

PART 2.

SECRET

Confidential filing.

S
303

PM's meetings with Dr. A. Hammer.

correspondence from Dr. Armand Hammer of Occidental
on American investment in the UK.

ECONOMIC POLICY.

Part 1 : September 1980

Part 2 : September 1982.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
18-10-82							
31-12-85							
7.1.86							
13-1-86							
29.1.86							
13.6.86							
16.6.86							
3.7.86							
25.9.86							
8.10.86							
24.3.87							
26.3.87							
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21.4.87							
6.5.87							
8.5.87							
14-7-87							
1.12.87							
22.12.87							
1.1.88							
26/1/88.							

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DEATH OF MRS FRANCES HAMMER

DR ARMAND HAMMER'S WIFE FRANCES DIED IN LOS ANGELES ON 16 DECEMBER. SHE DEVELOPED PNEUMONIA AFTER SURGERY FOR A BROKEN HIP. SHE WAS 87. THE HAMMERS HAVE BEEN MARRIED FOR 33 YEARS. THE FUNERAL WILL BE PRIVATE.

2. I HAVE WRITTEN TO DR HAMMER EXPRESSING SYMPATHY BUT I AM SURE HE WOULD APPRECIATE FURTHER MESSAGES FROM PERSONAL ACQUAINTANCES IN WHITEHALL. I WILL BE PLEASED TO PASS THEM ON OR THEY COULD BE SENT DIRECT TO HIM AT OCCIDENTAL PETROLEUM CORPORATION, 10889 WILSHIRE BOULEVARD, LOS ANGELES CA 90024.

HOLLOWAY

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file

Spike to Gordon Reece as he accepted that diary
meant Dr Hammer did not come in on 30/6.

2

PRIME MINISTER

Gordon Reece telephoned this afternoon to say that Armand Hammer was likely to be in London on 30 June and did you wish to see him.

I attach the relevant page from the long-term diary which is not good at the moment but would be certainly substantially worse as you get nearer the time. Agree to pass on this occasion? If so, I will telephone Gordon Reece after the weekend and let him know. He knows that the end of June is always a very difficult time.

DM

DOMINIC MORRIS

26 May 1989

Sunday 25 June

Keep free for packing
Hair?

Monday 26 June

Hair?
EUROPEAN COUNCIL

Tuesday 27 June

EUROPEAN COUNCIL
RETURN TO LONDON

Wednesday 28 June

1700 Chancellor of the Exchequer + PG
1730 Malcolm Fraser + CDP
1830 AUDIENCE?

Thursday 29 June

0830 Hair
0900 Questions Briefing Team
0930 Foreign Secretary + CDP?
Cabinet
1300 Lunch and Questions Briefing
1515 QUESTIONS
1545 KEEP FREE FOR MPs
1645 DEPART H/C
1700 KEEP FREE
1830 RETURN TO NO. 10

Friday 30 June

0900-1000 MISC-7
1000 Sir Robin Butler +AT
1200 ATTEND SERVICE OF THANKSGIVING FOR THE NATIONAL
ASSOCIATION OF LEAGUES OF HOSPITAL FRIENDS +DM
ST. MARGARET'S
1600 Sir Yehudi Menuhin
? TO CHEQUERS

Sunday 2 July

Lunch for Ministers
1600 Lord Young + MLB

Monday 3 July

? Hair
0845 DEPART NO 10
1100 OPEN ROYAL SHOW STONELEIGH, WARWICKS.
? RETURN TO NO 10
? ATTEND WHIP'S DINNER +MLB NO. 12

Tuesday 4 July

0900 Questions Briefing Team
0930 Lord Young + PG
1300 Lunch and Questions



Ch Kbo

10 DOWNING STREET

From the Principal Private Secretary

4 January 1988

I am writing on behalf of the Prime Minister to acknowledge your letter of 1 January.

As you may know, the Prime Minister has today left England for a visit to Kenya and Nigeria, but I know that she will be very pleased to read the kind thoughts expressed in your letter and to receive your best wishes for the New Year.

You refer in your letter to the letter which you sent to the Prime Minister on 1 December. I believe that your latest letter must have crossed with the Prime Minister's letter of 22 December in which she replied to yours of 1 December.

N. L. WICKS

Dr. Armand Hammer.

XL

010

OCCIDENTAL PETROLEUM CORPORATION

10889 WILSHIRE BOULEVARD • SUITE 1600

LOS ANGELES, CALIFORNIA 90024

(213) 208-8800

ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

January 1, 1988

The Right Honorable Margaret Thatcher, P.C., M.P.
Prime Minister
10 Downing Street
LONDON SW1A 2AA
England

Dear Prime Minister:

I take this opportunity to wish you the very best for the New Year. Your leadership has contributed greatly to world stability and as you enter this historic period of becoming the longest serving Prime Minister in this century, your guidance will help assure that we can enjoy an era of peace, particularly between East and West.

X | As I wrote to you on the eve of your meeting with Mr. Gorbachev, I remain committed to helping to effect a Soviet withdrawal from Afghanistan. I have devoted much time and effort to this, and will continue to do so until the job is completed. In that regard, I look forward to receiving your views as Mr. Powell indicated following your receipt of my letter of 1 December 1987. *

I hope to see you soon.

Respectfully,

Armand Hammer

Armand Hammer

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Prime Minister.
I have acted.
N.C.W
4.1
m

*You replied
on 22 Dec.*

ACETAMINOPHEN MULTICENTER STUDY



ECON POLI CORRES FROM

DR. HAMMER

PT 2.

05
1988



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

22 December 1987

Dear Mr. Hammer

Thank you for your letter of 1 December, setting out your ideas for a solution to the crisis in Afghanistan. I was interested too in the terms of the informal Pakistani proposal which you also sent me. I am glad that you have focussed so clearly on the need for the Russians to commit themselves to withdrawal in 1988. A firm withdrawal date is vital.

I had a good talk with Mr. Gorbachev earlier this month when he passed through on his way to his meeting with President Reagan in Washington. Naturally I raised with him once again the issue of Afghanistan and urged him to withdraw his troops in 1988.

I enclose a copy of the most recent statement issued by the European Council. This not only calls for early withdrawal, but urges the need for an independent transitional government, which can draw up the arrangements for a proper act of Afghan self-determination. The resistance must be included in any comprehensive political settlement so that the refugees may return home willingly and with honour.

DA

I hope that the Russians will now show themselves ready to grasp the nettle. The recent UN votes will have brought home to them once again the extent of their international isolation.

Yours sincerely
Raymond Shulman

Dr. Armand Hammer

AFGHANISTAN DECLARATION

The European Council examined the situation in Afghanistan which remains an important source of international tension 8 years after the invasion by Soviet troops. The Twelve pay tribute to the Afghan people's spirit of independence. They also acknowledge the courage of the people of Pakistan, which has suffered so much as a result of this conflict, and the generous assistance provided by that country to more than 3 million Afghan refugees.))

The Twelve support the persistent efforts by the UN Secretary-General and his personal representative to find a negotiated solution which would put an end to the tragic human suffering and the continuing violations of human rights in Afghanistan, allow the refugees to return and restore Afghanistan, as a genuinely independent and non-aligned country. The principles which must underlie a settlement have once more been overwhelmingly endorsed at this year's UN General Assembly.

The Twelve take note that Soviet leaders have announced their intention to find a political solution in Afghanistan. They believe there should now be an urgent new impetus in the peace negotiations and call on the Soviet Union to:

- Withdraw all its troops by a date in 1988 according to a fixed timetable;
- Agree to the establishment of a transitional government, whose independence could not be contested, to make preparations for a new constitution and a genuine act of self-determination;
- Recognize that the participation of the Afghan resistance is essential to a comprehensive political settlement.

The Twelve remain ready to contribute constructively towards the achievement of an acceptable settlement, which would bring about a significant improvement in international relations.

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CODE



Foreign and Commonwealth Office

London SW1A 2AH

21 December 1987

Don Clarke

Letter to the Prime Minister from Dr Armand Hammer

ATTACHED
You wrote on 6 December enclosing a third letter on Afghanistan to the Prime Minister from Dr Hammer. I enclose a draft reply.

Dr Hammer's "private peace shuttle" has been underway for the best part of a year without achieving any positive results. He does not seem to enjoy the full confidence of the US administration and there is nothing to indicate that he is taken any more seriously in Moscow or at the UN. At best Dr Hammer is a distraction; but there is a danger that he may be serving Soviet interests by talking to parties whom they are not prepared to contact directly, in that this raises expectations whilst committing Moscow to nothing. The advantage to the Russians is that, whenever these expectations are frustrated, the blame can easily be attached to others. Moreover it does appear that one accidental consequence of his mission was to embroil Sahabzada Yaqub Khan in formulating an alternative proposal (enclosed with Dr Hammer's letter) which led to disagreement in Islamabad and his own unfortunate resignation.

There are serious flaws in some of Dr Hammer's own ideas. A phased Soviet withdrawal may well be the only way to get them to go. But Dr Hammer's plan provides neither for an irrevocable timetable nor a fixed date for a complete pull-out: the Russians could well find pretexts for avoiding implementing the successive stages of such an undefined withdrawal. The proposal that the initial phase should involve the departure of only a limited number of Soviet troops reflects existing discussions about the degree of "front loading" in any withdrawal plan; but by setting the limit at no more than 30,000 Dr Hammer's plan leaves the Russians with a real option of engaging in offensive military operations after withdrawal has begun.

One unhelpful element in Dr Hammer's thinking, is his call for the temporary withdrawal of resistance forces to Pakistan following a ceasefire. This carries with it the implication that the resistance themselves constitute an

/element

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element in the "foreign interference" of which Mr Gorbachev has been making recent play. Moreover, the withdrawal of resistance as well as Soviet forces, would leave the troops loyal to the Kabul regime holding the field; this is unlikely to be acceptable to Pakistan, let alone the majority of Afghans, and is plainly not a recipe for persuading the refugees to return home in honour.

In the circumstances we recommend a short but friendly reply, which focusses on our own approach, as set out in the European Council Statement, but does not encourage Dr Hammer to persevere. I enclose a draft.

John

(Signature)

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

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DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1 +

FROM:

Reference

Prime Minister
DEPARTMENT:

TEL. NO:

Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

TO:

Copies to:

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Dr Armand Hammer

Occidental Petroleum Corporation

10889 Wilshire Boulevard Suite 1500

SUBJECT:
LOS ANGELES, California 90024

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CAVEAT

Thank you for your letter of 1 December, setting out your ideas for a solution to the crisis in Afghanistan.

