Lo

D.P.

~~CR~~
Invitation passed
C.M.

~~C.D.P.~~ ^{CR} Pl. File. CR
1500-1530
The PMOV.
CR.

PRIME MINISTER

The Minister at the American Embassy told Robin and me today that his Ambassador had just been back in Washington and had been to dinner with the President.

You might think it worthwhile to invite Mr. Price in for a short chat or a drink, if we can find a time in your diary. But perhaps you have seen him anyway - at the French.

Agree to invite him in?

C.D.P.

Yes - after
Tuesday not

29 October 1984



PRIME MINISTER

Prime Minister (2)

cc Mr Ingham

ANTI-MISTING KEROSENE

I felt that you would wish to know of an event due to take place in the USA shortly which is the subject of widespread press and TV interest and in which a promising British scientific development will play a leading role.

A US/UK collaborative programme proceeding under a Memorandum of Understanding of 1978 (though work in the UK started as long ago as 1967) to develop a fuel additive which will prevent aircraft crash fires has led to the development by ICI, with assistance from RAE Farnborough and funding from both DTI and MOD, of a chemical called FM9 which has proved very successful as a fire suppressant when dissolved in kerosene to give a mixture known as "anti-misting kerosene" (AMK). The capabilities of the additive are to be the subject of a major demonstration scheduled for 10 November, when a Boeing 720 airliner fuelled with AMK will be radio-controlled to crash at NASA's Dryden facility in California. Following this "controlled impact demonstration" the FAA expect to issue a Notice of Proposed Rule-Making (NPRM) about the adoption of AMK for commercial airline service in the USA. At present the ICI additive has no serious competitor.

Although the demonstration is likely to demonstrate graphically the success of the additive as a fire suppressant, there is much work to be done before we know whether AMK can in fact be used commercially. In particular, we do not yet know what effect the long-term use of AMK will have on the safe operation of aircraft fuel systems. Answering this and other outstanding questions will be costly.

My officials have already briefed selected journalists on this topic and will be assisting MOD and CAA officials to brief the BBC TV "Newsnight" team on Tuesday 30 October. I attach a background note and some notes suggesting the line to take if Press Officers are questioned about AMK.

I am copying this to Geoffrey Howe, Michael Heseltine, Nicholas Ridley and Sir Robert Armstrong.

GEOFFREY PATTIE

26 October 1984

OC4/OC4AAR

ANTI-MISTING KEROSENE (AMK) - Background Note

- 1 In a significant number of aircraft crashes, particularly those which occur on or near the airport, the impact forces are survivable but large quantities of fuel are released from the aircraft's tanks and pose a severe fire hazard. Since the 1960's research has been under way in the UK and the USA with the aim of developing a "safety fuel" which would reduce or eliminate this hazard.
- 2 Piston-engined aircraft use gasolene fuel: spillage of this fuel rapidly results in the spread of highly inflammable vapour and there is little that can be done to prevent this from igniting. However, the introduction of turbine-powered aircraft using kerosene fuel, which does not produce this inflammable vapour and thus is in any case substantially safer than gasolene, provided an opportunity to see if post-crash fires could be prevented altogether by modifying the fuel so that it would not ignite rapidly following an accident.
- 3 Although a match dropped into a bowl of kerosene simply goes out, if the fuel is ejected violently from fuel tanks and pipes ruptured by a crash, a mist of small fuel droplets is formed which readily ignites. Work in the UK focussed on the objective of producing an additive which, when mixed in small quantities with kerosene, prevented the formation of small droplets - hence "anti-misting kerosene" (AMK). Work by the Royal Aircraft Establishment (RAE) at Farnborough and ICI Paints Division at Slough eventually resulted in the production by ICI of the additive called FM9 (Fuel Modifier 9).
- 4 During the 1970's, the authorities in both the UK and the USA recognised that FM9 provided the best hope of achieving a major reduction in post-crash fire deaths and both concentrated their research effort on confirming its fire-suppression potential and attempting to determine whether the introduction of AMK into airline service was a practical proposition. Collaboration between the two countries was made formal by the signature in the summer of 1978 of a Memorandum of Understanding (MOU) between the Federal Aviation Administration (FAA) and the National Aeronautics and Space Administration (NASA) on the US side and MOD(PE) for the UK, representing also DTI and CAA.
- 5 Events in the United States have since moved ahead and FAA are committed to Congress not only to pursue the programme vigorously but later this year to conduct a public Controlled Impact Demonstration (CID) in which a Boeing 720 airliner fuelled with AMK will be flown into the ground under radio control to simulate a typical approach accident. The latest indications are that the CID, originally scheduled for late July, will take place on 10 November. There is every reason to believe that the CID will provide a successful demonstration of the potential benefits of using AMK and will raise American and possibly European public expectations of an early introduction of this "safety fuel" into airline service.
- 6 The expected subsequent declaration by the FAA of a timetable for the introduction of legislation will focus the attention of the aircraft and airline industries on both sides of the Atlantic on the very real problems which remain to be solved. In particular, the long-term effect of AMK on aircraft engines and fuel systems is at present unknown and is crucial to airworthiness certification and to the cost-effective operational use of AMK on civil aircraft. The endurance testing which will be needed to build up confidence that the exceptional safety record of present aircraft fuel systems can be matched by systems using AMK will be expensive, and the costs will fall on the industry and ultimately on airline passengers.

Note on Funding

7 The AMK research programme at ICI Paints Division at Slough was funded jointly by MOD and DTI from 1967 until September 1980. Since September 1980 this programme has received no HMG funding. DTI has, however, maintained close contact with ICI and indeed our participation in the Memorandum of Understanding has been largely in support of ICI's interests. At the same time we have sought to discourage ICI from investing heavily in AMK development on the basis of an over-optimistic assessment of the prospects of achieving an eventual commercial return. With the principal requirement for FM9 now being in the US, ICI Americas have become the centre of production of the additive but we understand that control of the programme remains with Paints Division in the UK.

Role of the Royal Aircraft Establishment

8 Some DTI funds have continued to be used since 1980 to support the RAE in a monitoring role. In addition to their sponsorship and management of the AMK programme, RAE have made a very considerable input in terms of the chemistry of the additive, of developing and carrying out test techniques for the fire suppression and of work on the fuel system problems.

Relationship with the USA

9 The collaboration with the FAA and NASA has been of great value to us, because we lack the resources to mount the big test and development effort characterising the last few years, especially in terms of tests such as that on the Boeing 720. In addition, we have been able to influence American thinking in a way impossible to achieve were we not formally tied into the programme: this will become even more important when the NPRM stage is reached. The benefit to the American side has been the provision by the UK of an additive which performs its primary task extremely well, several major US companies having failed to equal ICI's achievement in spite of many years of trying.

Air Division/DTI
October 1984

ANTI-MISTING KEROSENE (AMK) - Suggested line

1 This promising development is the result of the pioneering efforts of ICI and the Royal Aircraft Establishment and their collaborators including the Civil Aviation Authority in the UK and the Federation Aviation Administration and the National Aeronautics and Space Administration in the USA.

2 In its earlier stages, substantial funding to support the UK programme was provided both by the Department of Trade and Industry and by the Ministry of Defence. I'm glad to say that almost all funding now comes from ICI.

3 Whilst the prospect of eliminating aircraft crash fires is an exciting one, we must be certain that the introduction of anti-misting kerosene does not impair in other ways the excellent safety record of civil aviation, for example by causing problems in aircraft fuel systems. This is a matter to which the airworthiness authorities on both sides of the Atlantic are giving the most careful consideration in consultation with the Royal Aircraft Establishment and the American research establishments.

29 OCT 1961

PS/LADY YOUNG
PS/RENTON

PS/PCS

~~PS/J. SUMMERS~~

~~PS/JENNINGS~~

PS/S. O'S

PS/MR R. ANDREW
OAB 1/56

~~PS/BEETMAN~~

~~PS/BURNS~~

J. LYON

~~PS/BOWEN~~

NIO

ED/ED

ED/PSD (2)

ED/INFO D

ED/NEWS D

SIR B ARMSTRONG

DIO

CABINET

IMMEDIATE

PS/No 10 DOWNING STREET (3)

CONFIDENTIAL

FM CONSULATE-GENERAL NEW YORK 191930Z OCT 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 56 OF 19 OCTOBER

AND TO IMMEDIATE NIO LONDON, NIO BELFAST, DUBLIN, WASHINGTON

CALL ON ARCHBISHOP O'CONNOR

I HAVE BEEN WAITING SINCE MARCH TO CALL ON ARCHBISHOP O'CONNOR. HE INVITED ME TO DO SO THIS MORNING.

THE ARCHBISHOP SAID THAT HE WANTED TO RECEIVE ME BEFORE HIS DEPARTURE FOR IRELAND. IT WAS HIS HOPE THAT THE VISIT WOULD BE KEPT ESSENTIALLY PASTORAL AND THAT ATTEMPTS TO POLITICIZE IT WOULD BE RESISTED. THE FOLLOWING WERE THE MAIN POINTS MADE BY THE ARCHBISHOP IN THE COURSE OF OUR CONVERSATION.

2. WITHIN THE NEW YORK ARCHDIOCESE THE IRISH POPULATION WERE FRAGMENTED INTO MANY DIFFERENT GROUPS IN WHOM AND BETWEEN WHOM THERE WAS GREAT INTENSITY OF FEELING. HE WAS OBLIGED TO MAKE SOME ATTEMPT TO BRING A GREATER DEGREE OF COHESION TO THIS COMMUNITY AND TO ENDEAVOUR TO ENSURE THAT THE LEADERSHIP WHICH EMERGED WAS MODERATE. SPECIFICALLY HE HAD TO TRY TO AVOID AN EXPLOSIVE SITUATION ON THE EVE OF ST. PATRICK'S DAY WITH AN ATTEMPT TO NOMINATE AS GRAND MARSHALL OF THE PARADE ONE OF THE PRO-IRA LEADERS. THE ST PATRICK'S DAY PARADE WAS A MAJOR PROBLEM FOR HIM AND HE DECIDED THAT HE MUST START WORKING ON THE PREPARATIONS FOR NEXT YEAR NOW.

3. VERY MANY OF THE IRISH-AMERICANS IN THE ARCHDIOCESE WERE MISINFORMED AND MISGUIDED IN THEIR VIEWS ABOUT IRELAND BUT IT WAS IMMENSELY DIFFICULT TO ERADICATE EMOTIONS WHOSE ROOTS REACHED BACK GENERATIONS. AS SOME OF THE PRESENT GENERATION DIED OFF IT MIGHT BE REASONABLE TO HOPE FOR SOME IMPROVEMENT.

4. HE HAD CONSULTED GROUPS OF LAY LEADERS ON THE NORTHERN IRELAND QUESTION. HE HAD STUDIED THE REPORT OF THE NEW FORUM AND HE HAD RECEIVED VERY USEFUL BRIEFING AND ADVICE FROM FORMER AMBASSADORS DAILEY, CURLEY AND MOORE.

5. HE WAS UNDER PRESSURE FROM THE IRISH-AMERICAN COMMUNITY TO DISPLAY SOME INTEREST IN THE IRISH QUESTION. HE HAD MADE SOME STATEMENTS ON POLAND AND HAD TAKEN A PUBLIC INTEREST IN SOME ASPECTS OF THE LATIN AMERICAN PROBLEM. HE HOPED THAT THE VISIT

SOME ASPECTS OF THE LATIN AMERICAN PROBLEM. HE HOPED THAT THE VISIT OF THE BISHOPS TO IRELAND WOULD HELP TO SATISFY THESE DEMANDS WITHOUT CREATING POLITICAL DIFFICULTIES. THE ARCHBISHOP IMPLIED THAT HE WAS UNDER NO ILLUSION AS TO THE DIFFICULTY OF THE LATTER.

6. THE PROGRAMME WHICH HE HAD SEEN PROVIDED AN OPPORTUNITY TO MEET WITH SOME OF THE CHURCH LEADERS OF OTHER DENOMINATIONS. HE WOULD WELCOME THIS.

7. HE THOUGHT THAT ONE OF THE WAYS IN WHICH AMERICA COULD HELP WOULD BE BY ECONOMIC ASSISTANCE TO NORTHER IRELAND. WITH UNEMPLOYMENT TOUCHING 30% IN SOME COMMUNITIES, POLITICAL PROGRESS WAS BOUND TO BE EXTREMELY DIFFICULT.

8. HE EXPECTED THAT THE BISHOPS WOULD COME UNDER PRESSURE IN SOME QUARTERS TO MEET WITH REPRESENTATIVES FROM SINN FEIN OR THE IRA. HE HOPED THAT HIS FELLOW BISHOPS WOULD RESIST ANY SUCH PRESSURE.

9. HE WAS NOT SURE THAT A PUBLIC STATEMENT AT THE END OF THE TRIP WOULD BE DESIRABLE BUT IF IT PROVED IMPOSSIBLE TO AVOID MAKING ONE HE WOULD HOPE THAT IT BE AS UNPROVOCATIVE AND CONSTRUCTIVE AS POSSIBLE. HIS INTENTION DURING THE VISIT WAS TO FOLLOW POPE JOHN PAUL'S EXAMPLE OF CONDEMNING VIOLENCE OF ALL KINDS AND FROM ALL SOURCES.

10. THE ARCHBISHOP WAS AWARE THAT IMPORTANT MEETINGS (I.E. BETWEEN DR. FITZGERALD AND MRS. THATCHER) WOULD BE TAKING PLACE IN THE NEAR FUTURE. I COULD BE ASSURED THAT HE WOULD MAKE EVERY EFFORT TO AVOID ACTION WHICH WOULD MAKE THE PROSPECTS FOR THESE TALKS MORE DIFFICULT.

11. AMONG THE POINTS WHICH I MADE TO THE ARCHBISHOP WERE:-
THE MORE UNEQUIVOCALLY THE ARCHBISHOP COULD CONDEMN THE IRA AND THE SUPPORT OF IT BY NORAID, THE BETTER WOULD BE SERVED THE INTERESTS OF ALL THE PEOPLE OF ALL PARTS OF IRELAND. I AGREED THAT THE ECONOMIC SITUATION WAS IMPORTANT AND EXPLAINED THE WORK WE WERE ENGAGED IN TO PROMOTE U.S. INVESTMENT IN NORTHERN IRELAND. I WELCOMED THE ARCHBISHOP'S DISCUSSIONS WITH THE THREE EX-AMBASSADORS, ALL OF WHOM WERE WISE OBSERVERS OF THE NORTHERN IRELAND SCENE. THE NEWLY APPOINTED SECRETARY OF STATE FOR NORTHERN IRELAND HAD SAID THAT THE BRITISH GOVERNMENT WOULD CONTINUE TO TRY TO EDGE TOWARDS GREATER POLITICAL UNDERSTANDING IN NORTHERN IRELAND AND THAT BRITISH POLICY FOR NORTHERN IRELAND SHOULD NOT BE ALTERED AS A RESULT OF THE ATTACK BY THE IRA AT BRIGHTON. WE HAD FOUND FROM LONG EXPERIENCE THAT IT WAS MUCH EASIER TO GIVE OFFENCE IN NORTHERN IRELAND THAN TO PROMOTE THE PROCESSES OF RECONCILIATION. I STRONGLY BELIEVED TWO THINGS: (1) THAT THE ARCHBISHOP WAS ABSOLUTELY RIGHT IN APPROACHING THE FORTHCOMING VISIT WITH GREAT CAUTION AND A CLEAR APPRECIATION OF THE PITFALLS THAT SOME WOULD TRY TO CREATE AROUND HIS EVERY STEP AND (2) THAT THE DEFEAT OF TERRORISM WAS THE PRE-REQUISITE TO ANY POLITICAL PROGRESS IN NORTHERN IRELAND.

NORTHERN IRELAND WAS A PROBLEM NOT BETWEEN ENGLISHMENT AND IRISHMEN BUT BETWEEN IRISHMEN AND IRISHMEN. THE UNEQUIVOCAL CONDEMNATION BY THE BISHOPS OF TERRORISM AND NORAID'S SUPPORT OF TERRORISM WAS OF GREAT IMPORTANCE. IN THE SINN FEIN LEADER WE WERE FACING AN ABLE AS WELL AS EXCEEDINGLY DANGEROUS MAN.

KENNEDY

NNNN



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ST 18/10

CC/NO

PRIME MINISTER

COLLABORATION WITH THE UNITED STATES ON ENERGY RESEARCH AND DEVELOPMENT

When I saw my US opposite number Donald Hodel earlier this year we discussed the prospects for closer collaboration on energy research and development, and agreed to establish a series of joint workshops on energy efficiency and renewable energy topics. The first workshop took place in the States in July; the second is now under way in this country. More are planned. We have also agreed to sign a Memorandum of Understanding on collaboration in energy R & D today as Hodel is in London.

I believe there are prospects of combining R & D resources to achieve results which benefit both our countries. I thought you would like to know of the progress which is being made.

I am copying this to the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer and Sir Robert Armstrong.

SECRETARY OF STATE FOR ENERGY

18 October 1984



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PRIME MINISTER

c Sir Robert Armstrong

US/UK Cost Sharing Arrangements: Subsidy to US by
Under-Recovery of PSA's Departmental Expenses

OD(84)14

BACKGROUND

FLAGA

The Memorandum and supporting paper by the Secretary of State for the Environment explain that, when the US/UK Cost Sharing Agreement (CSA) was signed in 1973, it was known that the PSA's Departmental Expenses in connection with work done for the United States in the United Kingdom were at least twice the level of the 7½ per cent of total works expenditure which the United States were expected to pay to the United Kingdom under the agreement. The cost of this subsidy has since been borne by the PSA Vote and has grown to a level of £10 million per year. The Memorandum proposes that the subsidy should be allowed to continue and that in future it should be borne on the Defence Vote with PES cover being found from the Defence budget.

2. Neither the Secretary of State for Foreign and Commonwealth Affairs nor the Secretary of State for Defence can attend because of absence on duty overseas. They will be represented by the Minister of State, Foreign and Commonwealth Office (Mr Luce) and the Minister of State for Defence Procurement (Mr Butler). The Lord Chancellor is also unable to attend. The Secretary of State for the Environment has been invited to the meeting.



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HANDLING

3. You should invite the Secretary of State for the Environment to introduce his Memorandum. The Minister of State, Foreign and Commonwealth Office, the Minister of State for Defence Procurement and the Chancellor of the Exchequer should also be asked to give their views. You may wish to structure discussion in such a way as to cover the following principal issues:

- (a) Whether to attempt to persuade the United States to pay more of the PSA's Departmental Expenses

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The Environment Secretary considers that this would not be profitable, essentially because officials have been unsuccessful over the past three years in their negotiations with the Americans and, since the subsidy was accepted in 1973 as part of the signed agreement, there seems little chance of persuading the United States from their view that the subsidy is an essential part of bilateral cost-sharing arrangements under NATO. In his minute of 15 October the Foreign and Commonwealth Secretary has supported this view, contending that even if the United States Administration were to agree, it is most unlikely in present circumstances that Congress would make additional funds available. However, you may wish to draw attention to the fact that these Departmental expenses currently include consultants' fees and paragraph 7 of the Annex to the Environment Secretary's supporting paper holds out the possibility that these consultants' fees might be regarded as actual costs and therefore payable in full under the agreement. You may wish to ask the Environment Secretary what proportion of the subsidy arises from consultants' fees and how far other similar agreements within NATO could be used to press the argument that the Americans should accept consultants' fees as direct charges.



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(b) Whether to seek the United States's agreement to a withdrawal of PSA Services

The Environment Secretary indicates that such a withdrawal would not require United States agreement. We do not know what the United States's reactions would be to such action which would eliminate the United Kingdom's subsidy but would require the United States to set up an alternative organisation to replace the PSA. This solution would have practical disadvantages for the PSA (paragraph 8 of the supporting paper) and the Environment Secretary suggests that the United States might seek compensation to cover the loss of subsidy. However, such a withdrawal would produce a substantial reduction in public expenditure and Civil Service numbers and would be attractive at a time when public expenditure is under such severe pressure. You may wish to ask the Environment Secretary for a fuller justification of his unwillingness to recommend this course, seeking advice from the Minister of State, Foreign and Commonwealth Office on the impact of this possible line of negotiation on our good relations with the Americans.

(c) The Vote on which the subsidy should be carried, if continued

— FLAGC Lord Cockfield in his minute of 31 August suggested that the subsidy should be an overt one in order to attract most credit for it in United States and NATO eyes. This led him to support the Environment Secretary's recommendation that the expenditure should be transferred to the Defence budget. It is understood that the Ministry of Defence would not object to this course, provided that a full PES transfer from the PSA Vote was agreed. The Foreign and Commonwealth Secretary in his minute of 15 October has suggested that this matter might be left to officials to resolve but, as is clear



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from the Environment Secretary's Memorandum, this issue has been under consideration by officials for some time without a satisfactory conclusion. You may wish to invite the views of the Minister of State, Foreign and Commonwealth Office and the Minister of State for Defence Procurement on whether the proposed transfer to the Defence budget would increase the visibility of expenditure in a helpful way. Would there be any disadvantages in such a transfer like the removal of incentives within the PSA to exercise the strictest of controls over expenditure? The Chancellor of the Exchequer should be invited to advise on this aspect.

CONCLUSION

4. Subject to any points raised in discussion which might lead the Committee to disagree with the proposals made by the Environment Secretary, you could guide the Committee to agree that -

(a) the United Kingdom should not seek to eliminate this subsidy;

(b) steps should be taken to transfer expenditure from the PSA to the Defence Vote with or without a compensating PES transfer, depending on the views of the Committee.

B G Cartledge

16 October 1984

USA : UK/USA relations part 3.



CONFIDENTIAL



FCS/84/272

SECRETARY OF STATE FOR THE ENVIRONMENTUS/UK Cost Sharing Arrangements: Subsidy to us by Under
Recovery of PSA's Departmental Expenses (DEs)

1. Thank you for copying to me your Memorandum of 27 September, which covered your Department's Paper to OD. I have also seen the then Chancellor of the Duchy of Lancaster's minute of 31 August. I am concerned that the matter of DEs has again been raised and that it has been suggested that we should seek to reduce or eliminate the subsidy.
2. As you point out, it would be difficult to counter the American position that the subsidy represents our contribution to the cost-sharing exercise. To reduce or eliminate that contribution would amount to asking the Americans to increase theirs. Even if the US Administration were to agree to this, it is most unlikely in present circumstances that Congress would make additional funds available.
3. The cost of the subsidy should be seen in terms of the balance of advantage in our defence relationship with the Americans. When set against the benefits which accrue to us in other fields and from their extensive presence in the UK and NATO Europe generally the cost seems a relatively small item.
4. These factors, which have in the past led us to argue that the question of DEs should not be raised with the Americans, are even more compelling now. We can expect the European contribution to the common defence, particularly in areas which affect US troop stationing in Europe, to

/remain

cc: PK

B

Pl. by journal
before OD on
22 October
AM



remain under scrutiny in Washington in the aftermath of the Nunn Amendment. The Americans will be looking for increased European contributions. This is clearly not the time to seek any reduction in the level of support which we provide for US forces in the UK.

5. As Lord Cockfield pointed out in his minute of 31 August, the conclusion that "there can be no policy requirement" for the subsidy if no department is willing to pay is a misleading one. There is in my view a strong case for the cost-sharing process to continue on its present basis. We can perhaps leave it to officials to resolve the exact budget from which the funds should come. Expenditure is normally borne on the vote of the Department which has the major interest in the beneficiary (in this case the US forces).

6. I am copying this minute to OD colleagues and to Sir Robert Armstrong.

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

(GEOFFREY HOWE)

Foreign and Commonwealth Office

15 October 1984

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5 OCT 1984



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10 DOWNING STREET

From the Private Secretary

11 September, 1984.

Call on the Prime Minister by the Mayor of
San Francisco

You wrote to me on 4 September asking whether the Prime Minister would in principle be ready to meet Mrs. Feinstein when she visits the United Kingdom in March next year. The Prime Minister would be ready to see her subject to her other commitments at the time.

Charles Powell

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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NR.

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1656</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Budd to Powell dated 4 September 1984</i>	
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CLPC

Await MOD e

FCO views.

CDP
31/8

SECRETARY OF STATE FOR THE ENVIRONMENT

US/UK COST SHARING ARRANGEMENTS: SUBSIDY TO US BY UNDER-RECOVERY OF PSA'S DEPARTMENTAL EXPENSES

1. I am responding to your Paper of 20 ^{attached} August to OD (84) 14.
2. During the Presidential Nomination Campaign, the European Allies were strongly criticised for failing to bear their "fair" share of the costs of defence of Western Europe. The United Kingdom was - quite unfairly and incorrectly - singled out for special criticism. These attitudes are reflected elsewhere in the United States. They cannot be dismissed as electioneering.

In the light of this, there seems to me to be an overwhelming case for demonstrating that we are in fact paying some £10 m a year over and above what we appear to be paying by way of supporting US troops in this country.

But equally this line of reasoning points to the necessity of continuing the subsidy.

On this basis therefore the subsidy would continue but as an overt subsidy not a covert one.

3. I fear that I do not go along with the statement in the last sentence of paragraph 10 of the Minute ("If no department is prepared for the subsidy to be borne on its programme then there can be no policy requirement and the subsidy must be terminated ..."). This is no doubt good Treasury doctrine; but we all know that in fact who pays is often simply a test of nerve. In the present instance the logical paymaster is MOD. But equally to the extent that PSA has paid in the past, a pro tanto PES transfer would be justified.

CONFIDENTIAL

I am sending copies of this minute to the Prime Minister, members of OD and Sir Robert Armstrong.

A.C.
A C

31 August 1984

CONFIDENTIAL

WILLIAM V. ROTH, JR.
DELAWARE

104 HART SENATE OFFICE BUILDING
TELEPHONE: 202-224-2441

United States Senate

WASHINGTON, D. C. 20510

COMMITTEES:
GOVERNMENTAL AFFAIRS (CHAIRMAN)
FINANCE
JOINT ECONOMIC COMMITTEE
JOINT COMMITTEE ON TAXATION
SELECT COMMITTEE ON INTELLIGENCE

August 3, 1984

ra *here*

The Right Honorable Margaret Thatcher, M.P.
10 Downing Street
Whitehall SW 1
London, England

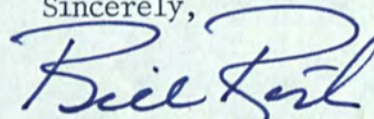
Dear Mrs. Thatcher:

It was a pleasure and privilege to have the opportunity to meet with you during my recent trip to London with the United States Senate Delegation.

I was particularly interested in your views on economic development and want you to know I greatly admire the strong leadership you are providing Britain in your effort to develop a growing market economy.

Certainly the relationship between our two countries has never been better. I look forward to continued future cooperation between Great Britain and the United States.

Sincerely,



William V. Roth, Jr.
U. S. Senate

WVR/bcg

mt



10 DOWNING STREET

From the Private Secretary

1 August 1984

REQUEST FOR CALL ON THE PRIME MINISTER BY MR. JAMES ROOSEVELT

Thank you for your letter of 31 July passing on Mr. Roosevelt's request to call on the Prime Minister in early September. I shall be grateful if Mr. Roosevelt can be informed that the Prime Minister very much regrets that her other engagements make it impossible for her to see him during his visit in London.

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

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①



Foreign and Commonwealth Office

London SW1A 2AH

31 July 1984

*V as much
refuse
not*

*Prime Minister
Unless you know him
personally, I recommend that
you agree NOT to see him.
C.D.P. 31/7*

Dear Charles,

Request for call on Prime Minister by Mr James Roosevelt

Mr James Roosevelt has asked the Ambassador in Washington whether it would be possible to call on the Prime Minister while he is in London from 1-9 September to address a Rank Xerox Management Conference. I enclose a copy of his letter.

Mr Roosevelt, the son of President Franklin Roosevelt, is a business consultant. He is a former Democratic Congressman and candidate for Governor of California. He is also Director of the Chapman Enterprise Institute, California, in which capacity he approached the Ambassador earlier this year with a suggestion that the Prime Minister might visit the United States in November to receive honorary degrees and lecture at various universities including Chapman College, California. The Ambassador declined the invitation, since there was no prospect of a visit to the United States in November.

