

PART 2.

Confidential Filing.

Pm's visit to Washington and  
New York 25 - 28 February 1981.

(Pony)

USA.

Part 1: January 1981.

Part 2: March 1981.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>7-3-81</del>							
<del>10-3-81</del>							
<del>26-2-81</del>							
23-10-81							

PREM 19/1657



R H

23 October, 1981

In the Prime Minister's absence at the Mexico Summit, I am writing on her behalf to thank you for your letter of 20 October. I am sure she would want me to wish you every success in bidding for the order for the replacement of the floor tiling in the Capitol. I know the British Embassy will give you all the help you need.

W. F. S. RICKETT

D J Malkin, Esq





# H&R Johnson Tiles Ltd

PPS

The Right Hon. Margaret Thatcher M.P.,  
Prime Minister,  
10 Downing Street,  
LONDON W.1.

Your Ref:  
Our Ref: DJM/EH

Date: 20th October, 1981. R23/10

Dear *Prime Minister*,

Ceramic floor tiling - Capitol Building, Washington D.C.

You may recall your letter of the 4th February concerning the floor tiling at the Capitol, Washington, which was a great encouragement to us.

I am very pleased to tell you that this week we have heard that in spite of the current clamp down on spending by the government of the United States, funds have now been passed by Congress and approved by President Reagan to start the replacement of the floor tiling in the Capitol. I visited Washington again myself in March of this year in order to further our chances of obtaining this prestigious order. I received the greatest co-operation from the British Embassy.

I believe that this is a triumph for British expertise in a craft industry which has hardly changed in 150 years. However, in the mass production of ordinary wall and floor tiles this company will shortly lead the world in the latest methods of manufacture after an investment of over £4 million. It is of particular interest that this development in ceramic technology will contrast dramatically with the making of the tiles for both the Palace of Westminster and the Capitol Building.

Yours sincerely,

D. J. MALKIN





CONFIDENTIAL

afw  
ENG

jfh

File

USA

28 March 1981

Co-operation with the US on Fast  
Reactor Development

I am writing, somewhat belatedly, to confirm that, while the Prime Minister did not raise the question of Anglo/US collaboration on fast reactor development with President Reagan, she did raise the subject with the US Energy Secretary, Mr. Edwards, during her visit to Washington. The exchange was of a very general kind but Mr. Edwards made it clear that he was enthusiastic about the idea of such collaboration. The Prime Minister did not make any specific agreement with Mr. Edwards about follow up.

I am sending copies of this letter to Francis Richards (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

MODB ALEXANDER

Julian West, Esq.,  
Department of Energy.

KA



**British Aerospace**  
PUBLIC LIMITED COMPANY

Brooklands Road  
Weybridge  
Surrey KT13 0SJ

USA

*From the Chairman,*  
SIR AUSTIN PEARCE, CBE

Telephone: Weybridge (0932) 45522  
Telegrams: Britair Weybridge  
Telex: 27111

Mr. Clive Whitmore,  
Principal Private Secretary,  
10 Downing Street,  
London, S.W.1.

*AW*  
*11/iii*

10th March, 1981.

*Dear Mr Whitmore,*

Thank you for your letter of the 4th March on the subject of the Prime Minister's visit to Washington. Your letter was extremely helpful to us and now it is up to us to make sure we take advantage of the openings which have been created.

Yours sincerely,

*Austin Pearce*



11 MAR 1987





MFJ

USA

Copied to

Jordan: Internal Situation: Dec 1979.

Egypt: Anglo/Egyptian Relations: Nov 1980

9 March 1981

Messages to President Sadat  
and King Hussein

The Prime Minister has seen your letter to me of 6 March and has agreed that the draft messages enclosed with it may be despatched.

MODBA

F.J. Richards, Esq.,  
Foreign and Commonwealth Office

VUB



CONFIDENTIAL

Copied to:

Jordan: Internal Situation: Dec 1977.

Egypt: Anglo/Egyptian Relations

Foreign and Commonwealth Office

: Nov 1980



London SW1A 2AH

*A speed  
not*

6 March 1981

(1)

Prime Minister

Dear Michael, *OK*

All this seems uncontroversial:  
I think "briefing" messages of this kind ~~can~~ go  
better from the FCS than from you except where allies  
are concerned. You can reserve you file for substantive  
messages.

Messages to President Sadat and King Hussein

When the Egyptian Ambassador called on Lord Carrington last month, he said that President Sadat would find it useful to be briefed on the Prime Minister's and Secretary of State's visit to Washington; Lord Carrington undertook to see that this was done. HM Ambassador in Amman has also recommended that a message on the Washington talks be sent to King Hussein.

2. Agree texts  
can issue.

*Amn*

I attach the texts of messages which, if you see no objection, Lord Carrington has it in mind to send to President Sadat and King Hussein.

*Yours ever,*

(F N Richards)  
Private Secretary

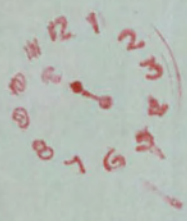
*Francis Richards*

M O'D B Alexander Esq  
10 Downing St

CONFIDENTIAL



-6 MAR 1981



THE STATE OF CALIFORNIA  
OFFICE OF THE ATTORNEY GENERAL



OUT TELEGRAM

Classification and Caveats  
CONFIDENTIAL

Precedence/Deskby  
IMMEDIATE

ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	CONFIDENTIAL
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO            Z MARCH 81
PRE/ADD	7	TO IMMEDIATE CAIRO
TEL NO	8	TELEGRAM NUMBER
	9	YOUR TELNO 153 of 3 MARCH
	10	1.     MIFT contains personal message from me to Sadat giving
	11	account of the visit by the Prime Minister and myself to
	12	Washington.
	13	2.     The Prime Minister has agreed that President Sadat should
	14	be invited to visit Britain <u>as a guest of the government</u> if
	15	suitable dates can be found. It would only be possible for the
	16	<u>Prime Minister to participate</u> in a programme for President
	17	Sadat on <u>24-25 June</u> .
	18	3.     Please now seek an audience with President Sadat to hand
	19	over my message and extend the invitation from the Prime
	20	Minister. We hope that President Sadat will be able to come on
	21	the above dates.
///	22	4.     We understand from the IISS that he had accepted their
//	23	invitation to deliver a lecture in London and proposed July, but
/	24	sent a later message cancelling this because of Ramadan. We
	25	have told the IISS of our plans to invite Sadat for June. IISS

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File number		Dept S/S Office		Distribution Limited NENAD MED PCD Defence Dept PS PS/LPS	
Drafted by (Block capitals) F N Richards				Copies to: PS/Mr Hurd PS/PUS Sir J Graham Mr J C Moberly Sir A Acland Mr P Moberly Mr Bullard	
Telephone number 233 4831					
Authorised for despatch					
Comcen reference		Time of despatch			



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 have asked that we should not mention their dealings, which  
 were through Ghorbal, to the London Embassy or MFA.  
 5. We would hope that President Sadat could spend at least  
 two nights in London. A programme would include talks with the  
 Prime Minister and myself. We hope to be able to arrange for  
 Sadat to be received by the Queen. It would be useful in due  
 course to know if Sadat has any ideas of his own on what he  
 might do in London.

CARRINGTON  
 NNNN

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# OUT TELEGRAM

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GRS	2	GRS
CLASS	3	CONFIDENTIAL
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO            MARCH 81
PRE/ADD	7	TO IMMEDIATE AMMAN
TEL NO	8	TELEGRAM NUMBER
	9	YOUR TELNO 78: VISIT TO WASHINGTON
	10	1. Please deliver the following message from myself to King
	11	Hussein:
	12	Begins. Ian Gilmour told me after he saw you last month
	13	of your interest in the visit which the Prime Minister and I
	14	have just made to Washington. You may therefore welcome this
	15	brief note of my personal impressions.
	16	The visit went very well. The Prime Minister of course
	17	knows President Reagan well, and I was able to renew my
	18	acquaintance with Mr Haig. This helped us get some useful work
	19	done with the minimum of formalities. Indeed the problem was
	20	that there was simply not enough time to cover everything we
	21	wanted.
///	22	The chief preoccupation of the new administration is that
//	23	of East/West relations and I think we can expect a tougher but
/	24	very rational approach to their dealings with the Soviet Union.
	25	In our talks on the Middle East we explained the EC's

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Telephone number 233 4831		
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2 objectives which Mr Haig understood. I think we must accept  
3 that there are some essential elements to a solution which under  
4 present circumstances present the new Administration with  
5 political difficulties, for example on the position of the PLO  
6 and Palestinian self-determination. We made clear that the Ten  
7 will press on with their efforts to contribute to peace, but  
8 that no major move is likely to be possible before the Israeli  
9 elections. We were agreed on the importance of the US and Eur-  
10 ope working together towards the common objective of a  
11 comprehensive peace.  
12 Mr Haig clearly wishes to take his time before deciding  
13 how the peace process can best be taken forward. I was  
14 encouraged to find that he has an open mind about this. I know  
15 he regards his forthcoming visit to the area as the most  
16 valuable opportunity to see the problems for himself and listen  
17 to the views of those concerned at first hand.  
18 The President discussed with President Reagan the  
19 stability and security of the Gulf and South-West Asia following  
20 the Soviet invasion of Afghanistan. They both share the  
21 determination to do all that is possible to prevent Soviet  
22 encroachment in this region. We continue to believe that the  
23 states which face Soviet expansion should themselves take a  
24 lead. For this reason we welcome the recent agreement by six  
25 Gulf states to enhance their cooperation. We believe that we  
26 and other Western countries should continue to consult closely  
27 with the Gulf states about our common interest in preserving the  
28 stability and security of the region and that we should take  
29 careful account of their views before any policy decisions are  
30 taken.  
31 As for a rapid deployment force, this was, as you know,  
32 originally the idea of the previous US Administration. The  
33 Americans have been considering it since then. There is still a  
34 great deal of consultation and discussion to be done. As

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NNNN ends telegram	BLANK	Catchword Mrs Thatcher
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Mrs Thatcher has made clear, we are not seeking to connect a rapid deployment force with any particular area outside NATO, although in view of the Russians' occupation of Afghanistan, their strong presence in Aden and their interest in the Gulf it is only natural that we should keep the Gulf in the forefront of our thoughts. Since the outbreak of the Gulf war in October we have had a number of vessels in the area, though not in the Gulf itself, and we have made clear that if a rapid deployment force were to be created, the United Kingdom would in principle be ready to contribute to it. There is no question of the permanent stationing of British troops in the Gulf area. Although we have recommended that members of NATO should individually recognise the global nature of the Soviet challenge, we have no intention of trying to extend the commitment of NATO itself outside the NATO area. The Prime Minister looks forward to discussing all these matters during her visit to the Gulf in April.

I was delighted to hear that you are coming to London again in April. I look forward to seeing you then. Ends.

2. In speaking to King Hussein yourself, you may of course draw at your discretion upon the reports available to you, in particular Washington telnos: 707, 719, and 721.

CARRINGTON

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OUT TELEGRAM

Classification and Caveats  
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 FM FCO            Z MARCH 81

TO IMMEDIATE CAIRO  
 TELEGRAM NUMBER

MIPT  
 MESSAGE TO PRESIDENT SADAT

1. I thought you might find it useful to have my personal impressions of the visit the Prime Minister and I made last week to Washington.

2. The visit went very well. The open and friendly approach of President Reagan and his colleagues made it possible for us to have very useful talks with the minimum of formalities. Indeed the problem was that there was just not sufficient time to cover everything we wanted.

3. It is clear that the new Administration will be paying a great deal of attention to East/West relations in their broadest sense: I think we can expect them to adopt a robust but very rational approach to their dealings with the Soviet Union. In our detailed talks with President Reagan and with General Haig we exchanged views on these matters and in particular on Brezhnev's speech to the Soviet Party Congress. I agreed with

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NNNN ends telegram	BLANK	Catchword Mr Haig
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Comcen reference	Time of despatch	



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2 Mr Haig that the speech had been a well-timed and sophisticated  
3 manoeuvre but that despite a number of unacceptable elements, it  
4 pointed to a genuine Soviet wish to continue a dialogue which  
5 needed to be explored. The Americans believe that the strong  
6 language used earlier by their new Administration contributed to  
7 this Soviet reaction. They do not intend, however, to be rushed  
8 into an early summit meeting which would need careful prepara-  
9 tion. We agreed that progress on arms control would be a  
10 necessary complement to defence and deterrence.  
11 4. On El Salvador, the Americans expressed their concern about  
12 the developing conflict and made clear their opposition to the  
13 support which the guerrilla movement is securing from external  
14 sources. We indicated that we shared the American view of  
15 outside interference in the internal affairs of El Salvador. We  
16 explained that we condemned violence from any quarter and  
17 considered that the people of El Salvador should be able to  
18 determine their future peacefully and democratically.  
19 5. In our talks on the Middle East we explained that the  
20 European initiative was intended to complement not to compete  
21 with the Camp David process. I think we had some success in  
22 reassuring the Administration on this point, although they  
23 have reservations about our position on the PLO and Palestinian  
24 self-determination. We made clear that the Ten will continue  
25 their efforts to contribute to peace but that no major move is  
26 likely before the Israeli elections. We were agreed on the  
27 importance of the US and Europe working together towards the  
28 common objective of comprehensive peace. Mr Haig clearly  
29 wishes to take his time before deciding how the peace process can  
30 best be taken forward. I was encouraged to find that he has an  
31 open mind about this. I know he regards his forthcoming visit  
32 to the Middle East as a most valuable opportunity to see the  
33 area and its problems for himself and listen to the views of  
34 those most concerned at first hand.

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6. The Prime Minister discussed with President Reagan the stability and security of the Gulf and South-West Asia following the Soviet invasion of Afghanistan. They both share the determination to do all that is possible to prevent Soviet encroachment in this region. We continue to believe that the states which face Soviet expansion should themselves take a lead. For this reason we welcome the recent agreement by six Gulf states to enhance their cooperation. We believe that we and other Western countries should continue to consult closely with the Gulf states about our common interest in preserving the stability and security of the region and that we should take careful account of their views before any policy decisions are taken.

15

7. As for a rapid deployment force, this was, as you know, originally the idea of the previous US Administration. The Americans have been considering it since then. There is still a great deal of consultation and discussion to be done. As Mrs Thatcher has made clear, we are not seeking to connect a rapid deployment force with any particular area outside NATO, although in view of the Russians' occupation of Afghanistan, their strong presence in Aden and their interest in the Gulf it is only natural that we should keep the Gulf in the forefront of our thoughts. Since the outbreak of the Gulf war in October we have had a number of vessels in the area, though not in the Gulf itself, and we have made clear that if a rapid deployment force were to be created, the United Kingdom would in principle be ready to contribute to it. There is no question of the permanent stationing of British troops in the Gulf area.

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Although we have recommended that members of NATO should individually recognise the global nature of the Soviet challenge, we have no intention of trying to extend the commitment of NATO itself outside the NATO area. The Prime Minister looks forward to discussing all these matters during her visit to the Gulf in

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Catchword

April.



OUT TELEGRAM (CONT)

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April.

8. Our Ambassador will be passing on to you Mrs Thatcher's invitation for you to spend a few days in London as a guest of the Government. There are a number of important issues on which it would be most useful for us to have talks with you and it would also give us great pleasure to be able to repay the hospitality you have offered myself and other members of the government recently. I very much hope that you will be able to accept the Prime Minister's invitation.

CARRINGTON

NNNN

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NNNN ends telegram

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Catchword



10. R.

CF  
to keep?

Ans -

① M. Alexander!  
② file

cf 9/13

PRIME MINISTER

1. Hugh Thomas wonders whether he could come and have a chat with you about your visit to the States? *Yes*

2. Would you like him to organise another gathering of experts to come to Chequers? He would try and produce a younger and more lively group. *Not yet!*

*cf. not*

① Arranged for Tuesday 17<sup>th</sup> March at 9.30.

5 March, 1981.





Mr. Alexander. Selw

10 DOWNING STREET

*From the Press Secretary*

5 March, 1981

*Jim Kent,*

The Prime Minister has asked me to add her thanks to my own to you and your people, including Jonathan Davidson, for all their help during the quite remarkably intense visit of the Prime Minister to Washington.

You are, of course, going to let me have an assessment of the media reaction and the Prime Minister's impact when you have had a chance to assess it. All I can say here back home is that we got an enormous amount of coverage, especially on television, which was on the whole impressive and helpful.

I am indebted to you and your colleagues for all the help they gave me and the support they provided for the Prime Minister and I do not think you should take too seriously little bits of criticism that have been appearing in the papers here. The truth is that this was not a newsy visit and that the journalists had to make their own way in the story world. That always puts them on edge. It always makes life seem more difficult than it really is. And in my experience it always causes complaints.

I spoke last evening to Ian Aitken of the Guardian, who has covered more Prime Ministerial visits than I have had hot dinners, and he was very relaxed in retrospect. He said that all visits are conducted at a certain level of nervous tension and there was nothing unremarkable about this one.

I conclude from all this that, given the lack of hard, nuggety news, I think we did rather well.

Many thanks to you all.

*John Ingham*  
*B. Ingham*

B. INGHAM

Peter Hall, Esq.





26

10 DOWNING STREET

From the Private Secretary

5 March, 1981.

Dear Rodric,

Prime Minister's Visit to Washington

I enclose summary records of the talks which the Prime Minister had on Capitol Hill last Thursday. 26/2/81

I am sending copies of this letter and its attachments to Brian Norbury (Ministry of Defence), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

R.M.J. Lyne, Esq.,  
Foreign and Commonwealth Office.