I was interested too in the terms of the informal Pakistani proposal which you also sent me. I am glad that you have focussed so clearly on the need for the Russians to commit themselves to withdrawal in 1988. A firm withdrawal date is vital.

I had a good talk with Mr Gorbachev earlier this month when he passed through on his way to his meeting with President Reagan in Washington. Naturally I raised with him once again the issue of Afghanistan and urged him to withdraw his troops in 1988.

I enclose a copy of the most recent statement issued by the European Council. This not only calls for early withdrawal, but urges the need for an independent transitional government, which can draw up the arrangements for a proper act of Afghan self-determination. The resistance must be included in any comprehensive

Enclosures flag(s)

political settlement so that the refugees may return home willingly and with honour.

I hope that the Russians will now show themselves ready to grasp the nettle. The recent UN votes will have brought home to them once again the extent of their international isolation.

A. HAMMER
21/12



085

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

AJ

6 December 1987

I enclose a copy of a letter which the Prime Minister has received from Dr. Armand Hammer, Chairman of Occidental Petroleum Corporation.

I should be grateful if you would let me have a draft reply for the Prime Minister's signature, to reach this office by Monday 21 December.

Charles Powell

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

085

OCCIDENTAL PETROLEUM CORPORATION

10889 WILSHIRE BOULEVARD • SUITE 1500

LOS ANGELES, CALIFORNIA 90024

(213) 208-8800

ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

1 December 1987

The Rt. Hon. Mrs. Margaret Thatcher, P.C., M.P.
10 Downing Street
London, SW1
England

Dear Prime Minister:

Further to my letter of 1 December to Mr. Powell, I wish to call to your attention the articles which appeared in today's New York Times and Wall Street Journal regarding Afghanistan. The key, I believe, remains a Soviet willingness to set a date certain for the commencement of their withdrawal, the time period of which must be 12 months or less. While the New York Times article expresses a tone of pessimism, I remain convinced that the Summit can provide the ideal moment in history for disengagement in Afghanistan.

Inevitably, Dr. Najibullah will have to resign, but this resignation can occur very late in the process. As outlined in the Sunday Times article, I have proposed a phased withdrawal over a 12-month period commencing with the removal of 30,000 troops in exchange for an absolute cease-fire on the part of both the mujahideen and the Kabul/Soviet forces. The United Nations could serve as an observer and guarantor of the integrity of such a cease-fire and withdrawal. Based upon its success, the withdrawal would continue in roughly equal 25% increments over the remaining nine months so that in one year all Soviets would withdraw.

The real question of the safety of the members of the People's Democratic Party of Afghanistan (PDPA) becomes the crux of the issue with the Soviets. In my meetings with President Zia and several mujahideen leaders I have become convinced that if the Soviets will accept former King Zahir Shah as the head of a transition government while temporarily withdrawing from Afghanistan the more visible members of the PDPA, the Soviets can alleviate their concern over a blood bath. Perhaps initially formal parties would not participate in the transition government, but representatives of the PDPA who are patriots could assure that party's interests are maintained in the transition.

The Rt. Hon. Mrs. Margaret Thatcher, P.C., M.P.
1 December 1987
page 2

The goal simply is to allow the Soviets to disengage while simultaneously establishing a neutral, non-aligned transition government. The former King had excellent relations with the Soviets during his 40-year rule. I have tried to impress upon the Soviets that he recognizes superpower politics and the proximity of the Soviet neighbor to the north. He could once again be a good friend of the Soviets while guaranteeing them the victory of having removed foreign intervention from Afghanistan and assuring for all time a neutral non-threatening state to their south.

Finally, I enclose for your information a written plan developed in cooperation with President Zia during my last visit to Islamabad on 17 and 18 October. The essential point in this document, I believe, is the possibility for the Soviets to agree to all of the elements of the plan without signing any final documents until the package proves workable. I believe President Reagan and General Secretary Gorbachev could come to such an agreement during their Summit. The solution in Afghanistan will save many lives in that country and will also contribute to a general atmosphere of improved relations between the Soviet Union and NATO.

Your advice and counsel to both leaders will prove crucial to the success of that meeting. Therefore, I hope that you will be able to discuss this matter with the General Secretary during his visit with you.

I hope to see you soon.

With warmest regards.

Respectfully,

Arundhati Hammeera

AH:rdj
Enclosures
OCJ2791

AFGHANS SUGGEST SOVIET TIMETABLE FOR WITHDRAWAL

Under the New Constitution,
the Leader Assumes Broad
Powers as President

By JOHN KIFNER

Special to The New York Times

KABUL, Afghanistan, Nov. 30 — The Afghan leader, Najibullah, proposed a 12-month timetable today for the withdrawal of Soviet troops from Afghanistan, where they have been fighting Islamic guerrillas for eight years.

"This is the summit proposal," a key western diplomat said tonight, referring to the coming meeting between Mikhail S. Gorbachev, the Soviet leader, and President Reagan in Washington, at which Afghanistan is expected to be a topic of talks.

"That is why he said it," the diplomat said. "This is the timetable they are offering."

All-Powerful Presidency

Mr. Najibullah said his proposal had "already been negotiated with the Soviet side." Previously, the Afghan Government had set a 16-month withdrawal plan in United Nations sponsored talks in Geneva. Pakistan, which is the host to leaders in an alliance of seven Islamic guerrilla groupings, as well as nearly four million refugees, has called for an eight-month withdrawal period.

[At a Washington briefing, speaking in response to a general question, Michael H. Armacost, Under Secretary of State for Political Affairs, said: "If they indicate a reasonable time frame for getting out, then there are perhaps ways in which we can help. But the fundamental problem is the occupation, and that requires a timetable for withdrawal."]

Mr. Najibullah's proposal — delivered this evening as he assumed an all-powerful office of president under a new constitution — prompted considerable diplomatic speculation in the complex military and political tangle here. The offer, according to terms the Russians have previously outlined, would be on the condition of a halt to American aid to the guerrillas.

Sullyng International Image

Even as Mr. Najibullah was speaking of peace this evening, Government artillery pounded away in the darkness at suspected rebel positions in the mountains surrounding the capital.

"People in the various capitals are going to have to look at this with some care," a European diplomat said. "You should note that this is the same figure Pravda wrote was a realistic timetable."

Mr. Gorbachev has said he would like to pull the 115,000 Soviet troops out of the impasse here, which has caused difficulties for the Soviet Government at home and abroad. Soviet troops moved into Afghanistan in December 1979, as the Soviet Government said its soldiers had been asked by the Kabul Government to help quell fighting there.

A Moscow Protégé

But the quandary for Moscow, diplomats here say, is that the withdrawal of Soviet troops would inevitably mean the collapse of the regime they have sponsored.

The Russians installed Mr. Najibullah as the local party leader in May, 1986, and he is regarded as a Moscow protégé.

For the last two days, Mr. Najibullah has been holding a gathering of tribal chiefs and elders, in this case dominated by party loyalists — to adopt a new constitution billed as an instrument of "national reconciliation."

The most salient feature of the constitution, unanimously approved this afternoon, is the creation of an all-powerful president, who is supreme commander of the army and possesses sweeping emergency powers.

After hours of speeches extolling his virtues, Mr. Najibullah was unanimously elected president by the gathering this evening. He was the only candidate.

At one point today one of the dele-

gates, a tribal chieftain, got into a wild gun battle with security men who refused to let his armed bodyguards accompany him into the meeting hall. Five tribesmen and three soldiers were reported killed in the clash.

The chieftain, Esmatullah Muslim, who defected from the rebels two years ago and was named an army general and member of the ruling revolutionary council, escaped the initial clash.

At midafternoon, Government forces besieged his walled compound, which was defended by more than a hundred armed followers.

The Afghan leader said the 12 months for withdrawal could be further reduced if the seven-party guerrilla alliance accepted a Government cease-fire.

Diplomats here said it was almost inconceivable that the guerrillas would accept the Government offer.

Nor, with Mr. Najibullah holding sweeping presidential powers, was it likely that opposition groups would join a coalition government, they added.

Mr. Najibullah addressed by name eight guerrilla leaders operating in Afghanistan, including one of the best known, Ahmed Massoud, who controls most of the northwest sector. Mr. Najibullah said he would pull Soviet troops out of their areas if they would agree to peace.

"He is trying to split them from the leaders in Pakistan," a diplomat said of the proposal. "He is saying 'if you want to rule your area, I will get these people, the Russians, off your back.'"

Special to The New York Times

WASHINGTON, Nov. 30 — Michael H. Armacost, the Under Secretary of State for Political Affairs, said in a summit briefing today that he hoped the meeting in Washington next week between President Reagan and Mr. Gorbachev "would provide a date certain for the completion of withdrawal, and that's the critical point."

Mr. Armacost, who gave no indication that he was aware of Mr. Najibullah's offer, made his remarks at an af-



Agence France-Presse

Najibullah, Afghanistan's Communist leader, signing new constitution yesterday before the Great Assembly in Kabul.

ternoon briefing on summit topics at which the Afghan situation was discussed.

The Reagan Administration has taken no public position on previous reports that the Soviet Union was willing to withdraw its 115,000 troops from Afghanistan within a year.

It is not clear whether this period would be short enough to satisfy American concerns. The Administration does not want the Afghan rebels to be-

come vulnerable after their military support is ended under agreements negotiated by the United Nations between Afghanistan and Pakistan.

A State Department official said recently that some officials in Washington were not entirely happy with an eight-month withdrawal, as proposed last September by Pakistan, but wanted a shorter period.

Zia Anticipates Afghanistan Peace But Sees Scant Evidence of Pullout

By PHILIP REVZIN

Staff Reporter of THE WALL STREET JOURNAL

LAHORE, Pakistan — President Mohammed Zia-ul-Haq has high expectations that President Reagan and Soviet leader Mikhail Gorbachev will agree at their Dec. 7 summit meeting "that the people of Afghanistan should be left on their own."

But translating that into an agreement could be difficult, he indicated. "The reality on the ground is that there is no indication—none whatsoever—that the Soviets are either planning to or thinking of withdrawing their 120,000 troops from Afghanistan," the Pakistani president said.