In seeking a call on the Prime Minister, Mr Roosevelt appears to have no specific business to transact (other than perhaps to renew his invitation to the Prime Minister to visit the United States). We see no particular grounds on which to recommend that time be found for this. Unless the Prime Minister would like as a courtesy to accede to this request from President Roosevelt's son, we shall ask the Ambassador in Washington to tell Mr Roosevelt that the Prime Minister's schedule is such that she will unfortunately be unable to see him during his visit to London.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street



July 10, 1984

His Excellency Sir Oliver Wright
Her Britannia Majesty's Ambassador
to the United States
3100 Massachusetts Avenue N.W.
Washington, D.C. 20008

Dear Mr. Ambassador:

If it is not too presumptuous may I take this opportunity of asking you a favor. I have never had the pleasure of meeting Prime Minister Margaret Thatcher. In spite of the full realization of how valuable her time and how heavy her schedule, it would be a great honor to have the privilege of paying my respects in person during a visit to London which has just been confirmed.

The Rank Xerox Corporation has asked me to be the speaker at their Management Conference to be held in London on September 7, 1984. Mrs. Roosevelt and I plan to visit and especially to see some of her family from September 1 thru September 9. We shall be staying at Arlington House, Piccadilly as the guests of Mr. & Mrs. Jack Aisher, and I will of course accommodate my schedule to that of the Prime Minister should she be able to fit me in for a few minutes.

Thank you for your kind consideration. With every good wish.

Very sincerely,

James Roosevelt

JR:cf

JAMES ROOSEVELT & COMPANY

2500 MICHELSON DRIVE • SUITE 250 • IRVINE, CALIFORNIA 92715 • TEL. 553-1155 • FAX 553-1177



10 DOWNING STREET

From the Private Secretary

16 July 1984

Visit by Governor Wallace of Alabama

Roger Bone wrote on 12 July to convey a request from Governor Wallace to call on the Prime Minister.

I should be grateful if Governor Wallace could be informed that the Prime Minister regrets that her other engagements make it impossible for her to see him.

I note that you intend to offer instead a call on a Minister in the Foreign and Commonwealth Office.

C. D. POWELL

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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Prime Minister Foreign and Commonwealth Office
London SW1A 2AH

Agree not
to see him?

12 July, 1984

Jan Archer,

C D P 12A.

Repeat not

Visit by Governor Wallace of Alabama: 27-28 July

Governor George Wallace of Alabama will be visiting London on 27 and 28 July to promote inward investment and has asked through the US Embassy whether he might call on the Prime Minister. We understand he previously met Mrs Thatcher in 1975.

Governor Wallace has been active in political life in the US over many years. He was an independent US Presidential candidate in 1968. He was the victim of an assassination attempt in 1972 and has since been confined to a wheel chair.

Our view, which is shared by the Embassy in Washington, is that there are no particular grounds for a meeting between the Prime Minister and Governor Wallace. Although he has considerably modified his segregationist views and is a less controversial figure these days, his national standing has also declined. It is in any event not the normal practice for the Prime Minister to receive the Governors of US States and we would wish to avoid creating a precedent on this occasion. Unless therefore the Prime Minister particularly wishes to see the Governor, we would propose instead to offer a call on a Minister in the FCO.

(R B Bone)
Private Secretary

C D Powell Esq
10 Downing Street

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10 DOWNING STREET

THE PRIME MINISTER

11 July 1984

Dear Senator Lugar

Thank you so much for the beautiful bronze cigarette box which you and your colleagues so kindly sent me following your visit. I very much enjoyed our talk and was glad that we were able to cover so much ground.

Please convey my thanks to Senator Roth and Senator Chafee.

Yours sincerely
Margaret Thatcher

The Honourable Senator Richard Lugar

dr



UNITED STATES SENATE
WASHINGTON, D. C.

RICHARD G. LUGAR
INDIANA

July 7, 1984

CP
will you
please do
have you
letter - CR

The Right Honorable Margaret Thatcher, M.P.
10, Downing Street
Whitehall SW 1
London, England

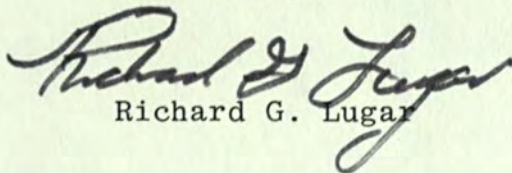
Dear Mrs. Thatcher:

On behalf of the United States Senate
Delegation which recently visited London, thank
you for receiving us.

We are deeply in your debt for the exchange
of views on the economic situation in Britain as
well as your thoughts on political developments in
Eastern Europe. The coincidence of British and
American views on the ASAT talks proposed for
September was most reassuring.

It was a pleasure to meet with you.

Sincerely,


Richard G. Lugar



10 DOWNING STREET

From the Private Secretary

6 July 1984

Prime Minister's Meeting with US Senators

We promised your staff to let you have a copy of our summary record of this meeting. I enclose a copy. As you will see it is really just a checklist. I hope it will be adequate for your purposes.

(C.D. Powell)

His Excellency Mr. Charles H. Price, II



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10 DOWNING STREET

From the Private Secretary

6 July 1984

Prime Minister's Meeting with US Senators

I enclose a summary record of the Prime Minister's conversation with three Republican Senators on 6 July.

I am also sending a copy to the American Ambassador at his request.

(C.D. Powell)

Roger Bone, Esq.,
Foreign and Commonwealth Office

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SUBJECTRESTRICTEDSUMMARY RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND
UNITED STATES SENATORS ON 6 JULY 1984 AT 10 DOWNING STREET

The Prime Minister received Senators Lugar, Roth and Chafee for a talk this afternoon. The United States Ambassador and Mr. Powell were also present. The main points covered in the talk are summarised below.

TAX REFORM

The Prime Minister described the Government's plans to reduce capital allowances and corporation tax.

EMPLOYMENT

The Prime Minister said that the labour market in the United Kingdom was less flexible than in the United States and labour less mobile. The United Kingdom had not done as well as the US or Japan in creating new jobs. There had been a steady increase in the number of people coming on to the job market in the last five years. This would continue until 1989. Unemployment remained stubbornly high. The Government was trying to reduce the share of public expenditure in the national income. The Prime Minister noted that the great majority of strikes occurred in the public sector.

/HIGH TECHNOLOGYRESTRICTED

HIGH TECHNOLOGY

Asked whether Western Europe was falling behind in the high technology field, the Prime Minister said that the UK was fertile in inventions but lacked American magic in turning them into profit. The United States enjoyed much better interchange between universities and business.

EAST/WEST RELATIONS

The Prime Minister said that there was a broad identity of views between her and President Reagan on East/West questions. Communism was deeply embedded in Eastern Europe. This would not change. On both sides of the iron curtain there was a desire to feel secure. Ways had to be found to reduce the risk of conflict. The only feasible path was that of balanced and verifiable limitations on forces and arms. The Prime Minister gave an account of her recent visit to Hungary.

CENTRAL AMERICA

The Prime Minister praised the efforts of Vice-President Bush to create understanding in Europe for American policies in Central America. The Prime Minister recalled that the UK made a particular contribution in the area through the stationing of Harrier aircraft and troops in Belize. She recalled that the UK had sent observers to both elections in El Salvador. The Prime Minister said that no-one should be under any illusion that the forthcoming elections in Nicaragua would be free.

US FORCES IN EUROPE

The Prime Minister recalled the considerable defence effort made by the UK. 5½% of GDP went to defence and defence spending had recently been increasing at 3% a year. She recalled that France was not integrated militarily into

/ recalled

NATO. Senator Chafee commented that France got the biggest free ride anywhere.

ANTI-SATELLITE SYSTEMS

The Prime Minister said that President Reagan had been right to give a prompt and positive reply to the recent Soviet proposal for talks on limitations to ASATS. The Russians had been caught off balance by the speed of the American reaction. The most promising area on which discussion should focus was outer space. It was important that the current Russian superiority in anti-satellite weapons at lower altitudes should not be institutionalised.

EUROPEAN COMMUNITY

The Prime Minister identified two issues for urgent attention: the extension of the Common Market to services as well as goods: and the control of agricultural surpluses. She emphasised the importance of the early accession of Spain and Portugal in order to stabilise democracy in those countries. She drew attention to the implications of enlargement for the North/South balance in the Community.

NATURE OF SOVIET LEADERSHIP

The Prime Minister commented that her impression was of a collective system, although it was difficult to know how long this would last. She emphasised the importance of constantly reminding the Soviet Union of its failure to respect human rights despite its signature of the Helsinki Agreement.

The meeting ended at 1730 hours.

PRIME MINISTER

VISIT OF SENATORS LUGAR, ROTH AND CHAFEE

They are coming at 1630 hrs accompanied by the American Ambassador (Charles Price).

Suggest photo upstairs and talks in White Drawing Room. Briefs attached though you won't really need them except perhaps as useful background on the NUNN Amendment (see brief on State of the Alliance).

Subjects I suggest you aim to cover are:

- What the UK and the European end of the Alliance are contributing.
- Your analysis of prospects for East/West relations in the wake of Geoffrey Howe's visit to Moscow.
- Congressional attitudes to ASATS and CW.
- Their views on what a re-elected Republican Administration would do in Central America and the Middle East.
- US Election prospects.

Personality notes on the three Senators immediately behind this note.

C.D.P.

5 July, 1984



SENATOR JOHN CHAFEE (REPUBLICAN - RHODE ISLAND)

Born in Providence, Rhode Island in 1922 into a wealthy family and educated at Yale and Harvard Universities, served in the US Marine Corps during World War II and from 1950-52. He served in the Rhode Island House of Representatives from 1957-63.

The first Republican from Rhode Island to win a Senate seat since 1930, Senator Chafee was elected to the Senate at his second attempt in 1976. He had previously been Governor of Rhode Island from 1963-69 and Secretary for the Navy in the Nixon Administration from 1969-72.

A Liberal Republican, he supports national health insurance, a freeze on property taxes for the elderly and an end to mandatory retirement at 65. His main interests in the Senate are in energy and environmental problems. As Chairman of the Environmental Pollution Sub-Committee he has been active in sponsoring clean air legislation. He also serves on the Senate Committee of Finance and the Select Committee on Intelligence, and keeps up an interest in NATO and European affairs (though he was absent during the recent vote on the Nunn Amendment on US Forces in Europe).

An Episcopalian. Married with five children.

July 1984




SENATOR WILLIAM V ROTH, JR (REPUBLICAN - DELAWARE)
CHAIRMAN, SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

Born in Great Falls, Montana, in 1921. He served in the US Army in World War II, then studied at the University of Oregon, Harvard Business School and Harvard Law School. He was a practising attorney until 1961, when he became Chairman of the Delaware Republican State Committee.

Senator Roth, senior Senator for Delaware, was first elected to the House of Representatives in 1966 and to the Senate in 1970. In addition to his role as Chairman of the Governmental Affairs Committee (which oversees the Civil Service and Government efficiency), he serves on the Senate Committee on Finance, the Select Committee on Intelligence, the Joint Economic Committee and the Joint Committee on Taxation. He was co-author of the Republicans' tax-cutting legislation in 1981-82 and co-sponsored a resolution in 1982 on improving NATO's conventional forces through increased arms cooperation. He was also a co-sponsor of the recent Nunn Amendment (which was defeated in the Senate on 20 June) seeking to link the defence performance of the European Allies to possible cuts in US Forces in Europe.

Married with two children. Episcopalian.

July 1984



SENATOR RICHARD G LUGAR (REPUBLICAN - INDIANA)
CHAIRMAN OF THE SENATE FOREIGN RELATIONS SUB-COMMITTEE ON
EUROPEAN AFFAIRS

Born in Indianapolis in 1932. Educated at Denison University (BA 1954) and at Oxford as a Rhodes Scholar (MA 1956). Served in the US Navy from 1957-60 before returning to Indianapolis to become a businessman. Came to national attention as Mayor of Indianapolis from 1968-75.

He was first elected to the Senate in 1976. He has made his mark there both in the Foreign Relations Committee, where he has risen to become Chairman of the European Affairs Sub-Committee and in the Agricultural Committee and the Select Committee on Intelligence. He was tipped as a possible Vice-Presidential running mate of Mr Reagan in 1980, and has since taken a step up in the Senate through his election in 1982, with White House backing, to the Chairmanship of the National Republican Senatorial Committee (ie Manager of the Republican Senate election campaign). He is one of two or three possible candidates to succeed Senator Baker as Senate Majority Leader next year.

Senator Lugar is a moderate Conservative, who has been consistently helpful to European interests in the Senate. He spoke and voted against the recent Nunn Amendment on US Forces in Europe.

A lay Methodist Minister. Married with four children.

July 1984



Foreign and Commonwealth Office

London SW1A 2AH

5 July, 1984

John Bone

Visit by United States Senators: 6 July at 1600

/ I enclose briefs for the meeting with **Senators Lugar, Roth and Chafee** on State of the Alliance, East/West Relations, Prospects for Arms Control, and EC/US Relations. I also
/ enclose personality notes.


My letter of 21 June set out some of the background to the visit. The **Senators will also be visiting Denmark, Sweden, Finland, Norway and Iceland** in order to discuss the **Soviet build-up in the area.**

In discussing the relative contributions of the US and Europe to NATO, the Prime Minister might wish to be aware that **Senator Lugar was very active in the successful defeat of the recent amendment sponsored by Senator Nunn proposing the withdrawal of a certain number (about a quarter) of US troops from NATO unless the European Allies paid a larger share of Western defence costs. Senator Roth was the principal Republican to sponsor the amendment. Senator Chafee was absent for the vote.**

In a press conference shortly before leaving Washington, **Senator Lugar said "My delegation will attempt to impress upon each of the European nations we visit the strong and continuing interest of the United States in a strong NATO with American troops present as a portion of NATO forces in Europe. The delegation will make clear the growing concern on the part of the United States that we do move toward a more credible conventional deterrent for NATO. The Europeans indeed may have to do better in terms of defence spending".**

Before this meeting with the Prime Minister on 6 July the **Senators will call on the Minister of State for Defence Procurement, to discuss the "two-way street", and will see the Foreign Secretary. They will be accompanied by the US Ambassador, Mr Price.**

[Handwritten signature]
(R B Bone)
Private Secretary



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VISIT OF UNITED STATES SENATORS : 6 JULY 1984

POINTS TO MAKE

State of the Alliance (including US troops in Europe)

1. The Alliance has long lived with accusations that it is in a state of crisis. But share President Reagan's view (at the recent meeting of NATO Foreign Ministers in Washington) that "we can reflect on the past with pride and look to the future with confidence."
2. But we certainly cannot afford to be complacent. Important to maintain cohesion on policy on East/West relations and arms control to prevent divisive Soviet tactics.
3. Healthy transatlantic relations fundamental to the Alliance. American security guarantee remains essential to continued freedom of Europe. Presence of 300,000 US troops in Europe symbolises transatlantic link, as well as fulfilling essential military role. Withdrawal would be uncovenanted bonus for Russians.
4. All members of the Alliance must contribute their fair share to ensuring that our defence remains strong. European contribution must not be under-estimated. Of Alliance's ready forces in Europe, Europeans provide 90% of ground forces, 80% of combat aircraft, 80% of tanks, 90% of armoured divisions - not to mention provision of support facilities, such as airfields and harbours which do not feature in expenditure tables.
5. UK record excellent. We spend more on defence than any member of the Alliance, apart from the US, in both absolute and per capita terms.
6. US growth rates in recent years impressive. But looked at over longer time scale, Europeans increased defence expenditure by 25% between 1971 and 1983. US registered zero growth over same period.

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VISIT OF UNITED STATES SENATORS : 6 JULY 1984

ESSENTIAL FACTS

1. Though President Reagan restated American support for the Alliance at the recent North Atlantic Council Ministerial meeting in Washington and reaffirmed in an interview with Le Monde on 19 March that "our commitment to the defence of Europe remains steadfast. We have taken and will continue to take steps to strengthen it", the view that the European allies should carry more of the defence burden is a recurring theme in Congress.
2. A proposal by Senator Nunn to withdraw 90,000 US troops from Europe over three years from 1987 unless the European allies pay a larger share of Western defence costs was defeated in the Senate by 55 and 41 votes on 20 June. In its place, a substitute proposal, introduced by Senator Willian Cohen, urging President Reagan to persuade the European allies to increase defence spending by 3% annually, was adopted by 94:3. But Senator Nunn is likely to try again with his proposal, possibly during the Defence Appropriations Bill hearing in the autumn.
3. A table of comparisons of the defence expenditure of members of the Alliance is attached. This shows the United States is spending a higher proportion of its GNP on defence than any other ally except Greece. But though US growth rates have been the most impressive in the Alliance in recent years regularly exceeding the 3% target in recent years , (4.3% in 1980, 5.3% in 1981, 8% in 1982 and 4% in 1983, as opposed to 2.6%, 2.8%, 2.3% and 2% average increases by other Allies in the same year), the picture over a longer time scale shows the Europeans to have increased defence expenditure in real terms by 25% between 1971 and 1983 as opposed to a nil net increase in US spending. The Americans expect to continue increasing defence expenditure by more than 3% per annum in the future. Average growth in European defence expenditure in 1984 is estimated at between 1.2% and 1.7%.



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4. The UK remains committed to meeting NATO's 3% growth target until 1985/86. But, in the light of economic circumstances, Ministers have decided that it would not be right to plan on continued 3% growth thereafter. Increasing emphasis is being placed on achieving the greatest possible output from our expenditure.

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TABLE 3
DEFENCE EXPENDITURES AS % OF GDP

Country	1973	Country	1978	Country	1982
United States	6.0	Greece	6.7	Greece	7.0
Portugal	5.9	Turkey	5.2	United States	6.5
United Kingdom	4.8	United States	5.1	Turkey	5.3
Greece	4.1	United Kingdom	4.6	United Kingdom	5.1
Turkey	4.1	Portugal	3.5	Belgium	3.4
Germany	3.5	Germany	3.3	Portugal	3.4
Norway	3.1	Belgium	3.3	Germany	3.4
Netherlands	3.0	Norway	3.2	Netherlands	3.2
Belgium	2.8	Netherlands	3.1	Norway	3.0
Italy	2.7	Italy	2.4	Italy	2.6
Denmark	2.0	Denmark	2.3	Denmark	2.5
Canada	1.9	Canada	2.0	Canada	2.1
Luxembourg	1.0	Luxembourg	1.0	Luxembourg	1.3



VISIT OF UNITED STATES SENATORS: 6 JULY 1984

PROSPECTS FOR ARMS CONTROL

Points to Make

NUCLEAR ARMS CONTROL NEGOTIATIONS

1. Russians sitting on their hands, at least for the rest of 1984. Wrong for the West to make concessions to entice them back to the negotiating table. Along with other basing countries UK will continue deployment of NATO's INF missiles.
2. Will continue to make clear that United States ready to resume negotiations at any time, anywhere, without preconditions. Vienna in September one option; West ready to consider any others.

OUTER SPACE AND STRATEGIC DEFENCE

3. Note debate in US, and Congressional attitudes towards development of anti-satellite weapons (ASATs).
4. What effect will Administration's readiness to discuss strategic defence with Russians and to attend talks in Vienna in September have on Congress?
5. HMG remain anxious to prevent arms race in outer space. Welcome US swift and constructive response to Soviet offer. Hope Vienna talks will identify conditions for negotiating effective and verifiable limitations on ASAT weapons.

CHEMICAL WEAPONS (CW)

6. Disturbing Soviet CW threat. Arms control optimum solution. Welcome US treaty to ban all CW. Sustained effort necessary to press Russians to conclude comprehensive ban.
7. Prospects for CW binary funding?



CW USE [If raised]

8. Proven use of CW anywhere deserves strongest condemnation.

CDE

9. West prepared to discuss reaffirmation of non use of force (eg President Reagan's speech of 4 June) but continue to believe priority is to give concrete expression to existing commitments as mandate requires. Hence West's concern for measures of military openness. Look for USSR reciprocal move in this area.

10. No First Use of Nuclear Weapons (NOFUN) is not acceptable to NATO which has already pledged none of its weapons will ever be used except in response to attack.

MBFR

11. New Western proposal offers genuine opportunity to resolve past differences on current force levels. A force reductions agreement without figures is a nonsense.

ARMS CONTROL AND DISARMAMENT DEPARTMENT

3 JULY 1984

Essential Facts

OUTER SPACE AND STRATEGIC DEFENCE

1. Public debate in US will have been increased by the recent Soviet offer of talks on space and subsequent dismissal of US response. Congressional concern about ASAT testing programme reflected in votes to prohibit further tests unless Russians resume testing (House of Representatives, 23 May), or to make US testing dependent on Presidential certification of willingness to negotiate constraints with Russians (Senate, 12 June).

2. Scepticism about the Strategic Defence Initiative (SDI) manifested in a report published in March by the Congressional Office of Technology Assessment and in rough questioning in Senate hearings of SDI Director General Abrahamson. Congress has also called for cuts in SDI budget for FY 1985.

CHEMICAL WEAPONS (CW)

3. US draft Treaty tabled on 18 April. Contains sweeping proposal on challenge inspection (Article X); "anywhere/anytime" allows no exception or right of refusal. Ministers still to decide whether we should in principle support US on Article X. Strong Soviet criticism of Article X, but other parts of treaty may be more acceptable.

4. Congress have so far declined to authorise funds for modernisation of US CW capability through production of binary weapons.

5. We have condemned CW use, as in Gulf where evidence conclusive. US have pressed us to be more robust on CW use in South East Asia. But evidence there less clear-cut

CDE

6. Second round 8 May - 6 July. Soviet proposals comprise No



First Use of Nuclear Weapons (NOFUN), No First Use of Force (NOFUF), ban on CW in Europe, reductions in military budgets and some measures similar to the West's military openness CSBMs but known to be difficult for NATO, such as limits on the size of military exercises and notification of transit movements. President Reagan indicated on 4 June in Dublin preparedness to discuss non use of force (NUF) if the Soviet Union would negotiate concrete measures. So far Soviet response has been to increase emphasis on NOFUN which they know is unacceptable to NATO. NOT FOR USE: President Reagan's speech took allies by surprise and US have provided little information on how they wish to proceed. Most Allies favour a preambular reference to existing NUF commitments in a package of concrete CSBMs, not a declaration or treaty.

MBFR

7. No hope of progress in the near future. Current round 24 May - 19 July. West tabled new proposals at end of last round (19 April) which required enhanced verification provisions in return for a more flexible approach to establishing initial data on current troop strengths (by focussing on Combat and Combat Support forces). East's response very critical.

ARMS CONTROL AND DISARMAMENT DEPARTMENT
3 JULY 1984

VISIT OF UNITED STATES SENATORS : 6 JULY 1984

EC/US RELATIONS

POINTS TO MAKE

US Protectionism

1. Important that both EC and US continue to resist temptation to make each other scapegoats for our trade problems. Protectionist pressures in US bound to intensify as election approaches. Sensitive industries in marginal constituencies. But Europeans have pressures too and US industrial sectors under threat (steel, textiles) equally sensitive for us. Escalating retaliation and counter-retaliation would set back all our chances of economic recovery.

EC/US Agriculture (if necessary)

2. Have consistently fought to bring CAP expenditure under control and reduce surplus production. March Agriculture Council agreed reform to reduce cereals prices and control milk surpluses. Fontainebleau agreed principle of strict budgetary discipline. Long way to go, but on the right track. US farmers should welcome this.

3. These were bitter pills for French farmers to



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swallow - agreement on them would have been impossible without EC agreement to negotiate on restricting imports of US cereals substitutes (which we had always opposed). However need to reduce milk surplus in Community means fewer imports of cereals substitutes. Correspondingly easier. Hope both sides will work to make talks succeed. (If necessary) Oils and fats tax proposal still formally on the table, but effectively dead. No danger of action on cereals substitutes setting precedent for soya.

Multilateral Trade Issues

4. OECD Ministerial and London Summit reaffirmation of vigour of open trading system. Must avoid backsliding: rollback exercise would be badly damaged if Congress could not approve necessary legislation. Summit also endorsed consultations on a new trade round: with careful preparation (reactions of developing countries particularly important) could make a valuable contribution to trade liberalisation.

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ESSENTIAL FACTS

US Protectionism

1. US's falling share of world GNP and mounting budget and trade deficits (latter expected to reach \$110 billion this year) have led to resurgence of protectionism. Although Senators Lugar (Indiana) and Chafee (Rhode Island) come from constituencies affected by depressed trade (in steel and textiles respectively), all three Senators are supporters of the open trading system. :

2. Election campaign has seen a number of protectionist cases: :

a) Bethlehem Steel's petition sealing 15% of total limit on carbon steel imports - a threat to 1982 EC/US Arrangement, under which EC exports are restrained (and which US Administration would much rather keep working). International Trade Commission have found some injury. President must decide on remedy by 24 September;

b) moves in Congress for a Wine Equity Bill, with trade restrictions if exporting countries refuse to lower barriers to US wine exports; US Administration disapprove but may view a watered down compromise version more favourably;

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c) textile import restrictions announced December 1983 - an executive order aimed at attacking import frauds, signed by President on 10 May, may lead to further restrictions;

d) applications from industry for import restrictions on copper (ITC have found injury) and footwear (both timed to reach President for final decision at height of campaign), as well as several protectionist bills before Congress.

e) a complaint under S301 of US Trade Act by Transpace Carriers, an independent space launch company, that the European Space Agency is competing with unfair subsidies.

3. Most of these cases are unlikely to lead to protectionist measures but last minute pre-election restrictions cannot be ruled out. The EC has tried to strike a constructive note in its counter-pressures, rather than simply indulge in mud-slinging.

EC/US Agriculture: Cereals Substitutes

4. US, though pessimistic about prospects for agreement on compensation for stabilisation of cereals substitutes imports into the EC (agreed by EC as part of CAP reform package), accept that issue



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should not be allowed to escalate immediately before US election. We have stressed that EC measures should be seen in context of CAP reforms that will benefit US, and that negotiations should be handled non-confrontationally. First round in early June was uneventful: next will not be until 15 September. The Commission have been willing to reassure the US that the cereals substitutes proposal is not a harbinger of similar moves on soya, and though their proposal for an oil and fats tax has not been formally dropped, it is effectively dead.

Multilateral Trade Issues

5. As the first phase of rolling back protectionism, OECD Governments agreed at the May Ministerial, to advance by one year, to early 1985, all Tokyo Round tariff cuts scheduled for 1986, as well as improved access for LLDC imports. But the US Administration are having difficulty in getting their legislation through Congress. Failure would be a further blow to rollback; response of other OECD members has been only modest. Meanwhile attention is shifting to the proposals for a new GATT Round, initiated formally by Japan but long favoured by US, on which the London Summit agreed that there should be early preparatory consultations. The

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most realistic timetable may be for high level meetings
in the GATT in 1985 to launch preparations for
negotiations starting a year or two later.

European Community Department (External)

3 July 1984

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VISIT OF UNITED STATES SENATORS: 6 JULY 1984

EAST/WEST RELATIONS (INCLUDING TECHNOLOGY TRANSFER)

POINTS TO MAKE

Foreign and Commonwealth Secretary's Visit to Moscow
and Prospects for East/West Relations

1. An important opportunity to make clear our views to Soviet leadership. Sir G Howe has given you detailed account.
2. General impression of rigid and unyielding Soviet stance, unrelenting criticism of US and Reagan Administration. No indication of give on arms control. Clearly not prepared to move on INF/START before US elections.
3. On arms control in space, Sir G Howe able to leave Chernenko and Gromyko in no doubt about US willingness to take part in talks at Vienna in September without preconditions. Gromyko evidently taken aback by rapid and positive US response. His negative attitude disappointing. Hope it will be possible to resolve this by private US/Soviet discussions.
4. Taking longer view, difficult to see any change in Soviet foreign policy up to November at very least. Immobilism may last considerably longer particularly in arms control field.
5. Important for West to maintain consistent long-term policy. Despite obstacles should continue to expose Russians to our views at as many levels as possible. Openness and willingness to do business based on firmness



and care for our security is the right approach. Close consultation within Alliance will remain of critical importance. Washington East/West statement and Economic Summit Declaration struck right note. Must remain calm in approach and steady in our aims.

Technology Transfer

6. Welcome close US/UK collaboration in this field. Must continue to work domestically and in COCOM to maintain effectiveness of strategic embargo. Important to work on basis of proper consensus.

7. Strengthening our COCOM enforcement efforts. Have also established MOD Analysis Unit, which will assist our assessment of Soviet technology acquisition priorities.