MPW



## Cabinet / Cabinet Committee Document

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

Reference: CC(81) 9th Conclusions, Minute 2

Date: 5 March 1981

Signed Wayland Date 29 May 2014

**PREM Records Team**





Subject filed on Econ Pol:  
LE 7: Domestic Monetary  
Policy.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 5 March 1981

Tim Lankester Esq  
Private Secretary  
Prime Minister's Office  
No.10 Downing Street  
LONDON SW1

Dear Tim, R 73

SECRETARY REGAN'S REMARKS TO THE CONGRESSIONAL COMMITTEE

The Chancellor asked me to send you a copy of a letter which Sir Kenneth Couzens has written to Mr Beryl Sprinkel about the remarks Secretary Regan made to a congressional committee on 27 February.

I am copying to Roderick Lynde in the Foreign Office.

Yours ever,

P S

P S JENKINS  
Private Secretary





H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000  
Direct Dialling 01-233 - 4225

Sir Kenneth Couzens KCB  
Second Permanent Secretary  
Overseas Finance

3 March 1981

PERSONAL

Mr Beryl Sprinkel  
Under Secretary Designate,  
Monetary Affairs  
US Treasury  
15th Street NW  
WASHINGTON DC 20020

*Dear Beryl*

You may have heard that what Secretary Regan said to a Congressional Committee about Mrs Thatcher's economic policy on 27 February probably received more publicity in the UK than it did in the United States. It was reported prominently in the Financial Times and the Times, and on the radio.

*Tel. attached*

2. The only transcript I have so far received comes from the British Broadcasting Corporation. If this transcript (attached) is correct, I am afraid that the Committee heard one or two mistakes of fact. Since, as has been repeatedly said during Mrs Thatcher's visit to the United States, the main thrust of the economic policies of our two governments is so similar, it would be a pity if either side misunderstood what the other was doing or trying to do, or were misinformed about the environment in which the attempt was being made. So I hope you will forgive me if, with the Chancellor's agreement, I send you one or two corrections.

3. First, the proportion of the working population in Britain which, on the widest possible stretch of the term, could be regarded as working for government is 30%, not 60%. This includes everybody working for any kind of local authority and the employees of all state-owned industries and of the National Health Service. The great majority of them are not working for the Government, though they are in the public sector.

4. Secondly, Mrs Thatcher's Government reduced the top rate of tax on earned income from 83% to 60% and on investment income from 98% to 75%. They did this in their first budget a few weeks after taking office. They also raised substantially the levels of income at which these maximum rates were reached.



5. Thirdly, they did not try to control the foreign exchange markets. The reverse is true. They completely abolished all exchange controls after 40 years in the autumn of 1979 and they have permitted the exchange rate to be determined strictly by market forces. They did not join the exchange rate arrangements of the European Monetary System. So it is hard to say that "their efforts to control the foreign exchange markets were unsuccessful". As believers in market forces, they didn't make any.

6. Fourthly, "they ruined their export trade" is a bit of an overstatement. British exports had to be achieved in a harsher environment. But the volume of British exports rose 1.75% in 1980 over 1979 and their dollar value increased by 27½%. For comparison, the value increase of Japanese exports in the same period was 25% and of US exports 22½%. And value is what pays the import bill and looks after the current account.

7. Fifthly, the story about the high pay increases (so-called Clegg increases, after the Committee which recommended them) in the public services in 1979 needs correction. Mrs Thatcher decided she must honour the pledge of the preceding Government on these increases, though she would certainly say they were excessive and damaging, especially in 1980. It is incorrect to say that the workers who received these "catching up" increases were not highly unionised. They were in fact all completely unionised and negotiated on a national basis.

8. As you know, everyone in Government in Britain greatly hopes that the programme of your Government will succeed. It is in the interests of the whole Western world that it should and Mrs Thatcher has already applauded the principles on which that programme is constructed. We all recognise that in our parallel efforts we are coping with disadvantages you do not have: a higher rate of inflation to begin with; a much bigger public sector, with several major nationalised industries; much more unionisation, especially in the public sector; a much weaker economy at a lower level of productivity; and the need to make a start with the programme at the onset of a major oil price increase and recession instead of after the worst had passed.

9. So there are good structural reasons why the struggle ought to be easier for you than it is for us. But it is unhelpful, and also unrealistic to suggest that we have failed because of policy mistakes whereas you won't because you won't make any. Our Government does not accept that it has failed, as you will have gathered from Mrs Thatcher. We have after all reduced our rate of inflation faster in 1980 than any other major country. Anyway, as our Chancellor remarked, Finance Ministers have to stick together. They don't have many other friends when the going gets rough!

10. We much look forward to seeing Secretary Regan and yourself in London on 12 April - if not sooner.

My best regards. Yours sincerely

Ken Couzens

K E COUZENS



DONALD REGAN'S CRITICISM OF MRS THATCHER'S ECONOMIC POLICY

Transcript from BBC Radio 4, Today, 27 February 1981

PROGRAMME PRESENTER: .... He was giving evidence to a Congressional Committee and was asked what mistakes the British Government had made in the economic sphere. Well he took a deep breath because he had an awful lot to say about this:

REGAN: ..... nonetheless, when Mrs Thatcher and her Party came into power practically 60% of the population in Gt Britain in one form or another was working for the Government. Luckily we don't have that in this country; And at the same time Mrs Thatcher was faced with a rate of inflation that was even greater than we have today. She also admits that the tax cuts that she proposed were not nearly as great as perhaps they should have been. You will recall that in the so called unearned income area her suggestion was from 93% down to about 80%, and in the earned area from 83% to 63%. But having done that they then raised the value added tax, VAT, there wasn't that much incentive therefore in her tax cuts in order to get her economy really started again. One other feature that happened at that time; they tried to control the foreign exchange markets. Their efforts were not successful. As a result, what happened brought the £ really up in value. So high in fact that they ruined their export trade. Therefore the programme that she had designed did not produce the stimulative effect that she wanted. Now right after that there were a large number of workers who were not highly unionised, who had not had pay increases to the equivalent of what some of the highly unionised areas of the country had. She gave pay increases in the neighbourhood of 22 to 28% within the first year of being in Government. This had to have an explosive inflationary effect. Now contrast that with what we're trying to do. What we're trying to do here is to give incentive tax cuts right across the board and to bring down, over a 3 year period, unearned income to the 50% range. At the time we're doing this this has a great impact on our capital/<sup>gains</sup>situation, it gives greater incentive



save, to invest. We are also really deeply into budget cuts. And  
the Budget cuts are going to really get federal spending, fiscal  
responsibility if you will, where we want it. Accompanying that we  
have monetary reform. Now in England they did not get the M3 under  
control. M3 over there continued to grow at a rate of 12 to 15%.  
Our money is going to stay under control. The deficits that we're  
projecting for '82 and '83 will be financed more out of private  
savings than out of printing of money or monetising our debts. We  
think that our programme is much more sensible, much more comprehensive,  
and with a greater degree of chance of success than the British  
experience.



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TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 360 OF 27 FEBRUARY

NO DISTRIBUTION

FOR WHITMORE, PRIME MINISTER'S PARTY, FROM LANKESTER, 10 DOWNING STREET

1. THE FT FRONT PAGE STORY ABOUT REGAN CRITICISM IS BRIEFLY REFERRED TO IN THE COI SUMMARY. THE FULL STORY ON THIS IS AS FOLLOWS (THOUGH I AM NOT SENDING THE FINAL PART OF IT WHICH REFERS EXCLUSIVELY TO EL SALVADOR AND EAST WEST MATTERS):

THE PREDICTABLE HARMONY OF MRS THATCHER'S OFFICIAL VISIT TO THE U.S. WAS RUDELY INTERRUPTED YESTERDAY WHEN MR. DONALD REGAN THE U.S. SECRETARY OF THE TREASURY, TOLD CONGRESS IN BLUNT TERMS THAT HER ECONOMIC POLICIES HAD BEEN FAR FROM SUCCESSFUL. BEFORE EXCUSING HIMSELF TO GO AND HAVE LUNCH WITH THE BRITISH PRIME MINISTER, HE TOLD A CONGRESSIONAL COMMITTEE THAT MRS. THATCHER HAD FAILED TO GET THE MONEY SUPPLY UNDER CONTROL, HAD NOT CUT TAXES AS PROMISED AND WAS STILL POURING OUT TOO MUCH GOVERNMENT MONEY TO INDUSTRY.

MR. REGAN'S RESERVATIONS ABOUT MRS THATCHER'S POLICIES ARE SHARED BY MANY AMERICAN CONSERVATIVES WHO ARGUE THAT PRESIDENT REAGAN IS NOT ABOUT TO COMMIT THE SAME MISTAKES.

BUT THE TIMING OF HIS REMARKS AND THE FACT THAT HE MINCED FEW WORDS SEEM LIKELY TO OFFEND AGAINST THE DIPLOMATIC NICETIES WHICH NORMALLY PREVAIL DURING AN OFFICIAL VISIT.

"HER TAX CUTS WERE NOT AS GREAT AS THEY SHOULD HAVE BEEN AND THEY RAISED THE VALUE-ADDED TAX SO THAT THE GOVERNMENT IS STILL TAKING 70 PER CENT OF THE INCOME OF THOSE IN HIGHER TAX BRACKETS. THAT PROVIDES LITTLE INCENTIVE TO GET THE ECONOMY STARTED AGAIN".

"SHE FAILED IN THE EFFORT TO CONTROL THE FOREIGN EXCHANGE MARKET AND THE POUND IS SO HIGH IN VALUE THAT IT RUINED THEIR EXPORT TRADE".

HE ADDED THAT MRS. THATCHER HAD, EVEN IF INADVERTENTLY, INDUCED AN "EXPLOSIVE INFLATIONARY SURGE" BY ALLOWING EXCESSIVE PAY INCREASES TO GOVERNMENT EMPLOYEES.

FAILURE TO CONTROL THE MONEY SUPPLY, HE ARGUED, HAD NEGATED SUCH EXPENDITURE CUTS AS HAD BEEN MADE.

"ON THE ONE HAND THEY'VE DONE ONE THING, BUT ON THE OTHER HAND THEY'RE COUNTERVAILING IT".

LATER, SEVERAL U.S. OFFICIALS TRIED TO TAKE THE STING OUT OF MR. REGAN'S REMARKS. THE THRUST OF THEIR MESSAGE WAS THAT MRS. THATCHER HAD NOT FAILED IN HER POLICIES - ONE OFFICIAL SAID SHE HAD BEEN ENGAGED IN "A HEROIC AND TRULY NECESSARY EFFORT" - BUT THAT THE ECONOMIC AND POLITICAL DIFFERENCES BETWEEN THE TWO COUNTRIES MADE COMPARISONS ILL ADVISED.

THE OFFICIALS LISTED THE LARGE BRITISH PUBLIC SECTOR, THE INEFFICIENCY OF STATE INDUSTRIES, THE SUSCEPTIBILITY OF THE UK ECONOMY TO FOREIGN INFLUENCES AND ITS ENTRENCHED WELFARE STATE AS EXAMPLES OF THIS.

NO IMMEDIATE REACTION WAS AVAILABLE FROM THE BRITISH PARTY, WHICH OTHERWISE WAS BASKING IN THE WARMTH OF THE WELCOME PROVIDED BY PRESIDENT REAGAN YESTERDAY MORNING.

AT AN EVENING PRESS CONFERENCE, MRS. THATCHER MADE NO DIRECT REFERENCE TO MR. REGAN'S REMARKS, BUT SAID SHE THOUGHT THE U.S. ECONOMIC PROGRAMME WAS FORTUNATE IN BEING LAUNCHED AS THE WORLD WAS COMING OUT OF RECESSION, WHICH WAS NOT THE CASE FOR THE UK IN 1979/80. SHE SAID THAT THE ECONOMIC FACTS OF LIFE HAD PREVENTED HER CUTTING SPENDING AND TAXES AS MUCH AS SHE WOULD HAVE LIKED.

CARRINGTON



covering

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*File A4*



10 DOWNING STREET

*From the Principal Private Secretary*

4 March 1981

*Dear Brian,*

PRIME MINISTER'S VISIT TO THE UNITED STATES : AV8B AND HAWK

I attach a copy of a letter from Sir Austin Pearce of British Aerospace about AV8B and Hawk and of my reply.

I am sending you copies of this correspondence particularly with Mr Nott's forthcoming visit to Washington in mind. As you will see, I have referred to it in my letter to Sir Austin Pearce.

*Yours sincerely,*

*John White*

Brian Norbury Esq.,  
Ministry of Defence.

*n*

*AA*



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cc mod

File AW

10 DOWNING STREET

From the Principal Private Secretary

4 March 1981

Dear Sir Austin,

The Prime Minister has asked me to thank you for your letter of 16 February 1981 with which you sent briefing papers on the Harrier/AV8B and the Hawk programmes. She was glad to have these as part of her briefing for her recent visit to the United States.

While the Prime Minister was in Washington, she took every opportunity to encourage the Americans to buy British defence equipment. As she reported in her statement of 2 March to the House of Commons, she and the US Defense Secretary agreed that there should be better balance in defence purchases between this country and in the United States. Mr Weinberger told her that the Department of Defense were seeking the approval of Congress for financial provision in FY 1982 for the development and production of the AV8B. In her discussions with Mr Weinberger the Prime Minister emphasised the excellent qualities of the Hawk trainer aircraft and the Defense Secretary took note of what she said.

As I am sure you know, Mr Nott is hoping to visit the United States in the next two or three weeks for talks with Mr Weinberger and other US officials, and I am sure he will be following up the Prime Minister's efforts to persuade the Americans to buy more British defence equipment.

Yours sincerely,

Alwi Whitman.

Sir Austin Pearce CBE

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Foreign and Commonwealth Office

London SW1A 2AH

3 March 1981

*Spoken to FLO.  
Drafts commissioned*

*h. Ants 3/13*

*Dear Michael*

The Prime Minister's Visit to Washington

Since the Prime Minister telephoned Chancellor Schmidt and sent a message to President Giscard before her visit to Washington, Lord Carrington thinks that she may wish to consider sending a brief message to both on her return to round off this event. Such a message could high-light matters of interest to all three countries, and give some indication of American thinking on these issues.

If the Prime Minister agrees, Lord Carrington would be happy to commission a draft.

*7-11  
G G H*

(G G H Walden)

M O'D B Alexander Esq  
10 Downing Street

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10 DOWNING STREET

*From the Private Secretary*

3 March 1981

*Kean Po-Serie,*

Meeting with Dr. Waldheim

I enclose the record of the Prime Minister's discussion with the Secretary General of the United Nations, Dr. Kurt Waldheim, in New York on Saturday 28 February.

*Yours ever*

*Richard Alexander.*

Roderic Lyne, Esq.,  
Foreign and Commonwealth Office.



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for  
Mr

Prime Minister

Mr

PS/PUS

Secretary of State's Private  
Meetings with Mr Haig

26 & 27<sup>th</sup> - /  
February 1981.

The Secretary of State had two private sessions with Mr Haig. I attach notes on each.

I should be grateful if they could be treated with the necessary discretion.

nd

J. S. Walden

(G G H Walden)

2 March 1981

- cc: Chief Clerk
- Sir A Acland
- Sir J Graham
- Mr Bullard
- The Lord Bridges
- Mr Day

M O'D B Alexander Esq  
No. 10

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10 DOWNING STREET

From the Private Secretary

2 March 1981

Proposed acquisition by Enserch  
Corporation of Davy International

Thank you for your letter of 24 February on this subject and for the enclosed brief. So far as I am aware the matter was not mentioned during the Prime Minister's visit.

I am sending copies of this letter to Francis Richard (Foreign and Commonwealth Office), Ian Ellison (Department of Industry), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Stuart Hampson, Esq.,  
Department of Trade.

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~~CC Sir Frank Cooper's AMU~~

28



10 DOWNING STREET

From the Private Secretary

2 March 1981

Meeting with Mr. Weinberger

I enclose a record of the Prime Minister's meeting with the American Defense Secretary, Mr. Weinberger at the Pentagon on Friday 27 February.

I am sending copies of this letter and its enclosure to Francis Richard (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Brian Norbury, Esq.,  
Ministry of Defence.

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5



See Hansard, 2 March 1981, cols 19 & 20

STATEMENT

X

I visited the United States from 25 to 28 February, accompanied by my noble Friend the Foreign and Commonwealth Secretary. I had talks in Washington with President Reagan, Vice-President Bush, Secretary of State Haig, Defense Secretary Weinberger and other members of the President's Cabinet. I also met members of both Houses of Congress. In New York I had a meeting with the Secretary General of the United Nations.

The reception given to us in Washington was warm and generous, testifying to the health of the Anglo/American relationship and also to the excellent understanding which President Reagan and I had established even before either of us assumed our present responsibilities.

My talks with President Reagan and members of his Cabinet covered all the most important aspects of the international scene. The discussions were particularly timely since the new Administration are still formulating their policy on many of the issues raised. At this early stage in the new Administration's period in office there was, of course, no question of new commitments being entered into by either side.

We exchanged views on East/West relations as a whole and in particular on the speech which President Brezhnev delivered a week ago. We agreed that it contains, besides much that is unacceptable for ~~either~~ <sup>both</sup> Britain ~~or~~ America, certain points which need to be explained and explored. This applies, for instance,

/to



to President Brezhnev's remarks about arms control, which both President Reagan and I see as a necessary complement to defence and deterrence.