In an hour-long interview at the house of the governor of Punjab here, President Zia, wearing a light-brown pajama suit and a dark-brown woolly vest, appeared confident and relaxed.

He said the Soviets privately have begun to show interest in the idea of convening a grand national assembly in Afghanistan, bringing together representatives of Afghan rebels, refugees and the present Soviet-supported communist regime to decide on an interim government after the Soviet troops withdraw.

And, he said, the Soviets are beginning to talk of a faster timetable for a pullout if a peace accord is reached. Pakistan, which is home to three million Afghan refugees who conceivably would return home if the Soviets left, has insisted on a deadline of six to eight months, while Moscow has talked of a 12-month period.

Favors Coalition

The Soviets will go, he said, only if they receive assurances that their friends in Afghanistan won't be massacred, and that requires accommodation. "The three main components—the freedom fighters, the refugees and the present party in power—should form the government," he said. "An international peacekeeping force under the U.N. could keep law and order

while the Soviets leave. The interim government must have a person or persons at its head who enjoy the confidence of all three groups, and it must be formed not by Pakistan or the Soviet Union, but the people of Afghanistan must evolve a system," Mr. Zia said.

At next week's superpower summit, Mr. Zia said, President Reagan should renew his demand for a Soviet withdrawal. "And if the U.S. says a bit more firmly that it has no interest in Afghanistan, then I think we can resolve this," he said. "We have a lot of expectations [that] the two leaders at the summit will resolve that the people of Afghanistan should be left on their own."

In the interview, Mr. Zia also:

- Accused the U.S. Commerce Department of "conspiracy" and engaging in "a cooked-up case" against a Pakistani currently awaiting trial in Philadelphia on charges of illegally attempting to export to Pakistan steel that could be used in the country's controversial nuclear program.

- Said that any permanent cutoff of U.S. aid to Pakistan, which has been stopped since Sept. 30 because of U.S. concern that Pakistan continues to develop a nuclear weapon, would "send the wrong signal to the Soviet Union" as well as damage the Afghan negotiations.

- Strongly denied again that Pakistan possessed a nuclear weapon and reiterated statements that the country has neither "the capability nor the intention" to produce one.

- Said the U.S. should move carefully in the Persian Gulf so as to not permanently alienate Iran, which he called "a future potential ally" of the U.S.

- Said Pakistan still would like to buy U.S. Awacs or Hawkeye airborne radar planes, despite expected congressional opposition and a lessening of Soviet air incursions into Pakistan since the summer. "Our request is very much alive, but it is a question of money. Our priorities right now, with our limited resources, won't let us buy the Awacs," he said.

The president's strongest comments came in discussing Pakistan's relations with Congress, which will vote this month on a proposed six-year, \$4.02 billion eco-

nomic and military-aid program for Pakistan. Before the assistance can be granted, Congress must waive provisions of a nuclear non-proliferation law that bars aid to countries thought to be developing nuclear weapons.

Western analysts have long believed that Pakistan is at least close to possessing the necessary materials and knowledge to build and test a bomb. The country has refused to sign the nuclear non-proliferation treaty unless rival India, which exploded its first nuclear device in 1974, does so. Pakistan has proposed various non-proliferation controls on its program, but only if India agrees to the same controls.

Asked the status of Pakistan's program, the president said levelly: "Pakistan has acquired nuclear technology for peaceful purposes. We are running a nuclear power plant [about 20 miles from Islamabad]. We have also acquired the capacity to enrich uranium" to guarantee the country's energy needs.

If the proposed U.S. aid program is stopped or slashed, the president said, U.S.-Pakistan relations would suffer a setback. "The champions of democracy are pressurizing a democratically elected government," he said. "How do I explain this when the voices in the neighborhood say America is unreliable, America doesn't stand by its commitments?"

The president became visibly angry when discussing the case of Arshad Pervez, a Pakistani living in Canada who is charged with trying to export "miraging steel," which can be used in centrifuges that enrich nuclear materials, either for use in power plants or in weapons. President Zia denied that Mr. Pervez was acting for the Pakistan government, saying, "we didn't even need this steel at that time."

"When a government goes all out to embarrass another government, or when a friend stabs you in the back—I am sorry I am using strong words, but I want to make a point—what can you do?" he asked, his voice rising. "Mr. Pervez was caught 'red handed' with a fake export voucher issued by the U.S. Commerce Department. . . . This is a cooked-up case. It's a conspiracy."



Mohammed
Zia-ul-Haq

PLAN FOR PEACE IN AFGHANISTAN

Following is the proposal for settlement of the Afghanistan war as related to Dr. Hammer by President Zia-ul-Haq and Minister Sahabzada Yaqub-Khan. This is to be transmitted by Dr. Hammer to Minister Eduard Shevardnadze prior to the meetings next week in Moscow between Messrs. Shevardnadze and Shultz.

There are two "baskets" of agreements to be arranged simultaneously. The first consists of the four Geneva documents, all of which have been agreed to except for the timetable and date certain for commencement of Soviet withdrawal. The second consists of the details of the political and military settlement in Afghanistan.

In order to break the deadlock, the Soviets and the Pakistanis would agree between their diplomatic representatives on the substance of the documents and framework for peace. This would be a private understanding, with no signature of documents. From this explicit basis of understanding the two sides can proceed toward peace.

The framework and order of events:

1. Mr. Vorontsov visits Islamabad as soon as possible.
2. At that time, he should give an informal conditional indication to Minister Yaqub-Khan of a time table for Soviet withdrawal of the shortest possible duration. He should also give an informal conditional indication of the date certain for commencement of that withdrawal. This would take the form of an oral agreement, in place but not signed until all of the following steps are taken. The conditions to the agreement are below.
3. With regard to non-interference and non-intervention, the existing instruments, negotiated in Geneva, already cover this with the United States and the USSR as guarantors.
4. The Soviet Union and Pakistan ask the United Nations to form Observer and Peace Keeping forces to uphold the terms of the agreements and to prevent any "bloodbath" or power vacuum in the aftermath of the Soviet withdrawal.
5. A Loi Jerga is called, to occur in Pakistan, in which all Afghan constituents are represented (the formula is in place to include 320 representatives). Those

PLAN FOR PEACE IN AFGHANISTAN

18 October 1987

Page 2

constituent elements which will form the new government are the muhajerin (refugees), mujahideen (resistance) and the PDPA. The Jerga elects leadership to form a transition government which will take power as the Soviets withdraw. Both the Soviets and the Pakistanis agree that the people must choose their leader; the time honored Afghan process is the Loi Jerga. Therefore, both the Pakistanis and the Soviets must agree in advance that the Loi Jerga expresses the will of the people. While the people will freely choose their leadership, undoubtedly the former King, Zahir Shah, will be the overwhelming choice.

6. The Loi Jerga is the design for a diplomatic breakthrough. Therefore, the Loi Jerga must be called only after consultations and agreement of its legitimacy by Pakistan and the Soviet Union.

7. After the former Afghan King Zahir Shah is elected as the transition government head, he will form a transition government to assume power as the Soviets withdraw.

8. The instruments would be signed once Zahir Shah and the transition government are approved by both Pakistan and the USSR.

NOTES:

1. The People's Democratic Party of Afghanistan would participate fully in the Jerga and so in the outcome. Its participation would be according to the plan for distribution of Jerga representation.

2. Once the transition government is in place, Najibullah would step down from his current positions. The PDPA would nonetheless be represented in the transition government, but not by Najibullah.

3. The leadership of the seven mujahideen groups in Peshawar will unite in the immediate future and choose one permanent chairman.

4. The transition government need not include principles from either the Najib regime or from the Peshawar seven.

AH:rdj
OCJT0075



FILE
DA

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 December 1987

Thank you for your letter of today's date about the Prime Minister's meeting with Mr. Gorbachev and the problem of Afghanistan. I shall make sure that the Prime Minister sees your letter and the enclosed article. I know that she will be very grateful.

(C.D. POWELL)

Dr. Armand Hammer

MA

000

CCPC

DR. ARMAND HAMMER
10889 WILSHIRE BOULEVARD, SUITE 1500
LOS ANGELES, CALIFORNIA 90024

1 December 1987

C D Powell, Esq.
Prime Minister's Office
10 Downing Street
London SW1A 2AA

Dear Mr Powell,

As General Secretary Gorbachev will meet the Prime Minister immediately prior to arriving in Washington next week, and as he obviously greatly values her counsel, I want to ensure that the Prime Minister and yourself have seen the enclosed article from the Sunday Times dated Sunday November 29th. It sets forth my efforts of the past 10 months to help bridge the gap and contribute to bringing about a solution to the Afghan problem.

Should Mr Gorbachev be able to announce in Washington a definite timetable for the withdrawal of Soviet troops parallel to the establishment of a transition government acceptable to all sides (King Zahir Shah is the logical and ideal candidate to head such a government), I believe that Mr Gorbachev would be very enthusiastically received by the American people. An Afghanistan settlement would ensure Senate ratification of the I.N.F. treaty and quite possibly the Congress would reconsider and invite the General Secretary to address a joint session.

.../2

C D Powell, Esq.

- 2 -

1 December 1987

The Prime Minister has long felt that we should test Mr Gorbachev's sincerity. I agree and I believe an Afghan solution will serve mightily as such a test. I hope the Prime Minister will discuss a solution to the Afghan problem including all its positive ramifications with Mr Gorbachev.

I stand ready to provide further information and thoughts as developed during my shuttles among Moscow, Istanbul, Khabul, Rome and Washington.

With warmest regards.

A handwritten signature in dark ink, reading "Armand Hammer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Armand Hammer

Hammer shuttles world in bid for Afghan pull-out

ARMAND HAMMER, the 89-year-old American billionaire who has been on close personal terms with every Soviet leader since Stalin, has embarked on a remarkable one-man odyssey to persuade Mikhail Gorbachev to pull his troops out of Afghanistan.

For the past nine months, Hammer has secretly been shuttling in his private Boeing 727 jet between Moscow, Kabul, Islamabad, Peking, Rome and Washington trying to devise a plan to ease the way for the Red Army to withdraw from Afghanistan.

In an interview with The Sunday Times last week, Hammer said that he expected that his ideas would be discussed at the Reagan-Gorbachev summit in Washington. He said: "I hope that the summit will agree on a specific date for Russian troop withdrawals to start."