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ESSENTIAL FACTS

Foreign and Commonwealth Secretary's Visit to Moscow

1. Gromyko's whole approach was characterised by rigid anti-Americanism. Alleged that US wished to develop military superiority, but no serious interest in arms control:- "There were no grounds to trust Reagan's sincerity except in his 'Crusade against socialism'." No change in Soviet position on key arms control issues. In particular - despite confirmation of US position from White House - Gromyko and Chernenko obdurately refused to accept that US were setting no preconditions to talks on arms control in space.
2. Wide ranging exchange of views on regional issues. Gromyko took standard Soviet line on Arab/Israel, Gulf conflict, Southern Africa and Central America. Did not give any reply to Sir Geoffrey Howe's points on Afghanistan, Poland or various human rights cases.
3. Overall impression of increasing rigidity in Soviet leadership. Gromyko still has comprehensive grasp, but tends to be dogmatic and is showing tendency to rewrite and falsify history of US/Soviet relations, eg "The Soviet leadership had at once [at time of Reagan's election] understood it could not do business with Reagan". Chernenko uncomfortable as soon as he departed from prepared text. Limited to generalisations and cliches. His performance tends to confirm view that his election as General Secretary owed much to his lack of authority and inability to interfere in at least foreign and defence policy.



Prospects for East/West Relations

4. Outlook fairly bleak. Elements of personal bitterness and affront at US attacks strong among old guard in Politburo; any initiative to break deadlock would require an unaccustomed readiness to overcome self-justification and inertia based on traditional sense of insecurity and unadmitted sense of inferiority vis-a-vis West. These feelings accentuated at a time of uncertainty in domestic (economic problems, transitional leadership, etc) and external fields (failure of INF policy, burden of Eastern Europe, etc). On INF/START will be difficult for Soviet leadership to find a formula on which talks could be resumed without considerable loss of face. But too soon to conclude that Soviet leadership has already decided finally to maintain current immobilism throughout 1985.

US/Soviet Relations

5. Despite harsh propaganda, Russians have nevertheless continued low level confidential dialogue with US. Possibly see this as means of keeping open option of re-engaging in longer term. The exchange of messages between Reagan and Chernenko has continued and Dobrynin has returned (4 July) to Moscow with message from President Reagan about talks on arms control in space. Contacts on number of secondary issues (e.g. hot-line, consular review talks, maritime boundary in Barent's sea) also continue to limp along although the impetus has fallen by comparison with movement in March and April.

Technology Transfer

6. Agree with US assessment of threat from Soviet acquisition of Western high technology. Are continuing to take steps and to make constructive proposals, both domestically and in COCOM, to support strategic embargo,



whilst ensuring that our national and commercial interests are safeguarded.

7. Officials are implementing recommendations of the Working Party on Enforcement, which was endorsed last year by OD Ministers. This entails tighter application of COCOM policy, rather than a change in policy itself.

8. It was agreed last year to set up an analysis unit within MOD to assess intelligence and other information about strategic goods and technologies which the Russians most want to acquire. Unit is now in place.

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MJ

cc Sir P Cradock

22 June 1984

Visit by Senators Lugar, Roth
and Chafee

You wrote to me on 21 June about the visit of US Senators, Richard Lugar, William Roth and John Chafee.

The Prime Minister will be willing to receive them at 1600 hours on 6 July. I should be grateful if you would arrange for them to be informed.

Len Appleyard Esq
Foreign and Commonwealth Office

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STW 4pm
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Foreign and Commonwealth Office

London SW1A 2AH

21 June 1984

Dear Charles,

Visit by Senators Lugar, Roth and Chafee

Three Republican US Senators, Richard Lugar (Indiana), William Roth (Delaware) and John Chafee (Rhode Island) will be visiting London on 6 July and have asked for a call on the Prime Minister. They will be calling on the Foreign Secretary and a call is being arranged on an MOD Minister.

All three Senators are members of the Foreign Relations Committee. Senator Lugar (a former Rhodes Scholar) in particular is of importance to us. He is a rising star and a senior figure in the Senate. As Chairman of the European Sub-Committee of the Senate Foreign Relations Committee, he is a key figure in determining Congressional attitudes on US/European issues. He is also Chairman of the Republican Senatorial Committee (that is, manager of the Republican Campaign to retain control of the Senate in November), and is one of the leading contenders to succeed Senator Baker as majority leader next year. Senators Roth and Chafee, whilst less influential than Lugar, are both stalwart supporters of US/European links: Chafee was Secretary of the Navy under President Nixon.

The Senators' European tour is primarily to look at East/West relations from the point of view of the Nordic countries, and relations between the EC and the United States. Sir Oliver Wright thinks that in London the Senators main interests will be East/West relations, arms control, transatlantic relations in the defence field and the problem of protectionist pressures. Their visit will be a useful opportunity to discuss the Congressional moves to reduce the level of US forces in Europe about which you will have seen the recent telegrams. The Prime Minister

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has said that she would like to meet more senior figures in the US Administration. In practice Senator Lugar falls into that category: hence the Prime Minister may find it interesting to see the three Senators on 6 July if she is able to do so, even if it were only briefly.

Yours ever

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

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Communications on this subject should
be addressed to
THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

Prime Minister

C.D.P. 14/6

Mr. Edmund
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11/6

Our Ref: 400/81/133

11 June, 1984

Dear Fall,

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The Attorney General had a meeting on 8 June with Mr. Fred Fielding, Counsel to the United States President. This took place on the same basis as their meeting last October without any officials present.

The Attorney General and Mr. Fielding discussed extraterritoriality and related matters. The Attorney General followed the same line as in the briefing prepared for the margins of the Economic Summit.

Mr. Fielding was very sympathetic. He explained that the problem he faced was that several agencies were all briefing the President with only one side of the story. He, Mr. Fielding, was putting over our case to the President.

Mr. Fielding said that the problem over law enforcement and the Cayman Islands was a serious one for the Americans. The Attorney General said we recognised that and would help as much as possible. We would, of course, hope for similar efforts by the Americans to assist in the matters of concern to us.

The recent difficulties over the proposed Directions in the Laker class actions did not excite Mr. Fielding. He thought that the class actions were speculative. The Export Administration Act, however, was a huge problem. He thought that the President was coming to the view that the Act should not contain such extensive powers as previously. Mr. Fielding's own view, (on unitary taxation) favoured the "waters edge" approach in a strict sense.

/Mr. Fielding

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Mr. Fielding said he would welcome a further meeting with the Attorney General, perhaps in late September.

Yours sincerely,

Richard Gardiner

R K GARDINER

cc: J.C Thomas, Esq
S M J Lampoirt Esq
M C McCarthy Esq
Miss D A Nichols
Sir Robert Armstrong
R Q Braithwaite Esq
J R Freeland Esq
C W Roberts Esq
J M Healey Esq
R J Ayling, Esq
A J Coles Esq

B J P Fall Esq
Private Secretary to the
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1A 2AL

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10 DOWNING STREET

From the Private Secretary

31 May 1984

The Prime Minister has asked me to
thank you for your letter of 31 May
enclosing a message from President Reagan.

A. J. COLES

His Excellency Mr. Charles H. Price II



10 DOWNING STREET

From the Private Secretary

30 May 1984

VISIT TO THE WEST COAST OF THE UNITED STATES

The Prime Minister read with interest your Secretary of State's minute of 25 May reporting on his recent visit to the United States.

A. J. COLES

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

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②
PRIME MINISTER

87 31/5

29 May 1984

STATE OF THE ECONOMY

The United States of America

At the end of 1983, I wrote explaining why the dollar was not then falling as many predicted. The dollar has again powered ahead based on:

- a. The higher interest rates caused by the monetary and deficit troubles.
- b. A renewed reluctance by US banks to lend more money overseas to shore up the debtor nations.
- c. The growing international tension, particularly in the Gulf, which makes international depositors more enthusiastic about placing money in the States than in less secure countries, or even in countries short of oil like Japan.
- d. The industrial troubles in Germany and the UK.

Interest Rates

Both short- and long-term interest rates in the States have been rising sharply. Long bonds in the US now offer a yield

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of 13.4 per cent, compared with 10.7 per cent a year ago. Short rates (Primes) are now 12.5 per cent.

The combined public and private sector demand for credit is enormous compared with available US savings. The US can continue to run its large budget deficit only if it succeeds in deterring private sector borrowing by high interest rates and/or if it succeeds in attracting more savings, also by higher interest rates. The other possible course - that of printing the money - would work in the short-term, but is still an unattractive option to the Fed., who remain concerned about rekindling inflation.

The table below sets out the total US requirement for credit:

	1981	1982	1983	1984(est.)
	\$bn	\$bn	\$bn	\$bn
<u>Total borrowing</u>	490	480	618	710
Public Sector	155	275	300	290
Private Sector	335	205	318	420

In 1980 and 1981, US private savings were double and then treble the Federal deficit. They were equal to the deficit in 1983, and may be less than the deficit in 1985. Thus the only way of financing the growing demand of the private sector for credit, and of paying for the yawning gap in the balance of trade, is with money from overseas. This assumes that more rapid inflation and money growth are ruled out.

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Bond and Equity Markets

Both the bond and the equity markets are showing the tensions early. The equity market keeps on hitting new lows this year, and even the satisfactory profits figures and good real growth in the economy cannot produce any smiles on the face of the Wall Street investor. We are living through that period in the US when industrialists and some outside commentators express surprise at how well profits and activity are doing, and ask why it is that the stock market is so perverse. This is the usual position towards the top of an economic cycle, where the pressures on credit markets are already severe, throttling off the money for securities markets, and sending them into a spin with the higher interest rates that result. Similarly, the bond market is showing the paranoia you would expect when asked to finance too large a Government deficit for the amount of cash available.

What Happens Next?

In the short-term, there is an unholy tension between the fears generated in the wake of the Continental Illinois collapse on the one hand, and the need for higher interest rates to restrain credit demand on the other. The US economy is a particularly cumbersome one to manage when trying to cut private sector borrowing, because most interest on loans is tax-deductible. The quickest way to

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reduce the budget deficit and to cut credit demands, would be to cancel the tax-deductibility of all interest charges: this could, however, bring a number of the borrowers into severe difficulties, and would therefore curb credit in a painful way.

This tension is likely to be resolved by:

1. a trend towards higher interest rates unless and until the credit demands are abated; but
2. some temporary recourse to printing money (lower interest rates and more inflation) whenever a major bank seems to be in difficulties.

The only long-term way out is by cutting the budget deficit. Perhaps the events of the last few weeks have brought nearer the point when the President feels he can present proposals that come to grips with the deficit this year rather than at some future date. Once he did so, the bond market in particular would leap upwards and interest rates could then start to fall.

The banking tensions are serious. The LDCs do need lower interest rates in order to preserve the fig leaf of honesty about repayment of capital, and even about the payment of interest. On the other hand, as the risks of the international banking system are perceived to grow, and as the countries themselves start discussing the possibility of

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- 4 -

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non-payment, the risk premium in rates charged to LDCs will tend to rise. There is a lot to be said for Alan Walters' suggestion that a market should be created in LDC debt so that banks can (a) quantify their losses; (b) sell on some of the worst risks if they are over-extended, in order to gain liquidity which they desperately need.

It should be remembered that banks are always technically bankrupt, as they lend long and borrow short to a greater or lesser extent. A bank collapses normally not because it is insolvent, but because it is illiquid. As soon as depositors lose confidence, a run develops and the bank runs out of till money. The FDIC reassured the system by underwriting Continental Illinois, and by pledging further support. US markets will now believe that if a bank is large enough, and its loan book bad enough, the FDIC will stand behind it; and this goes a long way to averting the fear of a financial Armageddon.

United Kingdom

The United Kingdom economy, which has been recovering nicely for 1 years, now has to weather these major international shocks. Sterling has suffered along with other major currencies against the rise of the dollar. Interest rates here have been dragged up. The only way to prevent our recovery being more badly affected, and our interest rates being forced up too far, is by the continuation of sound policies - particularly on public borrowing. Any country

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which is running too large a government deficit against the background of US monetary turbulence is running great risks. Any country which itself develops some of the bad American habits could find the backwash from the US banking crisis that much more difficult.

Our problem is going to be a political one. The result of American action, and more especially of American inaction over the budget deficit, is going to be a slowing of US economic growth, which in its turn will slow down the recovery in the rest of the world. As our unemployment hasn't even begun to fall yet, it is difficult to explain that the US recovery is under pressure and that we have to persevere with a fairly restrictive stance so that the international turbulence does not worsen our position. The good news is that the combination of banking crisis and plunging markets in the States will bring home, in a visible way, damage caused and perpetrated by the high American deficits and high American interest rates.

The Oil Crisis

Oil and financial markets have been relatively sanguine so far about the condition in the Gulf. It may be wrong to be too relaxed. Some 11 million barrels of oil are produced by the Gulf States in normal conditions. Half of this could be replaced quite easily by increases in production elsewhere or sent by different routes. Whilst it is true that the

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Saudis have large stocks, and that international stocks are higher than they were in 1974 and 1979, the amount of oil which could be withdrawn from the system is actually larger this time than the amount withdrawn at the time of the Iranian crisis in 1979.

If the Gulf is made dangerous for shipping, we must assume that the oil price will rise, and could rise quite dramatically. Even with Saudi-American co-operation in providing air cover for tanker convoys, oil movements in the Gulf could be reduced substantially. Iraq is likely to carry on with its attacks on ships bound towards Kharg Island.

The miners' strike will be more difficult to continue if oil markets take off. It would be important to have bought as much fuel oil forward as possible to secure the supplies needed to continue with maximum oil burn, which is a vital part of our endurance. Our own position as a net exporter of oil gives us some advantages as, in extremis, the Government does have powers to organise contracts to help our own refineries. In the meantime, the policy of wait-and-see and keep the markets calm may break down: the IEA proposals should then be implemented swiftly.

Conclusions

1. The US over-borrowing and financial tensions are coming to a

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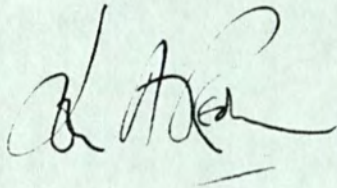
head. In the short-term, pledges to bail out the banks might mean some monetary easing, and therefore more inflation. Until the budget deficit is cut, however, we should expect the trend in US interest rates to be upwards, and for growth to start to slow down by next year.

2. The best stance for the UK to follow remains that of caution. Against a background of an international banking crisis, and a nascent oil crisis, any country which is borrowing too much, or has an unsound balance of payments, is that much more vulnerable.
3. The Economic Summit will have to say something more about the international debt crisis. Could it not reconsider the marketable debt solution, so that we can quantify the damage and start talking about the truth of the position rather than papering over the cracks in the major international banks? Marketable debt will erase the worst fears about bank insolvency and enable banks to sell debt to raise cash when they need it.
4. The safety of shipping in the Gulf cannot be guaranteed. Shipping is already slowing, and if this continues for any length of time, we must assume that the oil price will rise, and could rise sharply. Even with positive Saudi action, oil shipments could decline. This will help sterling, and will help UK Government revenues, but it will hinder recovery world-wide.

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5. We should make sure our contingency plans concerning oil for power stations and refineries are in good shape.



JOHN REDWOOD

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Prime Minister.

A.F.C. 29/5

PRIME MINISTER

VISIT TO THE WEST COAST OF THE UNITED STATES

I visited Los Angeles, the San Francisco area and Seattle in the week of 13-18 May. This visit was complementary with the one which I paid to Washington and New York in February.

2 California is now the most populous state in the USA, with 25 million people. It is also one of the most prosperous. It has been calculated that if California were an independent country, it would rank seventh in the world in terms of GDP. The Greater Los Angeles area alone would rank fourteenth. As well as being one of the most prosperous consumer markets in the world, with an average family income of about \$35,000 (£25,000), California has the largest concentration of aerospace and defence industries, mainly in the south, and the most important single centre for the exploitation of modern electronic technologies in "Silicon Valley" to the south of San Francisco. The state is thus a prime target for my Department's efforts both to

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promote exports to countries where we can expect payment, and to attract inward investment of high quality, particularly in the high technology industries.

3 The combination of economic recovery in the US and a favourable exchange rate provide a unique opportunity for our firms to expand their exports to the United States. They are taking advantage of it, with non-oil sales to the US up by 30% in the first quarter of 1984 compared with the same period of 1983. There is strong evidence of an upsurge in interest on the part of British firms in selling to the West Coast. But the figures available suggest that our market share on the West Coast still lags behind that in the East and the mid-West; and in places I saw evidence that our European competitors may have a stronger presence in some consumer markets than we do. The British Overseas Trade Board are mounting a number of carefully targetted initiatives to try to improve the situation; promotions of British goods will be mounted by several department stores on the West Coast in the autumn; special efforts are being made to promote exports in eight "priority sectors" which our Posts have identified as being particularly promising; and a professional market research study is being undertaken into the extent to which British firms who sell well on the

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East do less business in the West, and the reasons for it. I am confident that the effect of these actions will be to boost our sales further.

4 It was clear from my meetings that the UK is seen by many firms on the West Coast as the natural location for investment in Europe, now strongly reinforced by our industrial and taxation policies which are seen as highly favourable to business. Among the firms I visited in Silicon Valley, two are inward investors on a significant scale; the others were clearly interested in the UK. I was also told by Litton Industries in Los Angeles that they were planning to enter the European market for microwave ovens by forming a joint company with the Italian firm Zanussi, and with production to be located in the UK at Peterlee.

5 Recurrent themes in my discussions with representatives of high technology companies, and of banks, were the willingness of managers in the more mature companies to strike out on their own and found new companies; the ready availability of venture capital to help them, much of it from UK-based financial institutions; and the close and constructive interaction between the universities and high

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technology industry. There are lessons here for our own policies which need no emphasis.

6 The timing of my visit was very opportune in relation to our efforts to put an end to the application by California and other states of unitary taxation to our companies, and I was able to have useful and constructive discussions on the subject in Sacramento with Governor Deukmejian of California and with leaders of both parties in the state legislature. All of these agreed that unitary taxation should no longer be applied to foreign-based multinational companies. Hearings had already begun on a bill which would achieve this change. I was able to point out one or two particular ways in which proposed amendments to this bill would bear unfairly on British companies, and received sympathetic response. Our Washington Embassy will be following this up. The major concern of the State is, of course, to replace revenue which they consider will be lost if unitary tax is no longer applied beyond the "water's edge"; some proposals for doing this are causing difficulty with US-based multinationals. Both the Governor and the legislators ruled out measures which overtly favoured

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foreign-based companies; but all expressed optimism that a solution acceptable to everyone could be found.

7 I was able to visit the two major manufacturers of civil aircraft in the US, Boeing and McDonnell Douglas. Both expected a continuation of the resumed growth in air traffic after several difficult years. As was to be expected, both companies sought to cast doubt on the market prospects of the A320, but there were no recriminations on our decision to support it. Boeing foresee a bright future for the V2500 engine and spoke very highly of their UK suppliers, particularly Rolls Royce and Shorts. It is striking that this company alone provides a bigger market for UK exports than Poland or Kenya - and pays as well!

8 This was for me a most stimulating and instructive visit, and it was made possible by the hard work of our Consuls General in Los Angeles and San Francisco and their staff, and by the excellent contacts which they have built up. I hope that in return I was able to give a positive picture of recent trends in the UK and explain the policies we are following to maintain the momentum, as well as giving

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the debate on unitary tax, a nudge in the right direction.

9 I am copying this minute to the Foreign and Commonwealth Secretary, to the Chancellor of the Exchequer and to the Secretary of State for Education and Science.

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15 May 1984

Department of Trade and Industry

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JAMES HOWELL (1st National Bank, Boston) - INTERVIEW ON INTEREST RATES AND U.S. BANKS.

Transcript from: BBC Radio 4, Financial World Tonight, 21 May 1984

PRESENTER: (John Roberts) It's less than a week since, on this programme, New Zealand Prime Minister, Sir Robert Muldoon, was warning about the damage America's high interest rates were doing to third world countries. Since then Latin American debtors at least have taken up the cry. And of course we've had the Continental Illinois crisis. But are the men of money inside the USA, who might have some influence, getting the message? It seems they are to judge from what James Howell, senior vice president of 1st National Bank, Boston, told Peter Day this afternoon:

HOWELL: I think the US banking system, the international payments system, have about another 12 to 24 months to work out some of these problems. And so the best thing we can do now is to recognise that that help's on the way and the issue will be resolved and the situation stabilised. We've chatted time and time again about what would bring about lower interest rates in the US and a more orderly economic development pattern. I think when one adds some of the instability in the US banking system to this issue of third world payments, such as the Brazil, Mexico, Argentine situation, I think that Congress has got to act and act sooner. Remember that for every 1 percentage point increase in US interest rates means \$600 million in debt servicing calls either for Mexico or Brazil. So with the outlook for interest in the United States to increase another 1 to 2 percentage points before early next year that's a very severe financial problem. And I think that these countries have simply reared back on their haunches and said we've got to bring a degree of realism in the money and capital markets.

INTERVIEWER : But what are the American authorities going to do about it then?

HOWELL: Let's focus on where the pressure ought to be concentrated. Our analysis shows very clearly that if the US Congress had a \$50 billion tax increase and a \$50 billion expenditure reduction with accompanying easier Federal Reserve policy short term interest rates would fall 3 to 5 percentage points within 15 months. Now that would produce a prime rate, a short term interest rate of about 7 to 8%.

That would make a tremendous amount of difference in the performance of banking structure and debt servicing. So there, that holds the key right there, what the US Congress does.

INTERVIEWER : Nevertheless the authorities at the White House are not so convinced that the budget deficit actually has much of an impact on interest rates themselves, and that's the line they've been selling for many, many months now?

HOWELL: I think the Stats on domestic and international economic policy, - in the United States - have been moved up 5 or 6 notches as a result of Continental Illinois and the Mexican and other countries' position over the weekend and I'm very hopeful that this will bring the level of concentration necessary to alter US economic policy. The point I want to make that's different today than it was on Friday before we went to sleep is that the US banking system has proved to be more fragile than we thought. And the debt issue has proved to be more intensive in terms of the amount of pressure that the Latin American countries will bring on the US. Those are some fundamentals that perhaps can make a difference. But I'd be inclined to agree with you that there will be no meaningful budgetary deficit reform until after the election.

① ✓ Dr. Peter de 10 ②

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EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

May 18, 1984

Mr. Sherborne

Time Limited.

To see and return pl. ✓
A.F.C. 24/5

A.F.C. 18/5

Dear Foreign Secretary:

I have been asked to deliver the enclosed message
to you from Secretary Shultz, which has been received
at the Embassy.

f.a.
AD 22/5

Sincerely,

Edward Streater

Edward Streater
Chargé d'Affaires ad interim

Enclosure

The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.,
Secretary of State for Foreign and
Commonwealth Affairs,
Foreign and Commonwealth Office,
London, S.W.1.

LIMITED OFFICIAL USE

Dear Geoffrey:

Oliver Wright sent me an extract from the Prime Minister's speech in Perth on May 11. The paragraphs describe the essence of the U.S./U.K. relationship and the absolute centrality of the Alliance in Western security. The Prime Minister's remarks go straight to the heart of the matter, and on behalf of the President I pass on to you our warm appreciation.

Sincerely yours,

/s/

George P. Shultz

LIMITED OFFICIAL USE



10 DOWNING STREET

From the Private Secretary

11 May 1984

Churchill Statue, Kansas City

Thank you for your letter of 10 May.

I enclose a message which the Prime Minister has approved and which may be read out by our Consul-General at the unveiling ceremony.

Roger Bone, Esq.,
Foreign and Commonwealth Office

10 MAY 1984

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Mr ~~Turnbull~~.

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Treasury Chambers, Parliament Street, SW1P 3AG

Roger Bone Esq
Private Secretary to
Foreign Secretary
Foreign & Commonwealth Office
Downing Street
LONDON
SW1A 2AL

30 April 1984

Dear Roger

... As you know, the Chief Secretary visited Washington on 17 and 18 April. I attach notes of the meetings he attended. They may be of interest to your Minister and some of your officials.

I am also sending copies of the notes of meetings with Stockman, Sprinkel, and Penner to John Bartlett and Andrew Turnbull, of the meetings with Olmer and Draper, to Steve Nicklen, the note on health expenditure to Steve Godber, and the notes on Bowsher and Devine to Mary Brown.

Yours sincerely

John Gieve

JOHN GIEVE
Private Secretary



US BUDGET: NOTE OF A MEETING BETWEEN THE CHIEF SECRETARY AND
DAVID STOCKMAN, DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET IN WASHINGTON ON 18 APRIL 1984

Present: Mr Stockman
Mr Valentine

Chief Secretary
HM Ambassador
Mr Wicks
Mr Gieve

Mr Stockman introduced the discussion by handing round a set of graphs (attached) and giving a brief commentary on them. Table 1 contrasted the Budget deficits for the next four years projected on the basis of the President's Budget proposals and the revised proposals based on a "down payment" of \$141 billion.

However he pointed out that these figures were based on very optimistic assumptions about interest rates (Table 2) and growth. (Tables 3, 4 and 5 show that while the recovery in

exactly matched the post-war average for the first 5 recovery events, the assumption for the future implied a recovery longer and stronger than all but one of the post-war cycles). Allowing for rather more realistic assumptions, Mr Stockman said that even after the "down payment" the US faced deficits of around \$100 billion a year for several years. To that should be added \$10 to 15 billion for off-Budget items. This year, the Federal deficit was offset to some extent by surpluses in the States. He said these surpluses reflected first a change in funding of pension schemes which was not relevant and second

the fact that the States had underestimated the strength of the recovery and had therefore raised taxes and cut expenditure by more than had been necessary to hold their deficits down. They were likely to reverse these restraints in the coming year.

2. Tables 7 to 12 dealt with trends in expenditure since 1954. They illustrated that expenditure on domestic programmes had been broadly stable since 1981 with a marked reduction in discretionary spending, broad stability in means-tested welfare spending, and some increase in social insurance (including Medicare) and retirement benefits. On the other hand there had been a massive increase in "security assistance, economic aid, and defence-related" and more important in defence spending itself. The trend in defence spending shown on page 11 would not be much affected by the cuts of being considered by the Democrats as part of the "down-payment". At the most \$20 to 30 billion was at stake there. Mr Stockman said that major reductions would not be possible in the next few years since expensive systems had been ordered and started. They were pretty well "locked in" to the increases shown. He pointed to the massive increase in the debt service burden both in absolute terms and as a percentage of GNP (see page 12).

3. The figures on pages 13 to 18 illustrate past trends in the General Government Budget (ie. excluding social insurance) and the Social Insurance Budget and the prospects for the next few years on a "current services" basis. In broad terms this showed that general Government expenditure was expected to remain around 16% of GNP as it had been since 1955 but that general Government taxes on the current basis had been reduced markedly in 1983 and would remain around 10% unless something was done. On the social insurance side there had been an increase in expenditure as a share of GNP from 7% in 1981 to 7 1/2% in 1983 and it was expected to settle at around 7 1/2% by 1990 and that by that time it would be broadly matched by contributions.

Finally, looking at the deficit, Table 13 contrasts the deficit as a share of GNP on the President's proposals and on a current services basis. Mr Stockman did not elaborate what

was intended by "current services" but I assume that it meant maintaining the value of benefits, tax thresholds etc. but that the projections were based on the same (inflation) assumptions about interest rates and growth on which he had commented earlier.

5. In discussion, Mr Stockman commented on the scope for reducing the deficit further. The basic problem he explained was that the Congress did not want to cut spending and the President did not want to increase taxes. Further he indicated that in the President's eyes the spending problem was entirely on the domestic side. Mr Stockman said that there was no prospect of abolishing benefits or taking head on existing entitlements. They had tried, for example, to raise the early retirement age from 62 to 65 but had been forced to withdraw their proposal (although he mentioned that they had passed an act increasing the retirement age from 65 to 67 with a transition timed for the years 2003 to 2021). They had had more success in halting the growth in the Disability Budget by tightening up the administration. They had got the Congress to agree to a case by case review and as a result 192,000 people had had their entitlements cancelled. Medicare was still not under control but the change from cost plus to fixed pricing (ie for various specified sorts of treatment) would put pressure on the Health Services to reduce length of stay, ancillary services and so on. They had also introduced taxation on Social Security benefits above \$25,000 a year.