On the Middle East, I explained the objectives of the European <sup>initiative</sup> ~~activity~~ stemming from the Venice Declaration of last June. I pointed out that this activity was intended not to compete with American efforts but to complement them.

On Southern Africa, we agreed to keep closely in touch, especially in relation to Namibia - a problem to which the United Nations is increasingly turning its attention.

/On El Salvador



On El Salvador, the Americans expressed their concern about the developing conflict and in particular made clear their opposition to the support which the guerilla movement is receiving from external sources. My noble Friend and I indicated that the British Government shared the American view of outside interference in the internal affairs of El Salvador. We explained that we condemned violence from whatever quarter it came and that we consider<sup>ed</sup> that the people of El Salvador should be able to determine their own future peacefully and democratically.

The President and I discussed the threat posed to the stability and security of the Gulf and South West Asia following the Soviet invasion of Afghanistan. I said that Britain shared the determination of the United States, and of our other Allies, to prevent Soviet encroachment in this region. We discussed the possible creation of a Rapid Deployment Force which would be available for use, if necessary, in an emergency in this or other areas of the world. I made it clear that if such a force was created, the United Kingdom would be ready to contribute to it, in the same way as, in conjunction with the United States and France, we have already stationed naval units in the Gulf in response to the situation arising from the Iran/Iraq war.

/In my discussion



In my discussion with Defense Secretary Weinberger, I pointed out that this year and last the United Kingdom had increased its defence spending in accordance with the NATO target. The Defense Secretary and I agreed that there should be better balance in defence purchases between this country and the United States. The US Administration is, for instance, now recommending to Congress the procurement by their armed forces of the AV8B aircraft, the JP233 airfield denial system and other British designed weapons systems.

On all these matters President Reagan and the members of his Cabinet whom I met expressed their intention of consulting even more closely and frequently than in the past not only with Britain but also with America's other allies. Indeed this is already happening. I naturally welcome the American intention, and I hope that my own visit will have contributed to deepening the understanding on which such consultation must always be based.



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*Amis*

VISIT OF THE PRIME MINISTER AND LORD CARRINGTON TO THE U S A :  
25 - 28 FEBRUARY 1981.

1. PRESIDENT REAGAN, IN REPLY TO THE PRIME MINISTER'S SPEECH AT THE DINNER SHE GAVE IN HIS HONOUR, SAID THAT MRS THATCHER HAD GIVEN HIM A HARD ACT TO FOLLOW. THE PRIME MINISTER'S VISIT TO WASHINGTON 15 MONTHS AGO WAS ITSELF A HARD ACT FOR HER TO FOLLOW. THE NEED OF THAT ADMINISTRATION FOR SYMPATHY AND SUPPORT OVER THE TRAUMA OF IRAN AND THE INTENSE AMERICAN INTEREST IN OUR DOMESTIC ECONOMIC POLICIES AS THEY BEGAN TO BITE, GAVE THE PRIME MINISTER'S FIRST VISIT A SPECIAL FLAVOUR. NOW, AS THE NEW REPUBLICAN ADMINISTRATION FACES UP TO ITS ECONOMIC PROBLEMS, THERE HAS BEEN CLOSER SCRUTINY OF THE BRITISH EXPERIENCE.

2. IN THESE CIRCUMSTANCES PRESIDENT REAGAN LOOKED TO THE PRIME MINISTER'S VISIT AS THAT OF A LEADER WHO HAD A SIMILAR APPROACH TO INTERNATIONAL ISSUES AND ECONOMIC POLICY. IT WAS NO ACCIDENT THAT THE PRIME MINISTER WAS THE FIRST WESTERN LEADER TO VISIT THE NEW PRESIDENT. AS LONG AGO AS THE REPUBLICAN CONVENTION IN JULY OF LAST YEAR, MR REAGAN'S TEAM MADE IT CLEAR TO US THAT, IF HE WAS ELECTED, HE HOPED THAT THE PRIME MINISTER WOULD BE ONE OF HIS FIRST VISITORS AND THAT WISH WAS REAFFIRMED AS SOON AS HE WAS ELECTED. THE VISIT THUS CARRIED HIGH EXPECTATIONS, REFLECTED IN THE PRESS FOR WEEKS BEFOREHAND, THAT THE PRESIDENT AND PRIME MINISTER WOULD SEE EYE TO EYE ON INTERNATIONAL ISSUES. THIS WAS MATCHED, HOWEVER, BY A GOOD DEAL OF CRITICAL ANALYSIS OF OUR ECONOMIC PERFORMANCE AND ANXIOUS SPECULATION AS TO THE WISDOM OF THE UNITED STATES GOING DOWN THE SAME ROUTE.

3. THE PROGRAMME RECEIVED PREDICTABLE MEDIA COVERAGE. THE PRESS CARRIED SUBSTANTIAL QUOTATIONS FROM THE GEORGETOWN SPEECH, AND INDEED ECONOMIC/POLICY (CLOSELY FOLLOWED BY EL SALVADOR) WAS THE MAIN SINGLE FOCUS OF MEDIA INTEREST, WITH THE EMPHASIS ON THE POSSIBLE LESSONS TO BE DRAWN FROM BRITISH EXPERIENCE BY THE NEW ADMINISTRATION. THE PRIME MINISTER DEALT WITH THIS, IN HER PUBLIC REMARKS, PARTICULARLY ON CAPITOL HILL (WHERE HER MEETINGS IN THE SENATE AND HOUSE OF REPRESENTATIVES WERE PARTICULARLY WELL ATTENDED) AND AT THE HONORARY DEGREE CEREMONY AT GEORGETOWN UNIVERSITY. SHE WAS ABLE TO BRING OUT THAT THE BASIC ECONOMIC PHILOSOPHIES OF THE TWO GOVERNMENTS WERE INDEED SIMILAR, BUT THAT

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THE GLOBAL AND DOMESTIC ECONOMIC CONDITIONS FACING THEM AT THE OUTSET HAD BEEN MARKEDLY DIFFERENT. SHE EXPLAINED WHY IN BRITAIN PUBLIC EXPENDITURE HAS NOT BEEN REDUCED MORE RAPIDLY AND EXPRESSED HER ADMIRATION FOR THE BOLDNESS AND SPEED WITH WHICH THE U S GOVERNMENT HAD PRESENTED THEIR ECONOMIC PROPOSALS AND HER FAITH IN THEIR ABILITY TO ACHIEVE THEIR SIMILAR AIMS MORE RAPIDLY.

4. THE PRESENCE OF PRESIDENT AND MRS REAGAN AT THE DINNER GIVEN BY THE PRIME MINISTER IN THEIR HONOUR WAS AN IMPORTANT SYMBOLIC GESTURE, PARTICULARLY FOR SOMEONE WHO IS NOT A HEAD OF STATE. IN HER PUBLIC STATEMENTS THE PRIME MINISTER EMPHASISED OUR SUPPORT FOR THE PRESIDENT AND HIS ADMINISTRATION. IN HER OWN TALKS WITH THE PRESIDENT AND YOUR OWN TALKS WITH SECRETARY HAIG WE HAD A FIRST OPPORTUNITY FOR SUBSTANTIVE DISCUSSIONS WITH THE NEW ADMINISTRATION, MANY OF WHOSE POLICIES, LIKE ITS APPOINTEES, ARE NOT YET DECIDED. THESE MEETINGS WILL HAVE BROUGHT HOME TO THE PRESIDENT THE DEPTH AND RANGE OF THE RELATIONSHIP BETWEEN THE TWO COUNTRIES AND WILL HAVE CONFIRMED THAT, EVEN WHERE OUR VIEWS ARE NOT IDENTICAL, BRITAIN, AS THE PRIME MINISTER PUT IT, WILL ALWAYS BE AN ALLY STAUNCH AND TRUE.

5. THE SUBSTANCE OF THE PRIME MINISTER'S TALKS WITH THE PRESIDENT AND YOUR OWN TALKS WITH SECRETARY HAIG ARE RECORDED ELSEWHERE, BUT I WOULD SINGLE OUT THE FOLLOWING. THE PRIME MINISTER'S VISIT COINCIDED WITH THE ADMINISTRATION'S FIRST TESTS IN FOREIGN POLICY IN THE FORM OF ITS RESPONSE TO MR BREZHNEV'S PROPOSAL FOR A SUMMIT MEETING AND ITS PRE-OCCUPATION WITH THE SITUATION IN EL SALVADOR. THERE IS A TEMPTATION HERE, CERTAINLY EVIDENT AMONG CONGRESSIONAL LEADERS, TO LEAP TO CONCLUSIONS ABOUT BREZHNEV'S SPEECH AND TO SEE IT AS SOMETHING OF A CLIMBDOWN IN THE FACE OF THE TOUGH STANCE OF THE NEW ADMINISTRATION. ON EL SALVADOR, THE STATEMENT ISSUED JUST BEFORE YOUR ARRIVAL ENDORSED AMERICAN CONCERN ABOUT EXTERNAL INTERFERENCE WHILE ENABLING THE AMERICANS TO SEE THAT OUR DOUBTS ABOUT THE GOVERNMENT IN EL SALVADOR WERE WELL BASED. BOTH YOU AND THE PRIME MINISTER WERE ABLE IN PUBLIC TO CORRECT SOME OF THE PREVALENT MISUNDERSTANDING (AND MIS-REPRESENTATIONS) OF THE EUROPEAN INITIATIVE ON THE MIDDLE EAST.



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6. THERE IS NO DOUBT ABOUT THE IMPACT OF THE VISIT ON CAPITOL HILL: ON THE LARGE CROWD WHICH, ON THE LAST EVENING, RESPONDED ENTHUSIASTICALLY TO THE PRIME MINISTER'S ROUSING SPEECH TO THE OSS ON THE NEED TO DEFEND FREEDOM: AND IN THE MEDIA. NOR IS THERE ANY DOUBT ABOUT THE PRESIDENT'S EAGERNESS TO HEAR THE PRIME MINISTER'S VIEWS AND HIS WISH TO ESTABLISH A DIALOGUE WHICH I KNOW THE PRIME MINISTER FOUND USEFUL: NOR ABOUT THE VALUE OF THE MORE DETAILED CONVERSATIONS YOU HAD WITH HAIG. THE CONTACTS THAT HAVE BEEN MADE WILL STAND US IN GOOD STEAD AT ALL LEVELS AND HELP US TO BE LISTENED TO AS THE NEW ADMINISTRATION FORMS ITS POLICIES.

7. I THINK THAT IT IS MUCH TOO EARLY TO COME TO A DEFINITE VIEW ON HOW THE PRESIDENT IS GOING TO CONDUCT FOREIGN POLICY. CERTAINLY HE WILL AVOID DETAIL, BUT THIS DOES NOT MEAN THAT HE DOES NOT HAVE DEFINITE VIEWS OF HIS OWN, FOR EXAMPLE ON SOUTHERN AFRICA, THE MIDDLE EAST AND, MORE GENERALLY, THE NEED TO CONTAIN THE SPREAD OF COMMUNIST INFLUENCE EVERYWHERE ON THE BASIS OF FORTHRIGHT SENTIMENTS AND SOUNDER MILITARY STRENGTH. BUT THESE ARE STILL VERY FORMATIVE DAYS, WHICH IS WHY THIS FIRST ESTABLISHMENT OF CONTACT WAS HELPFUL FOR BOTH WASHINGTON AND LONDON.

HENDERSON

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TO IMMEDIATE F C O

TELEGRAM NUMBER 707 OF 27 FEBRUARY 1981

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FOLLOWING FROM PRIVATE SECRETARY

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG:  
MIDDLE EAST

1. HAIG SAID THAT THE EARLIER DISCUSSION WITH THE SECRETARY OF STATE HAD REVEALED THAT, ALTHOUGH THERE WERE SOME DIFFERENCES OF EMPHASIS BETWEEN THE U S AND EUROPEAN VIEWS, THE TWO SIDES WERE TO SOME EXTENT OF A SINGLE MIND. HE WOULD BE VISITING THE MIDDLE EAST - CAIRO, JERUSALEM, RIYADH AND AMMAN - IN EARLY APRIL, WITH TWO AIMS: QUOTE TO GIVE THE APPEARANCE OF CONTINUING MOTION, AND TO LEARN UNQUOTE. HIS VISITS TO CAIRO AND JERUSALEM HAD BEEN PARTLY ARRANGED IN ORDER TO HEAD OFF VISITS BY EGYPTIAN AND ISRAELI LEADERS UNTIL AFTER THE ISRAELI ELECTIONS, A POINT WHICH BOTH HAD ACCEPTED.

2. HAIG WAS SENSITIVE TO THE DISLIKE OF CAMP DAVID BY THE ARABS, AND ALSO TO ISRAELI SENSITIVITIES. HE SAW THE RISKS OF OVER-EMPHASIS ON THE CAMP DAVID FRAMEWORK AND ESPECIALLY ON THE NAME ITSELF, AND HAD BEEN TRYING TO QUOTE BROADEN THE NOMENCLATURE UNQUOTE.

3. HAIG ASKED THAT THE EUROPEANS SHOULD NOT PRESENT THE U S WITH ANY SURPRISES. HE RECOGNISED THAT QUOTE THE CANDLES WERE BURNING UNQUOTE AND THAT THE UK WOULD ASSUME THE PRESIDENCY IN JULY.

4. LORD CARRINGTON REPLIED THAT NO ONE THOUGHT THERE WOULD BE ANY MOVEMENT BEFORE THE ISRAELI ELECTIONS. THEN THERE WOULD BE THE SUMMER HOLIDAYS. NOTHING SIGNIFICANT WOULD OCCUR IN EUROPE BEFORE SEPTEMBER. HE HOPED THAT ANY MOVEMENT THEN WOULD BE HELPFUL TO THE UNITED STATES. HE EMPHASISED THAT AT THIS POINT THE EUROPEANS HAD NO PRECISE PLAN IN MIND, NOR DID THEY SEE THEMSELVES AS COMPETING WITH THE U S. RATHER, OUR EFFORTS WOULD AIM TO BE COMPLEMENTARY.

5. TURNING TO THE EURO-ARAB DIALOGUE, LORD CARRINGTON REFERRED TO THE POSSIBILITY OF A MEETING BEING HELD AT MINISTERIAL LEVEL WHICH WOULD INVOLVE THE PLO, POSSIBLY EVEN AS CHAIRMAN ON THE ARAB SIDE. BRITAIN FELT THAT EUROPE MIGHT BE ABLE TO EXACT A PRICE FOR AGREEING TO SUCH A MEETING, BY REQUIRING AS A CONDITION OF

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IT THAT PLO SHOULD MOVE SIGNIFICANTLY TO ACCEPT THE STATE OF ISRAEL AND ITS RIGHT TO LIVE WITHIN SECURE BOUNDARIES. EVEN IF PLO ACCEPTANCE OF THIS WERE ONLY CONDITIONAL, IT MIGHT OPEN THE WAY FOR SOME DEAL WHICH WOULD MAKE SUCH A MEETING WORTHWHILE. HOWEVER, IT WAS NOT YET CLEAR WHETHER SOME OF OUR PARTNERS COULD BE BROUGHT TO AGREE TO SUCH AN ARRANGEMENT.

6. HAIG SAID THAT IN BRIEFING THE PRESS, HE WOULD MAKE THE POINT THAT EUROPE HAD AN INTEREST AND A ROLE TO PLAY IN THE MIDDLE EAST, AND THAT THE U S HOPED THAT ITS ACTIVITIES WOULD NOT INTERFERE WITH THE AMERICANS' OWN INITIATIVES.

7. THE PUS NOTED THAT BEFORE THE VENICE DECLARATION, SOME IN EUROPE HAD ALREADY MOVED FAR AHEAD IN WAYS THAT WERE REALLY DAMAGING TO AMERICA. THE DECLARATION AND SUBSEQUENT ACTIVITIES HAD HAD THE VIRTUE OF REINING THEM IN.

FCO PSE PASS SAVING ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, LUXEMBOURG, ROME, OTTAWA AND MOSCOW

HENDERSON

## MIDDLE EAST STANDARD

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TO IMMEDIATE F C O

TELEGRAM NUMBER 714 OF 27 FEBRUARY 1981

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FOLLOWING FROM PRIVATE SECRETARY

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG:  
AFGHANISTAN/PAKISTAN

1. THE SECRETARY OF STATE, REFERRING TO AN EARLIER DISCUSSION, EXPLAINED THAT ZIA HAD WRITTEN TO THE PRIME MINISTER ASKING HER TO SEEK MORE U S SUPPORT FOR PAKISTAN. LORD CARRINGTON WOULD BE THERE AT THE END OF NEXT MONTH. THERE WERE DIFFERENCES BETWEEN THE POSITIONS OF ZIA AND AGHA SHAHI, BUT THERE SEEMED NO RISK AT THE MOMENT THAT PAKISTAN'S POSITION WOULD CHANGE MARKEDLY.

2. THE SECRETARY OF STATE SAW NO UTILITY IN THE PROPOSED MEETING BETWEEN AGHA SHAHI, AFGHAN REPRESENTATIVES AND DE CUELLAR, SINCE THIS WOULD NOT COVER THE ONLY POINT OF INTEREST TO US - SOVIET WITHDRAWAL. THE GISCARD INITIATIVE OFFERED A GREATER PROSPECT OF SUCCESS, WHETHER OR NOT THIS HAD BEEN THE MOTIVE FOR IT.