On his most recent sortie which took him to Moscow, Kabul and Islamabad last month, Hammer proposed an outline plan for a phased Soviet withdrawal. In the first stage, the Russians would withdraw 30,000 soldiers, a quarter of their troop strength. In return, the mujaheddin would agree to a ceasefire for a limited period, perhaps 90 days. The United Nations would send observers to ensure that there was no cheating.

"If this worked out," says Hammer, "then the Russians would withdraw another 30,000 troops followed by another 90-day ceasefire. By the end of nine months, all the Russian troops would have gone." In the same period, the mujaheddin's forces would retreat temporarily to Pakistan.

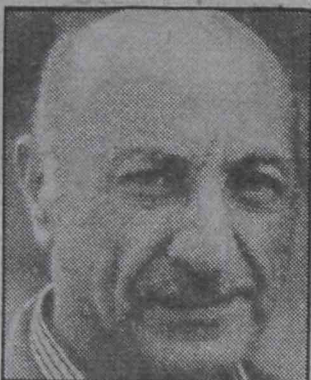
In the meantime, a United Nations peacekeeping force would be brought in to maintain order; and a traditional tribal conference known as a *loya jirga* would meet to dis-

by Stephen Milligan
Washington

cuss the formation of a new coalition government to be headed by Zahir Shah, the former king of Afghanistan, who was overthrown in 1973 and now lives in Rome.

All political factions in the country would be invited to take part, including the ruling communist People's Democratic party.

Hammer reckons that at this stage, Dr Najibullah, the present ruler, would have to resign. Najibullah told Ham-



Zahir Shah, the former king

mer in Kabul on October 12 that he would be happy for the king to return to take over. He had earlier told Newsweek that he was ready to step aside.

"I think he is sincere," says Hammer. "He could go to Russia and then come back when things have quietened down."

Hammer has also been to Peking to discuss his plan with Deng Xiao-Ping. Deng said he would welcome the return of the king, and that if he formed a genuinely neutral government, China would be willing to stop sending arms to the mujaheddin.

Proposals to guarantee the neutrality of a new Afghanistan have already been worked

out under the auspices of the United Nations.

Throughout his negotiations, Hammer has kept in close touch with Eduard Shevardnadze, the Soviet Union's foreign minister, whom he last met on October 14. Shevardnadze has told him that Gorbachev is "fully aware" of his efforts.

Hammer is convinced that Gorbachev would like to end the "bleeding wound" of involvement in Afghanistan if he can find a way to avoid a massacre of communists by the mujaheddin.

Hammer's latest mission started last February when Diego Cordovez, the UN special negotiator, flew to Los Angeles to seek the billionaire's help. He told Hammer that he could be of help because he was a "friend of all the parties".

Cordovez explained that the main problem was how to form a government to take over after the Russian troops pulled out, which would be stable and acceptable to the Kremlin. Cordovez tentatively suggested that the best leader of such a government might be the king.

Hammer confesses that he had forgotten there was a king, but he telephoned him in Rome and a few weeks later dined with him. "We struck up a good relationship; and I found that the king was very receptive to the idea of going back to Afghanistan, under the proper circumstances; that is, if a majority of the people wanted him to go back."

Hammer then flew on to Pakistan to see General Zia, who has been an old friend ever since Hammer entertained him to a sumptuous dinner in Washington, at a time when President Carter was refusing to receive him at the White House.

Hammer had earlier persuaded Senator Claiborne



Frank Herrmann

Jetting for peace: Armand Hammer, talking in key capitals

Pell, the chairman of the US Senate's foreign relations committee, to write to Zia, saying that were he to support such a peace plan, it would transform his image in America. The implication was that the Senate might be more sympathetic to giving Pakistan more aid.

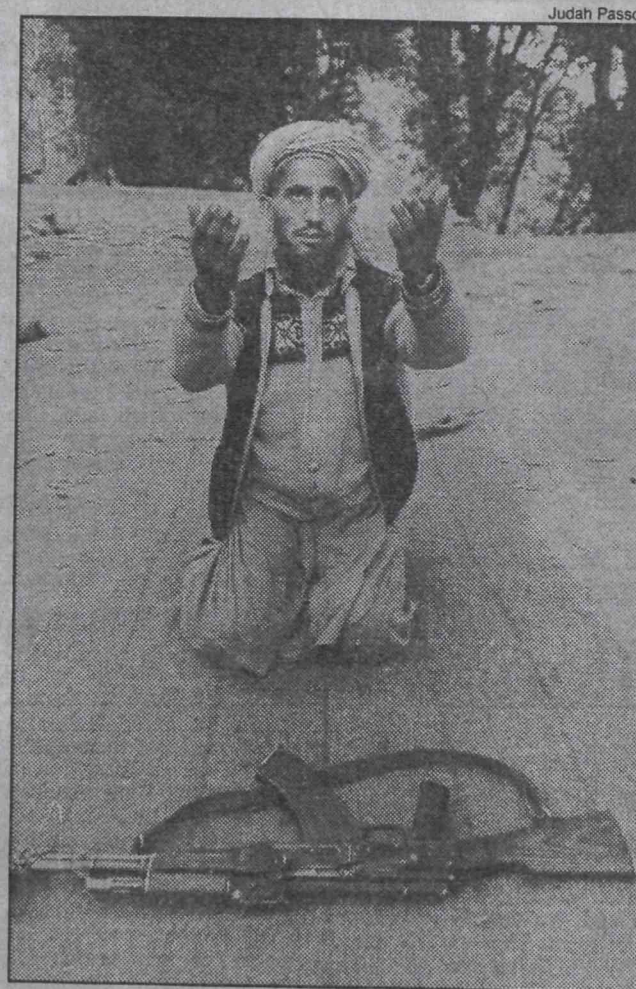
Zia not only agreed to help; he helped Hammer to draft his newest plan. Pakistan's support is essential, because its northwest frontier has become the operating base for the guerrillas.

Hammer says that the war is the "most difficult problem

that I have ever tackled"; but he is optimistic that he may have paved the way for a settlement.

State Department officials are more cautious; and some are sceptical about Hammer's mission. They point out that Hammer also tried to exploit his friendship with Leonid Brezhnev to urge him to pull out of Afghanistan, but that that effort came to naught.

They also note that the Russians have been dropping hints about leaving Afghanistan for a long time, without any clear progress. However John Whitehead, the deputy



Judah Passow

Praying for victory: the mujaheddin's reaction will be crucial

secretary of state, has been in regular touch with Hammer and has encouraged him.

And there have been signs in the past fortnight which suggest that Gorbachev may be serious about withdrawing. Gennadi Gerasimov, the Soviet spokesman on foreign affairs, publicly promised in Munich that troop withdrawals could begin within 12 months, if agreement was reached on the shape of a new Afghan government.

The State Department is particularly keen that Gorbachev should make a more concrete promise to pull out of Afghanistan in order to sweeten the mood in the US Senate, which will have to ratify any arms-control treaties. An announcement that the Red Army would leave Afghanistan would do much to deflate conservative opposition to the proposed Euro-missile treaty.

In an interview a week ago, Zia said: "The Afghanistan theme at the summit between Reagan and Gorbachev will

decide the future of relations between the two super-powers." He added: "It seems the Soviets are serious in their offer to withdraw their troops from Afghanistan."

One snag in the Hammer plan is that it does not have the endorsement of the mujaheddin, although Hammer has met some of the more moderate rebel leaders. When the Afghan government last declared a ceasefire, it was ignored by the mujaheddin.

However, if Pakistan and the US both backed the Hammer plan, it could be difficult for the rebels to continue fighting. They might then decide that negotiations could provide their best route to power.

Last week, George Shultz, the American secretary of state, said that an announcement of a timetable for Soviet withdrawal must precede work on forming a transitional government, but that if this sequence could be agreed on, the US would "work to help create that sort of situation".



10 DOWNING STREET



Andy / ^{PPS} turned down
- 4 1/2

We might make a
last attempt to
delete this at the
day meeting.

CDN

PRIME MINISTER

DR ARMAND HAMMER

Dr Hammer is apparently seeing Mr Gorbachev in Moscow on Monday. He wants to come and see you on Wednesday so that you have absolutely up-to-date information on Mr Gorbachev's views before you see President Reagan.

You earlier declined to see Dr Hammer this time round and Wednesday is a very full day indeed, with your lunch with the King of Morocco and time set aside to work on your 1922 speech. Unkind as it may be, the main purpose of Dr Hammer's meetings with you are usually to promote his own interest rather than pass on really useful information.

My recommendation would be that you should not see him. But if you feel that you nonetheless must it really will have to be for a very short time indeed.

C DP

We shall have to find 20 mins.
ms

Charles Powell

10 July 1987



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

8 May 1987

Dear Mr. Hammer.

Thank you for your further letter of 13 April following my visit to Moscow. I am glad you feel it was a success. I certainly found it fascinating.

I am afraid that on Afghanistan neither Mr. Gorbachev nor Mr. Shevardnadze seemed prepared to envisage real progress on the key issue you have identified namely the creation of conditions to allow the people of Afghanistan to exercise a free democratic choice. I stressed to them our desire to be constructive and to work for a genuine settlement which could bring about a neutral and non-aligned Afghanistan. But I made clear that the conditions for such a result would be early Soviet troop withdrawal and a free choice for the Afghans in deciding their future. There were ways forward that the Russians could take to this end - including the possibility of a role for the ex-King in a transition - but in our view the end result should be a decision by the Afghans themselves on their own future (as was done in Zimbabwe).

Regrettably, while we came away with the impression that the Russians want to get out of Afghanistan, there was no evidence that they were thinking of accepting the need for a more broadly-based and representative government. Instead, they insisted that national reconciliation was a success,

that the way forward was to build on the current regime and that outsiders, including Zaher Shah, were welcome to join it.

I hope the Soviet leadership will realise soon that they should reconsider and allow a genuine settlement to take place. Meanwhile, it is important that we should continue to support Pakistan and do all we can in Europe and elsewhere to demonstrate that international concern about the continuing Soviet occupation of Afghanistan and the human suffering there is as strong as ever.

Yours sincerely

Armand Hammer

Dr.. Armand Hammer.

CONFIDENTIAL

SCPC



Foreign and Commonwealth Office

London SW1A 2AH

6 May 1987

Dear Charles,

at 11.45

Letter to the Prime Minister from
Dr Armand Hammer

/ You wrote on 21 April enclosing a further letter on Afghanistan to the Prime Minister from Dr Hammer. I enclose a draft reply.