6. Mr Stockman claimed some success also in reducing the Federal Pay Bill - not by reducing numbers which had broadly been maintained but by holding pay increases 2% below inflation year by year since 1978. He said that this had been possible the administration could impose a pay cap and could veto a pay rise above that limit. In both Agriculture and Defence, he said that they had made a costly mistake in forecasting inflation. They had de-indexed price support in Agriculture in 1981 and provided for cash increases which had been intended to reduce real spending but, with the unexpected fall in inflation, had in fact increased it massively. They had not then been able to overturn their original figures. As a result production had

increased massively. The legislation on price support came up for review in 1985; the President was hostile to the whole programme but there was a very strong lobby among Republicans in the Congress. On Defence, they had agreed figures in 1981 intended to provide for 12% real growth in 1981-82 and 7% real growth thereafter. Again the cash figures had reflected to gloomy a view on inflation and it had been impossible to get Congress to reduce the cash figures accordingly.

7. Mr Stockman was interested in the privatisation programme in Britain and the sales of Council Houses. He said that the Federal contribution to low income housing had been greatly reduced although this did not appear in the Budget figures. In the past the system had been to guarantee to meet for up to 30 years the difference between the costs of supplying low income housing and the fair rents paid by tenants. They changed this to a system of means-tested vouchers and had been able to restrict payments of these to some 10 million recipients out of a total eligible group of 25-30m. The mechanism of limitation had been borrowed from the earlier scheme under which only 100,000 new housing units a year could be subsidised. This rule had been transferred and now applied to numbers of households receiving vouchers.

8. For the future, Mr Stockman said that the administration would introduce new expenditure proposals after the Election. These would attempt to squeeze expenditure at the margin and would probably include a delay or reduction in the Cost of Living adjustment to Social Benefits. He mentioned a figure of 1½% a year. He did not discuss the tax position but his assessment of the expenditure prospect made plain why he has

Three other points came up in discussion:

a. Cash Planning; Mr Stockman said that they would like to plan in cash but since the Budgetary process was controlled in Congress they had to use the system of "Budget authorities" for particular projects which ran over a number of years and could be in constant prices.

b. Infrastructure; Mr Stockman said there had not been great pressure in this recession for extra investment in public infrastructure. This reflected in part the fact that the most spending on infrastructure was the responsibility of the States. However, it also reflected the view in the Democrat party - following the 1975-76 Public Works Programme-that such programmes could not be used successfully to counter cyclical downturns because of lags, because they drew in the wrong people and for other reasons.

c. Value for Money; Mr Stockman said that most of the areas of expenditure where efficiency of management and so on was vital were the responsibility of the States. The exception was Defence but here the size of the programme was so vast that the OMB were not able to get a grip on it.

J6

JOHN GIEVE

cc

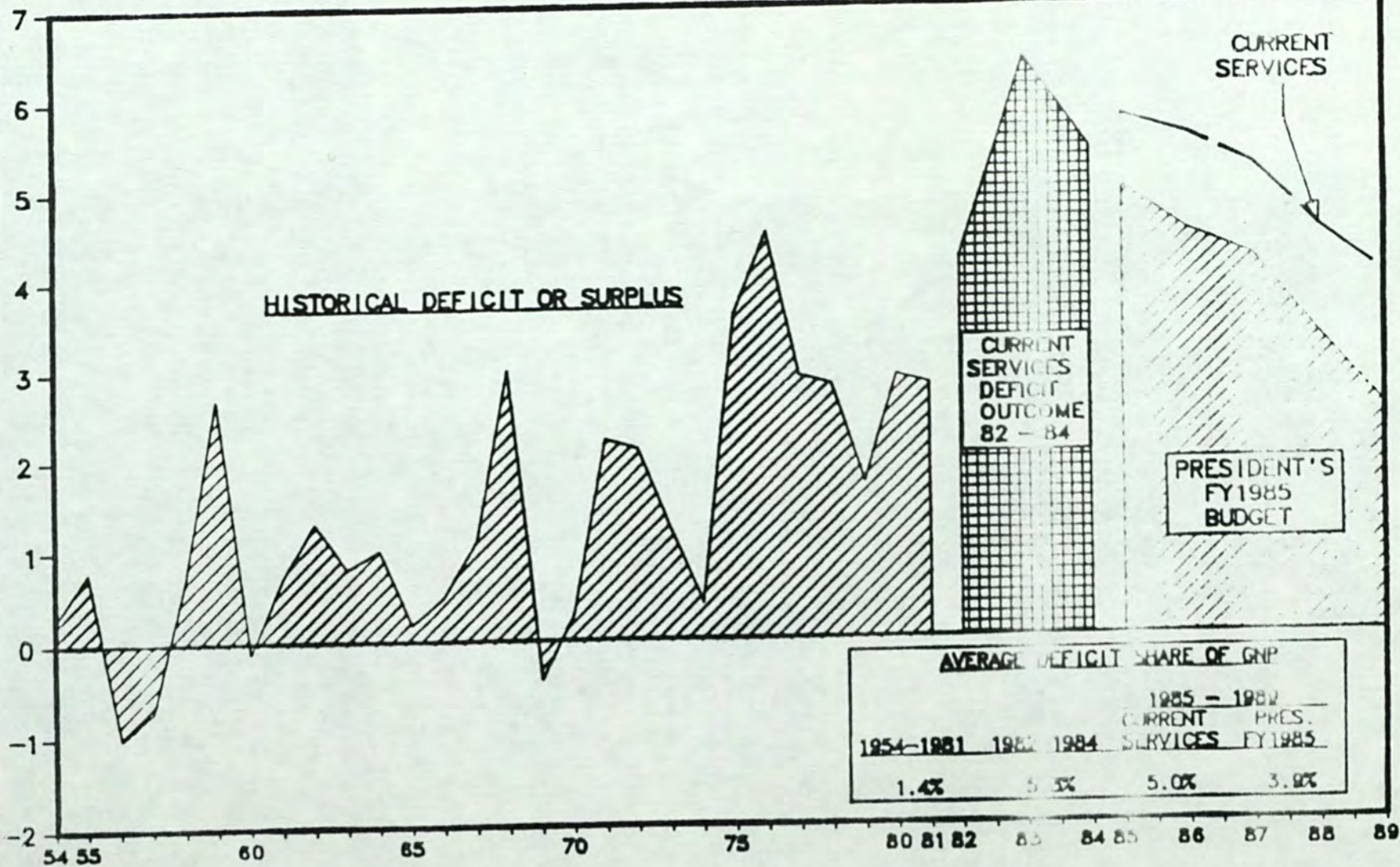
PPS
Financial Secretary
Economic Secretary
Minister of State

Mr Bailey
Mr Littler
Mr Frost
Mr Cassell
Mr Unwin
Mr Anson
Mr Scholar
Mr Lavelle
Mr Lanketter
Mr Battishill
Mr Evans
Mr Odling-Smee
Mr Bottrill
Mr Sedgwick
Mr P Gray

Mr Ridley
Mr Lord
Mr Portillo
Mr Walsh (US Embassy)

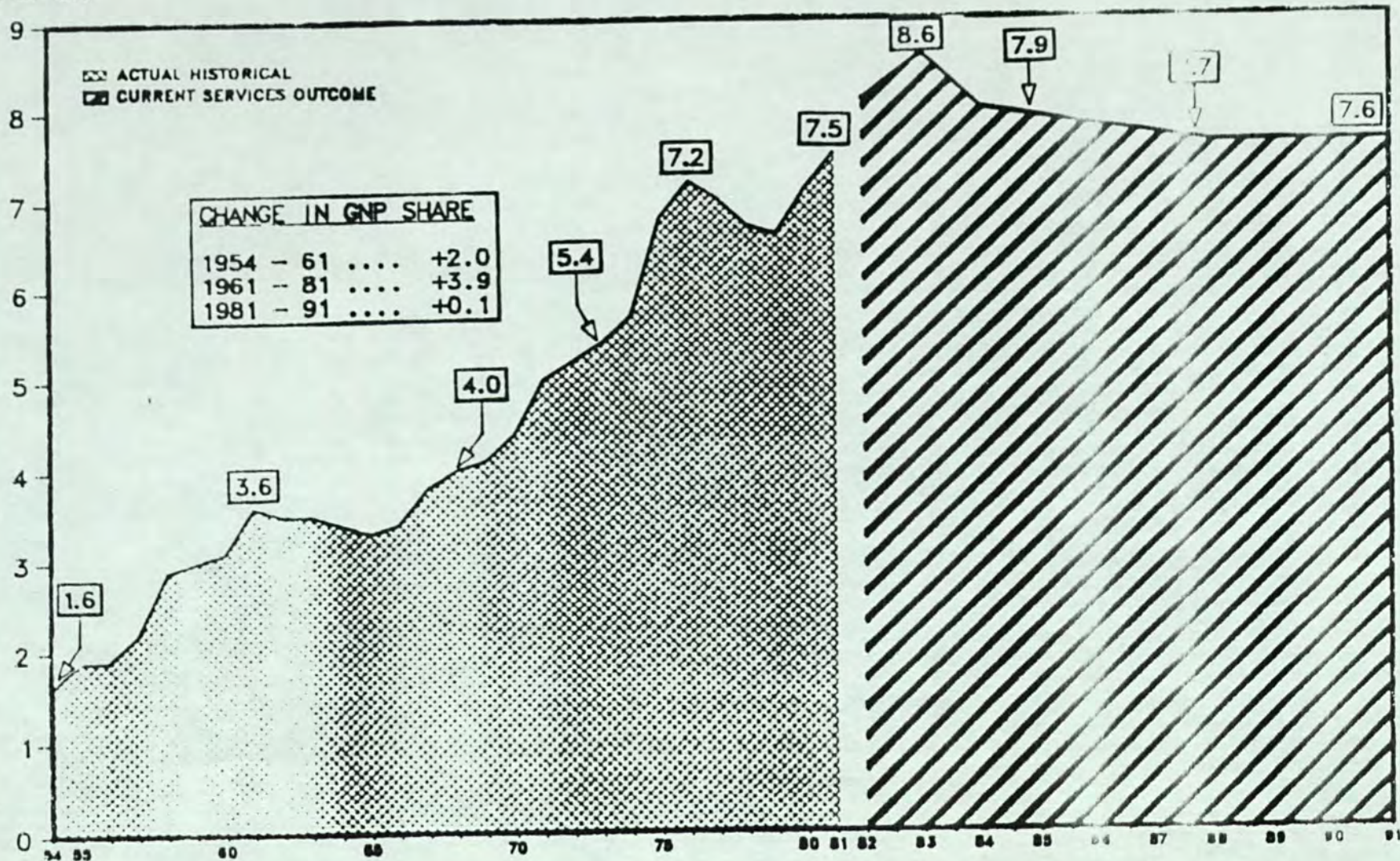
DEFICIT* SHARE OF GNP IN HISTORICAL PERSPECTIVE

% OF GNP



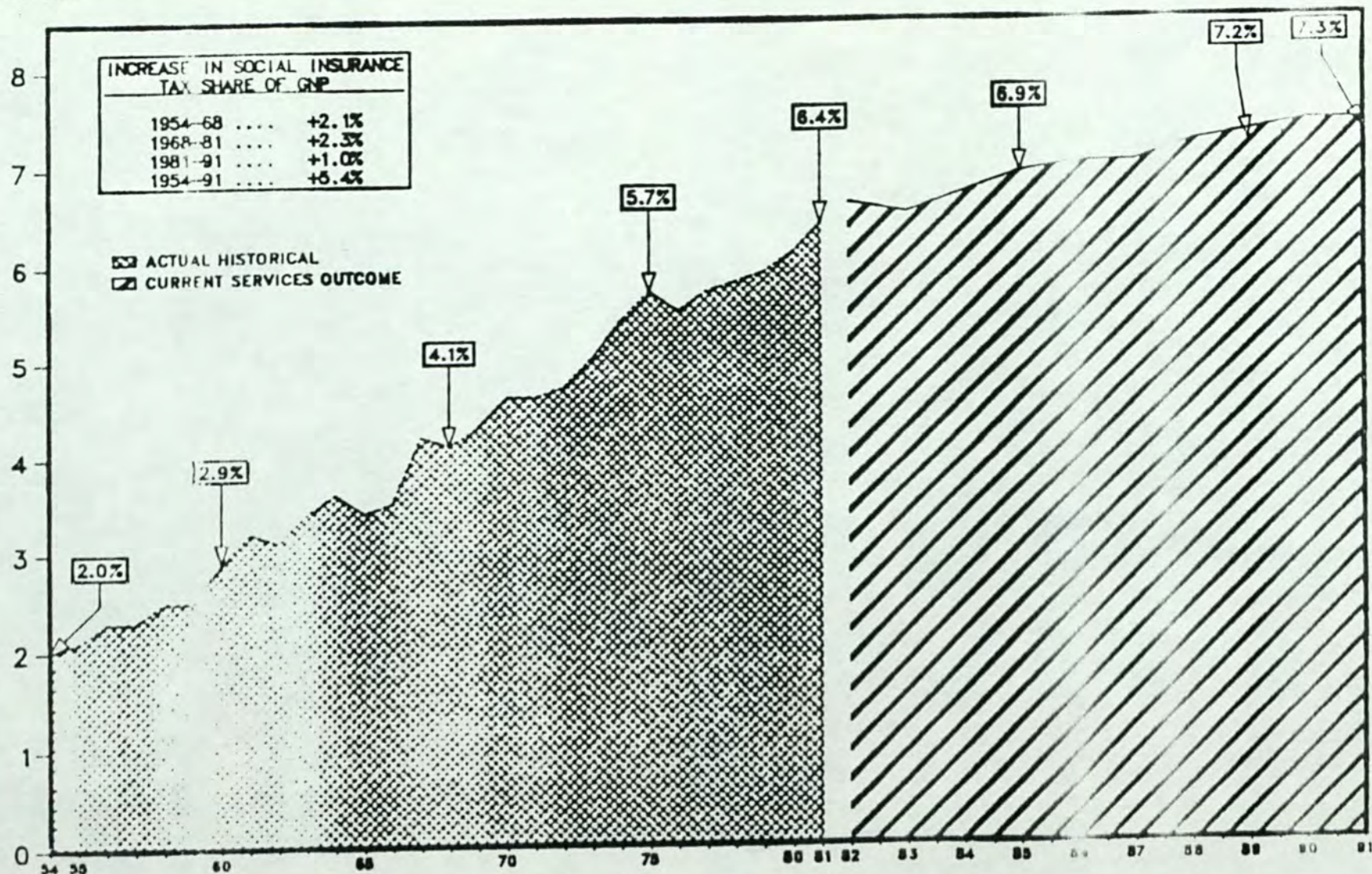
THE TALE OF TWO BUDGETS: SOCIAL INSURANCE BUDGET AS SHARE OF GNP, 1954 - 1991

% OF GNP



THE TALE OF TWO BUDGETS:
SOCIAL INSURANCE TAXES AS SHARE OF GNP, 1954 - 1991

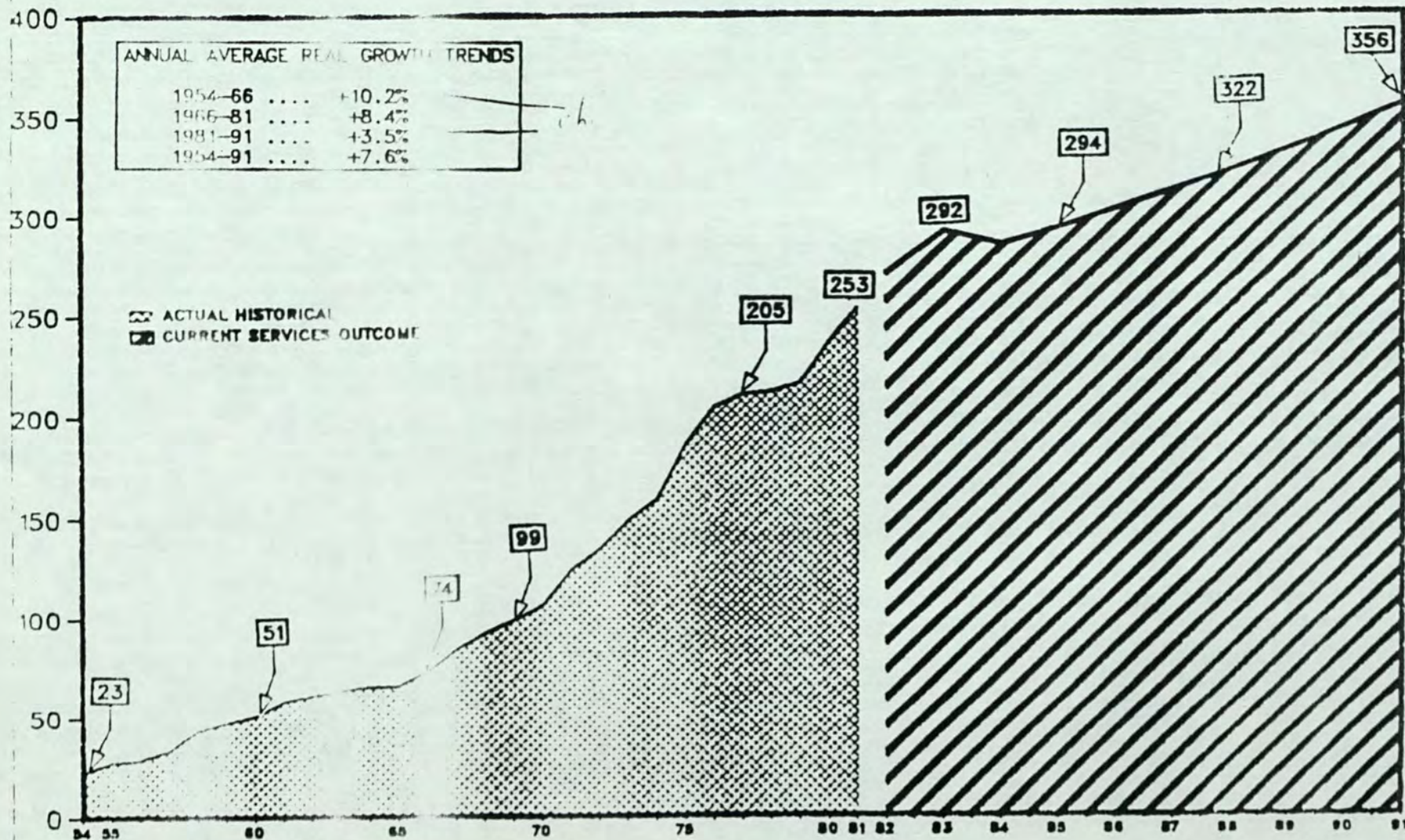
% OF GNP



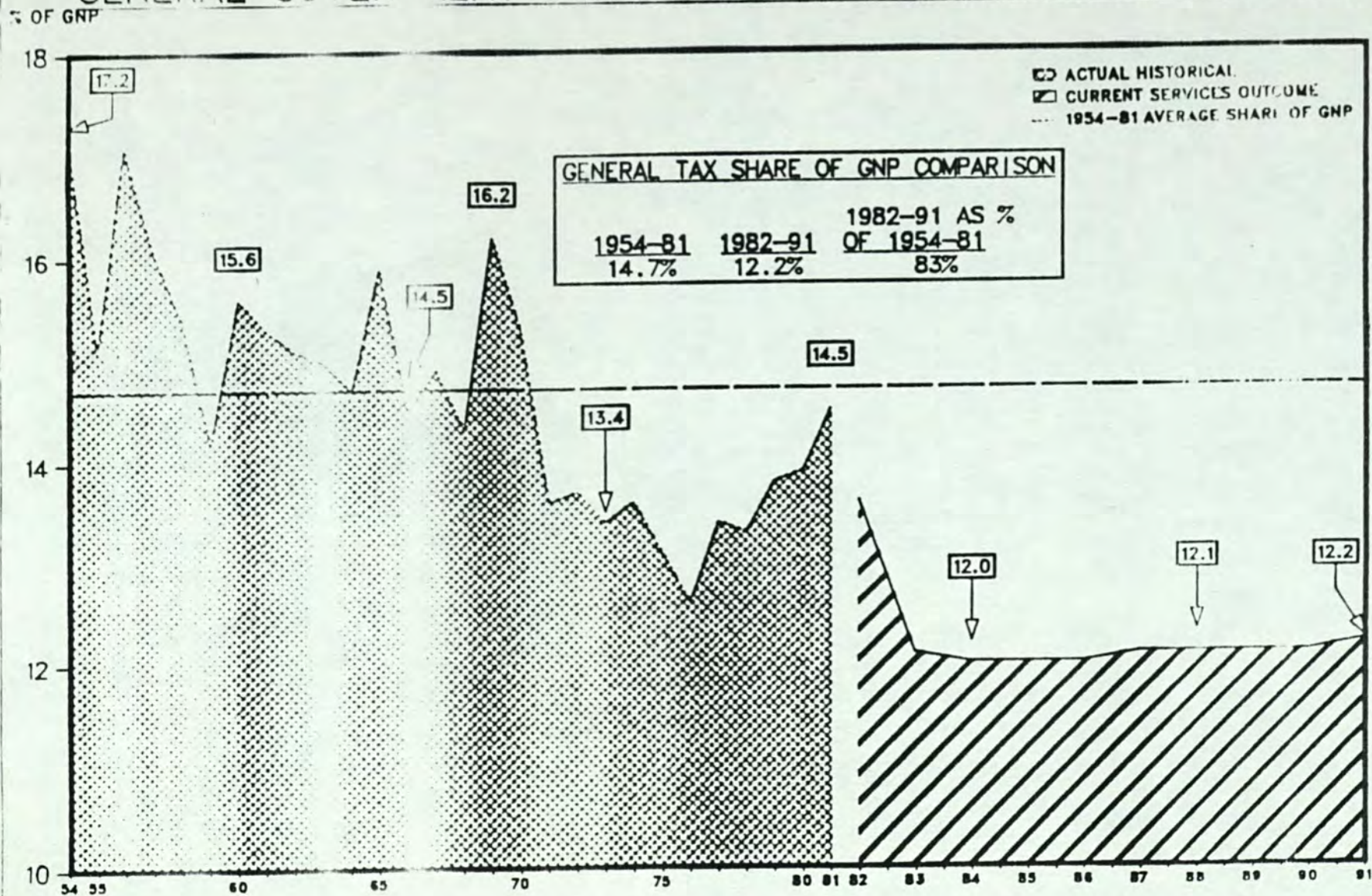
U.S. Social Security Administration
Washington, D.C.

THE TALE OF TWO BUDGETS: CONSTANT DOLLAR SOCIAL INSURANCE BUDGET, 1954 -- 1991 (FY 1984 \$)

\$ BILLIONS



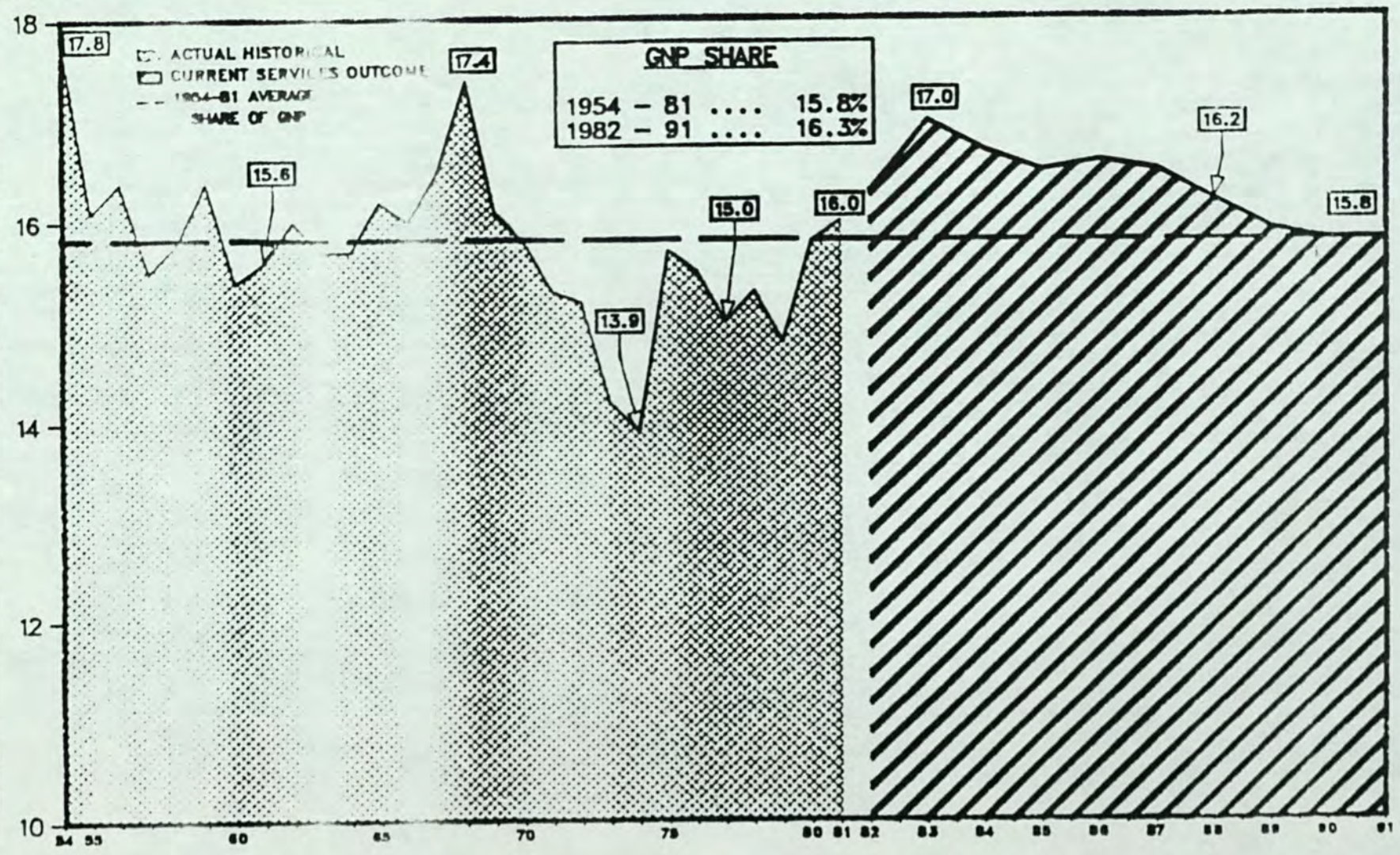
THE TALE OF TWO BUDGETS: GENERAL GOVERNMENT TAXES AS SHARE OF GNP 1954 - 1991



— Expenditure ...