3. HAIG DID NOT THINK THAT THE US WOULD BE UNCOMFORTABLE WITH THIS APPROACH. HE WOULD BE DISCUSSING AFGHANISTAN WITH WALDHEIM NEXT WEEK. THE DOMINANT FACTOR FOR THE US WAS THE CLEAR EVIDENCE THAT THE RUSSIANS HAD BEEN HURT BY THE WESTERN RESPONSE TO THEIR INVASION. RECENT US VISITORS TO THE SOVIET UNION HAD RETURNED WITH URGENT PLEAS THAT THE PAKISTANIS SHOULD BE MORE FLEXIBLE, WHICH IN TURN (IT WAS CLAIMED) WOULD ALLOW A PROMPT SOVIET WITHDRAWAL FROM AFGHANISTAN. THIS SHOWED WHAT THE RUSSIANS WERE HOPING FOR.

FCO PSE PASS SAVING PEKING DACCA JEDDA

HENDERSON

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INFO SAVING OTHER NATO POSTS UKREP BRUSSELS

FOLLOWING FROM PRIVATE SECRETARY

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG: ARMS  
CONTROL

1. AFTER REFERRING TO EARLIER DISCUSSIONS, THE SECRETARY OF STATE EMPHASISED THE NEED FOR THE EUROPEANS TO BE REASSURED THAT THE NEW ADMINISTRATION WOULD CONTINUE THE TWO-PRONG APPROACH TO TNF. IT WOULD BE USEFUL IF THEY COULD CONVENE ANOTHER MEETING OF THE SCG, EVEN IF ONLY FOR COSMETIC PURPOSES. HE SUGGESTED THAT HAIG MIGHT MENTION THIS TO GENSCHER DURING HIS FORTHCOMING VISIT TO WASHINGTON.

2. HAIG TOOK NOTE OF THE SCG PROPOSAL. THERE WAS GENERAL AGREEMENT IN WASHINGTON ON THE NEED TO PURSUE TNF ARMS CONTROL AND THE ADMINISTRATION INTENDED TO MEET THIS OBLIGATION INCURRED BY THEIR PREDECESSORS. PERSONALLY HE WAS NOT ENTIRELY HAPPY WITH THE APPROACH, AND WOULD HAVE PREFERRED A SEQUENTIAL ARRANGEMENTS. HOWEVER HE ACCEPTED THAT THIS WAS A RESULT OF THE PREVIOUS ADMINISTRATION'S FAILURE TO GIVE A PROPER LEAD TO THE ALLIES.

3. DISCUSSING ARMS CONTROL IN MORE GENERAL TERMS, HAIG SAID THAT HE WISHED THE ROLE WITHIN THE STATE DEPT OF FUNCTIONAL SPECIALISTS TO BE DIMINISHED AND THE GEOGRAPHICAL BUREAUX TO PLAY A MORE ACTIVE PART. EAGLEBURGER AND THE EUROPEAN BUREAU WOULD BE THE FOCAL POINT FOR DISCUSSIONS OF ARMS CONTROL AFFECTING EUROPE. IN AREAS OF SUCH POLITICAL SENSITIVITY, IT WOULD BE INAPPROPRIATE FOR QUOTE TRICKY DICKIES FROM THE WHITE HOUSE OR THE PENTAGON UNQUOTE TO TAKE THE LEAD.

FCO PSE PASS SAVING TO ANKARA ATHENS BRUSSELS COPENHAGEN LISBON  
LUXEMBOURG OTTAWA OSLO ROME REYKJAVIK UKREP BRUSSELS

HENDERSON

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MR. P. H. MOBERLY

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GR 145

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FM WASHINGTON 280730Z FEB 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 708 OF 27 FEBRUARY 1981

INFO MODUK UKDEL NATO PARIS BONN

FOLLOWING FROM PRIVATE SECRETARY

MIPT: SECRETARY OF STATE'S MEETING WITH MR HAIG: REVIEW OF THE ALLIANCE

1. HAIG RAISED THIS SUBJECT. HE SAID THAT THE PROSPECT OF ANOTHER ROUND OF ALLIANCE STUDIES, AFTER WHAT HE DESCRIBED AS FOUR YEARS OF KOMERISMS, WAS A PERSONAL NIGHTMARE. HE THOUGHT THAT SUCH STUDIES, INCLUDING THE UK IDEA OF A MAJOR REVIEW, MIGHT RISK GIVING SOME OF THE OTHER ALLIES AN EXCUSE TO RESILE FROM THEIR PRESENT COMMITMENTS, GRIND THEIR OWN AXES AND WEAKEN ALLIED COHESION BOTH WITHIN THE AREA OF THE ALLIANCE AND OUTSIDE ITS FORMAL BOUNDARIES. WHILE HE ACCEPTED THAT AT SOME POINT A FURTHER REVIEW COULD BE NECESSARY, HE WOULD PREFER THEREFORE THAT WE DID NOT PRESS OUR PROPOSAL FOR THE MOMENT.

2. THE SECRETARY OF STATE SAID THAT WE ACCEPTED THAT IT WOULD BE INAPPROPRIATE AT THIS POINT TO INITIATE SUCH A REVIEW. HAIG COMMENTED THAT HE EXPECTED THE GERMANS WOULD ALSO BE HAPPY TO HEAR THIS.

HENDERSON

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PS/MA HURD

PS/PUS

SIR A ACHLAND

MR P.H. MOBERLY

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GR 340

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FM WASHINGTON 280750Z FEB 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 712 OF 27 FEBRUARY 1981

INFO GUATEMALA CITY BELMOPAN (PERSONAL FOR GOVERNOR) MEXICO CITY  
UKMIS NEW YORK

FOLLOWING FROM PRIVATE SECRETARY

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG: BELIZE

1. THE SECRETARY OF STATE ARGUED THAT A SUCCESSFUL SETTLEMENT OF THE DISPUTE COULD ELIMINATE BOTH THE U S FEAR ABOUT THE DESTABILIZATION OF GUATEMALA AND THE BRITISH CONCERN ABOUT BELIZE BEING OVERRUN. HOWEVER, WE WERE CONCERNED THAT THE GUATEMALANS MIGHT BELIEVE THAT THE NEW ADMINISTRATION WERE ON THEIR SIDE AND ENDORSED THEIR DEMANDS. WE WERE ALSO WORRIED THAT THE AMERICANS MIGHT THINK THAT PRICE WOULD REFUSE A REASONABLE SETTLEMENT.
2. DURING HIS OWN TALKS IN LONDON NEXT WEEK WITH PRICE AND CASTILLO VALDEZ, LORD CARRINGTON WOULD PRESS FOR A SETTLEMENT. IT WAS HIS VIEW THAT PRICE SHOULD ACCEPT THE TERMS AVAILABLE, BUT HIS HUNCH WAS THAT THIS MIGHT NOT HAPPEN. IN THE LAST RESORT PRICE MIGHT BE READY TO LEASE THE SOUTHERN BUT NOT THE NORTHERN ISLANDS. SHOULD A SETTLEMENT NOT BE POSSIBLE, WE WERE COMMITTED UNDER THE UN RESOLUTION TO BRING BELIZE TO INDEPENDANCE. THE BEST WE COULD DO THEREAFTER WOULD BE TO PROMISE FOR A <sup>ca 1.5m</sup> NUMBER OF YEARS TO MAINTAIN BRITISH TROOPS THERE. THIS WAS NOT AN ATTRACTIVE PROSPECT.
3. HAIG SAID THE ADMINISTRATION RECOGNISED THE DIFFICULTY. HOWEVER THE PRESENT POINT WAS PROBABLY THE BEST MOMENT FOR A SETTLEMENT. PERHAPS IT WOULD BE USEFUL TO CONCENTRATE ON SECURING A GUATEMALAN CORRIDOR TO THE SEA. THE REAL FEAR OF THE US WAS THAT THE INTERNAL WEAKNESS COULD MAKE BELIZE RIPE FOR CUBAN OFFERS.

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PS/PUS  
MR DAY  
MR URRE

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FM WASHINGTON 280740Z FEB 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 711 OF 27 FEBRUARY 1981

INFO SALISBURY ODA UKREP BRUSSELS

INFO SAVING LUSAKA DAR ES SALAAM MAPUTO GABORONE LUANDA MOSCOW

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG:  
ZIMBABWE

1. THE SECRETARY OF STATE ASKED THAT THE NEW ADMINISTRATION SHOULD SHOW MAXIMUM GENEROSITY TOWARDS ZIMBABWE AT THE DONORS' CONFERENCE. THE UK WOULD BE PROVIDING SOME DOLLARS 250 MILLION. THERE WAS A RISK THAT THE ZIMBABWEANS WOULD BECOME DISILLUSIONED IF WESTERN ECONOMIC ASSISTANCE PROVED INADEQUATE. HAIG INDICATED THAT THE U S HAD BEEN THINKING OF OFFERING DOLLARS 75 MILLION, AND UNDERTOOK TO GIVE FURTHER CONSIDERATION TO THE ISSUE. HE DID NOT EXPECT THE U S TO BE UNHELPFUL.

2. LORD CARRINGTON SAID THAT RECENT CONTACTS WITH THE ZIMBABWEANS HAD REVEALED A REMARKABLE DEGREE OF RECONCILIATION, AND HAD UNDERLINED THE GOOD SENSE BEING DISPLAYED BY MUGABE. ZIMBABWE DESERVED MORE ASSISTANCE. HAIG, WELCOMING THIS NEWS, ASKED ABOUT THE RECENT AGREEMENT ON DIPLOMATIC RELATIONS WITH THE RUSSIANS. THE SECRETARY OF STATE UNDERLINED MUGABE'S DISLIKE OF THE RUSSIANS (WHO HAD BACKED THE WRONG HORSE). HE HAD STOOD OUT AGAINST DIPLOMATIC RELATIONS FOR A LONG TIME BUT HE COULD NOT INDEFINITELY BUCK THE TREND IN BLACK AFRICA. HE HAD HOWEVER IMPOSED A NUMBER OF CONDITIONS ON THE RUSSIANS. THE SITUATION BETWEEN THE MATABELE AND THE SHONA HAD IMPROVED, BUT PROBLEMS REMAINED. IT WAS A MATTER FOR REGRET THAT THE SOUTH AFRICANS DID NOT RECOGNISE THAT CLOSER ECONOMIC LINKS WITH ZIMBABWE COULD IMPROVE THEIR OWN POSITION IN AFRICA.

FCO PSE PASS SAVING TO LUSAKA DAR ES SALAAM MAPUTO GABORONE  
LUANDA AND MOSCOW

HENDERSON

(REPEATED AS REQUESTED)

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PS/MR LUCE  
PS/PUS  
MR DAY  
SIR WALLINSON

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GR 130

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FM WASHINGTON 280814Z FEB 81  
TO IMMEDIATE F C O  
TELEGRAM NUMBER 717 OF 27 FEBRUARY 1981  
INFO DEPT OF TRADE

FOLLOWING FROM PRIVATE SECRETARY

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG:  
BILATERAL RELATIONS

1. THE SECRETARY OF STATE URGED HAIG TO CONSIDER AMENDING THE PRESENT U S REQUIREMENTS FOR BRITISH CITIZENS TO OBTAIN VISAS TO VISIT THE U S. HAIG REPLIED THAT HE RECOGNISED THE NEED FOR RECIPROCITY. THE PRESENT SYSTEM (UNDER WHICH 1 AND A HALF MILLION VISAS WERE ISSUED EACH YEAR IN LONDON ALONE) WAS VERY EXPENSIVE FOR THE US AND SERVED NO PURPOSE. THE PROBLEM LAY WITH CONGRESS. THE ADMINISTRATION WERE WORKING ON POSSIBLE SOLUTIONS.

2. LORD CARRINGTON ALSO RAISED THE DIFFICULTIES WHICH HAD ARISEN AS A RESULT OF DELAYS IN U S LICENSING OF EXPORTS TO THE UK FOR SUBSEQUENT RE-EXPORT TO THIRD COUNTRIES. SOME DOLLARS 80M WORTH OF GOODS WAS BEING HELD UP, AND DELAYS OF UP TO ONE YEAR HAD OCCURRED. WE HOPED THAT THE SYSTEM COULD BE IMPROVED. HAIG TOOK NOTE.

HENDERSON

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FM WASHINGTON 280810Z FEB 81  
TO IMMEDIATE F C O  
TELEGRAM NUMBER 716 OF 27 FEBRUARY 1981  
INFO BUENOS AIRES UKMIS NEW YORK

FOLLOWING FROM PRIVATE SECRETARY

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG:  
FALKLAND ISLANDS

1. THE SECRETARY OF STATE, AFTER REFERRING TO THE LONG HISTORY OF ARGENTINE CLAIMS, EMPHASISED THAT HMG COULD NOT ACT WITHOUT THE AGREEMENT OF THE ISLANDERS. OUR AIM WAS TO KEEP THE DIALOGUE GOING AND AVOID A CRISIS. IDEAS SUCH AS CEDING SOVEREIGNTY OVER THE ISLANDS TO ARGENTINA WHO WOULD THEN RETURN THEM ON LONG-TERM LEASE MIGHT EVENTUALLY PRODUCE A SETTLEMENT. BUT THIS WAS NOT ACCEPTABLE AT PRESENT TO THE ISLANDERS. HAIG TOOK NOTE.

HENDERSON

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PS/MR RIDLEY  
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MR DAY  
MR URE

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FM WASHINGTON 280805Z FEBRUARY 81  
TO IMMEDIATE FCO

TELEGRAM NUMBER 715 OF 27 FEBRUARY  
INFO ROUTINE MEXICO CITY, PARIS, UKDEL OECD, BONN, UKMIS NEW YORK,  
OTTAWA.

FOLLOWING FROM PRIVATE SECRETARY

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG:  
NORTH/SOUTH SUMMIT.

1. HAIG SAID THAT, AFTER FURTHER CONSIDERATION WITHIN THE ADMINISTRATION, THE PRESIDENT WAS NOW INCLINED TO ATTEND THE SUMMIT ON CONDITION THAT IT WAS POSTPONED TO THE AUTUMN AND THAT CASTRO WOULD NOT BE THERE. THE US WOULD ALSO WISH TO BE SURE ABOUT THE AGENDA. HAIG HOPED FOR BRITISH SUPPORT. IT WOULD BE IMPORTANT TO AVOID A SESSION OF FINGER-WAGGING AGAINST THE WEST. WE HAD A GOOD OPPORTUNITY TO NOURISH THE THIRD WORLD'S CURRENT TENDENCY. THE MEXICO SUMMIT COULD END UP AS SOMETHING VERY POSITIVE.

2. THE SECRETARY OF STATE SAID THAT VERY CLOSE COORDINATION BETWEEN THE WESTERN COUNTRIES WOULD BE REQUIRED. THIS HAD NOT BEEN THE CASE DURING THE GLOBAL NEGOTIATIONS IN NEW YORK, WHERE WE HAD BEEN LEFT TO CARRY THE BURDEN WITH THE US AND THE GERMANS. THE FRENCH HAD NOT SHOWN THEIR HEADS ABOVE THE PARAPET. HE SUGGESTED THAT THE AMERICANS SHOULD URGE ON GISCARD AND GENSCHER THE NEED FOR US ALL TO STAND FIRM AND SUPPORT EACH OTHER. HAIG AGREED.

**THIS TELEGRAM  
WAS NOT  
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TO IMMEDIATE F C O  
TELEGRAM NUMBER 710 OF 27 FEBRUARY 1981  
INFO PARIS BONN PRETORIA OTTAWA CAPETOWN UKMIS NEW YORK  
INFO SAVING MAPUTO LUANDA DAR ES SALAAM GABORONE SALISBURY LUSAKA  
LAGOS ADDIS ABABA

FOLLOWING FROM PRIVATE SECRETARY

MIPT (NOT TO ALL): SECRETARY OF STATE'S MEETING WITH MR HAIG:  
NAMIBIA

1. HAIG SAID THAT THE NEW ADMINISTRATION WERE TAKING A CAREFUL LOOK AT THE COMPLEX OF SOUTHERN AFRICAN PROBLEMS. THEY QUOTE SENSED A CERTAIN AMOUNT OF HEAT UNQUOTE AND HAD ALREADY TRIED AFTER THE GENEVA MEETING TO CALM DOWN THE FRONT LINE STATES. THE SECRETARY OF STATE HAD ALREADY REFERRED IN EARLIER DISCUSSIONS TO THE POSSIBILITY OF AN AMERICAN SPECIAL MISSION OR EMISSARY BEING SENT TO NAMIBIA IN ORDER TO BUY TIME, AND TO RELIEVE THE PRESSURE FOR AN EARLY VOTE ON SANCTIONS. HAIG WOULD LIKE TO CONSIDER THIS FURTHER. HE WAS ATTRACTED TO THE IDEA AS A PIECE OF BENEFICENT THEATRE, BUT IT WOULD HAVE TO BE WEIGHED AGAINST POSSIBLE DISADVANTAGES INCLUDING INCREASED EXPECTATIONS OF A NEW HIGH PROFILE ROLE FOR THE US WHICH THE ADMINISTRATION WOULD NOT NECESSARILY WANT TO ADOPT.