Dr Hammer's main purpose seems to be to gain a reading - in advance of his own visit to Moscow - on whether Mr Gorbachev reacted positively in Moscow to ideas for a political settlement sent to him by Dr Hammer - including a role for the ex-King. He may use the Prime Minister's letter to advance his own efforts to gain Mr Gorbachev's ear in Moscow. There is little encouragement the Prime Minister can give him on this.

We have consulted our Ambassadors in Moscow, Washington and UKMis New York on Dr Hammer's standing on Afghanistan and the case for the Prime Minister to consider receiving him to discuss the issue. Moscow confirm that Dr Hammer is due there in mid-May for the opening on 16 May of a porcelain exhibition. They are not clear whether Mr Gorbachev is likely to receive him. Washington confirm that Dr Hammer has recently been seen by Mr Armacost to discuss Afghanistan and by Mr Howard Baker and Mr Carlucci on broader East/West issues. But the US Administration, while they receive him in case, against expectation, his access in Moscow should produce any useful insight, seem to regard his initiative as something of a nuisance which they have to tolerate. Their reservations include the fear that his efforts might cut across the direct Soviet-Pakistan contacts and the UN mediation (the two tracks on which current efforts for a settlement are focussed), as well as the possibility that they might only serve Soviet interests by giving the impression of a new look to Soviet policy without putting pressure on Moscow to decide to withdraw. Nor does Dr Hammer seem to have the blessing of Cordovez, the United Nations Secretary-General's Personal Representative.

/In

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In these circumstances the Foreign Secretary considers that, although Dr Hammer's initiative runs on similar lines to Pakistani and other thinking on the next steps, there is no strong case for the Prime Minister to receive Dr Hammer to discuss his Afghanistan initiative. To do so might run the risk that he would associate her with his own efforts in his subsequent contacts. It would seem sufficient for him to be received by Lady Young: such a contact would enable us to keep informed of any discussions he holds in Moscow, whilst avoiding any impression of a brush off. Whatever the Prime Minister's decision, it would seem best to limit the occasion to hearing what Dr Hammer has to say and to make clear that he should not represent to others that his private initiative has HMG's backing.

May I leave you to adjust the letter to Dr Hammer in the light of the Prime Minister's decision about a meeting?

Yours ever

Robert (R) N. Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

CONFIDENTIAL

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DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:

Reference

Prime Minister
DEPARTMENT:

TEL. NO:

Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

TO:

Copies to:

Top Secret

Secret

Confidential

Restricted

Unclassified

Dr Armand Hammer

SUBJECT:

PRIVACY MARKING

..... In Confidence

CAVEAT

Thank you for your further letter of 13 April following my visit to Moscow. I am glad you feel it was a success. I certainly found it fascinating, and it confirmed that our policy of hard-headed dialogue combined with firm defence of our interests yields results.

I am afraid that on Afghanistan neither Mr Gorbachev nor Mr Shevardnadze seemed prepared to envisage real progress on the key issue you have identified, namely the creation of conditions to allow a free democratic choice.

Geoffrey Howe and I made clear our view that Afghanistan provided a way of demonstrating in practice that Soviet good intentions could be translated into deeds - which in turn would have a wider impact on European and Western perceptions of Soviet intentions. We also stressed our desire to be constructive and to work for a genuine settlement which could bring about a neutral and non-aligned Afghanistan. But we made clear that the conditions for such a result would be early Soviet troop

Enclosures flag(s)

withdrawal and a free choice for the Afghans in deciding their future. There were ways forward that the Russians could take to this end - including the possibility of a rôle for the ex-King in a transition - but in our view the end result should be a decision by the Afghans themselves on their own future (as was done in Zimbabwe).

Regrettably, while we came away with the impression that the Russians want to get out of Afghanistan, there was no evidence that they were thinking of accepting the need for a more broadly-based and representative government. Instead, they insisted that national reconciliation was a success, that the way forward was to build on the current regime and that outsiders, including Zaher Shah, were welcome to join it.

I hope the Soviet leadership will realise soon that they should reconsider and allow a genuine settlement to take place. Meanwhile, it is important that we should continue to support Pakistan and do all we can in Europe and elsewhere to demonstrate that international concern about the continuing Soviet occupation of Afghanistan and the human suffering there is as strong as ever.





10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

M 21 April 1987

I enclose a copy of a further letter which the Prime Minister has received from Dr. Armand Hammer of Occidental Petroleum Corporation.

BF 11 I should be grateful if you would let me have a draft reply for the Prime Minister's signature, to reach this office by Tuesday 5 May.

Charles Powell

Robert Culshaw, Esq., M.V.O.,
Foreign and Commonwealth Office.

2

CDP on

OCCIDENTAL PETROLEUM CORPORATION

10889 WILSHIRE BOULEVARD • SUITE 1500

LOS ANGELES, CALIFORNIA 90024

(213) 208-8800

ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

April 13, 1987

The Right Honorable Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
London S.W.1
England

Prime Minister:

Thank you for your letter of March 27 in reply to mine of March 21 regarding Afghanistan.

Clearly, from all press reports and other indications I have received, your visit to the Soviet Union was extremely successful. I was pleased to see that you spent so much time in productive discussions with Mr. Gorbachev and that you left those meetings convinced that he can be trusted to keep his word once given. Your negotiations will have done much to help develop an atmosphere of trust which will allow for useful talks between Secretary Shultz and his Soviet hosts and, together with your efforts, lead to meaningful agreements on arms reduction in Europe.

With regard to Afghanistan, I would be interested to know if Mr. Gorbachev responded to any of the points raised in my letter. Do you feel he has accepted the fact that Dr. Najibullah cannot remain as head of government there?

Since the time of your letter, I have had direct indications from the Mujahideen resistance that they recognize the need to accept a third party in place of themselves and Dr. Najibullah to govern in the wake of a Soviet withdrawal. President Zia is very aware of this and I have made the former King, Zahir Shah, equally aware. Now, the Soviets must accept a broad based popular government which will guarantee Afghanistan's neutrality and non-hostility to the Soviet Union. This should allow the Soviets to withdraw. I believe Zahir Shah can lead this government for a specified duration until permanent institutions can be put into place.

I will continue to pursue my efforts, which are purely private. I agree wholeheartedly with you that we should all support President Zia and the government of Pakistan, which

The Right Honorable Margaret Thatcher, M.P.

April 13, 1987

Page 2

shares the brunt of the hardship in this unfortunate situation. I remain in close contact with President Zia, as I do with the Soviets, the freedom fighters, and Zahir Shah, as well as the U.S. government.

I hope to be able to see you during my upcoming visit to London June 2 through 5. I will have come immediately before that from the Soviet Union and anticipate having some interesting matters to discuss.

Again, congratulations on your triumph in Moscow. With best wishes.

Respectfully,



AH:rdj
OCJ1043

ECON. POL. : Dr Hammer. Pt 2

Charles

Tessa

" Avoid if poss "

COP
7/4

(File)

Dr. ARMAND HAMMER

His Secretary rang to say that he will be in London for the publication of his book on 2nd June and staying until 6th.

I have explained that the Pj cannot go to receptions on either 2nd or 3rd (Audience and Women's Conf. Reception respectively).

He will be asking for a meeting if possible - apparently he will be coming to London from the Soviet Union, and I got the impression it was this he wanted to take clear. Happy for me to give him a shot when his office is back?

Tessa

7/4



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

27 March 1987

Dear Mr. Hammer

Thank you for your letter of 21 March about my forthcoming visit to Moscow and your own efforts to promote a settlement in Afghanistan.

I am glad to see that our thoughts on Afghanistan run in a similar direction. You have clearly devoted a great deal of thought and energy to this problem and I was interested to read your letter to Mr. Gorbachev. I shall be interested to see how he reacts to the points you put to him. I am, of course, wholly at one with you in believing that an early Afghan settlement would have a profound impact upon wider East/West relations and the negotiating atmosphere for arms reductions. I shall be making this point most strongly during my visit to the Soviet Union.

The nub of the problem, and this goes to the heart of your own ideas, is whether the Russians are prepared to accept that they cannot insist that the Government in Kabul will remain their creature after their troops are withdrawn. I have no disagreement with the idea that there should be an independent and non-aligned Afghanistan which is not a threat to any of its neighbours. This requirement underlies the UN negotiations in Geneva and reflects the views of the vast majority of the governments in the world. But the independence and non-alignment must be genuine and not imposed by the Soviet Union. The Government of Pakistan have

DA

been making this point very clear in their recent bilateral contacts with the Russians and it is a point I shall want to reinforce myself.

That said, however, the difficulty we all face is to come up with a scenario which will prove acceptable to the refugees and resistance fighters, because unless it does satisfy them it is hard to see how an agreement can be put into effect. I was interested in what you had to say about the possible role of the ex-King, though you will be aware that he is not a universally accepted figure even amongst the resistance.

There is the related point to which you refer of how to ensure a peaceful transition. As I understand the discussions in Geneva, the UN is at the moment proposing no more than a monitoring force to observe the procedures for withdrawal. This is a quite different concept from the kind of peace-keeping which might be necessary to guarantee to both sides that there would not be bloodshed once Soviet troops are withdrawn.

I shall gladly bear in mind your own ideas whilst discussing the subject with Mr. Gorbachev. Clearly his own reaction is crucial. My own feeling is that the most helpful thing the West can do at the moment is to support the negotiating strategy of the Government of Pakistan which has adopted such a responsible and clear-sighted approach to the problem over the years and which will be so intimately involved in the practical arrangements for an end to the Soviet occupation.

Kind regards,

Yours sincerely

Angus Shalton

Dr. Armand Hammer.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

26 March 1987

Dear Charles

Top enc.

Letter to the Prime Minister from Dr Armand Hammer

With your letter of 24 March you enclosed a copy of a letter to the Prime Minister from Dr Armand Hammer, enclosing one he had written earlier this month to Mr Gorbachev with a plan for an Afghan settlement.