THE TALE OF TWO BUDGETS: GENERAL GOVERNMENT BUDGET AS SHARE OF GNP, 1954 — 1991

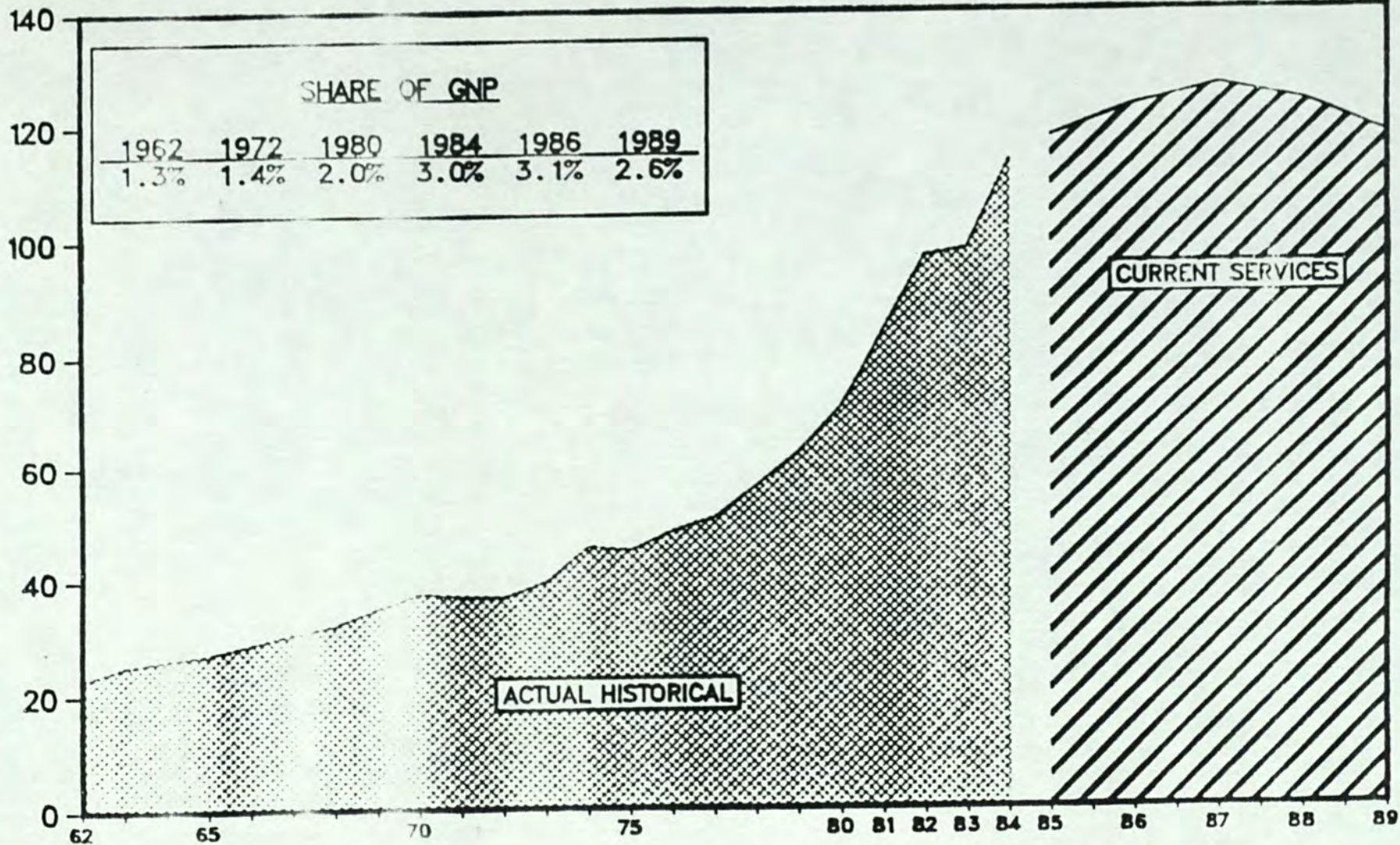
% OF GNP



DEBT SERVICE BURDEN, 1982 - 1989

(FY 1985 \$)

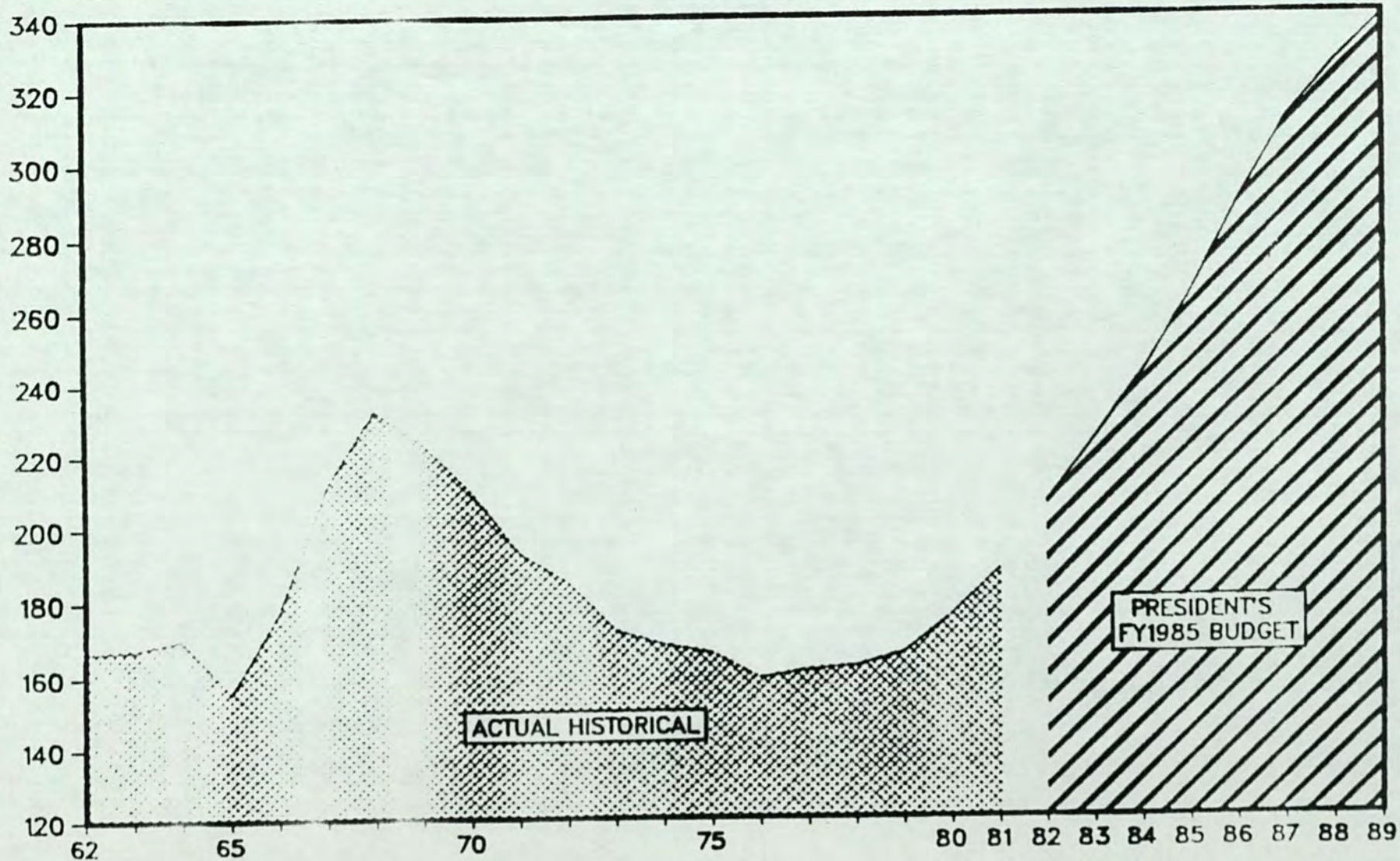
\$ BILLIONS



CONSTANT DOLLAR COST IN HISTORICAL PERSPECTIVE
DEPARTMENT OF DEFENSE

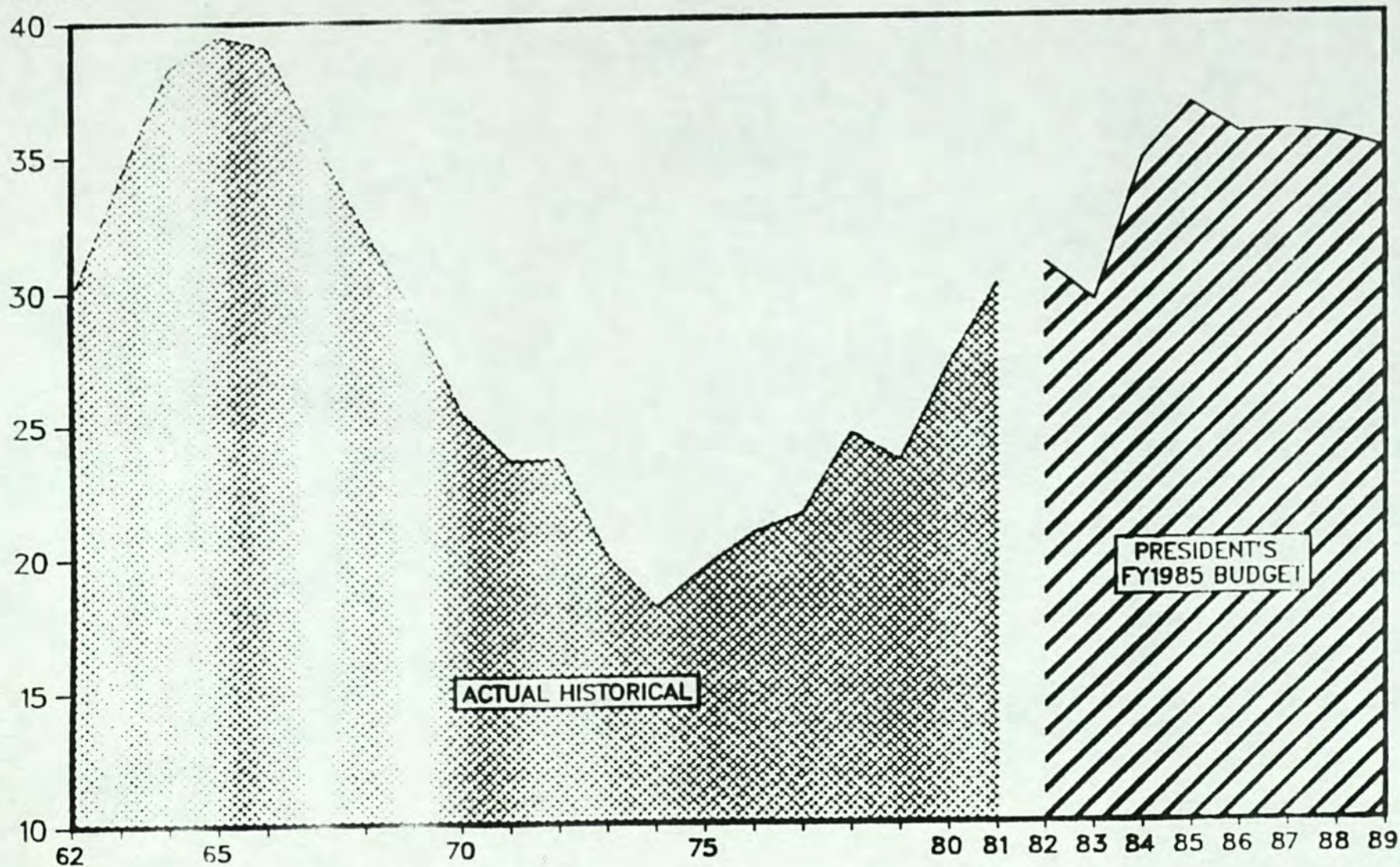
(FY 1985 \$)

\$ BILLIONS



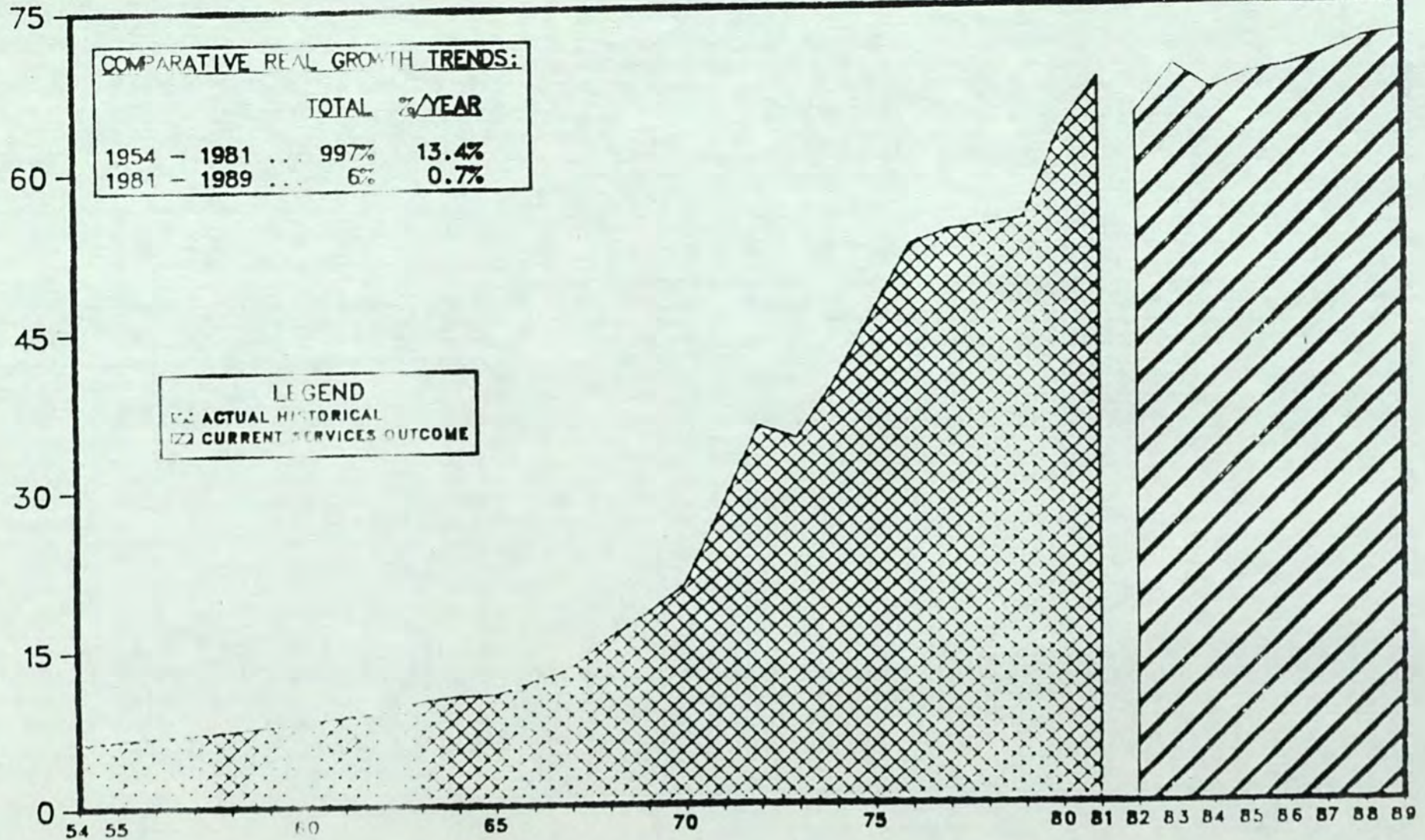
CONSTANT DOLLAR COST IN HISTORICAL PERSPECTIVE
SECURITY ASSISTANCE, ECONOMIC AID, SPACE & DEFENSE RELATED
(FY 1985 \$)

\$ BILLIONS



FREEZE IN REAL SPENDING FOR MEANS-TESTED WELFARE (FY 1985 \$)

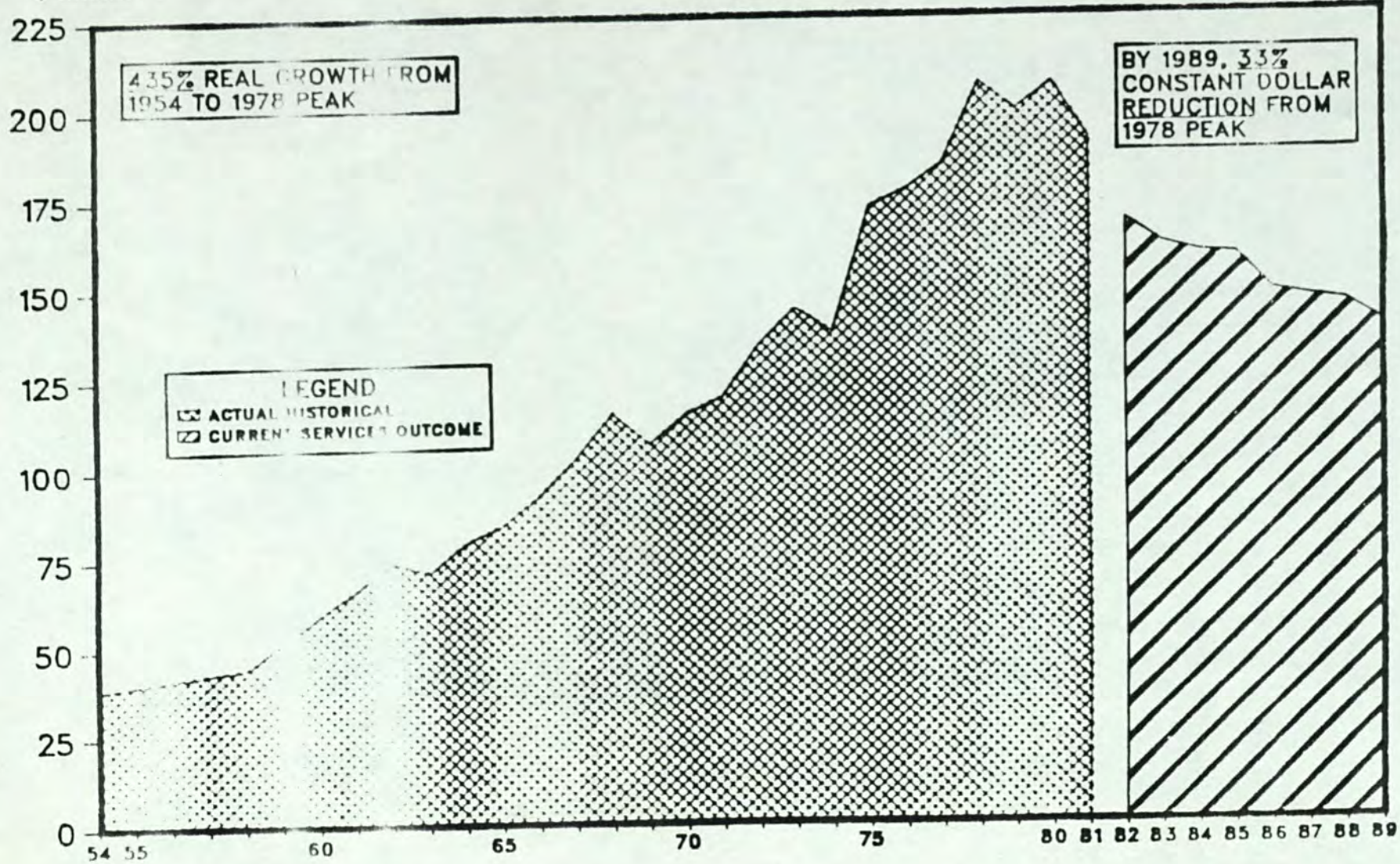
\$ BILLIONS



33 PERCENT DECLINE IN REAL DOMESTIC DISCRETIONARY SPENDING *

(FY 1985 \$)

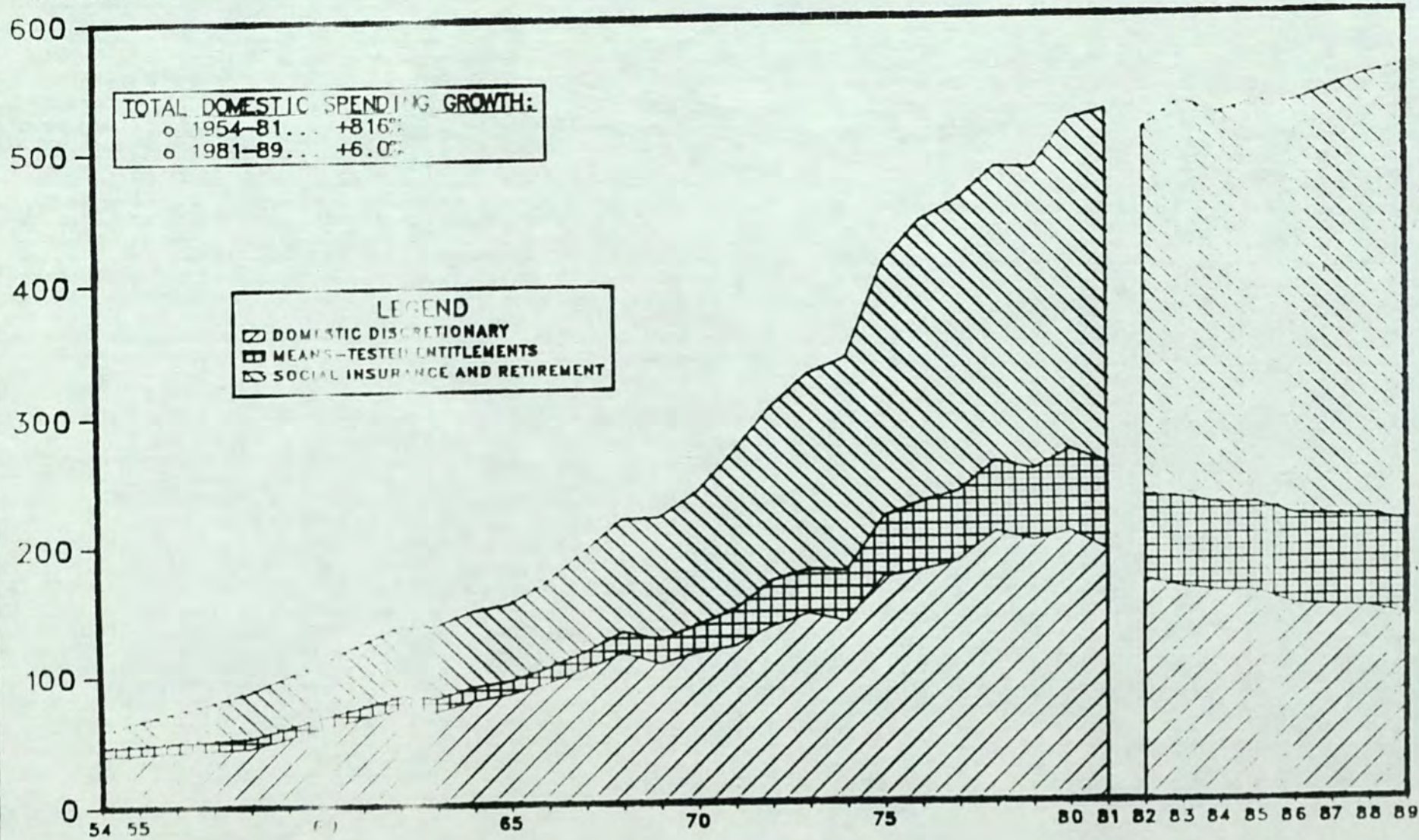
\$ BILLIONS



* FROM 1978 PEAK

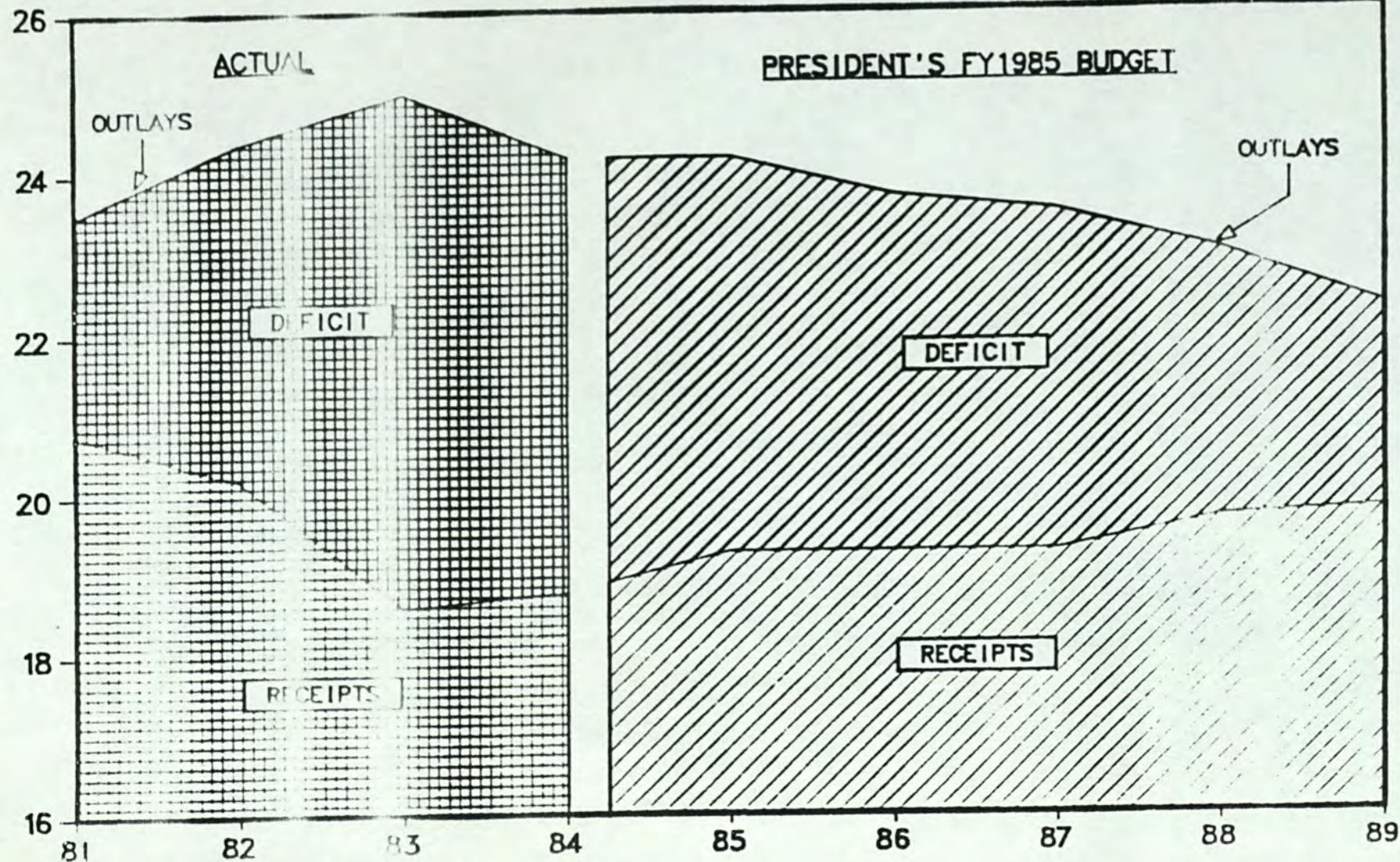
NEARLY ZERO REAL GROWTH IN TOTAL DOMESTIC SPENDING (FY 1985 \$)