2. HAIG CONTINUED THAT THE PRESIDENT HAD STRONG PERSONAL VIEWS ON THE SUBJECT. THE ADMINISTRATION FEARED THAT THE INSTALLATION OF A COMMUNIST REGIME UNDER UN AUSPICES IN NAMIBIA COULD PUT A STOP TO THE ACTIVITIES OF THE RESISTANCE IN ANGOLA, ALLOWING THE CUBANS AND RUSSIANS TO MAINTAIN THEIR PRESENCE THERE, AND COULD SEND THE WRONG SIGNALS TO SOUTH AFRICA. THE U S WOULD ALSO WISH TO CONSIDER THE PROBLEMS OF SOUTHERN AFRICA IN THE CONTEXT OF DEVELOPMENTS TO THE NORTH, WHICH WERE POTENTIALLY MORE DANGEROUS. NOTING FRENCH CONCERN ON THIS SCORE, HAIG REFERRED TO THE QADAFI PROBLEM AND THE FRAGILITY OF THE PRESENT REGIMES IN CENTRAL AFRICA.

3. HAIG CONCLUDED THAT THE ADMINISTRATION DID NOT WANT TO BE FORCED TO VETO SANCTIONS AGAINST SOUTH AFRICA, ALTHOUGH THEY WOULD DO SO IN THE LAST RESORT. THEY EXPECTED AND WOULD WANT THE UK TO DO THE SAME. SOME WAY TO AVOID THIS NEED SHOULD BE FOUND.

4. THE SECRETARY OF STATE NOTED THAT THE LATEST OAU DRAFT RESOLUTION (ADDIS TELNO 55) AIMED TO SECURE A DECISION ON SANCTIONS BY MID-APRIL. WE THEREFORE HAD SOME BUT NOT MUCH TIME TO PLAY WITH. IN A RECENT DISCUSSION, P W BOTHA HAD INDICATED THAT HE SAW A DIRECT LINK BETWEEN THE ANGOLAN AND NAMIBIAN SITUATIONS. LORD CARRINGTON WONDERED WHETHER THIS MIGHT IMPLY

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THE POSSIBILITY OF SOME DEAL BETWEEN THE HOLDING OF FREE ELECTIONS IN NAMIBIA AND THE REMOVAL OF THE CUBANS FROM ANGOLA. THE SOUTH AFRICANS WERE ANXIOUS TO ESTABLISH BETTER RELATIONS WITH THE U S, AND TO WITHDRAW FROM THEIR COMMITMENT TO SUPPORT SAVIMBI IN ANGOLA.

5. HAIG, NOTING THAT SUCH A DEAL MIGHT BE RELATED TO FUTURE PRESSURE WHICH THE AMERICANS WOULD WANT TO EXERT AGAINST CUBA IN THE CARIBBEAN CONTEXT, ACCEPTED THAT THE IDEA SHOULD BE STUDIED FURTHER AND UNDERTOOK TO HAVE FURTHER CONTACTS WITH THE UK AS SOON AS AMERICAN THINKING HAD EVOLVED. STOESSEL REPORTED THAT HE HAD YESTERDAY URGED THE SOUTH AFRICAN AMBASSADOR TO PERSUADE HIS GOVERNMENT TO MAINTAIN A LOWER PROFILE AND NOT TO INITIATE FRESH ACTIVITIES SUCH AS RAIDS INTO ANGOLA.

6. REFERRING TO LORD CARRINGTON'S VIEW THAT THE SOUTH AFRICANS WOULD NOT GIVE UP WALVIS BAY IN THE NEAR FUTURE, HAIG SUGGESTED THAT WESTERN ACCEPTANCE OF SOUTH AFRICA'S RIGHT TO REMAIN THERE MIGHT BE THE ONLY LEVERAGE AVAILABLE TO US. LORD CARRINGTON COMMENTED THAT THIS WOULD LEAVE NAMIBIA WITHOUT A SATISFACTORY PORT.

7. IN A BRIEF DISCUSSION OF NIGERIA, IN THE LIGHT OF THE SECRETARY OF STATE'S RECENT VISIT, LORD CARRINGTON NOTED THAT THERE HAD BEEN NO CHANGE IN THE TRADITIONAL AFRICAN ACCEPTANCE IN PRIVATE OF THE LIKELY EFFECT OF SANCTIONS ON SOUTH AFRICA'S NEIGHBOURS, COUPLED WITH PUBLIC DENUNCIATIONS OF THE WEST FOR FAILING TO PUT SUFFICIENTLY STRONG PRESSURE ON THE SOUTH AFRICANS TO MAKE CONCESSIONS.

FCO PSE PASS SAVING TO MAPUTO LUANDA DAR ES SALAAM GABORONE  
SALISBURY LUSAKA LAGOS ADDIS ABABA

HENDERSON

[COPIES SENT TO NO 10 DOWNING STREET]

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FROM BIS NEW YORK 280405Z FEB 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 04 OF 27 FEBRUARY

INFO IMMEDIATE 10 DOWING STREET (FOR ANSON, PRESS OFFICE),  
OOI, WASHINGTON

FOLLOWING ARE EDITED EXTRACTS OF PRIME MINISTER'S TV INTERVIEW  
ON THE MACNEIL/LEHRER PROGRAMME ON THE PUBLIC BROADCASTING NETWORK  
ON 27 FEBRUARY AT 1930 EST.

BEGINS

EXTENSION OF STAY IN WASHINGTON

INTERVIEWER: A SHORT WHILE AGO IT WAS ANNOUNCED THAT YOU ARE DELAYING  
YOUR DEPARTURE FROM WASHINGTON IN THE MORNING TO HAVE A SPECIAL  
UNSCHEDULED SECOND SESSION WITH PRESIDENT REAGAN. HAS SOMETHING  
URGENT ARISEN, OR SOMETHING SPECIAL OR WHAT?

PRIME MINISTER: NO I THINK IT IS A LOVELY IDEA FOR MY HUSBAND AND  
ME TO GO AROUND TO THE WHITE HOUSE TO SAY GOODBYE AND TO SAY HOW  
VERY MUCH WE HAVE ENJOYED THE TRIP. HOW VALUABLE WE HAVE FOUND  
THE WHOLE VISIT. HOW VERY MUCH WE HAVE LOVED IT. AND HOW WE HOPE  
THAT THIS REALLY WILL USHER IN A NEW ERA OF UNDERSTANDING AND  
COOPERATION. IT ISN'T SOMETHING SUDDEN, SURPRISING, QUESTIONABLE.  
IT'S JUST REALLY RATHER WONDERFUL HOSPITALITY. AND WE ARE  
DELIGHTED.

INTERVIEWER: WE THOUGHT THAT MAYBE SOMETHING HAD COME UP ON EL  
SALVADOR OR SOMETHING LIKE THAT. BUT THAT'S NOT THE CASE -RIGHT?

PRIME MINISTER: I DON'T THINK WE WOULD BE SO HAM-HANDED AS TO DO  
IT THAT WAY IF IT HAD.

EL SALVADOR

INTERVIEWER: ON EL SALVADOR, DO YOU HAVE ANY DOUBTS NOW THAT THE  
SOVIET BLOC THROUGH CUBA AND NICARAGUA ARE SUPPLYING ARMS TO THE  
LEFTIST GUERRILLAS.

PRIME MINISTER: WE HAVE NO DOUBT THAT THERE ARE SUBSTANTIAL  
SUPPLIES OF ARMS GETTING THERE AND THAT WE ARE PRETTY CERTAIN WHERE  
THEY COME FROM. WE HAVE NO DOUBT THAT THIS IS A GROSS INTERFERENCE  
WITH THE INTERNAL AFFAIRS OF EL SALVADOR. THAT EVERYTHING MUST  
BE DONE TO TRY TO STOP THAT INTERFERENCE. THERE ARE, OF COURSE,  
TERRIBLE THINGS GOING ON IN EL SALVADOR. IF THAT INTERFERENCE CAN  
BE STOPPED, THEN OBVIOUSLY IT'S FOR THE PEOPLE THERE TO SORT OUT  
THEIR OWN FUTURE IN THEIR OWN WAY. AND WE HOPE THAT NATURALLY THEY  
WILL COME TO A FULLY DEMOCRATIC SYSTEM.

INTERVIEWER: IN YOUR CONVERSATIONS WITH THE PRESIDENT, SECRETARY  
HAIG AND OTHERS, WERE THE FULL RANGE OF OPTIONS THAT COULD  
BE EMPLOYED TO STOP THIS OUTSIDE INTERFERENCE, WERE THEY GONE  
OVER WITH YOU?

PRIME MINISTER: NO, ACTUALLY THE PROPORTION OF QUESTIONS I HAVE  
HAD ON EL SALVADOR FROM INTERVIEWERS FAR EXCEEDS THE PROPORTION  
OF TIME WE SPENT ON DISCUSSING THIS PARTICULAR MATTER. WE DID,  
OF COURSE, TALK ABOUT IT. WE TALKED ABOUT A LOT OF OTHER THINGS AS  
WELL.

/ CUBA



CUBA

INTERVIEWER: WHAT ABOUT CUBA SPECIFICALLY? THE SECRETARY OF STATE, ALEXANDER HAIG, SAID TODAY THAT THE UNITED STATES WAS PREPARED TO STOP THE ARMS FLOW (TO EL SALVADOR) AT THE SOURCE - MEANING CUBA. WOULD YOU SUPPORT THE UNITED STATES IF IT TOOK SOME ACTION AGAINST CUBA? IF THAT WAS DESIGNED TO STOP THE FLOW OF ARMS?

PRIME MINISTER: I AM CERTAIN OF TWO THINGS. FIRST THAT THE UNITED STATES HAS PROMISED TO CONSULT US OVER ANY FURTHER DEVELOPMENTS AND THAT EVEN WHEN WE ARE CONSULTED WE OWE THE UNITED STATES OUR JUDGEMENT. WHAT OUR JUDGEMENT IS WILL DEPEND UPON THE CIRCUMSTANCES. AND I'LL WAIT UNTIL THE TIME AND THE CIRCUMSTANCES TO GIVE IT. AND THAT IS THE ONLY WISE ANSWER I CAN GIVE YOU.

POLAND

INTERVIEWER: IS YOUR GOVERNMENT OPTIMISTIC NOW THAT SOVIET MILITARY INTERVENTION IN POLAND CAN BE AVOIDED. HOW DO YOU ASSESS THAT DANGER NOW?

PRIME MINISTER: ONE NEVER KNOWS. IT'S VERY, VERY UNWISE TO ASSUME THAT THE DANGER IS WHOLLY PASSED. WHAT YOU HAVE SEEN IN POLAND IS SOMETHING QUITE NEW IN THE COMMUNIST WORLD. AFTER ALL COMMUNISM IT TOTAL, CENTRAL CONTROL. EVERY ACTION DETERMINED BY GOVERNMENT. NO SUCH THING AS A MORALITY DETERMINED BY ETHICS. ONLY A MORALITY OF WHAT IS POLITICALLY RIGHT AND POLITICALLY WRONG FOR THE EXPEDIENCY OF THE MOMENT DETERMINED BY THE GOVERNMENT. TOTAL, CENTRAL CONTROL. WHAT YOU HAVE SEEN IN POLAND IS A NEW SOURCE OF POWER ARISING. IT IS NOT JUST THE KIND OF THING THAT YOU SOMETIMES GET WHEN YOU GET A REVOLUTIONARY MOVEMENT - AN UPRISING OF PEOPLE WANTING TO TAKE OVER CENTRAL CONTROL.

IT IS NOT THAT. IT IS, THEIR BEING A COMMUNIST GOVERNMENT, A NEW SOURCE OF POWER ARISING IN THE STATE. THAT HAS NEVER HAPPENED IN A COMMUNIST COUNTRY. IT WILL SUBSTANTIALLY MODIFY COMMUNIST CONTROL. NOW, I HAVE NOT THE SLIGHTEST SHADOW OF A DOUBT THAT THE SOVIET UNION HOPES THIS NEW CENTRE OF POWER CAN SOMEHOW BE ABSORBED AND NEUTRALISED, AND IS PROBABLY WATCHING EVENTS AS CLOSELY AS WE ARE. WE ARE SAYING AGAIN, JUST AS IN THE SAME WAY AS WE WERE PREVIOUSLY OVER EL SALVADOR, POLAND MUST BE ALLOWED TO WORK OUT HER OWN DESTINY, IN HER OWN WAY. IT IS ABSOLUTELY VITAL THAT SHE DOES SO. BUT IT IS A VERY INTERESTING PHENOMENON. AND I HAVE THE IMPRESSION THAT THE WHOLE COMMUNIST WORLD IS AWARE OF IT. NOW I WOULDN'T SAY THAT THE DANGER HAS WHOLLY PASSED. IT WOULD BE VERY UNWISE TO SAY SO. BECAUSE YOU HAVE TO WATCH WHAT IS HAPPENING AND REALLY ALWAYS TRY TO PREPARE FOR WHAT MAY HAPPEN. I HOPE EVERYONE LEAVES POLAND ALONE.

INTERVIEWER: IF THE SOVIET UNION ELECTS NOT TO LEAVE POLAND ALONE, IS THERE ANY WAY THE WEST CAN ALSO LEAVE POLAND ALONE?

PRIME MINISTER: IF THE SOVIET UNION DECIDED NOT TO LEAVE POLAND ALONE, IT WOULD HAVE, I THINK, A DISASTROUS EFFECT ON THE WHOLE ATMOSPHERE OF RELATIONS BETWEEN EAST AND WEST FOR A VERY LONG TIME IT WOULD VIRTUALLY BE THE END OF ALL POSSIBILITY OF DETENTE. BUT IT HASN'T HAPPENED YET. WE HOPE IT WON'T HAPPEN. AND THE MORE WE CAN MAKE IT PERFECTLY CLEAR THAT POLAND MUST BE LEFT ALONE, THE BETTER. WHAT WE ARE TRYING TO DO IN EUROPE,



AND I THINK THE UNITED STATES TOO, IS TO HELP OUT WITH SHORTAGES OF FOOD, AND TO HELP OUT WITH TRADE CREDIT BECAUSE THE ECONOMIC SITUATION OF POLAND IS VERY, VERY DIFFICULT, ALMOST TRAGIC AT THE MOMENT. AND WHAT WE ARE TRYING TO DO IS TO HELP HER GET THROUGH ON THE NECESSITIES OF LIFE, TO HELP HER WITH CREDITS FOR TRADE, SO THAT SHE CAN PUT HER OWN ECONOMY TOGETHER AND THEN SORT OUT HER INTERNAL, POLITICAL SITUATION.

#### THE MIDDLE EAST

INTERVIEWER: ARE YOU GOING TO CONTINUE WITH THE EUROPEAN INITIATIVE, AS IT IS CALLED?

PRIME MINISTER: THE SECURE BOUNDARIES OF ISRAEL, SO FAR, ARE BASED ON RESOLUTION 242, BUT AS YOU KNOW THERE IS ROOM FOR JUST A LITTLE BIT OF MANOEUVRE THERE IN THE TERMS OF RESOLUTION 242.

WHAT DO YOU MEAN BY SELF-DETERMINATION? WHAT DO YOU MEAN BY NATIONAL IDENTITY? AS YOU KNOW THERE ARE PALESTINIAN PEOPLE, QUITE A LOT OF THEM, NOT ON THE WEST BANK. WELL FIRST THERE'S THE GAZA STRIP, THERE ARE CAMPS IN JORDAN, THERE ARE CAMPS IN SYRIA, THERE ARE PALESTINIAN PEOPLE FLOURISHING, BECAUSE SOME OF THEM ARE VERY TALENTED AND WONDERFUL TRADESMEN AND PROFESSIONAL PEOPLE AND, I IMAGINE, THAT THERE ARE A LOT OF THEM WHO WOULD WISH TO STAY WHERE THEY ARE NOW: BUT ALL OF THESE THINGS REALLY HAVEN'T RECEIVED THE DETAILED CONSIDERATION THEY WARRANT AND WE ARE GRADUALLY CONTINUING TO DO THAT AND WE HOPE IT WILL BE HELPFUL. IN THE MEANTIME, OF COURSE, THERE WILL SOON BE AN ELECTION IN ISRAEL AND I DON'T ANTICIPATE THAT THERE WILL BE ANY GREAT MOVES FORWARD UNTIL THAT HAS BEEN DECIDED UPON.

#### NEUTRON WEAPONS

INTERVIEWER: SENATOR JOHN TOWER, WHO IS THE CHAIRMAN OF THE SENATE ARMED SERVICES, SAID TODAY THAT HE THOUGHT IT WAS PROBABLY UNWISE FOR THE UNITED STATES TO PUSH FOR DEPLOYMENT OF THE NEUTRON BOMB IN EUROPE BECAUSE, GIVEN THE HISTORY, POLITICAL HISTORY, IT WOULD STIR UP MORE POLITICAL PROBLEMS

THAN THE UNITED STATES NEEDED. DO YOU AGREE WITH HIM THAT IT WOULD BE UNWISE POLITICALLY TO PUSH FOR DEPLOYMENT OF THE BOMB?

PRIME MINISTER: WELL DECISIONS HAVE NOT BEEN TAKEN ON THAT YET, BUT FIRST YOU KNOW THE WORD 'BOMB' IS THE WRONG ONE HERE.