We agree with you that the main elements of what he proposes are hardly new. Equally, they skate over some very difficult problems. The Russians have not agreed to yield on their current insistence that the PDPA should retain a dominant role in a post-settlement Afghanistan. The ex-King is by no means a universally acceptable neutral figure - though he may well in practice prove the most widely acceptable. We in the West have no means or authority to impose such a figure on the Afghan resistance and refugees. Nor does the outside world realistically have much chance of guaranteeing a peaceful transition within the country. What the UN have proposed is a monitoring force. As the Americans have remarked to us, the idea of a peace-keeping force in Afghanistan would make the problems associated with peace-keeping in the Congo look minor.

Nonetheless there are elements in Dr Hammer's proposals which are under discussion between the Russians and the Pakistanis who are, as you know, particularly advocating a role for the ex-King (not a restoration of the monarchy but as an acceptable neutral figure for the transition). These talks are due to continue, we believe, in a forthcoming visit by Vorontsov to Islamabad. Our judgement is that our best hope of encouraging the Russians to seize the historic opportunity of a settlement is by continuing to support Pakistan's demands for a speedy troop withdrawal and Soviet acceptance that, whilst the Government in Afghanistan will be independent, neutral and non-aligned and thus not hostile to its northern neighbour, it will not be a creature of the Soviet Union.

Yours ever

(Signature)

C D Powell Esq
PS/10 Downing Street

(R N Culshaw)
Private Secretary

CONFIDENTIAL

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:

Reference

Prime Minister
DEPARTMENT:

TEL. NO:

Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

TO:

Copies to:

Top Secret

Secret

Confidential

Restricted

Unclassified

Dr Armand Hammer

10889 Wilshire Boulevard Suite 1500

LOS ANGELES, California 90024

SUBJECT:

PRIVACY MARKING

..... In Confidence

CAVEAT

Thank you for your letter of 21 March about my forthcoming visit to Moscow and your own efforts to promote a settlement in Afghanistan.

It was good to hear from you again and I was grateful for your kind comments about the importance of my discussions with Mr Gorbachev. I share your view that we have reached an important turning point in East-West relations. It is important that we grasp the opportunities open to us and that Mr Gorbachev himself is persuaded of this. But of course I will be speaking from established Western positions, not trying to act as an honest broker between East and West.

Enclosures flag(s)

On the subject of Afghanistan, I am glad to see that our thoughts run in a similar direction. You have clearly devoted a great deal of thought and energy to this particularly knotty problem and I was greatly interested to read your letter to Mr Gorbachev. I wonder how he

reacted^s to the points you put to him.

I am, of course, wholly at one with you in believing that an early Afghan settlement would have a profound impact upon ^{wider East/West relations} ~~the super-power relationship~~ and the negotiating atmosphere for arms reductions. I shall be making this point most strongly during my visit to the Soviet Union.

The nub of the problem, and this goes to the heart of your own ideas, is whether the Russians are prepared to accept that they cannot insist that the Government in Kabul will remain their creature after their troops are withdrawn. I have no disagreement with the idea that there should be an independent and non-aligned Afghanistan which is not a threat to any of its neighbours. This requirement underlies the UN negotiations in Geneva and reflects the views of the vast majority of the governments in the world. But the independence and non-alignment must be genuine and not imposed by the Soviet Union. The Government of Pakistan has been making this point very clear in their recent bilateral contacts with the Russians and it is a point I shall want to reinforce myself.

That said, however, the difficulty we all face is to come up with a scenario which will prove acceptable to the refugees and resistance fighters, because unless it does satisfy them it is hard to see how an agreement can be put into effect. I was interested in what you had to say about the possible role of the ex-King, though you will

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I shall gladly bear in mind your own ideas whilst discussing the subject with Mr Gorbachev. Clearly his own reaction is crucial. My own feeling is that the most helpful thing the West can do at the moment is to support the negotiating strategy of the Government of Pakistan which has adopted such a responsible and clear-sighted approach to the problem over the years and which will be so intimately involved in the practical arrangements for an end to the Soviet occupation.

CH.





file DTS.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 March 1987

I enclose a copy of a letter to the Prime Minister from Dr. Armand Hammer, together with a letter which he has written to Mr. Gorbachev. As you will see, the main theme is Afghanistan. He puts forward a plan, fairly sensible on the face of it but hardly original, and says that he wants to telephone the Prime Minister before she goes to Moscow to discuss it. I doubt that the telephone call will take place and it would help me to deter it if you could let me have a fairly speedy draft reply commenting on Dr. Armand's proposals.

C D POWELL

Lyn Parker, Esq.
Foreign and Commonwealth Office

DR. ARMAND HAMMER
10889 WILSHIRE BOULEVARD, SUITE 1500
LOS ANGELES, CALIFORNIA 90024

March 21st, 1987

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

Prime Minister:

As you plan for your important visit to Moscow later this month, I wish to bring you up to date on some of my activities which I think may have direct relevance to your discussions with Mr. Gorbachev. First, let me say that you are in a pivotal position as both Mr. Reagan and Mr. Gorbachev respect and trust you. Your relationship with these two leaders uniquely places you to focus the issues between East and West and bring those issues to solution by serving as honest broker. Your visit can help assure that a summit will occur between Mr. Reagan and Mr. Gorbachev, which will bring the world closer to peace. I commend you for your efforts and your dedication to world peace, and I fully hope you succeed in your mission to the USSR.

I write specifically about the situation in Afghanistan which remains an irritant between the US and the USSR and so impedes progress toward improved relations between East and West. I first became interested in this issue in 1980, shortly after the Soviet movement into Afghanistan. I had (and still have) very good relations with Zia of Pakistan. And at the time, I had excellent relations with Brezhnev.

I met with Zia in Islamabad and he agreed that if Brezhnev would accept it, Zia could accept a pro-Soviet government in Afghanistan, provided Soviet troops were withdrawn. I flew to Moscow to see Brezhnev and he agreed that this would be acceptable to him. He explained to me that he had sent his troops into Afghanistan because he had information that a CIA-inspired plot was about to install an anti-Soviet government there, which he could not tolerate. Thus, the idea of withdrawing his troops in favor of a pro-Soviet government was fully acceptable to him. Subsequently, I presented this idea to Jimmy Carter. Unfortunately, his National Security Advisor, Dr. Brzezinski, who was virulently anti-Soviet, convinced Carter not to accept the plan.

Seven years later, the conflict continues. You know the situation that now obtains. Today, one-third of the Afghan population, or five million people, live as refugees, three million in and around Peshawar, Pakistan, and two million in Iran. Tens of thousands of lives have been lost, both Afghan and Soviet. Countless more have been wounded and maimed for life. The economy and social fabric of Afghanistan have been completely disrupted. Neither side today is any closer to "victory". From Mr. Gorbachev's statements, it seems clear that he wants to disengage from the Afghan entanglement. But he can only do so with certain guarantees and commitments, the most important of which will be saving face and assuring that a hostile government is not established at his southern border. After all these years of fighting and the many lives lost, he cannot withdraw to defeat. Equally clear is the determination of the Afghan population not to accept communist domination and rule. They will fight on under the current set of circumstances.

With these constraints in mind, I have spent the past two months attempting to find a solution to the problem. I have met with President Zia, Anatoliy Dobrynin (former Soviet ambassador to the US and now Secretary of the Communist Party and one of Mr. Gorbachev's most senior foreign policy advisors), Yuli Vorontsov (First Deputy Foreign Minister of the USSR and again one of the triumvirate including Messrs. Dobrynin and Shevardnadze whom I understand are the key advisors to Mr. Gorbachev on relations with the West and on the Afghan situation), the former King of Afghanistan Zahir Shah who now lives in Rome, a former Prime Minister of Afghanistan Dr. Youssof who now lives in Germany. I have met in the US with Howard Baker, the new Chief of Staff to President Reagan and a long-time personal friend, Frank Carlucci, the National Security Advisor to the President, John Whitehead, the Deputy Secretary of State, as well as Senators Kennedy, Pell (Chairman of the Foreign Relations Committee) and Gore. I have also met with UN Undersecretary General for Political Affairs Diego Cordovez who is charged by the Secretary-General of the UN with conducting the "proximity talks" in Geneva between the Kabul government of Najibullah and Pakistan's Foreign Minister Yakhub Khan.

I enclose herewith a letter which I sent to Mr. Gorbachev last week in advance of the visit to Moscow of Michael Armacost the US Undersecretary of State, which visit I understand was not, unfortunately, very productive. This letter states clearly my proposed solution to the Afghan problem which I believe is workable and could be implemented in the near term, provided there is the political will in Moscow to find this settlement. I believe that good will exists.

I bring this to your attention now in the hope that you can break the logjam and raise this with Mr. Gorbachev. I hope that you can emphasize to him the importance for good relations with Europe to finding a solution in Afghanistan. Mr. Gorbachev must understand clearly that no solution to Afghanistan is possible with Najibullah retained as head of government. He must be removed in favour of a popular government headed by former King Zahir Shah, who would not retain his title of King. And this government must be neutral with guarantees of no intervention by any outside powers.

As I stated in my letter to Mr. Gorbachev, the psychological significance to Europe of a Soviet withdrawal from Afghanistan cannot be overstated. And I believe this is crucial now as negotiations move forward on Intermediate Nuclear Forces and short range nuclear weapons in Europe.

Prime Minister, I am aware of the pressures of your intensely busy schedule. However, as with our discussion in June, 1986 when I told you of the confusion in Washington over the SALT II policy, I feel this is a vital time which calls for your intervention. To that end, I would like to arrange a time convenient to you when we may discuss this situation over the telephone prior to your visit to Moscow. Sir Gordon Reece has graciously agreed to help arrange such a telephone conversation which I hope can take place this week.

I stand ready to assist you in any way and look forward with pleasure to speaking with you soon. With warmest regards.

Respectfully,

Alusand Hammer

AH:rdj
OCJO850
Enclosure

OCCIDENTAL PETROLEUM CORPORATION

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LOS ANGELES CALIFORNIA 90024

(213) 208-8800

ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

March 12, 1987

His Excellency Mikhail S. Gorbachev
General Secretary of the Central Committee
Communist Party of the Soviet Union
Moscow, USSR

Dear Mr. General Secretary:

I recall well seeing you at the Forum on February 16, at which time I was pleased to have a few words with you following your very impressive address. You set a positive tone in that speech for relations with the United States and the world, upon which you have effectively followed up in recent days with your arms reduction initiative to break the impasse.