\$ BILLIONS



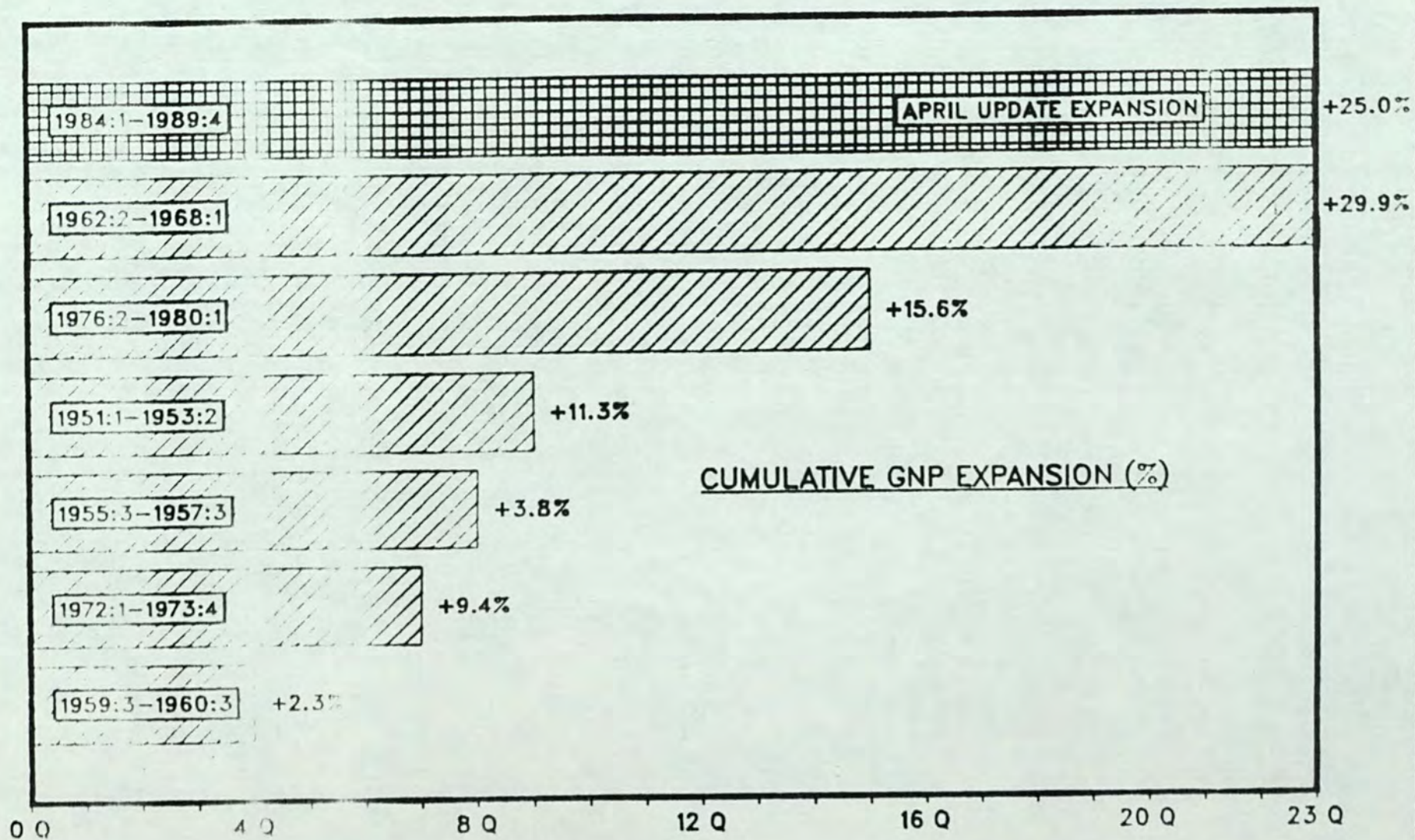
BUDGET SHARES OF GNP

% OF GNP



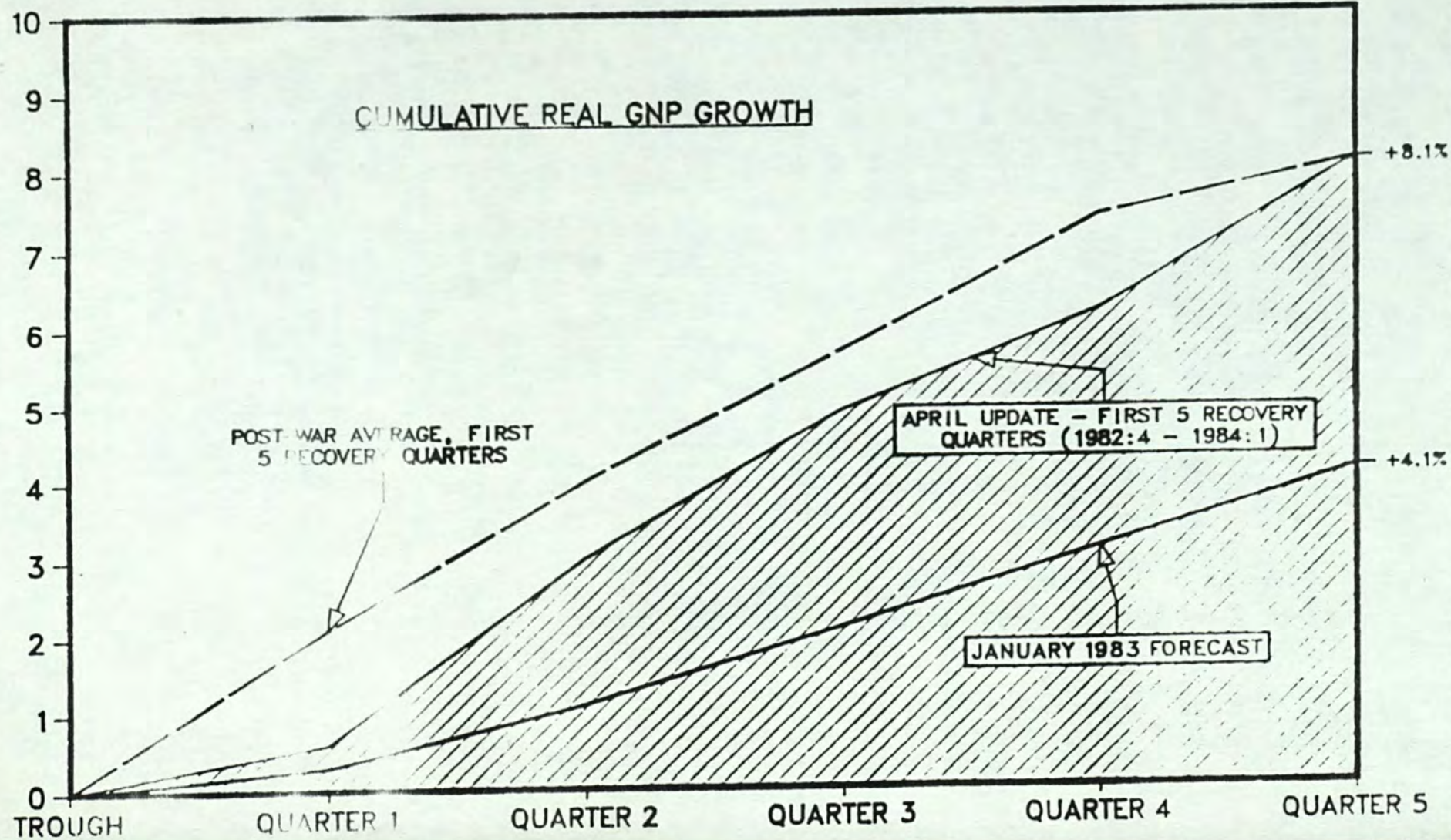
* INCLUDES OFF-BUDGET

APRIL UPDATE EXPANSION PHASE: LONGER AND STRONGER
THAN MOST POST-WAR CYCLES



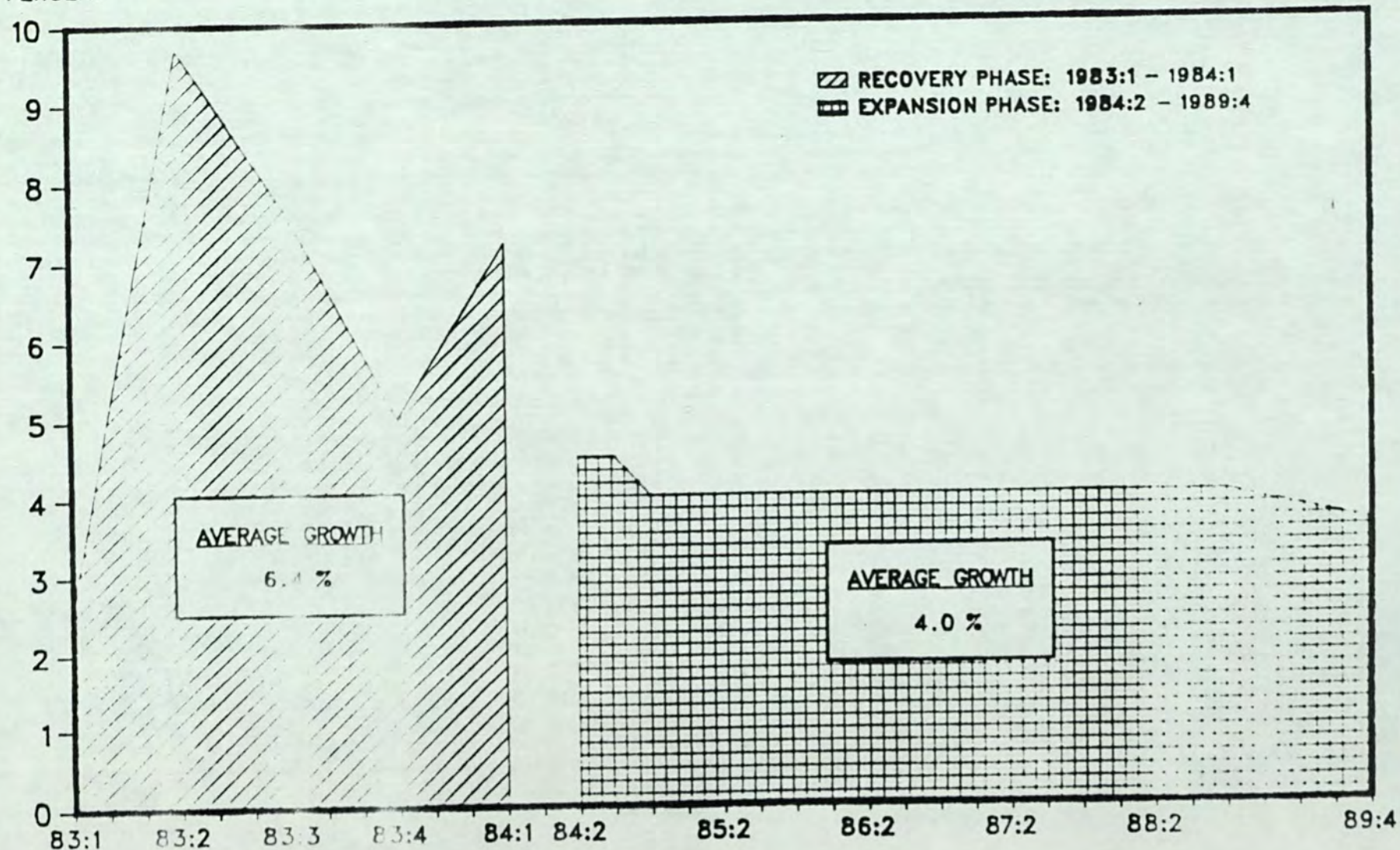
RECOVERY PHASE: APRIL UPDATE REAL GNP GROWTH:
EQUAL TO POST-WAR AVERAGE

PERCENT



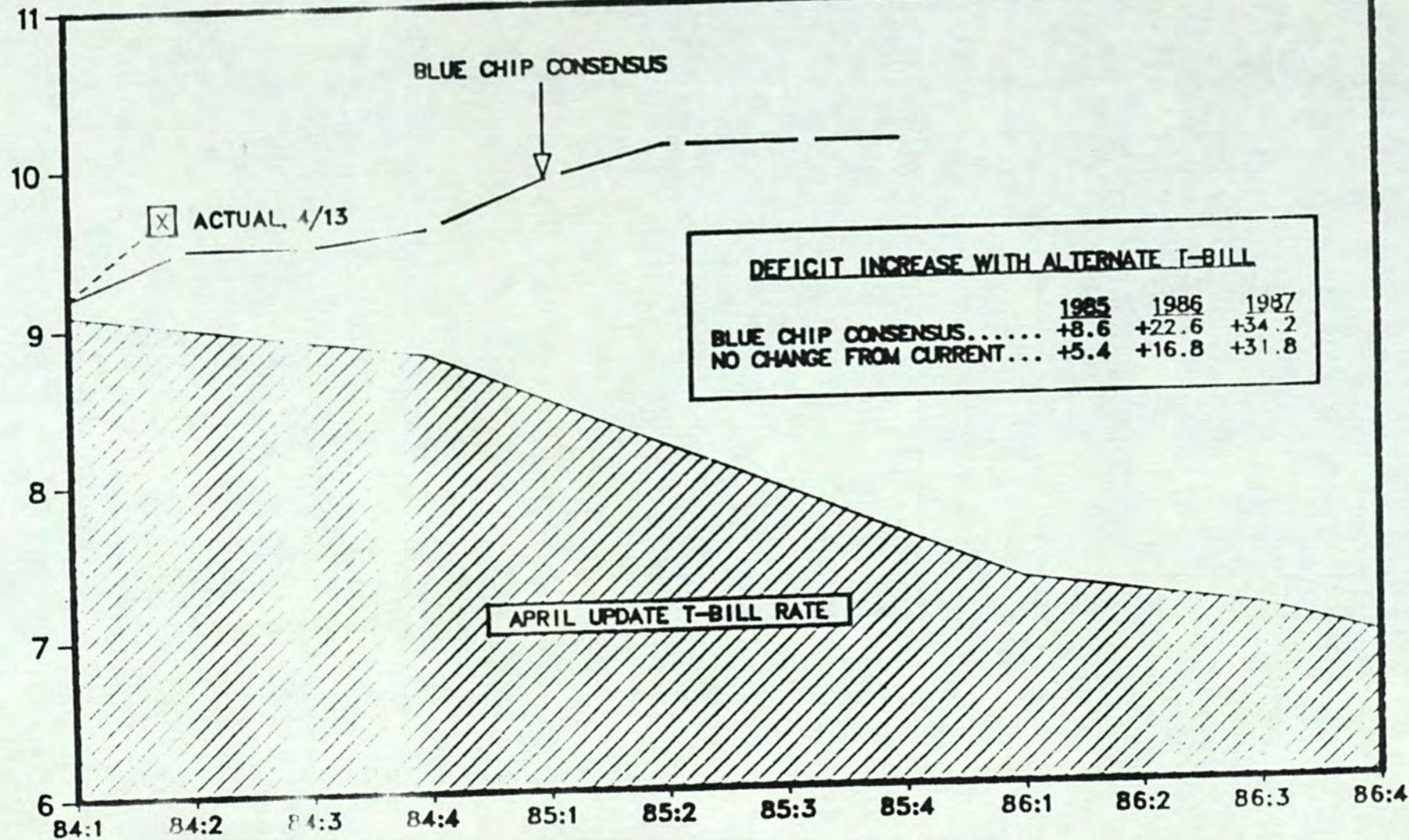
COMPARISON OF REAL GNP GROWTH IN RECOVERY PHASE AND EXPANSION PHASE: APRIL UPDATE FORECAST

PERCENT

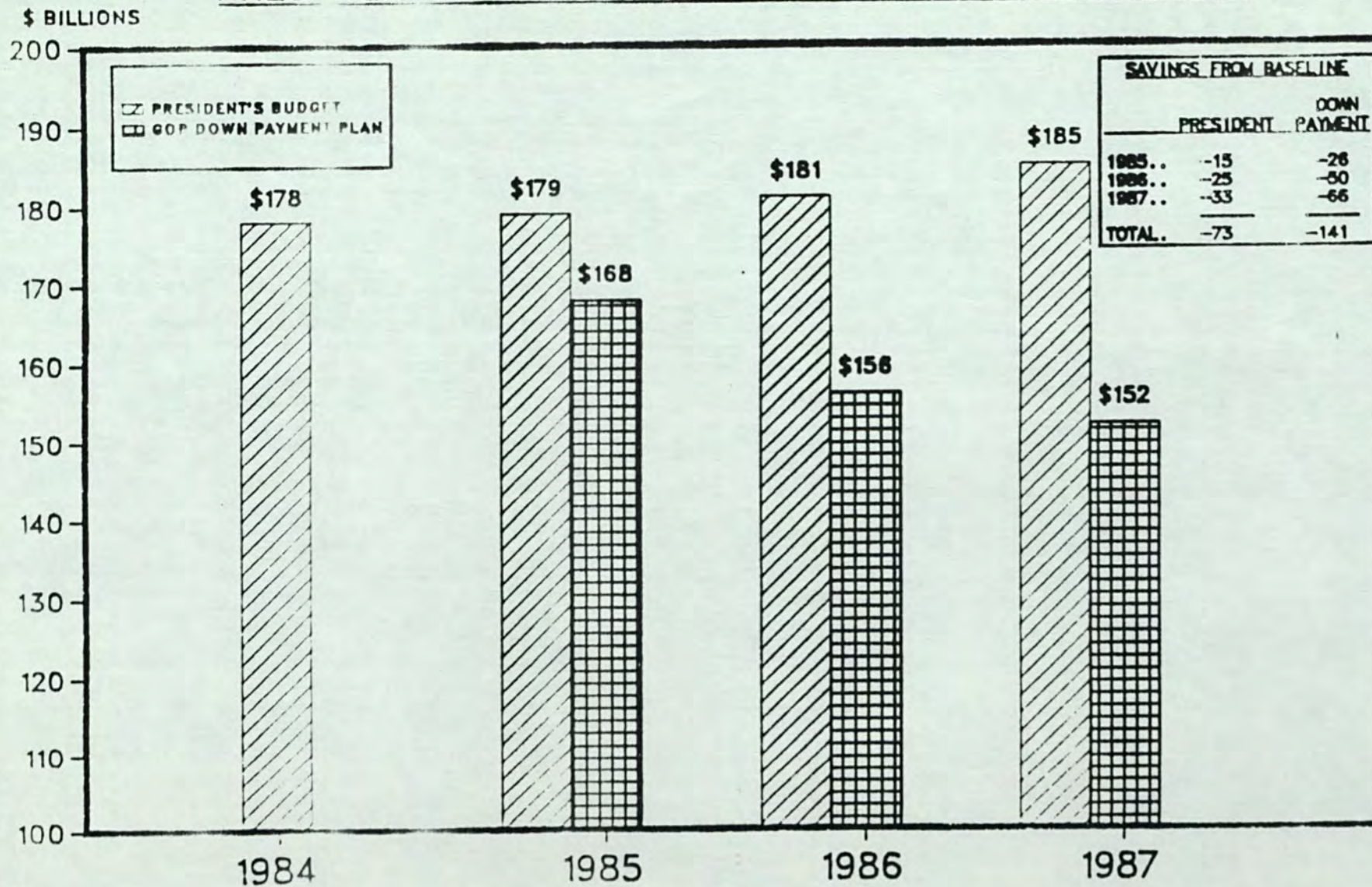


APRIL UPDATE T-BILL RATE VS. BLUE CHIP FORECAST

T-BILL RATE



APRIL UPDATE DEFICIT OUTLOOK: PRESIDENT'S BUDGET AND GOP DOWN PAYMENT PLAN



U. S. BUDGET TRENDS

April 18, 1984
Office of Management and Budget

RESTRICTED

NOTE OF A MEETING BETWEEN THE CHIEF SECRETARY AND DR. BERYL SPRINKEL,
UNDER SECRETARY FOR MONETARY AFFAIRS, US TREASURY,
AT 11.00 A.M. ON WEDNESDAY, 18 APRIL, 1984

1. The Chief Secretary enquired about progress on the three-year deficit reduction package that was proceeding through the Congress. Dr. Sprinkel said he was confident that it would be passed; the tax side of the package had already cleared the House and Senate and the Conference on the entire package would take place in late May. The total budgetary savings - which fell mainly in the second and third years - amounted to \$150 - \$180 bn. After the elections, further action to reduce spending would be taken. The deficit for the current fiscal year (FY 84) was running \$6-7 bn below estimate, and the economy was slowing down. Both of these factors could reduce interest rates, which were still too high.

2. Dr. Sprinkel said that representatives of foreign countries were continually asking the US to reduce its budget deficit. But a large deficit was (unfortunately) necessary for the time being to frighten Congress and thus bludgeon it into making expenditure cuts. The main problem was that special interest groups had too much power in the Congress. To act as a countervailing influence, the President had proposed that he should be given a veto over "line items" in the budget passed by Congress, as many State Governors had over State budgets. This change in its purest form would require a constitutional amendment, but it would be possible to achieve much the same result by altering the budgetary powers of the President over line items through legislation. Whether such legislation could be passed would depend on the outcome of the Congressional elections next year. Another proposal of the Administration was for a Constitutional amendment which, with several let-outs to allow for emergencies, would require a balanced budget by law. The support of only two further States was necessary to satisfy the requirements of the Constitution for the calling of a Convention which could pass the amendment. If the amendment were passed in the form advocated by Milton Friedman, the various pressure groups would need to compete with each other for a given amount of resources - which would be a good thing. In the 1960s, the US had a much smaller proportion of its GNP devoted to public expenditure than was typically the case in Europe, but there had been some catching up since then. At the Federal level alone, the proportion was now 19-24% - and this undesirable trend needed to be reversed.

3. The Chief Secretary asked Dr. Sprinkel what he regarded as an acceptable target for the deficit. Dr. Sprinkel said that a Federal deficit equal to 1 or 2 per cent of GNP might be tolerable, but that he was mainly concerned about the spending/GNP ratio rather than the deficit. Returning to a favourite theme, Dr. Sprinkel said that to reduce the deficit by increasing taxes could cause Congress to feel free to spend more - leading to the same deficit at a higher level of spending. The key was therefore to control spending. The Chief Secretary commented that the UK's spending plans were to stabilize spending in real terms over three years and referred to the Secretary of State for Social Services' inquiry into entitlement programmes and to the UK Green Paper on longer-term trends. Dr. Sprinkel said that a three-year freeze in real terms was a worthwhile objective in the short run.

4. Dr. Sprinkel pointed to the fall in unemployment in the US, which he attributed to a flexible labour market and a low (18-19%) level of unionisation. He acknowledged however that youth unemployment was high in the US (especially among young blacks) and a probable cause of this was he thought Federal minimum wage legislation - this might be amended after the election. The Chief Secretary said that the UK had no minimum wage legislation, except that affecting particular low-paid Wages Council industries.

5. In reply to a question from the Chief Secretary, Dr. Sprinkel said that the talks with the Japanese about liberalising Japanese capital markets had been "about two-thirds successful". There had been major progress in opening up the Japanese market to foreign banks, underwriters, insurers etc. The deregulation of Japanese interest rates seemed likely to be accelerated somewhat, starting with those on large certificates of deposit and proceeding downwards. On Euro-Yen, the Japanese had agreed to allow more (although not unlimited) access to the capital market under the watchful eye of their Finance Ministry. Overall, it had been a useful exercise. The Chief Secretary asked about the possible role of the GATT in freeing capital movements. Dr. Sprinkel said he thought that the GATT would have difficulties in making progress since most countries, including France and Germany, had rigidities in their financial markets. It was possible however that progress could be made in the relevant OECD fora. The Chief Secretary commented that there was not full freedom of capital movements even within the EC, to which Dr. Sprinkel said that it was important for countries such as the UK and US to keep up the pressure for progress.

6. Dr. Sprinkel said that he had two final specific points to make to the Chief Secretary:

1. On export credit, he thought that there was a strong case for keeping countries with debt problems such as Brazil on cover, provided that they were adhering to an IMF programme. He understood that the UK (and Germany) had taken Brazil off medium-term cover. The Chief Secretary pointed out that ECGD had a requirement to balance its own books, but thought that to avoid major inroads being made into a difficult market such as Brazil by only one supplier, it would be necessary for all the major suppliers to co-ordinate their export credit policies towards that market. He undertook to ponder Dr. Sprinkel's point.
2. Dr. Sprinkel said that the US Administration agreed with the proposal to phase out credit mixte over three years, and the UK could count on US support within OECD for this proposition. But beyond the three year period, his view was that credit mixte would be acceptable provided that the aid element was at least 50 per cent. The Chief Secretary commented that the Germans, who had a good record on this issue, had taken the lead in the campaign against credit mixte. Dr. Sprinkel commented that the US fund for credit mixte was to be used strictly for defensive purposes, and would be targeted strictly against the worst abuses of others.

NOTE OF A MEETING BETWEEN THE CHIEF SECRETARY AND MR. RUDOLPH PENNER,
DIRECTOR, CONGRESSIONAL BUDGET OFFICE, ON 18 APRIL AT 10.00 A.M.

1. The Chief Secretary asked for Mr. Penner's terms of reference in relation to those of the head of the Government Accounting Office (GAO), Mr. Bowsher. Mr. Penner said that the functions of the CBO included forecasting the economy and, in the light of this, predicting the effects of options for changes in public expenditure programmes. These options were compared with a base line cost (estimated on several different assumptions about the economy) that assumed no policy changes were made. The GAO, on the other hand, focussed on micro issues and on value for money. (A small area of overlap of the CBO with the GAO was in the programme evaluation field). The CBO also had links at technical level with the Office of Management and Budget and the Council of Economic Advisers and he regularly conferred with Mr. Stockman and Dr. Feldstein. These links were absolutely essential, since the Executive branch was the main source of information for the CBO. The CBO was non-political and did not make policy recommendations. It merely reviewed the costs of various options for the Congress.

2. Dr. Penner then described the five-year forecast of the Budget prepared by the CBO, the present version of which indicated a deficit of slightly under \$200 bn in 1984-85 (assuming the continuation of the recovery). Beyond that, if nothing were done to reduce expenditure or raise taxes, the deficit was expected to rise both absolutely and as a percentage of GNP. An assumption was made that real defense expenditure would rise at an annual rate of 5 per cent. It would be hard to avoid such a steep rise because a lot of the expenditure - e.g. on the B-1 bomber, the MX missile and a large nuclear aircraft carrier - was already contractually committed. This would make the price of cancellation unattractive even if the weapons were no more than marginally effective.

3. The Chief Secretary asked whether US public expenditure was appropriated on an annual basis. Dr. Penner said that this was the case although, particularly in the defense field, exceptions were sometimes made. The Congress apparently preferred year-by-year control of programmes over the achievement of lower costs by multi-year appropriations. In the entitlement field, the rule was that expenditure simply was demand-determined on the basis of qualification criteria. It was not formally appropriated.

4. In reply to a question from the Chief Secretary, Dr. Penner said that the CBO forecast US inflation to be 5% in 1984, and on a downward trend thereafter. Inflation was not the most uncertain factor affecting public expenditure. This was interest rates. A one per cent error in forecasting interest rates during the budget period would have the cumulative result of adding \$30 bn to the deficit by 1989. The CBO estimated a budget deficit of 3.1% of GNP by 1989 even on the most favourable assumptions about growth, unemployment, interest and inflation.

5. The Chief Secretary asked which non-defence programme was growing the fastest. Dr. Penner said that, apart from defense and interest payments, health programmes were growing fastest at 12 per cent a year. Education, mainly a State and local level responsibility, was not growing quickly and demographics were favourable to cutting costs although there was pressure to increase the Federal share of these costs. (Dr. Penner noted wryly in passing that Administration attempts

to cut welfare expenditure by focussing on the "truly needy" had disincentive effects not consistent with its supply-side slogans.) Agricultural support programmes were a disaster area, mainly because the high dollar exchange rate, the effects of the CAP and the debt constraints of LDCs made exporting US agricultural products difficult. This was aggravated by Administration policy towards the USSR which meant that the US was not regarded as a reliable supplier. The Congress had just passed a bill, increasing agricultural support levels next year, but freezing them for the three subsequent years - the Congress could in future reverse this legislation however.

6. In response to a question from Mr. Gieve, Dr. Penner said that the Administration was getting a better grip on the credit programmes which constituted the bulk of Federal off-budget expenditure. These expenditures now amounted to \$15-20 bn. Offsetting this, the States and localities currently had surpluses on their budgets, as was typical at the peak of the business cycle. It was a subject of debate whether the surpluses in the States' pension funds should also be scored as a credit in the public sector accounts - this depended in his view on the extent to which they were a net addition to private sector savings.

7. Asked by the Chief Secretary about the "downpayment" package, Dr. Penner said that he regarded developments as favourable. The package indicated a new psychological climate in the Congress favourable to reducing deficits. It had widespread bipartisan support, and the main issue to be resolved between House and Senate was the proposed level of defense expenditure. The package was important as a step towards stabilising interest costs on the public debt, which had shown signs of getting out of control. It would only take, following the passage of the present measures, the passage of a package of the same size after the election to prevent interest costs from rising significantly and the debt/GNP ratio would have been stabilised.

H.G. Walsh
British Embassy
Washington D.C.

19 April, 1984



file

ECL

10 DOWNING STREET

From the Private Secretary

13 April 1984

Thank you for your letter of 3 April.

The Prime Minister has signed the photograph of herself and President Reagan. I am returning it with this letter.

AJC

His Excellency Mr Charles H Price, II

NR

OW



EMBASSY OF THE UNITED STATES OF AMERICA
LONDON, ENGLAND

CHARLES H. PRICE II
AMBASSADOR

April 3, 1984

Prime Minister.

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

Would you like to sign the
attached photo, leaving space
for President Reagan to sign
as well. A.S.C. 3/4.

Dear John,

I'm enclosing a photograph which the White House was kind enough to send to me of the Prime Minister and President Reagan. If it's agreeable with the Prime Minister, I would be grateful if she would be kind enough to sign it with a brief inscription.

When the President is here in June, I will be making a similar request to him and will then have it suitably framed so that it can be placed in the family quarters at Winfield House.

Thank you very much.

Sincerely,
Charlie

*Signed
MT*



cc/ /
A.S.C. 74
f.a.

NOTE FOR THE RECORD OF A MEETING WITH THE HONORABLE CASPAR WEINBERGER
THE US DEFENCE SECRETARY ON 2ND APRIL 1984

AT 6.45PM IN CESME, TURKEY

Present:

The Rt Hon Michael Heseltine MP Secretary of State for Defence	The Honorable Caspar Weinberger US Secretary of Defence
Sir John Graham UK Permanent Representative to NATO	The Honorable David Abshire Ambassador, US Mission to NATO
Field Marshal Sir Edwin Bramall Chief of the Defence Staff	General John Vessey Chairman, Joint Chiefs of Staff
Mr J Blelloch DUS(P)	The Honorable Richard Perle Assistant Secretary of Defence
Mr Richard Mottram Private Secretary to the Secretary of State	Major General Colin Powell Military Assistant to the Secretary of Defence
	Mr Ronald Lauder Deputy Assistant Secretary of Defence

INF Basing

1. Mr Weinberger said that, in his talks with the Netherlands Government, he had not succeeded in persuading them to proceed with the basing of GLCMs in Holland. The Dutch Prime Minister was helpful but his Government was split and the Defence Minister was unwilling to take any positive role. He would be grateful for anything we could do to bring pressure to bear on the Dutch to face up to their responsibilities. Mr Abshire suggested that it would help to influence the Dutch Government if Mr de Reuter had to report back from the present meeting strongly held views of other governments on the need to proceed. The Secretary of State said that he would do whatever he could to help and would consider with the Prime Minister whether she might raise the matter with Mr Lubbers.