IT SHOULD NEVER, NEVER, HAVE GOT THAT NAME. YOU KNOW WHAT IT IS. THERE'S MASSIVE TANK ARMOUR ON THE WARSAW PACT COUNTRIES, AND THIS ARMOUR CAN MOVE FORWARD IN COLOSSAL ARMOURMENT MOVEMENTS, AND WHAT THAT WEAPON IS, IS REALLY AN ANTI-TANK WEAPON AND A VERY EFFECTIVE WEAPON FOR STOPPING THOSE TREMENDOUS MOVEMENTS, A VERY VERY EFFECTIVE ONE. WE DON'T, I'M AFRAID, HAVE THAT AMOUNT OF ARMOUR AND THEREFORE THE SOVIET UNION WILL NOT BE LIKELY TO NEED THAT KIND OF WEAPON. NO DECISION AS YET HAS BEEN TAKEN UPON IT. I KNOW WHAT PEOPLE THINK. THEY THINK THAT POSSIBLY IT MIGHT LOWER THE NUCLEAR THRESHOLD, BUT YOU'VE GOT IN FACT TO HAVE SOME EFFECTIVE ANTI-TANK WEAPON AGAINST THAT COLOSSAL THREAT OF ARMOUR. WHAT THAT WEAPON IS HAS STILL YET TO BE DECIDED.

INTERVIEWER: IT SOUNDS AS THOUGH YOU RATHER LIKE THE IDEA OF THE NEUTRON BOMB?



PRIME MINISTER: I WANT AN EFFECTIVE ANTI-TANK WEAPON. I KNOW THAT MASSIVE AMOUNT OF ARMOUR THEY'VE GOT, AND WHAT YOU'RE TALKING ABOUT REALLY IS A MOVEMENT OF WHAT I MAY CALL CONVENTIONAL WEAPONS AND ARMS - ONE TALKS ABOUT THOSE AS IF THEY WERE ALMOST COMMONPLACE, WELL THEY MIGHT BE COMMONPLACE BUT THEY'RE STILL EXTREMELY DANGEROUS, AND ONE WANTS A PROPER MEANS OF AVOIDING THAT.....THE NEUTRON ONE WOULD BE ONE PARTICULAR WAY.

INTERVIEWER: I JUST WONDERED, IS HE RIGHT, THAT ATTEMPTING TO PERSUADE THE EUROPEAN ALLIES TO DEPLOY IT, AS THE CARTER ADMINISTRATION ONCE DID, THEN REVERSED ITSELF, WOULD CREATE SO MANY POLITICAL PROBLEMS THAT IT WOULD BE....

PRIME MINISTER: THE CARTER ADMINISTRATION ASKED EUROPE WHAT IT THOUGHT AND THE PRESENT ADMINISTRATION HAS SAID, BEFORE FURTHER DECISIONS ARE TAKEN AGAIN, THAT EUROPE WILL BE CONSULTED. I MUST SAY THAT THE PRESENT ADMINISTRATION IS BEING VERY, VERY FIRM, THAT IT WILL CONSULT BEFORE THESE DECISIONS ARE TAKEN.

ENDS

FCO PLEASE PASS TO 10 DOWNING STREET (FOR ANSON, PRESS OFFICE)

NIXON

FCO/WH.  
NAD

[PASSED AS REQUESTED]



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Foreign and Commonwealth Office

London SW1A 2AH

20 February 1981

Dear Michael,

*one copy destroyed*

I enclose two copies of briefs for the Prime Minister's visit, which we have just received from Washington, covering:

- a. her meeting on Capitol Hill on Thursday 26 February
- b. her visits to the Goddard Space Center and to Genex on Friday 27 February
- c. the Georgetown University Degree Ceremony on Friday 27 February, and
- d. the Donovan Award Dinner in New York on Saturday 28 February.

Personality notes for the Prime Minister's economic lunch on 26 February, her dinner for the President on 27 February, and for the Rockefeller lunch on 28 February will follow early next week.

*Yours ever,*

*Francis Richards*

(F N Richards)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street



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Thursday  
Foreign and Commonwealth Office

London SW1A 2AH

23 February 1981

plw brefs.

Dear Michael,

Briefing for Prime Minister's Visit

One of the enclosures to our letter of 20 February was the briefing on the Goddard Space Flight Centre which the Prime Minister is to visit on 27 February.

Washington telno 599 (copy attached) states that President Reagan's proposed budget cuts will have a considerable impact on US Space, Science and Applications Programmes. Some of these involve collaboration with the European Space Agency and/or the UK. Although the Prime Minister's programme does not at present call for discussion of the endangered programmes specifically (the focus is to be on the UK participation in the Solar Maximum Mission), we suggest that the Prime Minister should be made aware of the potential disruption to UK programmes.

I therefore attach two copies of an addendum to the Goddard Space Flight Centre Briefing.

Added

Yours ever,

Francis Richards

(F N Richards)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street





PRIME MINISTER'S MEETINGS ON THE HILL  
1520-1730 THURSDAY 26 FEBRUARY 1981

Programme

- 1520 Prime Minister, Lord Carrington and party arrive Senate. Met by Senate Sergeant at Arms
- 1525-1540 Private meeting with Senator Howard Baker (R Tennessee), House Majority Leader and colleagues
- 1545-1625 Meeting with members of the Senate Foreign Relations Committee and ranking minority members of other committees. Meeting will probably take the form of brief opening remarks by Senator Baker, Senator Robert Byrd (D West Virginia - Senate Minority Leader) and by Senator Charles Percy (R Illinois - Chairman of the Senate Foreign Relations Committee.) The Prime Minister will be asked to speak (5 minutes), followed by Questions and Answers.
- 1625 Depart for Rayburn House Office Building. Met by House Sergeant at Arms and by Congressman Clement J Zablocki (D Wisconsin - Chairman of the House Foreign Affairs Committee).
- 1630-1725 Meeting with members of the House leadership and House Foreign Affairs Committee together with Chairmen and ranking minority members of other committees. The Prime Minister will be introduced by the Speaker, Tip O'Neill, House Minority Leader, Robert Michel (R Illinois) and Chairman Zablocki. The format will be the same as in the Senate.





## Background Note

### Senate

The following is the composition of the new Senate with figures for the old Senate in brackets:

Republicans	53	(41)
Democrats	46	(58)
Independents	1	( 1)

The new Senate contains the largest number of Republicans since the 71st Congress (1929-31). The Republicans have not controlled the Senate since Eisenhower's election victory of 1952. In the November elections, the Republicans held all of their 10 seats which were at stake (Arizona, Kansas, Maryland, Nevada, New York, North Dakota, Oklahoma, Oregon, Pennsylvania and Utah). The Democrats lost 12 of their 24 seats which were up for election (Alabama, Alaska, Florida, Georgia, Idaho, Indiana, Iowa, New Hampshire, North Carolina, South Dakota, Washington and Wisconsin).

Briefing notes on the Senate leadership, members of the Senate Foreign Relations Committee and Chairmen and ranking minority members of other committees are attached.

### House

The composition of the House in the 97th Congress is:

Democrats	242	(276)
Republicans	192	(159)
Independents	1	

The Democrats now have a majority of 50, as against 117 before the election.

Thirty three incumbents were defeated on 4 November (29 Democrats and 4 Republicans). Defeated incumbents included one member of the Democratic leadership (Majority Whip John Brademas of Indiana) and one member of the Republican leadership (GOP Conference Chairman Samuel Devine of Ohio).





Democratic losses also included four Committee Chairmen (Al Ullman of Oregon - Chairman of Ways and Means; Harold Johnson of California - Chairman of Public Works; Frank Thompson of New Jersey - Chairman of House Administration; and John Murphy of New York - Chairman of Merchant Marine and Fisheries). The Democrats lost 10 open seats ie those vacated on the retirement of the incumbent - and retained 16 others. The Republicans lost one open seat (Andrews of North Dakota) and held 15 others. There are 76 new members in the House: 24 Democrats and 52 Republicans. There will be three new Congresswomen bringing the total number of women in the House to 19, equal to the previous record of the 94th Congress. This number compares with 13 women in the House of Commons.

Biographical notes attached.

#### Subjects for discussion

Both House and Senate will be deeply involved with the Administration's economic proposals and there will be interest in British economic performance since the Prime Minister's last visit. The Republicans will be looking for reassurance that the British Government's policies are working while some of the Democrats may be looking for opportunities to show, by our example, that President Reagan's policies will create hardship with no certainty of ultimate success.

There may be interest in the state of the Alliance; Britain's own cautioned willingness to meet the NATO 3% target and our view of the appropriate Allied response to Soviet intervention eg in Poland or in the Gulf.

There may be questions about the European Middle East initiative and suspicion of European undermining of the Camp David process.



RESTRICTED



Other possible subjects include: the Soviet/Cuban threat in the Caribbean and Latin America (especially El Salvador); Southern Africa; and Terrorism, possibly in the context of Northern Ireland.





PRIME MINISTER'S VISIT : VISIT TO GODDARD SPACE FLIGHT CENTER  
08.40 FRIDAY 27 FEBRUARY 1981

Programme:

- 08.40 Prime Minister and party arrive at the Goddard Space Flight Center, Greenbelt, Maryland. Met by Mr A Thomas Young, Director GSFC. Dr Anthony J Calio, Associate Administrator for Space and Terrestrial Applications at NASA HQ will be in attendance.
- 08.45 - Brief description of Goddard mission. Description  
09.05 of network operations control center with emphasis on the launch activities for the new spaceshuttle.
- 09.05 - Tour of building 14 including computer facilities and  
09.15 NASCOM (NASA Communications).
- 09.15 - Travel to building 7, Clean Room  
09.20
- 09.20 - Description of projects involving cooperation with  
09.35 the UK including the Solar Maximum Mission (SMM), International Ultraviolet Explorer (IUE) and the Ariel series of UK scientific satellites. This discussion will be led by the group of UK scientists at present working at Goddard (primarily on the Solar Maximum Mission) and by Mr K Frost, the American project leader for SMM.
- 09.40 Depart Goddard Space Flight Center.  
09.40





## BACKGROUND

### The Goddard Space Flight Center

1. Goddard is one of the eight main NASA field centres. It is named in honour of Dr Robert H Goddard, one of the pioneers of American space exploration. The Space Flight Center is concerned primarily with space science, earth science and space applications using mostly near-earth satellites, both manned and unmanned. As a necessary part of this work, Goddard has a central role in NASA tracking and communications networks and in data acquisition and analysis and has considerable capability in spacecraft design and integration. Goddard has a staff of around 3,500 with additional independent contractors' employees also on site. The budget for programme management (excluding extra-mural programme costs) is around \$140 million.

### Space Science and Applications Programmes

2. The UK participates in space science and applications both through its subscription to the European Space Agency (ESA) and in bilateral or multilateral arrangements with the US and other countries. The latter programmes are usually initiated by NASA and managed by the Goddard Space Flight Center. They afford excellent opportunities for UK scientists to participate in state-of-the-art research and development at relatively low cost. Some examples are:

- (a) Solar Maximum Mission (SMM): An international scientific study of solar flare phenomena. The spacecraft carries seven instruments, two of which were developed in the UK, by Birmingham University (with the University of Utrecht) and by London University and the SRC. Further details at Annex A.
- (b) International Ultraviolet Explorer (IUE): A cooperative project between NASA, the European Space Agency and the

/SRC





SRC to study celestial objects which emit UV radiation not visible from the ground. Four detectors were provided by the SRC in collaboration with London University.

- (c) Earth Observation Satellites: Goddard has a major involvement in the development, tracking and control of earth observation satellites, for terrestrial, maritime and meteorological applications, often on behalf of other US operational agencies. The UK has participated in several of these, either through the provision of instruments (NOAA-A and NIMBUS-7 weather and oceanographic satellites), through data acquisition (SEASAT oceanographic satellite), or through the commercial or scientific use of data (LANDSAT earth observation satellites).

PERSONALITIES

- 4. A Thomas Young Director Goddard Space Flight Center  
 Born 1938  
 Educated University of Virginia. Sloan Fellow at MIT 1971-72  
 1961-65 Langley Research Center, Virginia, working on project Vector.  
 1965-68 Mission definition manager for the lunar orbiter project.  
 1968-76 Worked on the Viking mission to place an automated spacecraft on the surface of the planet Mars, firstly with responsibility for the development of the Mars mission objectives and subsequently as the Viking science integration manager, the Viking mission operations manager and finally as mission director.  
 1976-79 Director of the planetary programme in the office of space science at NASA HQ.  
 1979-80 Deputy Director of the NASA AMES research center. February 1 1980, appointed Director, Goddard Space Flight Center.

/5.





5. Dr Anthony J Calio Associate Administrator for space and terrestrial applications.  
Educated University of Pennsylvania and Carnegie Institute of Technology. Sloan Fellow at Stanford University 1974-75.  
1963 Electronics Research Task Group NASA  
1964 Chief of Research and Engineering, Electronics Research Center, Boston.  
1965-75 Major responsibility for the Appollo Lunar Science Programme, firstly as Chief, Systems Integration and Coordination, Manned Space Science Programme Office, NASA HQ, and subsequently as Director of Science and Applications at Johnson Space Center.  
1975-77 Deputy Associate Administrator for Space Science, NASA HQ.  
1977- Associate Administrator for Space and Terrestrial present Applications.
6. UK Scientists working on the Solar Maximum Mission are:  
Christopher Rapley ) Mullard Space Science Laboratory  
Robert Bentley ) University of London  
George Simnett ) University of Birmingham  
Ken Phillips )  
Roger Burdett ) Rutherford and Appleton Laboratories  
John Sherman ) Science Research Council



The Solar Maximum Mission

Objective: - to study solar flares with a view to elucidating the physical mechanisms involved in the storage and release of flare energy.

Background: - Owing to their transient and unpredictable nature and the extension of their emission over up to twelve decades of the electromagnetic spectrum, observations of flares prior to SMM were highly incomplete, making it impossible to distinguish between the variety of proposed flare models. However, a detailed understanding of observed solar phenomena is of primary importance to Astronomy (the Sun is so much closer to us than any similar celestial object) and flares in particular are of interest since they cause a variety of disruptive secondary effects at the earth and because the physical processes involved and the observational techniques used have close analogues in fusion research.

Mission Philosophy: -

- to assemble a complementary set of co-aligned instruments capable of providing images and plasma diagnostic information covering the wavelength range from the optical through to gamma-rays.
- to provide sufficient on-board computing power that instruments should be able to respond to the detection of a flare in real time with no ground intervention, and to execute appropriate series of joint observations.
- to support the SMM with coordinated observations from a world-wide network of optical and radio observatories as well as with observations from other spacecraft.
- to arrange for the experiment scientific teams and their Guest Investigators to work at the Goddard Spaceflight Centre in order to facilitate joint analysis of the flare data with the possibility of scientific feedback into the mission operations.

Status: -

- The mission has been highly successful, with innumerable joint data sets having been obtained, to the extent that it will take many years to fully analyse the information obtained.
- Unfortunately a technical problem with the observatory occurred shortly before completion of the first year of operation. Currently two of the instruments continue to operate whilst the remainder await attempts to minimize the impact of the problem. Ultimately the problem may be corrected in orbit using the Space Shuttle.

UK Involvement: - Two UK groups, the Mullard Space Science Laboratory of University College, London, and the Space and Astrophysics group of the Rutherford Appleton Laboratory worked with the Lockheed Palo Alto Research Laboratories (USA) to build the X-ray Polychromator for the SMM. This experiment consists of two forefront-of-technology sets of Bragg Crystal spectrometers, one of which is entirely novel in its design. These instruments provide maps in soft X-rays, with high spectral and temporal resolution to permit detailed studies of the behaviour of flare plasma in the temperature range  $2 \rightarrow 30$  million degrees Kelvin.



The University of Birmingham and the University of Utrecht jointly built the Hard X-ray Imaging Spectrometer for the SMM. This instrument is entirely new and has provided the first ever opportunity to image and thereby locate the flare hard X-ray emission. Data from this experiment have already confirmed the presence (long suspected) of intense electron beams during the early stages of flares. In addition the instrument provides a flare alert with location and other information to the rest of the spacecraft.

Achievements so far: -

- (i) Advances in the understanding of solar flares.
- (ii) Advances in the understanding of other solar phenomena (eg: radio noise storms, coronal transients).
- (iii) Stimulation of advances in atomic physics theory (particularly in Europe) of value in their own right but also with applications in the analysis of fusion experiment data.
- (iv) First attempt on such a massive scale to achieve a coordinated joint study of a specific astronomical problem

It should be noted that a number of Ph. D. students have participated in the mission as members of the University teams. Several of these have since accepted positions within British Aerospace or other UK high-technology industries.

C.G. Rapley  
16 February 1981



PRIME MINISTER'S VISIT: VISIT TO GODDARD SPACE FLIGHT CENTER  
08.40 FRIDAY 27 FEBRUARY 1981

ADDENDUM

As part of his proposed budget cuts President Reagan is seeking to make substantial savings on space science and applications through cuts or deferrals of several space science programmes being prepared by NASA and Earth Observation Programmes managed by the National Oceanic and Atmospheric Association (NOAA). The UK was to participate in three of the space science programmes, either on a bilateral basis (the Gamma Ray Observatory) or as a member of ESA (the International Solar Polar Mission and the Galileo Mission to Jupiter) and planning for these must now be disrupted. In addition interest was growing in the UK in the potential applications of the National Oceanic Satellite System for observation of the oceans, which was to have been operated by NOAA. There is growing concern that access to Spacelab will be increasingly difficult in future.