As I mentioned to you at the Forum, I have been heavily involved in trying to develop a universally acceptable solution to the Afghanistan situation. While in Moscow prior to the Forum, I had discussions on this issue with Messrs. Dobrynin and Vorontsov, briefing them fully on my meetings with Zia, U.S. government officials, and Mohammad Yousof, a former prime minister of Afghanistan with whom I worked out a possible plan for government, all just prior to my arrival in Moscow. Immediately after seeing you at the Forum, I flew to Rome where I met Mohammad Zahir Shah, who was King of Afghanistan from 1933 to 1973, a period of relative peace, prosperity and good relations with the Soviet Union. I sent a confidential letter about that meeting to Mr. Dobrynin, with copies to Mr. Shevardnadze and Mr. Vorontsov. In that letter, I promised an update based upon recent meetings held in Washington and the outcome of the Geneva-United Nations talks.

Today, I met at length in the White House with my old friend, Howard H. Baker, Jr., the new Chief of Staff to the President, as well as the President's National Security Advisor, Frank Carlucci, and Deputy Secretary of State, John Whitehead. Earlier today, I met with Chief U.S. Arms Negotiator, Max Kampelman, who apprised me of the status of the Geneva arms control discussions. Previously, I met with Vice-President George Bush and other members of the foreign policy apparatus. I also was received by Senators Kennedy, Pell, and Gore, all personal friends of long standing, and all of whom play leading roles in the Senate in foreign policy and as members of the Geneva Observer Group.

All of the above agree that a solution to the Afghan problem would greatly enhance U.S.-Soviet relations. Further, there is a strong belief that an early acceptable Afghan settlement would prove of tremendous psychological significance at this crucial time in Europe to demonstrate that the Soviet Union bears no hostile intentions, as would be evident from an agreement for a full withdrawal of Soviet troops from Afghanistan. Washington and Europe would greet such a withdrawal very warmly, and this psychological advantage would help speed an arms reduction package.

My plan is as follows. Zahir Shah would return to Afghanistan as head of state, but not as King, leading a transition government composed of all essential elements of Afghan society, as you stated in India, allowing the Afghan people, themselves, to determine the form of government and system under which they wish to live. Zahir Shah's security would be guaranteed by the Soviet Union, the United States and Pakistan, and possibly China. Further, an absolute guarantee of no outside interference of any form, including, as you said in your speech at the Forum, a guarantee of no foreign bases of operation in Afghanistan, would be entered into by the USSR, the U.S., Pakistan, China and India. The transition government would include communist representatives, but not Najibullah, who is simply too disliked by the refugee population to allow him to remain. Also included in the government would be representatives of the refugee groups in Pakistan and Iran, as well as some rebel military commanders and perhaps some of the tribal leaders. This group would form a State Council which would oversee the transition, including the repatriation of refugees, and put into place the infrastructure necessary to allow for free elections within a given period of time. The U.S. government has made clear its willingness to provide funds to assist in that repatriation.

For its part, the Soviet Union would agree to withdraw all of its troops from Afghanistan, beginning with a major withdrawal of, say, 30,000 troops, with 10,000 or more a month to follow for a period of some nine months, until all troops are withdrawn. The United Nations would provide an observer group similar to the present groups operational in the Sinai and Southern Lebanon to serve as a buffer for the withdrawal and also to assist in maintaining the security of Zahir Shah and the new government. (I discussed this a few days ago in Los Angeles with Swedish Deputy Foreign Minister Pierre Schori, where he came after his visit to Moscow. He said he would report this to his prime minister and recommend that his government participate in such a UN force, just as they are doing in Sinai and Lebanon.) Afghanistan would pledge its neutrality, which could be guaranteed in a form similar to that of Austria under its State Treaty, which is the basis of successful neutral government in Austria which followed the withdrawal of Soviet troops from Austria.

Such a plan, if implemented by you, would, I am sure, be acceptable to all sides. It breaks the deadlock, stops the killing, and assures a neutral neighbor on your southern border, which was explained to me as the real purpose of the Soviet troop movement into Afghanistan. Therefore, your success and initiative in bringing the Soviet troops to their homeland after they have succeeded in fulfilling their mission will be warmly welcomed by the Soviet people and the Eastern Bloc countries, just as will your success in removing nuclear weapons from Europe.

Mr. General Secretary, you would be very warmly received by the American people should the above plan be put into place. If it could occur to coincide with a summit in the United States this summer, your efforts for peace and international understanding would be propelled to the front of the world stage as you receive the gratitude of the people of the world. Then, too, the atmosphere would improve vastly, allowing for increased prospects of achieving a complete arms reduction package and for increased trade between our nations. I realize this would require a bold step by you and the Soviet government, but it would confirm your courage and leadership in the effort toward peaceful coexistence of socialist and capitalist states.

For my part, I intend to meet again with Zahir Shah's son-in-law, Abdul Wali, former prime minister Yousof, and members of the refugee leadership in the immediate future to put together a complete plan of government which could be the basis for the settlement.

I hasten to send this to you because Mr. Michael Armacost, the U.S. Under Secretary of State, is to hold discussions in Moscow on Monday and Tuesday with Messrs. Shevardnadze and Vorontsov. Perhaps the above will be useful in discussions with him.

I emphasize that I am not acting on behalf of, or as a representative of, the U.S. government in any way. I am acting as a private citizen who has the cause of peace at heart. I hope we can move quickly to an elimination of nuclear weapons and an eventual reduction on a parity basis of conventional forces to strengths necessary only for the defense of the nations of the world. This is the peace I seek.

I hope, too, that I can be of assistance in helping you to accomplish these goals. I remain committed, as I know you are, to a world of peace and prosperity. To that end, I dedicate my energies, resources, and the time remaining to me. There are many difficulties to be overcome, and many skeptics and opponents will try to prevent consummation of this plan; but the good will on the part of yourself and President Reagan, and the good beginnings made at Geneva and Reykjavik, should serve to overcome such obstacles, resulting in summits in Washington this year and in Moscow the following year.

His Excellency Mikhail S. Gorbachev

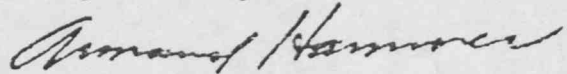
March 12, 1987

Page 4

I look forward to hearing from you soon. I will keep you fully up to date.

With warmest regards.

Respectfully,

A handwritten signature in cursive script, reading "Armand Hammer". The signature is written in dark ink and is positioned above the printed name.

Armand Hammer

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ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

October 8, 1986

The Right Honorable Margaret Thatcher, M.P.
The Prime Minister
10 Downing Street
London, SW1
England

Dear Prime Minister:

Your kind letter of September 25 regarding the recent California unitary tax legislation was most welcome. The new law is not perfect but under the difficult circumstances faced over many years, it did achieve a solution to major issues.

Occidental shares with you the reservations regarding the new law and we have on our agenda a program to address them. We will be pleased to continue to work with your government and industry towards that end.

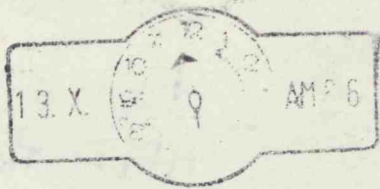
Sincerely yours,

Armand Hammer

AH:fa

*Ph. copy to
13/10
FCO e
HMT Private
Offices.
CDP
13/11.*

ECON POL Hammer PR





10 DOWNING STREET
LONDON SW1A 2AA

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cc Tsy
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THE PRIME MINISTER

25 September 1986

Dear Dr Hammer.

Thank you for your recent telex on the new unitary tax bill which has just been passed by the California legislature.

We also welcome passage of this bill which will limit the use of worldwide unitary taxation. Although we have reservations about some aspects of the bill and will continue to look for a more comprehensive solution to the problem, we certainly regard it as a major step forward towards the complete withdrawal of this method of taxation. I attach a copy of our Treasury Statement of 5 September.

We very much appreciate all your efforts in California. I am sure that your important contribution has had a significant influence on the development of events.

Yours sincerely
Margaret Thatcher

—
Lb

Dr Armand Hammer

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10 SEP 1986 0052

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THE HONORABLE MARGARET THATCHER - THE PRIME
MINISTER
10 DOWNING STREET
LONDON

HR Tracy for
drop PM reply (C.C. FCO)
CGR

MSG REF: 0141

TO: THE HONORABLE MARGARET THATCHER
THE PRIME MINISTER
LONDON, ENGLAND

R10/9.

DEAR MINISTER:

BECAUSE OF THE VITAL INTEREST OF THE U.K. IN THE UNITARY TAX BILL, I
AM MOST PLEASED THAT THE CALIFORNIA STATE LEGISLATURE FINALLY PASSED
THIS MEASURE WHICH HAS BEEN SIGNED BY THE GOVERNOR.

AS YOU KNOW, WE AT OCCIDENTAL HAVE DEVOTED OUR STRONGEST EFFORTS THIS
PAST YEAR TO EXPEDITE THE PASSAGE OF THIS BILL, AND HAVE WORKED
TIRELESSLY WITH THE LEGISLATURE TO ENSURE THE BILL'S PASSAGE AS SOON
AS POSSIBLE.

PLEASE ACCEPT MY WARMEST PERSONAL WISHES WITH THE HOPE OF SEEING YOU
IN THE VERY NEAR FUTURE.

MOST SINCERELY,

ARMAND HAMMER

COL 10 REF: 0141 TO: MINISTER: BILL'S

British TELECOM for enquiries dial the number shown in your dialling instructions



H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233 3415
Telex: 262405

5 September 1986

UNITARY TAX

The Government welcome the passage of legislation in California limiting the use of worldwide unitary taxation.

This is a major step towards the complete withdrawal of this method of taxation, which both the Government and representatives of British industry have been seeking for some time. In the last two years there has been action to reform unitary tax in a number of states. But the California legislation is particularly significant in view of the size of the State's economy and its importance to the UK as a location for investment.

The Government have reservations about some aspects of the California legislation, and will continue to look for a comprehensive solution to this problem as outlined by the President in his Statement last November. They acknowledge the important contributions of the federal government in working towards unitary tax reform and will seek its continued support in the unitary tax court cases. The Government are also discussing with the US authorities the future of the Unitary Tax Bill now before Congress and the prospects for amendment to the UK/US Double Taxation Convention.