2. There was a brief discussion of the recent off base deployment of GLCMs from Greenham Common. The Secretary of State said that he had felt it important to have a second "success" before Easter and had been grateful for the assistance of the US authorities in again making available a C5 for back-up. He recognised that we needed soon to move from the quick dash approach to a more normal pattern involving an extended period off-base. For the moment the priority was to get



through the Easter period without substantial demonstrations. There was evidence that public interest in defence matters was falling away and it was in our interests to keep the temperature down.

3. The American side reported that the deployment was proceeding to timetable elsewhere.

35th Anniversary of NATO

4. The Secretary of State said that he hoped that the Communique and press conference at the end of the meeting could focus on the fact that it coincided with the 35th Anniversary of the signing of the NATO treaty. Mr Weinberger said that he supported this. A major celebration was planned in Washington in May but it would be helpful to celebrate the actual date in the way the Secretary of State had suggested.

Infrastructure

5. Mr Weinberger said that much of his bilateral meeting with Dr Woerner, which had just taken place, had been taken up with trying to persuade the Germans to adopt a more positive line on infrastructure funding. Their attitude had been not in any way encouraging. Dr Woerner had said his Minister of Finance was unwilling to see any increase.

Sea Launched Cruise Missiles

6. The Secretary of State said that he wished just to mention that the deployment of SLICMs on US ships and submarines was beginning to become a matter of controversy in Britain. He would be grateful if in considering any announcements about this programme the US Government would have in mind, as one of the points on their checklist, the possible reaction in Britain. We were likely to face questioning on whether SLICM carriers would be based in Britain and if so, would they be subject to the joint decision arrangement? Mr Weinberger said that he would have this in mind: obviously the less that had to be said about this, the better.

7. Iran/Iraq

The Secretary of State said that the British Government had found Mr Luce's visit to Washington most valuable and it seemed to have gone well. Mr Weinberger confirmed this. He said that the use of chemical weapons by the Iraqis had compounded the problem since it was now very difficult for the US Government to give clear support to Iraq. But an Iranian victory would mean that a set of madmen would be in charge all the way to Syria. Since the US Government could not give overt support to Iraq they were concentrating on trying to cut off the supply of useable military goods to Iran. The Secretary of State commented that there were in any case arguments against any open US support for Iraq. This would provide the Iranians



with a justification for the war and encouragement to continue to prosecute it. Should the situation deteriorate and the Gulf be closed, he felt that it would be most important for there to be a period in which the Western powers were seen to be trying to find a peaceful solution before there was any resort to force. In any case we should need to think carefully about military action. It would be important not to become sucked in on the ground into hostilities with an Iranian Government and Armed Forces who were motivated by fanaticism.

MBFR

8. Mr Perle said that the German Government, having agreed that the Alliance should table a common MBFR position in Vienna, now appeared to be making clear their differences from the proposed approach. The Russians would take due note of this and the effectiveness of any Alliance position would thereby be weakened. The Secretary of State said that he understood the argument for Alliance cohesion and for all speaking with a single voice. But we had to see the problem also from the German point of view. All European Governments faced the criticism that they simply echoed the American position rather than taking any independent stance. The Germans were also under domestic pressure to do something to give the arms control process some momentum. Mr Weinberger commented that we would play into the Soviet hands if we kept trying to take initiatives by offering new concessions. They could play a much longer term game. The Western position in the START and INF talks had been bedevilled by our continually chopping and changing our proposals without any Soviet response. They, unlike us, did not have to worry about pressure from public opinion. The Secretary of State agreed.

9. The meeting ended at about 7.15 pm.

3rd April 1984

RCM
(R C MOTTRAM)
Private Secretary

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10 DOWNING STREET

Caroline David

I have written to Lennox
Helen but would you kindly
ring the people at the Hotel
Waldorf and tell them that a
meeting will not be possible.

A.J.C. 23/3

CF/GR

I spoke to Mr Adams and
explained that a meeting
would not be possible. He
took it well.

JMB
26/3

HL

23 March 1984

The Prime Minister has asked me to thank you for your letter of 6 March. She was glad to hear from you.

Mrs. Thatcher very much regrets that she will not be able to receive Mr. and Mrs. Adams and Mr. and Mrs. Byrd during their visit to London from 24-28 March. Unfortunately, the Prime Minister's diary is completely full during that period. But she sends to you her best wishes and hopes that the party will enjoy their visit to this country.

JC

Senator Jesse Helms

ECL

HIP HIP
HOOKAH
WILL YOU
DEAL



10 DOWNING STREET

Prime Minister

May I ask
you to reconsider
yr. decision. The
day is shortly; &
if it gets round
that you have
seen these 2
copies it makes
it difficult
saying no to others.
Content to say
no.

Admiralty

CR.

signed me

22/3.

8/19/84 (1)

United States Senate

WASHINGTON, D.C. 20510

March 6, 1984

The Right Honorable Margaret Thatcher
Member of Parliament
Ten Downing Street
London SW 1 England

R12
Prime Minister.
You are very busy at
this time. Shall I
decline on your behalf?

My dear Madam Prime Minister:

It was so good to visit with you some weeks
back at the function in your honor hosted by the
Senate Foreign Relations Committee. As always, you
were most impressive.

A.S.C. 24
/3.

My purpose in writing is to inquire if you
would be willing to greet a prominent newspaper
publisher of my state who will be in London March 24
through March 28. His name is Mr. Hoover Adams. He
will be accompanied by Mrs. Adams and another prominent
North Carolina couple, Mr. and Mrs. Carl Byrd. All are
from Dunn, North Carolina. Mr. Adams is owner and
publisher of The Dunn Daily Record.

with them
10 min.
- remove
mt

Mr. Adams greatly admires you, and has been
exceedingly supportive of you, dating back prior to
your being elected Prime Minister. He was stationed
in London during World War II, and met Prime Minister
Churchill.

He would not expect more than a minute or so of
your time, but would consider it an honor to pay his
personal respects to you.

Mr. and Mrs. Adams and Mr. and Mrs. Byrd will be
stopping at the Hotel Waldorf. If someone could let me
know whether it will be possible for you to greet these
fine citizens, I will be most grateful.

Mrs. Helms joins in sending our affectionate and
respectful best wishes to you.

Sincerely,



Prime Minister

I attach a memorandum reporting
on some conversations in Washington
(notably with Mr Englebunger
Dr. Hkic & Dr James Schlesinger)
wh. I had this week as part of a
European delegation asked there
to discuss the Alliance

Hugh Thomas

March 2 1984

Conversations in Washington

Laurence Eagleburger.

Mr. Eagleburger gave us one more of his powerful, broad-sweeping, intelligent if pessimistic and somewhat hectoring tours d'horizon.

The main points which he made were:

1. The U.S. last year for the first time had more trade with Pacific countries than with Europe. The centre of political weight in the U.S. has shifted west. Mexico will soon be for the U.S. one of their major foreign policy concerns. If the U.S. does not come well out of their troubles in Central America, it will consume us - not because we cannot deal with a Marxist Latin America but because there will be major security concerns. Japan will be a very different country in the year 2000 than it is now: no nation in history has attained the economic strength of Japan without in the end seeking commensurate military strength. All of this means that between now and 2000 the U.S. will be devoting less and less attention to Western Europe.

This last process will be exacerbated unless we sort out U.S. - European relations. "You have to realize that the USSR is concerned all over the world to create difficulties for us. Sometimes you don't seem to realise that we get frustrated with Europeans who don't understand we have the USSR in Central America".

1983 was a year of 'monumental Soviet incoherence'. Under the best circumstances, Chernenko will take this year to get properly established.

2. Grenada.

Mr. Eagleburger said: "I cannot properly describe to you how bitterly, and personally I felt over Europe's failure to support us over Grenada. Particularly, he added, Britain.

I said that whatever might be said about the consequences of Grenada, Mr. Eagleburger surely realised that the way that the U.S. had carried out its Grenada operation caused equal disquiet in Britain. I understood the consultation had been perfunctory, the global benefits of dislodging Cuba had been scarcely mentioned and the foreign secretary had been placed in a quite false position in the House of Commons.

Mr. Eagleburger made the following extraordinary reply: "I concede the consultation was inadequate but you have to realise that we were in a real box". We were scared to death the Cubans would get to know for sure we were going in and would send another 1000 troops in against us. We were afraid of leaks - not on the British side but among ourselves. The Bureau of European Affairs

/in the

in the department of state didn't know. Remember we had to improvise the engagement at the last minute - inexperienced marines, untried helicopters, and bad maps - Shell road maps (!!!)

[Can it be possible the department of Defence does not have maps of the Caribbean? Perhaps they didn't make them available as they were against the operation?]

As to the strategic reasons, Mr. Eagleburger said, "if we had publicly extended the argument to cover that side of things, we would have had a much more difficult task with our own public opinion. In this post Vietnam generation (still?), we don't have the resitience in our body politic to sustain a purely strategic operation; and I don't think American public opinion would support the administration in a difficult operation in which a great many people are killed"

[I subsequently discussed Grenada with the brilliant and engaging "defence analyst" Edward Luttwak. He has carried out an analysis of the military operation with collaboration of the Department of Defence. His description of the confusion, incompetence and inexperience is extraordinary. Probably you know all this. He thought that if the Cubans had had 2,000 troops there, they might have won. The Cubans fought well.]

Dr. Fred Iklé

Dr. Iklé is deputy secretary of Defence. He is Swiss-born, and withdrawn. He is in control of "policy". On a previous visit he gave a dinner in my honour up in Bethesda in his brand new house. I don't think he likes discussion. I had thought him rather waffly. On this occasion he was sharp. The main points he made were:

1. We keep finding, in e.g. Africa, intelligence cropping up that if the USSR is short of foreign currency they have to tell their friends that they have to withdraw from this or that. So tough curbs on soft loans, credits etc. as well as technology transfer can be very important.
2. Europeans think we have a dual motive in this (that we want to stop European trade). There really is nothing in this.
3. Should we revise COCOM to exclude China in some respects?
4. Were it not for Israel, U.S. global isolationism

/could

could take root. "The need to help Israel helps to emphasise our global role".

5. I know that for some time in the West the very idea of disarmament negotiations has a soothing effect. "Some of us are not sure if that might turn out a short-term attitude".

6. Dr. Iklé repeated most of the usual reasons for the U.S. advocacy of intervention in Grenada but gave me one new one: "If we had done nothing it would have meant that terrorism had been able to impose inertia on the U.S.".

Conversation with Dr. James Schlesinger
(ex secretary for Defence, Energy etc.)

"In the U.S., Gary Hart is making a real surge in this race. He won't get very far this time. But he's doing well for 1988 when the stage will be set for a massive democratic victory. Hart has no loyalties to the Alliance. McGovern was as honest as he was simple. Hart is neither. McGovern was for retreat. Hart is a more sophisticated commodity. He says he can provide better security for less money. Actually he's never made a statement on Europe. His cast of mind is hostile to collective security. [Note: I know Hart too and think this is all rather extreme. A pragmatist has some virtues].

Hart could be more formidable (as an opponent to Reagan) than Mondale. This election would be a challenge between the Reagan personality and the democratic party.

"Reagan no longer pays lip service to arms control because he believes in it!"

Remember we oscillate between toughness and weakness. Our capacity for volatility is endless. In the late 1980s we could be in for a revival of doubt, and weakness. But the odds are that even then we shall still have to face the USSR in co-existence without major war. The USSR will still think that history is on their side.

Kissinger is good in talking to Europeans because he does not have the burdens of the U.S. character. (Can't remember what he meant by this).

Conversation with Ewald von Kleist (German publisher)

None of you should forget that my countrymen believe that they will die first in another war. Burden sharing should not be concerned only with money. People's lives are involved.

Conversation with Monsieur Maurice Faure

He said that in the short term he thought the Alliance in good shape. Europe's position was different to that of the U.S. because we live on "the borders of barbarism". Also unlike the U.S. we are a group of sovrein states which to his vast regret had not managed to establish a real unity. We had military machines but as we had the paraphenalia of independence we were weak. In private he added: of course sooner or later the U.S. will get tired of its European functions and concentrate on the Pacific. Then there will be only one future for us: servitude. With that this mayor of Cahors for thirty years, who as a promising young man signed the Treaty of Rome for France, sighed deeply and set off for Paris.

Dr. Kissinger's Recent Article

Prime Minister

in Time magazine

I expect you have seen Dr. Kissinger's recent article but in case you missed it I attach a copy. It seems to me extremely interesting and important. The press appears to have concentrated on the negative criticisms in it and on the less acceptable proposals.

But the general demand for a greater European control over our own defence, and European direction of arms control where the continent of Europe is concerned is surely right.

You will be aware that I have been putting ideas of this sort to you at regular intervals since 1978. I must say Dr. K has put it with immense vigour and style. He told me he was thinking of something like this some months ago and I believe I mentioned it to you at the time.

Hugh Thomas
March 2 1984

A Plan to Reshape NATO

By HENRY KISSINGER

After 35 years of preserving peace in Western Europe, the Atlantic Alliance confronts new military, political and social realities. In this article, a former Secretary of State proposes dramatic—and in his view, vital—steps to help the alliance meet the challenges ahead. Among them: NATO's Supreme Allied Commander should be a European, not an American, as is now the case; Europe should have a decisive voice in certain nuclear arms-control talks and greater responsibility for its ground defense. If Europe refuses to accept that responsibility, the U.S. should withdraw up to half of its ground forces from Europe.

Lebanon and the Soviet succession have preoccupied us in recent weeks, but the Atlantic Alliance must remain the pivot of American policy. On its unity depends the security of free peoples. From its cohesion will flow whatever hopes the Soviet succession offers for a new dialogue. Unfortunately, just as storms recur in nature, crises recur in the Atlantic Alliance. Nearly every Administration for a generation has been involved in them. However, the present controversies in NATO are both unprecedented and unsettling.

In West Germany, Scandinavia, the Low Countries and even in Britain (though to a lesser extent), "peace" movements have been pulling governments in the general direction of their policies, even though those governments disagree with their premises. In addition, the main opposition parties in West Germany and Great Britain—which, in the nature of democratic politics, can be expected to get into office eventually—are advocating policies that amount to unilateral nuclear disarmament for their countries. Because these groups hold sway over key segments of public opinion, too many European leaders—even conservative ones—have yielded to the temptation to demonstrate their peaceful intentions the easy way, by pretending to be reining in a bellicose and insensitive U.S. through their ministrations. As a result, among those who shape public attitudes—and thereby set what become the limits of the politically possible—there is less intellectual or philosophical agreement than in any previous period.

This creates an exceedingly dangerous situation. An alliance cannot live by arms alone. To endure it requires some basic agreement on political aims that justify and give direction to the common defense. If military arrangements provide its only bond, it will sooner or later stagnate. It will surely prove unable to take advantage of diplomatic opportunities for an easing of tensions. That is the central issue before the Atlantic Alliance today. It requires a remedy that is fundamental, even radical—in the literal sense of going to the root.

Four problems in particular are gnawing at the alliance:

1) Lack of an agreed, credible strategy. The gap between NATO's formal strategy and what the public will support has widened dangerously. The so-called flexible response devised in the 1960s remains NATO's official doctrine. It contemplates a defense of Europe that begins with conventional weapons and then goes up the ladder of nuclear escalation—until it reaches whatever level is necessary to halt Soviet aggression. In today's circumstances this doctrine has a fatal weakness: neither existing nor projected NATO conventional ground forces are adequate to

repel a major Soviet conventional attack. Therefore, the doctrine would require a nuclear response at an early stage. Yet strategic nuclear parity deprives the threat of strategic nuclear war of much of its credibility; mutual suicide cannot be made to appear as a rational option. And no alternative nuclear strategy has been developed. Partly for this reason, public opinion, essentially unopposed by most NATO governments, is moving powerfully against any reliance on nuclear weapons—even tactical ones.

The alliance is thereby trapped in a precarious combination of (a) inadequate conventional forces leading to (b) reliance on nuclear weapons in (c) a strategic environment that makes the threat of their use, and therefore their deterrent value, less and less credible, and (d) a public climate of growing nuclear pacifism that undermines what credibility remains. Lack of a coherent defense policy leaves the alliance, possessing a huge stockpile of enormously destructive weapons, disarming itself psychologically.

2) Intermediate-range weapons and arms control. The arrival of the new U.S. intermediate-range weapons in Europe late last year was properly hailed as a major success. For if public demonstrations and Soviet pressure had succeeded in blocking that deployment, the Soviet Union would in effect have achieved a veto over NATO's military dispositions. But unless the alliance clarifies the purpose of these missiles, the accomplishment is likely to be transitory, since the basic European attitude toward the missiles is that of a host toward a now unwanted guest whose invitation to dinner it would be too awkward to withdraw. Some prominent Europeans purport to see in the missiles' presence a hidden American design to confine a nuclear war to Europe. Others treat them as one of those peculiar American aberrations that periodically upset the alliance's equilibrium. Too few recognize, and even fewer are willing to admit, that in fact the missiles link the strategic nuclear defense of Europe and the U.S. Weapons capable of reaching Soviet territory stake the American homeland to the defense of Europe; they do not enable America to remain immune.

European ambivalence makes it excruciatingly difficult to define "progress" toward arms control, while the nearly desperate eagerness with which progress is pursued makes its attainment less likely. The Soviets have refused even to discuss any proposal balancing U.S. intermediate-range missiles in Europe against the Soviet arsenal at a lower level. They insist on total withdrawal of American missiles while retaining a large number of their own. The goal of leaving Europe vulnerable to Soviet nuclear blackmail is obvious. Yet significant segments of European opinion persist in blaming the U.S. for the deadlock. In Europe



and in the U.S., this attitude must in time erode the public support needed not only for missile deployment but also for coherent arms control.

3. East-West relations. Behind the sharp differences over defense strategy and arms control lies a parallel dispute over the alliance's posture toward the Soviet Union. Too many Europeans accept the caricature of a U.S. run by trigger-happy cowboys whose belligerence has provoked Soviet intransigence.

Many Americans, on the other hand, consider such European notions naive and believe that together with the pacifist and neutralist demonstrations, they reflect a trend toward appeasement that encourages Soviet intransigence.

4. Relations with the Third World. Most European leaders believe that they have a special opportunity to establish preferential relationships with Third World countries. In the flash points of the Middle East, Africa and Central America, they see U.S. approaches as hopelessly tainted by an obsession with Soviet ambitions; some hope to win favor in the Third World by an ostentatious dissociation from the U.S. More than a few Americans view such behavior as a free ride paid for by U.S. sacrifices or as a positive incitement to Third World radicalism.

These differences could be healthy if they led to compatible and constructive policies for the 1980s and '90s. So far this has not happened. Mutual recriminations have created opportunities for Soviet political warfare even during this period of stagnation in the Kremlin leadership. The Politburo is obviously convinced that the West has become so paralyzed concerning nuclear weapons that there is no urgency about nuclear arms control; the Soviets can simply wait for a while to harvest the fruits of Western anxieties. By contrast, there may be concern in Moscow that NATO will move to close the gap in conventional forces; hence the willingness to resume the talks, moribund for ten years, about limiting conventional arms. Does this reflect a genuine interest in arms control, or is it a means to thwart the desperately needed Western conventional buildup by creating the same conditions by which public opinion was mobilized on the missile question? And what is one to make of the almost deferential pleas by all major NATO countries for the resumption of a dialogue that the Soviets have interrupted? Or of the upgrading of all major European delegations except the French to the Andropov funeral, compared with the Brezhnev rites 15 months ago—especially as Andropov's rule was marked by the flagrant attempt to influence the German election, the walkout from arms-control talks and the shooting down of the Korean airliner, not to speak of Andropov's 15-year stewardship of the KGB?

Will the Soviets see Western pleas for dialogue as a demonstration of good will, or will they learn from the compulsion to demonstrate good intentions after months of harassment that intransigence pays because the West has weak nerves? Will we fail to relax tensions because the Soviets conclude that atmospherics can substitute for dealing with the real causes dividing the world? Europe is not moderating the U.S., and the U.S. is not stiffening Europe's spine, as the folklore on each side would have it. More likely, each is in danger of paralyzing and demoralizing the other. Western disunity is perhaps the principal obstacle to progress in East-West negotiations.

This state of affairs has deeper causes than particular policies on either side. The present NATO structure is simply not working, either in defining the threat or in finding methods to meet it.

Existing arrangements are unbalanced. When one country dominates the alliance on all major issues—when that one country chooses weapons and decides deployments, conducts the arms-control negotiations, sets the tone for East-West diplomacy and creates the framework for relations with the Third World—little incentive remains

A European officer should take the traditionally American place as Supreme Allied Commander Europe, probably with a U.S. deputy.

for a serious joint effort to redefine the requirements of security or to coordinate foreign policies. Such joint efforts entail sacrifices and carry political costs. Leaders are not likely to make the sacrifice or pay the cost unless they feel responsible for the results.

An imbalance such as the one now existing cannot be corrected by "consultation," however meticulous. In the long run, consultation works only when those being consulted have a capacity for independent action. Then each side

takes the other seriously; then each side knows that the other's consent has to be won. Otherwise consultation becomes "briefing." Agreement reflects not conviction but acquiescence for want of an alternative.

The present imbalance is not new. It has existed ever since World War II. But military dependence on another nation has a cumulative impact. When dependence no longer results from wartime destruction but from a policy choice, made under conditions of relative prosperity, it can breed guilt, self-hatred and a compulsion to display independence of the U.S. wherever doing so is safe, especially with regard to some Third World issues and certain aspects of East-West relations.

The problem has become even more acute because the generation of leaders that built NATO has virtually disappeared. Those who governed Europe during the early postwar years were still psychologically of the era when Europe bestrode the world. Global thinking came naturally. European leaders assumed responsibility for their own security policies and gave it up only reluctantly because of special circumstances. But nearly 40 years have passed since the end of World War II. The new leaders were reared in an era when the U.S. was pre-eminent; they find it politically convenient to delegate Europe's military defense to us. Too many seek to position themselves somewhere between the superpowers—the first step toward psychological neutralism. Thus Europe's schizophrenia: a fear that the U.S. might not be prepared to risk its own population on a nuclear defense of Europe, coupled with the anxiety that America might drag Europe into an unwanted conflict by clumsy handling of Third World issues or East-West relations.

The rush to condemn our actions in Grenada by so many of our European allies is a case in point. What could have been in the minds of their leaders? Even making allowance—especially in the case of Britain—for totally inadequate consultation, they could hardly have wanted us to fail. That would surely have affected our willingness to run risks in defense of other areas, ultimately including even Europe. Rather, they must have assumed that their actions were irrelevant and costless: that we would not be deterred, that we would exact no penalty and that therefore it was safe to use the incident to score points with "progressives" at home and with Third World radicals abroad.

The change in the nature of European leadership has been paralleled in the U.S. Our new elites do not reject NATO any more than do their European counterparts. But for them, too, the alliance is more a practical than an emotional necessity, more a military arrangement than a set of common political purposes.

On both sides of the Atlantic, we find ourselves threatened by the dominance of domestic politics over global political strategy. In Europe this leads in too many countries to a faintly disguised neutralism. In the U.S. it accelerates our already strong tendency toward unilateralism and isolationism.

U.S. leaders have too often adjusted foreign policies to political pressures, bureaucratic infighting or changing intellectual fashions. The history of the American attitude toward intermediate-range missiles in Europe is an example. These were proposed to the Europeans in 1957-58, in-

Europe should take over those arms-control negotiations that deal with weapons stationed on European soil.

stalled in Britain, Italy and Turkey by 1960 and withdrawn in 1963. They reappeared later in 1963 as part of a NATO multilateral force and were abandoned once again by 1965. They were put before NATO for the third time in 1978 and accepted once again in 1979. Not surprisingly, Europeans organizing to stop the current deployment are encouraged by the knowledge that previous American decisions have not proved immutable.

Similarly, our allies have had to adjust from passionate U.S. advocacy of SALT II to its rejection, and then to the fact that we have chosen to observe a treaty we refuse to ratify; from a strategic doctrine of massive retaliation to one of flexible response; from a policy of détente to one of confrontation and back to conciliation, not to speak of the gyrations in our Middle East policy—all in addition to the reassessments that occur whenever a new Administration comes into office. Each change of course leaves victims among European leaders who have staked their domestic positions on policies that the U.S. later abandons. Each lurch encourages a kind of neutralism, as Europeans seek to avoid being made hostage to sudden swings in American policy.

A continuation of existing trends is bound to lead to the demoralization of the Western alliance. An explicit act of statesmanship is needed to give new meaning to Western unity and a new vitality to NATO. In my view such an effort must have three components: (a) a more significant role for Europe within NATO, (b) a reform of the NATO organization and (c) a reassessment of current NATO deployment.

A NEW ROLE FOR EUROPE

During the entire post-World War II period it has been an axiom of American policy that for all the temporary irritation it might cause us, a strong, united Europe was an essential component of the Atlantic partnership. We have applied that principle with dedication and imagination, insofar as it depended on American actions, in all areas except security. With respect to defense, the U.S. has been indifferent at best—at least since the failure of the European Defense Community—to any sort of Europeanization. Many in this country seemed to fear that a militarily unified Europe might give less emphasis to transatlantic relations or might botch its defense effort and thus weaken the common security. The opposite is almost certainly the case.

In the economic field, integration was bound to lead to transatlantic competition, even to some discrimination. What defines a Common Market, after all, is that its external barriers are higher than its internal ones. In the field of defense, by contrast, increased European responsibility and unity would promote closer cooperation with the U.S. A Europe analyzing its security needs in a responsible manner would be bound to find association with the U.S. essential. Greater unity in defense would also help to overcome the logistical nightmare caused by the attempt of every European nation to stretch already inadequate defense efforts across the whole panoply of weapons. For example, there are at least five kinds of battle tanks within NATO, different types of artillery and different standards for calculating the rate of consuming ammunition. In a major conflict it would be nearly impossible to keep this hodgepodge of forces supplied.

Thus the paradox: the vitality of the Atlantic Alliance requires Europe to develop greater identity and coherence in the field of defense. I am not talking about traditional "burden sharing," paying more for the existing effort. I have in mind something more structural—a more rational balance of responsibilities. The present allocation of responsibilities fails to bring the allies to reflect naturally about either security or political objectives. Everyone has been afraid to take the initiative in changing the present arrangement, lest doing so unravel the whole enterprise. But since drift will surely lead to unraveling—if more imperceptibly—statesmanship impels a new approach.

STRUCTURAL REFORM

Structural reform cannot substitute for a sense of purpose and clear doctrine. But if pursued with care and sensitivity, it can help catalyze the development of shared political purposes. These common objectives require that European judgments on security, East-West diplomacy and other matters emerge from Europe's own analysis. Mere acquiescence in American decisions, briefings and pressures provides a façade of unity; shared purposes require a deeper sense of participation. Specifically:

1) By 1990 Europe should assume the major responsibility for conventional ground defense. This is well within the capability of a group of countries with nearly one and one-half times the population and twice the G.N.P. of the Soviet Union. The Soviets, moreover, have to divide their forces on at least two fronts.

2) This requires that planning for Europe's defense become a more explicitly European task. Heretofore, the Supreme Allied Commander Europe (SACEUR) has been American. In the new arrangement a European officer should take that traditionally American place, probably with a U.S. deputy. Such a change is also likely to give a new perspective to allied strategic planning. The U.S. has generally achieved its military successes by the weight of the equipment that our vast industrial potential has made available. This has tended to tempt our military leaders to equate strategy with logistics. European nations have rarely enjoyed such a material margin; rather, they have had to rely on superior leadership, training, initiative and tactics—precisely what NATO needs in an age of nuclear parity and renewed emphasis on conventional defense.

3) Since the beginning of NATO, the Secretary-General, who is responsible for running the alliance's political machinery, has been European. In the new structure, with its greater emphasis on political coordination, it would make more sense for this official to be American—whenever the new Secretary-General, Lord Carrington, decides to retire. Meantime, no Western leader is better qualified for guiding NATO's transition than the wise and thoughtful Carrington.

4) Europe should take over those arms-control negotiations that deal with weapons stationed on European soil. The INF negotiations with the Soviets (for intermediate-range missiles) and the MBFR negotiations

(on conventional forces) have heretofore been conducted by American delegations. Both of these negotiations should be "Europeanized" as quickly as possible, with a European chairman, an American deputy and a mixed, though predominantly European, delegation.