PRIME MINISTER'S VISIT TO GENEX CORPORATION : ROCKVILLE, MARYLAND  
10.15 FRIDAY 27 FEBRUARY 1981

Programme:

- 10.15 Prime Minister and party arrive at the Genex Laboratory facilities at 12300 Washington Avenue, Rockville, MD, 20852 (Telephone (301) 468 6622). Met by Dr J Leslie Glick, President and Chief Executive, and Dr David A Jackson, Vice President and Scientific Director of Genex, and taken to office for a ten minute briefing and slide-show on the activities of the Company.
- 10.30 Walk round laboratories, concentrating on experiments, apparatus and activities peculiar to genetic engineering. The main work at Genex is aimed at developing specific products by means of:
- (a) Genetic improvement of current microbial processes used in fermentation.
  - (b) Genetic manipulation of micro-organisms to improve the yields of commercial products.
  - (c) Construction of new microbial strains to make projects not possible using existing microbes.
- End products can be of use in the pharmaceutical, agricultural, food processing, chemical and energy industries.
- 11.00 Discussion with Dr Glick on the future prospects for firms like his in the US, UK and world-wide, embracing scientific, social, political and commercial constraints. Government regulation is handled differently in the US and UK as is industry-university collaboration.
- 11.15 Prime Minister's party departs for Georgetown University.





## BACKGROUND ON GENEX

1. Dr Glick, an industrial biologist, and Robert F Johnston, a venture capitalist, founded the Company in 1977 with finance initially from a venture capital group backed by Monsanto and Emerson Electric Company, and later from the Koppers Company. Dr Glick and Mr Johnston saw the commercial possibilities and have had no difficulty in raising the capital to sustain a growth of over 30% per annum since 1977. This growth is typical of that in many new companies in high technology innovatory fields like genetic engineering and microcircuitry in the US. Genex is one of the four leading companies in its field. At present the laboratory covers 18,000 square feet and employs 75, of whom half are PhD's. Later this year, they are opening a second laboratory on premises covering 90,000 square feet on another site nearby. The area between Washington and Frederick has been referred to as "Gene Valley" because of the recent growth in genetic engineering companies. In addition to its own research, Genex does genetic toxicology assays, contract R & D and consultancy. They already have clients in Japan and Europe and are actively seeking commercial partners, which could be British.

## PERSONALITIES

Dr Glick took his AB in 1961 and his PhD in 1964 at Columbia University, and was then a Post-doctoral Fellow in Biochemistry at Princeton for a year. From 1965 to 1970 he carried out cancer research at Roswell Park Memorial Institute, Buffalo, New York, finishing as Chairman of Physiology from 1969 to 1977. He was successively Vice President, President and Chairman of the Board of Associated Biomedic Systems, a biological manufacturer and R & D company in Buffalo, New York. Concurrently, he served from 1975 to 1977 as President of the Institute of Scientific and Social Accountability in Washington, DC, an evaluation research organisation. He has just written a chapter for a book to be

/published





published later this year. The chapter is entitled "Impact of Recombinant DNA Technology on the Economy" and the book is Volume II of "Biomedical Scientists and Public Policy."

Dr David A Jackson took his AB at Harvard in 1964 and his PhD in 1969 at Stanford. After research in biochemistry at Stanford from 1969 to 1972 he served as an Associate Professor of Microbiology at the University of Michigan from 1972 to 1980. He joined Genex full-time in 1980 having previously been part-time Chairman of the Genex Scientific Advisory Board. His pioneering work on recombinant DNA technology is widely acknowledged and he has written a recent book entitled "The Recombinant DNA Debate."





PRIME MINISTER'S VISIT: HONORARY DEGREE CEREMONY AT  
GEORGETOWN UNIVERSITY AT 12 NOON ON FRIDAY 27 FEBRUARY 1981

Programme

1200

Prime Minister and party arrive at the Healy Building, Georgetown University. Met by Father Timothy S Healy SJ, President of the University. The Prime Minister will be taken to Father Healy's office where she will put on her academic robes (cap and gown).

1213-1300

Academic procession to Gaston Hall (within Healy Building). The degree ceremony consists of an opening prayer, a welcome by the Provost, The Reverend J Donald Freeze SJ, a reading of the University Charter and a reading of the degree citation itself. The degree is an honorary Doctor of Laws degree which will be conferred by Father Healy who will place on the Prime Minister an academic hood and present the degree diploma. Father Healy will then make a short speech followed by the Prime Minister's speech, a closing prayer and a psalm.

Gaston Hall, in which the ceremony will take place, seats 685 people. There will be 300 students present, 200 members of the faculty and invited guests and members of the press. Once the ceremony is over the Prime Minister will return to Father Healy's office where drinks will be served followed by lunch at about 1330. During the lunch, Father Healy will propose a toast to the Prime Minister. The Prime Minister, in return, may wish to propose a toast to the University. A guest list for the lunch is attached.





### History of Georgetown University

Georgetown is the oldest Catholic institution of higher learning in the United States, founded by the Jesuits in 1789. It has 1200 students, of whom 60% are Catholic. Georgetown is probably the most prestigious of the six universities in Washington DC. It has five schools (arts and sciences; nursing; languages and linguistics; foreign service; and business administration). The University also runs a modern teaching hospital where Father Healy spends a considerable portion of his time. Also attached to the University is the Center for Strategic and International Studies (CSIS) whose Director, Dr David Abshire, headed the Reagan foreign policy transition team. CSIS has contributed a number of its people to the new Administration, including the Ambassador to the UN, Dr Jeane Kirkpatrick. Dr Brzezinski, the former National Security Adviser, now has a fellowship at CSIS.

### Biography of Father Timothy S Healy SJ President of Georgetown University

Born 1923

Educated in New York, Maryland, Louvain (Belgium), Valencia and Oxford (D Phil 1965, MA 1979).

1946-49      Instructor and later Professor of English and  
                  Senior Vice President at Fordham University  
1969-76      Professor of English, City University of New York  
1976            President and Professor of English at Georgetown  
                  University

English is Father Healy's speciality and his Oxford doctoral thesis concerned the poetry of John Donne on whom he is shortly to publish a book. He is an expert on 17th century English literature. Has taught a University course on Chaucer.

Father Healy is engaging, a devoted priest but also a man of the world. He has been a successful and controversial President of Georgetown, taking a strict line on moral issues, forcing the editors of a student newspaper to drop an advertisement on abortion and refusing to grant official recommendation and subsidy to a student homosexual group. Asked in a recent interview about his

/political





political affiliations he said: "Listen, old buddy, I'm a Democrat. I am a New York Irish Catholic. I was born with a party affiliation. It came with baptism."





THE DONOVAN AWARD DINNER : WALDORF ASTORIA : NEW YORK  
SATURDAY 28 FEBRUARY 1981

Programme:

- 19.00 - Prime Minister, Mr Thatcher, Miss Thatcher and members  
19.30 of the Prime Minister's party are escorted by Mr Geoffrey Jones, President of the Veterans of the OSS, to ante room to Grand Ballroom to attend reception for principal guests (list to follow).
- 19.30 Prime Minister and other guests go into dinner. Prime Minister seated by Mr Geoffrey M T Jones. Presentation of Colours by Colour Guard. National Anthems. Blessing by Episcopalian Minister. Singing by cadets of West Point.
- 20.15 Dinner begins.
- 21.30 President of Veterans of OSS introduces principal guests.  
  
William J Casey (Director of Central Intelligence and Dinner Chairman) introduces Prime Minister  
Presentation of award by John M Shaheen (Chairman of Donovan Award Committee)  
Photographs  
Speech by Prime Minister  
Benediction by representative of Cardinal Cooke.
- 22.15 Dinner ends.  
approx





## BACKGROUND

1. The Veterans of the OSS brings together every two years former members of the Office of Strategic Services, the wartime predecessor of the CIA. At reunion dinners they present the Donovan Award to "an individual who has rendered distinguished service in the interests of the democratic process and the cause of freedom". Previous recipients of the Award were:

1961	The Honorable Allen W Dulles
1963	The Honorable John J McCloy
1964	Lieutenant General William W Quinn
1965	General of the Army Dwight D Eisenhower
1966	The Earl Mountbatten of Burma
1967	The Honorable Everett McKinley Dirksen
1969	J Russell Forgan
1970	The Astronauts of Apollo II
1971	The Honorable David K E Bruce
1974	The Honorable William J Casey
1977	The Honorable Robert D Murphy
1979	His Excellency Jacques Chaban-Delmas

The Office of Strategic Services (OSS)

2. In 1939, the USA had no real foreign intelligence service. In July 1941, President Roosevelt appointed the charismatic 58-year old General "Wild Bill" Donovan to be "Coordinator of Information" - head of the USA's first central intelligence system. A year later, Donovan's organisation was renamed the Office of Strategic Services. The OSS grew to comprise 5 major components: Secret Intelligence, or the clandestine collection of intelligence; Secret Operations (SO) whose operatives ran resistance networks in France and worked with the British; Research and Analysis, a precursor of the National Foreign Assessments Center at the CIA which the Prime Minister visited in 1977; Morale Operations (MO) or black propaganda; and "X-2", or counter-intelligence. By 1944, the OSS numbered some 15,000 men and women.

/3.





3. William Casey organised a Secretariat for the OSS in Washington (as a young Naval Lieutenant), and was sent to London (1943) initially to establish a secretariat for Col David Bruce. Casey soon became (1944) Chief of Secret Intelligence (SI) in Europe, under David Bruce as Commanding Officer for European Operations for OSS.

4. Though there was a great deal of cooperation between the OSS and British Intelligence, it was not always a frank and comfortable relationship, in the view of a significant number of OSS veterans. The British were the tutors and mentors of the fledgling but fast-growing American intelligence arm, and while the teaching was welcome to all, the tutor was resented by some. There were policy disagreements between eg the SOE and the junior partner, the American SO. For example, the British doubted the wisdom of the American intent to try to penetrate Nazi Germany with agents given the absence of an indigenous resistance movement (such as existed in enemy-occupied France); given earlier success in "doubling" the German espionage organisation in the UK; and given the Ultra code-breaking weapon. It was with some reluctance, and after some delay, that the British agreed that England could be used as a base for American operations in Germany.

5. Former OSS officers thus range in their attitude to Britain from the blinkered and devoted Anglophile to the resentful (sometimes privately so) and equally blinkered Anglophobe. There are probably more who retain respect and affection for their former mentor, and nostalgia for the heyday of the OSS, than there are of the more cynical and questioning ones.

#### BIOGRAPHICAL NOTES

General William J Donovan was born in 1883 in Buffalo New York. He served in the "Fighting 69th" Infantry Regiment in World War I, receiving the three highest military decorations of the United States.

/He had a





He had a distinguished career in law, serving as Acting Attorney General and conducting three landmark cases before the Supreme Court.

In 1935 Donovan visited Italy and Ethiopia to look into the circumstances surrounding the Italian invasion. In 1937 he went on a fact-finding mission to Spain during the Civil War. In 1940, following the fall of France President Roosevelt sent Donovan to Britain to assess the situation. Donovan's report was instrumental in securing Roosevelt's support for supplying destroyers to Britain. Churchill thanked Roosevelt "for magnificent work done by Donovan who has carried with him through an animating, heartfelt flame".

In 1941 Donovan was appointed Coordinator of Information. In 1942, following Pearl Harbour, the title of this job was changed to Director of the new Office of Strategic Services (OSS).

1944 Promoted to Major General  
 1945 Prepared US brief for the Nurnburg trials.  
 1946 Returned to law practice in New York.  
 1953-54 Ambassador to Thailand

In 1957 he suffered a serious stroke and died two years later, aged 76.

William J Casey, Director of Central Intelligence. Honorary Chairman of the Donovan Award Dinner Committee (co-chairmen are Evangeline Bruce, widow of Ambassador David Bruce and Owen McGivern, a retired federal judge who acts as master of ceremonies). Age 67. A career lawyer and author of books on law and business administration. In the US Naval Reserve in World War II, he was an aide to Bill Donovan in the Washington HQ of OSS; Chief of Special Operations in the OSS London HQ and Chief of Secret Intelligence for Eisenhower's theatre of war.

1969-77 Served on a number of Presidential commissions, some related to intelligence, foreign policy and arms control.

/1971-76





1971-76 President and Chairman of the US Export-Import Bank and successively Chairman of the Securities and Exchange Commission and Under Secretary for Economic Affairs at the State Department.

Geoffrey M T Jones President of the Veterans of the OSS

Age 61

Grew up in France

1942 Joined US Army

1944 Posted to Algiers where he was in charge of training and despatching agents and Commando Groups in support of the invasion of Southern France (Operation ANVIL)

July 1944 Parachuted into France as a Delegue Militaire for General de Gaulle to the Var and Alpes Maritimes to coordinate the resistance groups in support of ANVIL.

1944-45 Organised and commanded OSS Nice.

Since the war he has worked as an advertising executive and management consultant.

Decorations include OBE (Military) and Croix de Guerre

John M Shaheen Chairman of the Donovan Award Committee

Age 65 President of Shaheen National Resources Co Inc and the Macmillan Ring Free Oil Co Inc. An oil company executive, Mr Shaheen received ECGD credit for the "Come by chance" oil refinery which he established with British equipment in Newfoundland in 1973/74. The company subsequently went bankrupt.



PRIME MINISTER

Points to Cover in your Talks with  
President Reagan

EAST WEST RELATIONS

President Brezhnev's speech - some interesting features (in particular extension of area covered by CBMs) but nothing really new. Need for a considered reaction. President's reaction to Summit proposal.

Poland - assessment of present situation. Mildly encouraging? Need to maintain a "hands off" posture.

Afghanistan - Western objectives unchanged. Importance of Pakistan's position. Message from President Zia. Does the President envisage strengthening US commitment to Pakistan?

NEED FOR ALLIANCE CO-ORDINATION

Importance of NATO and, more specifically, quadripartite machinery. Possibility of a directive from Foreign Ministers about the priority to be given to quadripartite consultation. President's attitude to quadripartite summits.

DEFENCE POLICY

Nuclear understandings.

TNF deployment and arms control. Importance of maintaining both halves of NATO's double decision. Particularly significant for the Germans.

/ MIDDLE EAST



MIDDLE EAST

Arab/Israel dispute: how do the Americans see the continuation of Camp David? Role for Europe? Seen by us as complementary not competitive.

Iran/Iraq: will the hostilities spread or stabilise? Importance of the Gulf. Welcome signs of co-ordination among the Gulf states. Will the Americans pursue the Rapid Deployment Force? UK willing in principle to help. Your visit.

SOUTHERN AFRICA

Namibia: does President Reagan envisage pursuing a policy similar to that of the previous administration? Possibility of present OAU meeting resulting in General Assembly debate and, ultimately, Chapter 7 Resolution. The veto?

CENTRAL AMERICA

El Salvador : sympathise with US objectives. But what action is proposed? Difficulties of publicly supporting extremist regimes (Schmidt's attitude).

Belize/Guatemala: desirability of early agreement. Hope that Guatemala can be encouraged to moderate claims.

WORLD ECONOMY

Recession and the causes thereof: Ottawa Summit - President Reagan's views on attendance and agenda.

North/South: Mexico Summit - does President Reagan plan to attend? Is he seeking postponement? If so, for how long?

/ FAST REACTORS



FAST REACTORS

Is the new administration interested in Anglo/American co-operation in this field?

IRELAND

Likelihood that hunger strikes are about to recommence.  
HMG will not change position on political status.

*AmS*

26 February 1981



POINTS FOR MEETING IN DODStrategic Nuclear Balance

What view do you take of it?

What are US intentions - land based missiles, sea launched missiles, new bomber aircraft? Any moves foreseen <sup>by</sup> ~~in~~ US, <sup>or</sup> ~~by~~ Soviet <sup>in</sup> ~~in~~ Anti Ballistic Missile area? What about SALT?

THEATRE NUCLEAR

UK moving steadily ahead -GLCM bases announced, work and planning progressing. Still very sensitive for Germans, Dutch and Belgians in particular. ERW doesn't help. New public programme of SLCMs could lead to European backsliding. Importance of SALT, arms control. Careful handling. UK will help.

US DEFENCE BUDGET

Tough to find money in hard times. UK kept its end well up. Where will new US money go? Much on pay and recruiting? What about new weapons? Chemical warfare?

NATO

Cause for concern. Lack of political and economic robustness. Needs careful and skilled approach. What about 3%? Will it run? Are there other approaches? Equipment costs rising fast. Some initiative needed. Need to develop dialogue about way forward.

S.W. ASIA

What is RDJTF plan? Is it intended to fight and hold a Soviet invasion? Or to offer public proof of risks Soviets would run and pose threat of escalation? What about basing? Glad to help



on Diego Garcia. Other UK involvement includes training, visits overseas and ship deployments. What do you see as role for Allies? Effect on NATO.

### EQUIPMENT

Major issue. All hard pressed on costs. Strong industrial base on both sides Atlantic essential - crucial to European sense of involvement and public support. UK/US trade imbalance 1:3 US/Europe 1:10. Not looking for charity - will compete and can compete. Must not duplicate effort. Need to specialise more. Real way of increasing output. UK has smart technology.

Glad that Rapier Low Level Air Defence System and Combat Support Boat agreed.

Disappointed and embarrassed by way Congress undermined JP233 (a weapon to deny use of airfields by crating runways and dropping small mines). Your predecessors cancelled in December 1980. You may have better news? Encouraging. Staffs discuss urgently BUT we attach great importance to early in Service date for TORNADO and other aircraft.

What about US position on AV8B? Previous administration unclear about it. New administration may say they are recommending production funding (on what scale)? to Congress. UK still evaluating studies and in middle of annual review of budget. Accept need to decide how to proceed and will move as fast as possible.

Looking at our position on TORPEDOES. STINGRAY doing well - appreciate US requirement for Advanced Lightweight Torpedo different but some of STINGRAY technology may be useful. No need for us all to go on re-inventing everything. Should discuss.

/ OTHER ITEMS:



OTHER ITEMS:

SEARCHWATER RADAR (detects periscopes and surface ships from an aircraft) recently demonstrated to US Navy which is interested.

WAVELL computerised battlefield command and control system.

GIANT VIPER -a mine destroyer on the battlefield.

SCORPION light tank.

HAWK jet trainer for US Navy.

SHIPS STABILISERS

81 MM Mortar - an amazing saga.

Could you really have a good look. We shall be buying more things from you - in addition to TRIDENT - and must get two way trade moving.

Two last points

First, must build up real confidence and get message down the line.

AIR to AIR MISSILE PACKAGE crucial. (US doing medium range and Europe short range). Let's try and make it work. Second, worry about

Congress and continuing funding of projects. Continual battle and

sometimes cancellations (JP233, Multiple Launch Rocket System and

in part MALLARD and so on. Can anything be done to make the foundations firmer?





PRIME MINISTER'S VISIT TO WASHINGTON :  
ECONOMIC INDUSTRIAL LUNCH : 26 FEBRUARY

1. The Amabassador opened the discussion by suggesting that it should concentrate on three areas. He would first invite the Prime Minister to give her prognosis for the UK economy. He would then welcome a contribution from the American guests, and particularly Secretary Regan, on the Administration's programme for the US economy and particularly on the time-scale within which they expected to see results. Thirdly, he thought it would be interesting to discuss how far governments should or should not take steps, outside the area of fiscal policy, to deal with industrial problems, particularly at a time of economic instability and of increasing competition from the newly industrialising countries.
2. The Prime Minister began by underlining three elements in the US economy which made it different from the UK. These were first that it had great underlying strength, based on free enterprise and risk-taking. Second, that it was not overburdened with nationally owned industry. Third, that the trade union factor in the US was quite different.
3. But there were a number of factors in common. Both economies had in recent years suffered an endemic tendency to inflation. If their politicians had been more strong-minded in carrying out their chosen policies, this inflation could have been avoided. But in Britain, the underlying rate of inflation had increased steadily from the 1960s onwards, and during the last Parliament had reached an average annual rate of 15%. This was partly because politicians had given way to pressures which had made it necessary to raise taxes beyond reasonable levels and to borrow above reasonable interest rates.
4. The answer to this was to return to sound money. The Prime Minister did not propose to discuss the technicalities. The basic point was that no money supply policy could be made to work properly with high borrowing by the public sector forcing up high interest rates. The single most important step to be achieved was to cut public spending. Money supply policies would then fall into their proper place and risk-taking could resume. In Britain, we had pursued a tight monetary policy and inflation was coming down. It was now running at an annual rate of below 9% which was good.
5. There were other problems. First, there was a very strong pound as a result of high interest rates and North Sea oil. This left industry less competitive than it would otherwise be. Even more difficult was the problem of high unemployment which resulted partly from squeezing out inflation and partly from reductions in over-manning. This was a problem which should have been tackled years ago and delay in tackling it had made it worse.





6. But there was a bright side as well. Pay settlements had been very much more reasonable and were now mostly in single figures. The balance of payments had been very strong, not simply because of North Sea oil, but because British companies were operating in a more dynamic way. There had been a real sea change in attitudes. The Prime Minister believed that once we had got through the present period of high unemployment, and given our independence from the rest of the world for resources of energy, Britain would be a very formidable competitor.

7. The Secretary of the Treasury acknowledged that the US economy was relatively strong, but at present it was growing weaker. Turning at once to the budgetary problem, he said that the figures available when the new Administration's economic policy was being drawn up, had turned out to be radically wrong. The revised figures on which they were now working made the problems much more difficult to solve within the time frame they had chosen.

8. Mr Regan continued that there were four parts to US economic policy. First, strict fiscal policy. This meant large budget cuts, starting with a reduction of \$41½ billion, or 8%, in the first year and rising to \$50 billion. Second, an enormous tax cut. Mr Regan admitted that there was some discussion even within the Administration about whether this would be inflationary. Third, deregulation. A task force had been set up to deal with the problem of excessive regulation. The new Chairman of the Council of Economic Advisers, Mr Weidenbaum, was an expert in this field. The aim of this part of the policy was to achieve substantial increases in productivity. Fourth, a tight monetary policy. This was the independent responsibility of the Federal Reserve, but Mr Regan commented that the line which Mr Volcker was proposing to take was in full accord with the Government's general purpose.

9. Mr Regan said that all the four elements in the programme were closely interwoven. There had been some criticism that the new Administration had not acted fast enough. But within the first thirty days, they had proposed the largest budget cuts, the largest tax reductions, and the most sweeping dismantling of regulations that had ever been put forward.

10. As far as the political acceptability of the programme was concerned, the Republican Party had a majority of three in the Senate, but games would be played in the House. It was difficult to predict the outcome. The Administration could propose, but others could dispose. Mr Regan was himself confident that the President's skill as a communicator would enable the Administration to carry their policies through.

/11.





11. As to results, the Administration expected to reduce the GNP price deflator from 9½% to 5% by 1985. An important factor in achieving this would be the incentive effect of tax cuts, both on businesses and on individuals. Reduction in capital gains tax should help to restore the level of savings. The proposed changes in depreciation allowances should encourage industrial investment and improve productivity. This should help to increase exports and lead to a stronger dollar. Mr Regan believed that this programme would succeed.

12. Mr Weidenbaum, Chairman of the Council of Economic Advisers drew on the theme of innovation in the new Administration's economic policies. They had looked not for any particular doctrine, but for what would work in this nation.

13. Congressman Reuss commented that we were all now monetarists and supply-siders, and observed that the IMF and the World Bank also had a part to play in dealing with world economic problems.

14. The Secretary for Energy in a brief general intervention, commented on the importance of getting the energy equation right. This would need to include a renewed emphasis on the development of nuclear power: the US Government was looking forward to collaborating with the UK on nuclear breeder reactors. He went on to emphasise the importance of movements in the price of oil in the struggle against inflation.

15. The Prime Minister commented that inflation could not be blamed on movements in the price of oil. The Germans and the Swiss had not suffered from inflation as a result of the oil price explosions of the 1970s. They had refused to print money to pay for the increase. In countries where this had not happened, the politicians had a heavy responsibility. When the price of oil increased, expenditure on something else had to be reduced in order to make room for it. This was the only way to achieve sound money. There was no inflation in a barter society. In her view, monetarism was like gravity. It was not a doctrine. It was there.

16. The Secretary of Commerce suggested that it would be unwise to put exclusive emphasis on monetary policy as the weapon for conquering inflation. We should not ignore the importance of pursuing responsible fiscal policies as well. Otherwise interest rates would rise to the point where it was impossible for industry to compete.

17. Mr Rohatyn (Lazards) commented on the strength which the UK derived from its energy resources. For the US, energy was an Achilles heel. He pleaded for a gasoline tax as the only means of curbing US consumption of energy and helping to balance the budget. As a Democrat, he supported the Administration's programme. There was no alternative.

/18.





18. Mr Greenspan (Economic Consultant) welcomed the universal recognition round the table that none of us could any longer live with inflation. There could be no solution of our economic problems without controlling inflation. This was an absolutely fundamental goal and he was encouraged to hear the Prime Minister say that the UK would not compromise on this.

19. Mr Wriston (Citicorp) said that enormous intellectual capital had been invested in economic systems which had not worked. But a change in attitude was now taking place across the country. People were ready to try something else.

20. Congressman Evans welcomed President Reagan's emphasis on working with Congress. The US people were tired of politics as usual. There was strong support for change. He thanked the Prime Minister for the courage she had shown and for setting an example to the rest of the world. He also expressed support for the work of the IMF and the World Bank.

21. The Ambassador asked when results might be expected from the Administration's economic policies. Mr Weidenbaum forecast that 1981 would be a mediocre year. But results might begin to be expected in 1982. The US economy had taken decades to get to the position it was now in. It would take some time to get it straight. He asked in return what the Prime Minister thought.

22. The Prime Minister replied that, as she had already said, the US was starting from a different point. Americans were still in the business of risk-taking. In the UK, incentives to take risks had all but disappeared with tax levels of 83% on earned income and 98% on savings. Her first step had had to be to reduce those disincentives.

23. She was confident that the US economy would come through the present recession. But she warned that it would be rough going for the first year. The Administration would be criticised as hard and flinty-faced. In the UK, she had remained hard and flinty-faced because she cared about pulling the country through. The UK was still in for a difficult year or 15 months. She had said at the beginning that it would take three years for her policies to bear fruit.

24. Mr Lewis Preston (Morgan Guaranty) said that he thought present policies were running high risks. Expenditure should be cut first. Tax reductions should wait. Mr Regan replied that unless tax levels were reduced, fiscal drag ("bracket creep") would destroy incentives completely. The savings rate was already down to 5%. Historically it had been 7 to 8%. How could the US economy become more productive if no encouragement was given to industry to modernise?

/25.





25. At the end of the discussion Mr Greenspan said that in his view, it was not a question of how much time the new policies would take to work, but how much time we had got. While interest rates remained at their present level, long term assets were being funded by short term liabilities. Measures were needed to reduce inflationary pressures quickly so that interest rates could come down. Otherwise he foresaw a serious threat to the strength of the financial system.

British Embassy  
WASHINGTON DC

cc: PS/No 10  
Mr Walden  
Sir R Armstrong  
Sir M Palliser

H M Ambassador  
Minister  
Minister (Economic)  
Minister (Commercial)





INLAND REVENUE  
POLICY DIVISION  
SOMERSET HOUSE

20 February 1981

1. MR DALTON Not seen by Mr Dalton-Smith
2. PS/MINISTER OF STATE (COMMONS) *Plw 23 Feb*
3. PS/CHANCELLOR OF THE EXCHEQUER *Plw 23/2*
4. PS/PRIME MINISTER

*plw brief.*

*Lg  
Pmt*

THE PRIME MINISTER'S VISIT TO THE UNITED STATES

UNITARY TAXATION

We have been advised by Mrs Connie Borcken-Hagen of the American Chamber of Commerce (United Kingdom) that two Bills are being introduced in Congress today which seek to curb the application of unitary taxation. Her understanding of the position is that the Reagan Administration had decided to include measures in a second tier economic package in which case legislation might emerge between April and the end of June. However, because of the political arguments likely to arise there may be a move to defer action. In the hope of preventing this she suggested that the Prime Minister might draw attention to the United Kingdom's concern during her visit next week.

We have been unable to confirm any of these views but do not think the unitary tax issue is of sufficient importance to warrant intervention by the Prime Minister. A brief on the subject is attached, in the unlikely event that it is raised on the US side.

*M A Keith*

M A KEITH  
Assistant Secretary

cc Mr Battishill  
Mr Corlett  
Mr Cropper

Sir Lawrence Airey  
Mr Dalton  
Mrs Smallwood  
Mr Keith (2)



## THE PRIME MINISTER'S VISIT TO THE UNITED STATES

### Unitary taxation

The application of the unitary basis of taxation by certain American States is an important matter for British business and investment in the US. It is also a sensitive issue of American domestic politics. We do not recommend the Prime Minister to raise this subject. But if it does crop up in any general discussion of tax policy the opportunity might be taken to register the Government's continuing deep concern about the application of the unitary basis to US subsidiaries of British and other foreign companies by some States; and to express the hope that Federal legislation to eliminate this will be enacted at an early date.

### Background

The unitary basis is applied to US subsidiaries of foreign companies by California and, in varying degrees, by certain other States. It is so called because it works on the premise that it is unreal to try and compute the profits of any one operation of a multinational business in isolation, because the whole business is a single unit and all its component parts contribute to the profits of that unit. The basis involves taxing a subsidiary company operating in a State on a proportion of the worldwide profit made by the group as a whole and ignores the actual performance of that company in the State. The proportion is determined by various arbitrary criteria such as the ratio of payroll, gross receipts or assets in the State to their world counterparts.

It is a basis which is contrary to the generally accepted international principle of taxing subsidiaries on the profits they actually earn, adjusted if necessary to the profits which would have been made if they had been independent companies dealing at arm's length



with the parent company or other associates. The main arguments against the unitary basis are:

- a. the State employing it is normally taking more than the due share of tax which it would receive on internationally agreed principles,
- b. it takes account of operations which have no relation to the actual business in a taxing State, ignores the commercial results of the business and can produce arbitrary results, and
- c. the costs of supplying information on worldwide profits of a group and otherwise complying with the requirements are extremely high.

Article 9 (4) of the new UK/US Double Taxation Convention which entered into force on 25 April 1980 prohibits the use of the unitary basis by the respective national governments. As originally drafted the Article also prohibited its use by individual States in the USA. The US Senate rejected this, however, essentially on the constitutional point that the Federal Government should not seek to interfere with State taxing rights by means of tax treaties with foreign powers.

Several Bills were introduced in Congress during 1979 to prevent the unitary basis from taking into account the income of companies outside the US. On 19 March 1980 a Note was presented to the State Department by the Italian Government on behalf of the nine EEC Governments expressing concern about the application of the system and urging support for the proposed legislation. Subsequently on ratification of our Convention on 25 March 1980 a further Note was presented by the UK Government deploring the continuance of the system.



Hearings on the Bills were held in March and June last year but, despite US Treasury support, no progress was made before the Presidential election. It is understood that two further Bills have just been introduced but it is too early to assess their prospects.

A similar Bill (the Hughes-Mori Bill) was introduced in California in early 1980 to prevent that State from taking account of the income of a foreign company which is not controlled by US residents and has the major part of its operations outside the US. This failed by a narrow margin in its final stages last autumn as a result of a political and procedural clash between the two Houses of the Legislature. The principal point at issue was whether foreign energy companies should be protected. Mrs Hughes has introduced a new Bill recently in substantially the same form. The energy company question and the State's budgetary problem could be stumbling blocks and its prospects are uncertain.





*From the Secretary of State*

M Alexander Esq  
Private Secretary  
10 Downing Street  
London, SW1

ha  
- 2/3  
20 February 1981

*Dear Michael*

BRIEF FOR THE PRIME MINISTER'S VISIT TO THE USA

- ... I apologise for sending you an extra brief on this subject but ECGD have only just heard that during the Prime Minister's forthcoming visit to Washington she is to attend a function at which Mr John M Shaheen will be present. She will wish to be aware of ECGD's experiences with Mr Shaheen.

*Yours sincerely*

*Catherine Capon*

CATHERINE CAPON  
Private Secretary





CONFIDENTIAL

Brief for Prime Minister's Visit to Washington

MR JOHN M SHAHEEN

1. ECGD have paid substantial claims [£50 million] in respect of an oil refinery in Canada - Come-by-Chance. These claims could involve ECGD in heavy losses.
2. Members of the Shaheen group of companies owned the Come-By-Chance oil refinery, Newfoundland, which was built largely on ECGD-backed export finance loans. The bankruptcy of the refinery in 1976, with debts of some ~~£~~600 million has so far cost ECGD £50 million. Other UK parties which did not have ECGD insurance cover have suffered irrecoverable losses in the bankruptcy.
3. Mr Shaheen has made a number of offers to buy back the refinery, claiming he would eventually repay all creditors. His offers have never been commercially sound. He has resorted to the Canadian Courts in his attempts to prevent the sale of the refinery to Petro-Canada, a sale which we hope will produce substantial recoveries for ECGD.
4. Mr Shaheen's sustained efforts to frustrate the sale have included representations to UK Ministers. He may attempt to raise the subject in Washington. Given the current Court proceedings in Canada and Mr Shaheen's past behaviour, it seems inevitable that any comments would be distorted and might even be used as ammunition in the pending legal proceedings in Canada.
5. If Mr Shaheen were to raise the issue, it would seem best for the Prime Minister not to comment or simply to say that she hopes that current efforts will produce a generally satisfactory conclusion to what has been - and remains - a very difficult problem.

Export Credits Guarantee Department

20 February 1981



PRIME MINISTER'S VISIT TO THE UNITED STATES: 25-28 FEBRUARY

1. Steering Brief
2. East/West Relations (including Poland, Afghanistan, Arms Control, Detente)
3. Defence Policy
4. Defence Equipment
5. Northern Ireland
6. Regional Questions
  - (i) Regional Questions: Near East
  - (ii) Southern Africa, Namibia and Zimbabwe
  - (iii) The Gulf and Iraq/Iran
  - (iv) China
  - (v) The Caribbean and Central America
  - (vi) Belize
  - (vii) Falkland Islands
7. Vietnamese Refugees
8. United States Internal Political and Economic Scene
9. Exchanges about United States and United Kingdom Economic Policy
10. International Economic and Monetary Policies
11. (Revise) Prospects for Mexico and Ottawa Summits
12. Energy (International and Bilateral Issues)
13. Extra-Territorial Application of United States Anti-Trust Laws
14. Counter-Terrorism
15. Anglo/American Defence Co-operation
16. Anglo/United States Intelligence Co-operation
17. United Nations Matters (for use with UN Secretary General)
18. Enserch/Davy

Briefs PMVH(81) 1-18  
removed from this file.  
They will be found at TNA  
in CAB 133



● PART 1 ends:-

Donovan Award speech 28/2/87.

PART 2. begins:-

Hansard Extract (cols 19-20) 2/3/87.





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