The structure that I am proposing would enable Europeans to confront—on their own initiative and in their own context—issues that have been evaded for at least two decades: the precise definition of an adequate conventional defense; the nature of the so-called nuclear threshold—the point where there is no choice except conventional defeat or nuclear escalation; the relationship between strategy and arms control. Since nuclear weapons would presumably be used only if conventional defense failed, Europe would be responsible for setting the nuclear threshold by its own efforts; it could relieve its nuclear anxieties by the simple expedient of augmenting its conventional defenses.

By the same token, European leadership in the MBFR and INF negotiations would place final responsibility for both conventional force levels and intermediate-range missile deployment in Europe with the leaders whose countries will have to bear the brunt—for good or ill—of the outcome of these negotiations. This is especially important with respect to the American intermediate-range missiles in Europe. That deployment makes sense only if the allies genuinely believe that the prospect of a nuclear blow from Europe



on Soviet territory will help deter a Soviet conventional attack or nuclear blackmail. If our principal allies do not share this conviction, the psychological basis for the deployment will evaporate.

European chairmanship of the INF talks would oblige Europe's leaders to face the issue head-on; their domestic critics would no longer be able to argue (as they do now) that U.S. intransigence is the principal obstacle to arms control.

As for the U.S., it would of course participate in these deliberations—in a less dominant position—through its continued membership in the integrated command, its responsibility for nuclear defense, and its ground, naval and air forces in Europe.

REDEPLOYMENT

The issue of redeploying American forces touches raw European nerves like no other. The slightest hint of altering present arrangements jangles sensibilities; it evokes fears of American withdrawal and prospects of European neutralism. But if present trends continue, it is certain to become a central issue in the alliance relationship. Before dealing with it in the context of a program of NATO reform, a few facts must be noted:

1) The present NATO deployment of five American divisions and supporting air and naval forces evolved in the 1950s, when NATO's doctrine was massive retaliation—to react to aggression with an immediate and overwhelming nuclear blow against Soviet territory. Massive retaliation paradoxically required that the total forces on the Continent be kept below the level required for conventional defense. NATO did not wish to tempt Soviet conventional aggression by doing anything to suggest that a Western response would be limited to nonnuclear means. Hence the American conventional deployment in Europe reflected political, not military, criteria: it was intended to give us no choice about nuclear retaliation and to leave the Soviets no doubt that this would be the consequence of even a conventional war. European conventional forces represented a similar political decision: they too were conceived as a trip wire for our nuclear riposte. From the birth of NATO a full conventional defense has been part neither of its strategy nor of its efforts.

2) This situation became anomalous when the growth of Soviet strategic forces deprived general nuclear war of much of its credibility. Yet NATO deployment has been essentially unaffected by the change. NATO has improved its conventional defenses but has not closed the gap in such forces. As the current NATO commander made clear recently, even counting the five American divisions that have remained in Europe, the alliance is still unprepared to withstand a major Soviet ground attack for more than a few days. European ambivalence continues 35 years after NATO's creation. Our allies remain unwilling to develop forces strong enough to provide an alternative to nuclear weapons—and yet much of their public opinion shies away from even thinking about nuclear deterrence.

3) Were we to start all over again, we would therefore hardly repeat the decision of the '50s in today's circumstances. Let us assume a group of wise men and women from both sides of the Atlantic came together to plan a global strategy unconstrained by the past. Assume further that it started from the premise that ultimately the defense of the West is indivisible and that European security should be viewed under the aspect of the defense of the West in Europe—as a thoughtful French observer, Francois de Rose, put it. Such a group would almost surely conclude that the sensible division of responsibilities would be for Europe, with economic resources and manpower exceeding those of the Soviet Union, to concentrate on the conventional defense of the Continent. To maintain the global balance of power—by definition as essential for Europe as for

If nuclear weapons remain the ultimate deterrent to even conventional attack, a gradual withdrawal of up to half of our ground forces would be logical.

America—the U.S. would emphasize highly mobile conventional forces capable of backing up Europe and contributing to the defense of, for example, the Middle East, Asia or the Western Hemisphere.

Such a division of responsibilities would also enable our military establishment to shift some of its intellectual energies and scientific research from a hypothetical esoteric war in an area where we have major allies to the defense of regions where conflict is much

more likely. In such regions our allies are less prone to see their interests immediately engaged; and the countries being threatened are in a worse position to assist in the defense effort.

Even if we were to start all over again, an irrefutable case would exist for maintaining considerable American ground forces in Europe. This would be essential to keep our allies from feeling abandoned and to eliminate any Soviet misunderstanding that the defense of Europe no longer reflects a vital American interest. In a new division of responsibilities we should also preserve and preferably strengthen existing U.S. land-based airpower on the Continent. And we should continue our responsibility for both strategic and tactical nuclear defense, assuming that we and the Europeans could agree on a strategy for the latter. American intermediate-range missiles should remain in Europe to "couple" the nuclear defenses of both sides of the Atlantic so long as European leaders desired them. No change in naval deployments would be involved.

Why then is such a division of responsibilities not realized? The principal obstacle is psychological. For all their criticisms of American policy, Europeans dread a return to isolationism in the U.S. Americans fear that any tinkering with deployment would drive Europe into explicit neutralism. And some in the Pentagon would rather maintain our troops in Europe in a less than rational deployment than return a portion to the U.S., where they are more exposed to congressional budget cutters.

In my view, persisting in a deployment that is losing its rationale accelerates these attitudes. Pacifism and neutralism are on the march in Europe even under the present setup; isolationism in America is not yet so vocal but is being powerfully encouraged by endless allied disputes. An alliance that cannot agree on its political premises cannot sustain itself by clinging to military arrangements decided a generation ago in totally different circumstances. With current trends the issue of the rationale for the NATO deployment will become unavoidable. If it arises not as an integral component in a comprehensive design but as a single question of whether to continue stationing American troops in Europe, unilateral changes will be arbitrarily imposed by the potentially most destructive means—the American budgetary process. Then indeed we might see in America a psychological wrench away from Europe and in Europe a panicky resentment against the U.S. A change in deployment without a positive political and strategic purpose, withdrawal for its own sake, might shock our allies into neutralism; it could mislead our adversary and tempt aggression.

There is an urgent need for a serious and rapid re-examination of NATO doctrine, deployment and policies, conducted by men and women known for their dedication to Western unity. The group—to be formed immediately after our elections—must begin with one of the most divisive issues before the alliance: an agreement on the nature and scope of the threat.

The group must avoid the tendency of previous such efforts, which set unrealistic goals and thereby magnified the problem. A deadline for completion should be set—certainly no longer than two years.

Theoretically, such a study could lead to one of three outcomes: 1) The group could come to the same conclusions about the optimum division of responsibilities in an agreed global strategy outlined above. Given the dis-

We must not let our future pass by default to the neutralists, pacifists and neoisolationists who systematically seek to undermine all joint efforts.

agreements about the nature of the interests involved in regions outside of Europe and the domestic priorities of most European countries. Such a conclusion, however rational, is extremely improbable. 2) The group could agree that the strategic interests of the West require a full conventional defense, but that for practical and psychological reasons, Europe can undertake the required effort only if the present American ground deployment in Europe is maintained intact. 3) The group could decide that the realities of European domestic politics preclude more than the current gradualistic, marginal improvement of defense efforts.

I hope very much that Europe would choose the second option. If Europe should agree to build a full conventional defense and were prepared to express that commitment in unambiguous yearly obligations to increase its forces, the U.S. should accept the judgment that its present ground forces in Europe are an indispensable component. Such a decision might in fact invigorate the conventional arms-reduction talks and in time lead to stability at a lower level. But if Europe should opt for a perpetuation of the present ambivalence or for only a token improvement, then the U.S. will owe it to the overall requirements of global defense to draw certain conclusions. If Europe by its own decision condemns itself to permanent conventional inferiority, we will have no choice but to opt for a deployment of U.S. forces in Europe that makes strategic and political sense. If nuclear weapons remain the ultimate deterrent to even conventional attack, a gradual withdrawal of a substantial portion, perhaps up to half, of our present ground forces would be a logical result. To provide time for necessary adjustments, that withdrawal could be extended over five years. To ease the transition further, we could, if Europe agreed, keep the excess ground forces in Europe for a time afterward in a new status analogous to that of the French forces, prepared for use in Europe but also available for use in emergencies outside it. Any withdrawal would make sense only if the redeployed forces were added to our strategic reserve; if they were disbanded, the effect would be to weaken the overall defense.

The proposed redeployment would leave intact air and naval forces, as well as intermediate-range missiles, so long as Europe wants them. A useful byproduct of the process would be a systematic re-evaluation of the existing inventory of very short-range tactical nuclear weapons, a legacy of three decades of *ad hoc* decisions; these weapons now represent at one and the same time an increment to deterrence and the greatest danger of unintended nuclear war because, being deployed so far forward, they are unusually subject to the exigencies of battle.

In this scheme, withdrawal would be not an end in itself—as it will if frustrations on both sides of the Atlantic go much further—but one component of an adaptation to new circumstances extending over some eight years that rededicates the U.S. to the alliance for the indefinite future.

Psychology is immensely important in international relations, especially when policies turn not only on cold, professional assessments of the national interest by trained political leaders, but on public opinion. I would like to believe that restructuring the alliance to give Europeans greater responsibility for their own defense, while important American forces remain in Europe, will be seen not as an abandonment but as an embrace of Europe. It is a means of enlisting Europeans as full partners in the process of decision on which their safety as well as ours depends. For a son of Europe reared on the existing NATO orthodoxy, the very idea of even a partial redeployment is painful—all the more so after Lebanon. But we will not be fulfilling our obligations to the West if we fail to put forward an initiative to forestall the crisis that will otherwise confront us in much worse circumstances.

POLITICAL OBJECTIVES

By themselves, neither organizational nor doctrinal adaptations can remedy the political incoherence rending NATO. This article has emphasized security issues. However, a few general observations on the alliance's political problems are necessary.

1) Those leaders on either side of the Atlantic who value the alliance, with all its failings, as the ultimate guardian of Western freedom must seek urgently to end political disputes over East-West relations and North-South policy, especially Western conduct in the flash points of conflict in the Third World. The tendency to grandstand before domestic audiences, the growing self-righteousness, will in time make a mockery of the key assumption of the Atlantic Alliance: that we share a common approach to security. Defense requires after all some agreed political purpose in the name of which it is conducted. The Atlantic Alliance must urgently develop a grand strategy for East-West problems and Third World relations applicable for the rest of this century. Otherwise, it will tempt constant pressures and crises.

2) The U.S. cannot lead the alliance or even contribute to its cohesion if we do not restore bipartisanship to our foreign policy. Ever since the Viet Nam War, we have disquieted our friends and confused, where we have not emboldened, our adversaries by periodic wide swings on essential elements of our policies. But the national interest does not change every four or eight years. At

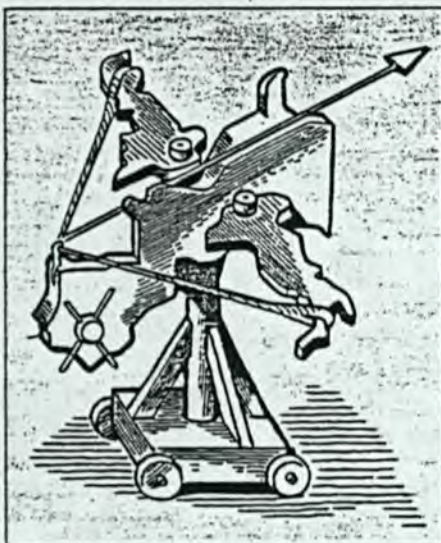
some point the national interest must be accepted by our public as clearly recognizable and constant. Otherwise, we shall become a source of dangerous instability, still relevant for our power but irrelevant for our ideas. A presidential election year is probably not an ideal time to forge a bipartisan consensus. But whoever wins the presidential election faces no more important and urgent challenge than to restore the element of bipartisanship to our foreign policy.

3) European governments must meet head-on the disturbing trends toward pacifism and neutralism in their countries. These movements are led by people of conviction; they cannot be defused by accommodation. They can only be resisted with a compelling vision of a new future. If European governments continue to humor those who profess to see the danger to the peace in a bellicose America, not an intransigent Soviet Union, they will find themselves making concession after concession and will become hostages of their critics.

The current condition of the alliance cries out for a rethinking of its structure, its doctrine and its unifying purposes. The creativity and courage with which we approach this challenge will determine whether the alliance enters a new and dynamic period or gradually withers.

I have outlined proposals to reinvigorate allied cohesion by defining clear responsibilities for each side of the Atlantic, to be implemented over a period of years. On that basis European leaders could defend cooperation with the U.S. as something they sought as a matter of their own conviction and in their own national interest. American leaders would have a rational, understandable policy to defend and would benefit from dealing with a more equal partner. A new era of allied creativity and American dedication could give inspiration to the generation that has come to maturity since World War II and since the postwar crises that infused NATO's founders with their sense of common purpose.

We must not let our future pass by default to the neutralists, pacifists and neoisolationists who systematically seek to undermine all joint efforts. The nations bordering the North Atlantic need above all faith in themselves and the will to resist the siren calls of those who use fear and panic as instruments of policy or domestic debate. In the end we must fulfill our trust: to preserve and strengthen a North Atlantic alliance that represents the hope of human dignity and decency in our world. ■



The Butler
To be aware X

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T J Clark Esq CVO
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Dear Terry,

NORTHERN IRELAND AND THE DAILY EXPRESS

X |

1. The Editor of the Daily Express, Sir Larry Lamb passed through New York and Washington earlier in February on his way to a three week holiday in the Bahamas. Some initial impressions on arrival in New York seem to have made him angry and distressed that NORAID could still put out anti-British propoganda in this country with impunity. He became quite worked up on the matter and said that he would wish to raise it with the Prime Minister on his return to London.

2. A young Daily Express reporter was killed in the IRA bombing at Harrods. With the recent memorial service in London fresh in his mind Sir Larry was greatly disturbed to read a piece by Martin Galvin in the New York Times on 4 February (our tel no 44) and subsequently to see a half dozen or so NORAID demonstrators outside the office at BIS in New York. He seems to have concluded that the supporters of the IRA had the initiative and that we were doing nothing about it. In his first contacts with us he argued that it was inconceivable that a responsible newspaper such as the New York Times would have printed the Galvin article had they been properly informed about the true nature of NORAID. He found it difficult to accept that it was not within our power to prevent the nightly appearance of a few NORAID supporters outside our offices. He claimed that this experience reinforced his impression that British government representatives here were complacent about the Irish dimension.

3. - In discussion Alan Huckle and Alan Ingle outlined at considerable length the action which we take to counter NORAID and described the many really very positive articles and programmes which have appeared recently in the media (Alan Huckle's teleletter of 27 December to Bernard Everett). He was given copies of recent articles and letters against NORAID and PIRA and was told of our continuing and often unsuccessful efforts to get out own replies to damaging pieces published. (I enclose the texts of my rejoinder to the Galvin article and a copy of the letter they actually published).

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We have sent him separately material which appeared after his departure. We pointed out that in recent months NORAIID had been doing extremely badly in the media and the British government point of view had been given a wide hearing.

4. The nightly demonstrators have been a fact of life in New York since the hunger strikes. They are a bit noisy, but do not cause us any real problem. We told Sir Larry that the police monitor the situation very closely but that as long as the demonstrators keep within the law (i.e. their numbers are limited, they do not impede entrance to the building and the decibel volume of their loud hailer does not exceed a specified limit) then there is nothing much that can be done to inhibit them further.

5. We tried to make contact with Sir Larry Lamb when he came down to Washington in order to invite him into the Embassy for a fuller discussion of our approach to Irish matters. He pleaded exhaustion, but said that he would definitely like to come back later in the year and call on the Ambassador. He seemed to have calmed down a little and talked less about our complacency and rather more about how much needed still to be done to explain the facts about Northern Ireland to the great American public. Charles Anson managed to have a brief word with him and emphasised that Northern Ireland was a priority subject for us, that we had a full time press officer from Belfast working on the problem and that the view of the FBI is that contributions to NORAIID have dropped significantly over the past year or so.

6. Ignorance of foreign affairs in this country is not confined to Northern Ireland. We do what we can, but we shall never hope to reach everybody. What we do is seek to counter NORAIID propaganda on each and every occasion when we can legitimately hope to make some impact. In practice this means keeping a hawk-like eye on the mainstream press and electronic media and trying by regular briefing to keep the key opinion-formers aware both of the views of HMG and the wickedness of NORAIID. As you know, David Gilliland is planning to come out in the Spring to travel round the country speaking to editorial boards and the like. I hope that he may have some suggestions at the end of his visit on how we might better get our messages across, though I remain convinced that the most effective way of reaching the kind of people Sir Larry has in mind is through the US correspondents in London. The best answer to Sir Larry Lamb's criticisms however is that whereas Galvin was able to have one, albeit thoroughly hypocritical and unacceptable piece published in the New York Times, the opposite point of view has been given much greater and more regular prominence in the paper. A subsequent editorial in the New York Times (copy attached, reported in BIS telegram No 7) leaves one in no doubt about what the newspapers' policy towards NORAIID.

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7. I do not know whether Sir Larry Lamb will return to the charge on his return to London. If he does I hope this letter will provide some material for countering his wrath.

*Yours ever,
Andrew*

R.A. Burns

1 March 1984

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Mr. Robert Barzilay
New York Times
229 West 43rd Street
New York
N.Y. 10036

Your reference

Our reference

Date 9 February 1984

Dear Mr Barzilay,

On 4 February your columns carried a tendentious and hypocritical article ("Aiding Irish Against British") by the publicity director of the Irish Northern Aid Committee. Your readers might have welcomed a warning that Noraid were judged in 1981 by a US court to be an agent of the Provisional Irish Republican Army (PIRA) and that one of their founders has since admitted in open court to involvement in the financing of arms deals for Irish terrorists. So much for Mr. Galvin's brazen pretension that "not one penny has ever gone to armaments."

Noraid's claim to represent those who want peace and freedom for Ireland does not square with their active support for a terrorist group of the revolutionary left, which has inflicted untold suffering upon the people of Northern Ireland, the Republic of Ireland and Great Britain. The IRA was condemned yet again in January by Dr. Cahal Daly, Catholic Bishop of Down and Connor, who said: "I pronounce this (IRA) campaign to be morally wrong and unjustifiable."

How can there be excuses for terrorism, in Northern Ireland or elsewhere? Any excuses are an affront to the victims of terrorism, such as the families of those, including Americans, who were murdered or injured in the PIRA bombing at Harrods just before Christmas. Let those who sincerely want peace in Northern Ireland pledge themselves to renounce violence and deny support to those who perpetrate it. Surely that is not too much to ask?

Yours sincerely,

R. A. Burns

R.A. Burns

Aiding Irish Against British

By Martin Galvin

Why do patriotic Americans, particularly those of non-Irish ancestry and young Irish-Americans several generations removed from Ireland, support the Irish Northern Aid Committee and kindred organizations seeking to end British colonial rule in Ireland?

The answer is obvious to anyone whose concern is not exclusively confined to recent tragedies in London but also embraces the totality of human suffering within the framework of British rule in Ireland throughout the 14-year conflict.

British colonial rule is perpetuated by the British Army, Royal Ulster Constabulary and Ulster Defense Regiment. These occupation forces, numbering more than 30,000, saturate a region whose population totals 1.5 million. British forces and allied pro-British loyalist paramilitaries have callously murdered hundreds of innocent Irish civilians, most of them not even political activists. Illustrations abound. Martin Malone, age 17, was murdered point-blank by a Defense Regiment patrol for using an obscenity in response to a gunpoint query. Within two weeks, Thomas Reilly, age 23, was similarly murdered by a British trooper. An international tribunal is investigating 15 instances in the past year in which British forces, virtually acting as death squads, committed summary executions.

Murder is merely one element of a strategy of terror. British forces daily interrogate Irish men, women and children at gunpoint on Irish streets. These same forces have engaged in thousands upon thousands of gunpoint invasions of Irish homes. The targets of such encounters are often taunted by the British about the fate of such victims as Martin Malone or Thomas Reilly. Britain defines terrorism as the use of violence to instill fear for political purposes. In reality, the British Army, Royal Ulster Constabulary and Ulster Defense Regiment are terrorists, systematically inflicting violence to instill fear and submission to British rule.

Terrorism is coupled with the deliberate use of religious discrimination

in employment, housing and political patronage. The British bestow a privileged status upon one religious grouping in exchange for continued loyalism or support for British rule. The other religious grouping is held by British guns and bullets. Such tactics are the end result of Britain's decision to create an artificial polity based on sectarianism in Ireland.

Violence has little to do with monies collected in America. But it has everything to do with the arms and monies that are contributed to 30,000 uniformed British terrorists on Irish soil by British taxpayers. Indeed, given the degree and intensity of suffering inflicted upon Irish people by British Army terrorists, we can be thankful that the Irish Republican Army, has, with a few tragic exceptions, chosen not to emulate the British by striking at innocent civilians.

The Irish Northern Aid Committee — Americans who want peace and freedom for all the people of Ireland — recognizes that peace can come about only when colonial rule and religious discrimination are replaced by a free Irish nation guaranteeing religious liberty. Some funds are contributed to the needy dependents of Irish political prisoners through recognized Irish charities. The remainder is spent here to educate Americans about British rule. It is this program of publicity and education that has engendered Margaret Thatcher's wrath. Not one penny has ever gone to armaments, although Irish Northern Aid does morally support the Irish Republican Army's struggle against British Army terrorism.

We deeply regret the deaths at Harrods department store in London, just as we have regretted the murders of innocent Irish people by British and pro-British loyalists. We will not emulate Mrs. Thatcher, who exploits deaths that serve British propaganda while treating other equally tragic deaths with silent disdain. Indeed, the I.R.A., in giving a 40-minute warning to prevent civilian casualties, in accepting blame for an unpopular deed, in expressing deep regret, in affirming that this act was undertaken without authority of the I.R.A. leadership, whose policy remains not to attack innocent civilians, displayed a morality that separates the freedom-fighter from the terrorist.

Peace must come in the interests of all of the people of Ireland and England. Peace can be achieved only when British rule has been ended. While British Army terrorists occupy Irish soil, Americans will continue to aid those Irish forced to live under British colonial rule, through committees like Irish Northern Aid.

Martin Galvin is publicity director of the Irish Northern Aid Committee

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Two Irelands

There are two Irelands, and they meet uneasily each March on St. Patrick's Day. One is the dream country in the minds of many Irish-Americans like Thomas Gleason, just elected grand marshal of next month's parade. Put simply, theirs is a country cruelly wronged by centuries of British oppression, which continues to throttle Northern Ireland using police-state methods.

To Teddy Gleason, leader of the longshoremen's union, opposing British rule in the North is a sacred cause. In the words of the song, Ireland will be a nation once again only when partition is ended. In this dream Ireland, gunmen of the Irish Republican Army are not terrorists because their cause is just. They're "our lads," deserving sympathy even if, in desperation, they go too far.

The picture isn't that simple in the other Ireland, the real one, led by Prime Minister Garret FitzGerald, who will visit America just before St. Patrick's day. What is a matter of sentiment to many Irish-Americans is to Mr. FitzGerald a hard question of policy. He, like Senator Moynihan, Speaker O'Neill and other forthright Irish-American political figures, deals with realities that other Americans prefer to overlook.

One reality is the presence of 1.5 million Protestants in the North, the historic oppressors of 500,000 Catholics. These Orangemen are not newcomers; their ancestors arrived before there was a United States. And they want to remain British, claiming the same right of self-determination for their province that the I.R.A. claims for Ireland as a whole.

Mr. FitzGerald doesn't believe that the Orange North can be bludgeoned into submission. Along

with his predecessor, Charles Haughey, he is urgently searching for a formula that can unify two communities by consent under a new framework. But the I.R.A. not only undermines this effort; it aims at nothing less than the destruction of the present Irish republic.

Seen from afar, these militants may look like freedom fighters, deserving of Americans' financial help. Seen from Dublin, the I.R.A. is a minuscule band of zealots. Its aims are to create a proletarian dictatorship on Marxist-Leninist lines and to support "national liberation movements" elsewhere. None of this is secret; it is proclaimed daily in I.R.A. publications.

There's little room for these gritty facts in the dream Ireland. Or for the reality that the Irish Republic's internal security laws are every bit as strong — and in some respects harsher — than Britain's anti-terrorist laws in Northern Ireland. Small wonder then that Dublin's representatives stayed away from last year's St. Pat's parade, and that Cardinal Cooke refused to greet the grand marshal, Michael Flannery, an I.R.A. fund-raiser, chosen by the parade's organizers.

Teddy Gleason isn't Michael Flannery, and it deserves note that the candidate for marshal favored this year by pro-I.R.A. militants finished last in a three-way election. But the gap between the two Irelands remains. And so do some very real exports from the dream Ireland — of dollars and guns for political killers. You don't have to be Irish to wish that were only a dream.

Letters

Northern Ireland: In the Face of Violence

To the Editor:

I write as a Bishop of the Church of Ireland, who, while visiting New York, read Martin Galvin's Feb. 4 Op-Ed article, "Aiding Irish Against British." I have no wish to compete in propaganda with Mr. Galvin, who is publicity director of the Irish Northern Aid Committee, but I am bound to say that the picture he painted is a gross misrepresentation of the situation in Northern Ireland.

Perhaps I should explain that the Church of Ireland is a sister church of the Episcopal Church in the United States. Both are linked to the Anglican Communion but are free and independent bodies within their respective countries. My church covers the whole of Ireland; its headquarters are in Dublin, but the majority of its members live in the north of the country. Those members resident in the Republic of Ireland are loyal citizens of that country; those in Northern Ireland are loyal members of that constituent part of the United Kingdom.

The diocese I serve as Bishop of Clogher is a cross-border area with Counties Fermanagh and Tyrone in Northern Ireland and County Monaghan in the Republic of Ireland.

It is a source of great sorrow to me, as indeed it is to the great majority of people in my country, that so many have suffered and died during the past 14 years of violence. I see it as my task to build bridges of understanding and reconciliation within a society that has deep divisions based on different religious beliefs and associated political aspirations. While these divisions exist in communal terms, they do not prevent people in an area such as my own from living in good relationships at the level of neighbor to neighbor.

Mr. Galvin implies that only the Catholic and nationalist side of the community has suffered and that the police and security forces are oppressive toward the Roman Catholic and nationalist population. The reality is that organizations such as the "Irish

Republican Army" and the "Irish National Liberation Army" as well as the similar paramilitary groups on the Protestant/loyalist side have most to do with the continuing violence.

Any police force, any security force in any country would have to oppose groups with the political philosophy that power flows through the barrel of a gun or the explosion of a bomb and the accompanying "morality" that it is acceptable to rob, kidnap, extort and kill in order to obtain the finances for such violence. Is it not of some significance that a leading Irish Roman Catholic Bishop recently called the activities of such groups and their effect on young Roman Catholics the greatest moral threat his church has faced in Ireland in this century?

As to the perpetrators and victims of violence, it may help to give a fairer picture if I place alongside Mr. Galvin's presentation the experience of my own diocese.

Practically every one of my parishes in Northern Ireland has had at least one of its people killed by the I.R.A. Some of those murdered were members of the security forces, such as the police; others were civilians going about their daily work. In the same period, some members of the Roman Catholic/nationalist community have also been killed, though in this particular area the ratio is much higher among Protestants.

In a fundamental sense, that ratio is not important; grief is grief, killing is killing, whoever is the victim or the killer. Still, I consider it noteworthy, if only to put a balancing picture to that given by Mr. Galvin.

Another relevant factor is that in the cases in my diocese where Protestants/loyalists were killed, very few people have ever been brought to trial. In every case where a Roman Catholic/nationalist has been the victim, the persons responsible have been arrested, tried and convicted. Again, I find no pleasure in making this point, but it is the sort of fact totally absent from Mr. Galvin's article.

Like many other countries, we in Ireland, both north and south, have abnormalities and problems in social, economic and communal life. But in the face of so much terrorist violence over the past 14 years, it is remarkable that life remains as normal as it does. This says much for the spirit and character of the people, regardless of their particular religious or political commitments.

The way to offer help is by encouraging peaceful reconciliation and advance, not by encouraging lawless organizations that engage in terrorism, death and destruction.

(Right Rev.) GORDON MCMULLAN
New York, Feb. 8, 1984

PART 2 ends:-

MOD Mtg Record (Weinberger) 28.2.84

PART 3 begins:-

British Embassy, Washington to FCO 1.3.84