PRESS OFFICE
H M TREASURY
PARLIAMENT STREET
LONDON SW1P 3AG

113/86



Foreign and Commonwealth Office

London SW1A 2AH

3 July 1986

Dear Charles,

British Presence at Disneyworld

Your letter of 13 June asked for any available information on the condition of the British pavilion at Disneyland, California, to enable the Prime Minister to respond to a suggestion by Dr Armand Hammer that this should be improved. In fact, there is no British pavilion at the California Disneyland. But there is one at the Walt Disney World Showcase, EPCOT, Florida. This has been the subject of some criticism in the past and it may be this pavilion that Dr Hammer has in mind.

The occasional criticism we have heard has been directed mainly at the fact that the British area is only some shops and a public house and does not adequately reflect Britain. Though well-run and popular with visitors, the shops are obviously purely commercial and do not have the characteristics of other pavilions which are government-funded and designed to promote national image.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
PS/10 Downing Street

Prime Minister
There seems little we
can do, short of
putting in government
money to build
a national pavilion

COP
3/7



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 June 1986

I enclose a copy of a letter to the Prime Minister from Dr Hammer, following their meeting on 13 June. No action on it is required.

I am copying this letter and enclosure to Michael Stark (Cabinet Office).

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

000
DR. ARMAND HAMMER
10889 WILSHIRE BOULEVARD, SUITE 1500
LOS ANGELES, CALIFORNIA 90024

16 June 1986

The Rt. Hon. Mrs. Margaret Thatcher, P.C., M.P.,
10 Downing Street,
London,
SW1.

Dear Prime Minister,

Thank you for seeing me at such short notice on Friday. During the afternoon I had a meaningful meeting with Ambassador Zanyatin.

I hope that you will telephone the President: I feel sure your special understanding with him will persuade him to clarify the current confused picture of his SALT II intentions as conveyed by the contradiction between his statement and Larry Speaks' - that SALT II is dead.

I hope too that General Secretary Gorbachev will agree to Mr. Shevardnadze meeting with Mr. Shultz in the near future and that a date will be fixed for such a meeting in London where you would be present so that your help could be used with President Reagan in the event of any difficulty.

At this meeting they can agree on an Agenda and crystallize something constructive based on the talks in Vienna and Geneva. The Summit, which would occur based on the decisions made by Mr. Shultz and Mr. Shevardnadze, would be most appropriate in mid-November. American Thanksgiving Day would be ideal.

I have returned to Los Angeles and I notice in the Los Angeles Times on Saturday, June 14 (Page 14) that the following statement was made on Friday by Secretary Shultz: "Secretary of State George P. Shultz took exception Friday with newspaper headlines that said the Agreement (SALT II) is dead" "What the President is seeking is a regime of mutual restraint that looks at what they do and places what we do alongside of it" said Shultz "We are definitely not

CCB
②
Prime Minister

Adds little to what
he said to you, &
subsequently to the press.

CDP
16/6.

talking about an escalation, an arms race; quite to the contrary". Shultz also said that recent Soviet arms control proposals have substance and the fact they were made privately is a good sign".

With warm regards,

Armand Hammer

Not signed but dictated to my aide,
Ranulph Fiennes, over the telephone.

P.S. Thank you for your agreement to consider the Disneyland proposals to improve the British pavilion to make it more inviting for future American tourists. We would install an attractive exhibition of Mary Rose artifacts which are currently touring the U.S.A.

→ 11
I think this is the one in Florida -

SUBJECT
cc master.



BM
BMDAQR
bcpc

10 DOWNING STREET

From the Private Secretary

13 June 1986

PRIME MINISTER'S MEETING WITH DR. HAMMER

The Prime Minister had a brief meeting this morning with Dr. Armand Hammer.

Dr. Hammer's main preoccupation was with the state of relations between the super powers. He was worried that the United States and the Soviet Union were talking past each other on the subject of a summit. From his own direct contacts with President Reagan, he was sure that the President wanted the summit this year. But there were powerful forces ranged against it, notably Mr. Weinberger, Mr. Perle and Admiral Poindexter. Moreover, Mrs. Reagan was determined not to let the President do too much, and was therefore allowing Don Regan far too big a say in the Administration's affairs. For their part, the Russians were confused at the conflicting signals coming out of Washington, particularly over SALT 2. The President had appeared to say in his recent press conference that it was still possible to save SALT 2 if the Russians complied scrupulously with it. But subsequently the White House spokesman had said that SALT 2 was finished. He hoped that the Prime Minister would try to establish which was the authentic version, and encourage those in the Administration who wanted to preserve existing arms control agreements and move towards an early summit. The fact was that Mr. Gorbachev was the best Soviet leader available, and a great improvement on all his predecessors. Dr. Hammer continued that he had written to Mr. Gorbachev proposing that a summit might be held in the United States at Camp David over the Thanksgiving weekend. I enclose a copy of his letter.

On an entirely different matter, that of promoting tourism, Dr. Hammer mentioned his close connection with Disneyland in California. He understood that the British pavilion there was in poor shape. He thought that an effort should be made to upgrade it in order to promote Britain more effectively and help bring American tourists back here. The Prime Minister promised to look into this. I should be grateful for any information that you may have.

(C.D. POWELL)

Colin Budd, Esq.,
Foreign and Commonwealth Office

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ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

June 9, 1986

His Excellency Mikhail S. Gorbachev
General Secretary of the Central Committee
Communist Party of the Soviet Union
Moscow, U.S.S.R.

Dear Mr. General Secretary:

I spent Sunday and Monday in Washington attending various functions and meetings which provided me with an excellent chance to talk with the President, the Secretary of State, the Director of U.S.I.A., and several other leading government figures, including Senators just back from Geneva.

I concluded my visit with consultation at a high level at the State Department and a meeting with your fine new Ambassador, whom I have asked to transmit these thoughts through Secretary Dobrynin.

I believe from my many discussions that we are on the verge of an historic breakthrough on nuclear arms. There are certainly some opponents to this, but the most important officials truly wish to achieve a long term settlement which can usher in a new era of peace.

It has been said to me that, in a recent letter, the President wished to make the point that he hopes it will be possible for a meeting between Secretary Shultz and Minister Shevardnadze in Europe soon which might provide the opportunity to discuss the next Summit and its substance.

The President indicated to me last night when we both attended a performance at the historic Ford's Theater, where Lincoln was assassinated, that he does not wish to take the play away from you and hopes that you will respond favorably to his letter. In other words, I have the firm conviction that he feels "the ball is in your corner." The President stated that he hoped a meeting could take place in mid-November. I suggested that an ideal time would be a Camp David Summit on Thanksgiving, one of our great national holidays, and that a five day period at Camp David in such an aura of good fellowship might be the perfect place to begin to reach general agreement between you two leaders which can then be worked out by your subordinates.

June 6, 1986

The granting of exit visas to 200 divided families was well received by the President and the American public. I also understand there is favorable movement at Geneva which I think could be crystallized at a meeting between Shultz and Shevardnadze so, as you indicated to me, the Summit would have a positive result.

I also have the feeling that once a meeting is agreed upon between Shultz and Shevardnadze and a resultant date set for the Summit, the atmosphere would improve for better Soviet/American relations and the rhetoric will change for the better.

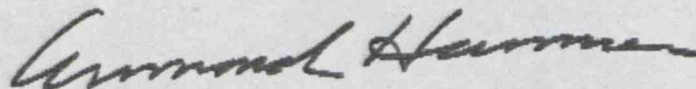
In my 65 years of involvement with our two countries, I have seen some good and some bad periods. I also have seen some moments of missed opportunity.

I believe that one of the greatest opportunities for understanding now exists, with signals passing between each side which are affirmative. We should ignore those in opposition, for they are not the spokesmen for the aims of the leaders of the United States.

I hope very much that these thoughts are helpful to you and assure you as always of my most earnest support of the cause of peaceful relations between the U.S. and the U.S.S.R.

With warmest personal wishes, I am

Respectfully,



AH:ec



10 DOWNING STREET

THE PRIME MINISTER

29 January 1986

Dear Dr. Hammer,

Thank you for your letter of 24 January following up our discussion of the other day. I was grateful for the additional information about tourism. May I suggest that you send the information about your oil shale operation in Colorado to my office in the first instance, and they will pass it on to those concerned.

With all good wishes,

Yours sincerely
Raymond Deliber

Dr. Armand Hammer.

LM

020

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ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

January 24, 1986

The Right Honorable Mrs. Margaret Thatcher, P.C., M.P.
10 Downing Street
London S.W.1

Dear Prime Minister:

Thank you so much for granting me the pleasant and interesting interview at 10 Downing Street. I would certainly have understood if you had had to cancel the meeting considering the press of other business on that day. However, in your inimitable style, you pressed on with all of the other matters of the day, not allowing this one issue to occupy you completely. This is why you are such a great leader and why the Western world is so fortunate to have you, along with President Reagan, at the helm.

In our discussion about British tourism, during which time I mentioned that last year foreigners spent £6.3 billion in the United Kingdom, with a like amount spent by domestic tourists, and that 52% of the Americans going to Europe visit the United Kingdom, I neglected to mention that I understand that over 70,000 new jobs were created last year in the tourist industry. Certainly this is an important sector of the British economy with which I hope to be able to assist through our proposed venture at EPCOT Center in Orlando, Florida. I am working closely with the Chairman of Disney, as well as with Mr. Duncan Bluck and Lady Spencer, to develop the best possible program. I am sure Mr. Bluck will keep Minister David Trippier informed of the progress.

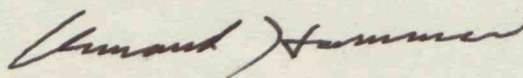
At an appropriate time I would be delighted to provide to whomever you designate more information about our oil shale operation in Colorado. As mentioned, our process for producing oil from shale is the only one that has been proven commercially feasible. Bechtel has completed a study showing that once we are able to produce 90,000 barrels a day, we can sustain production at current market rates, which means that the United States and the Western allies could assure themselves of a long-term supply of safe, inexpensive transportation fuel for years to come. However, this takes the farsighted support of the government, because industry simply cannot risk the billions of dollars in the pre-commercial stages.

I wish you continuing success in your ongoing efforts which have helped Britain so much in these last seven years.

I look forward to seeing you again soon.

With best wishes.

Respectfully,



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28.1.

MCC

SUBJECT CC MASTER



10 DOWNING STREET

From the Private Secretary

13 January 1986

DR. ARMAND HAMMER

Dr. Armand Hammer today called in to see the Prime Minister.

Among other things, Dr. Hammer said he expected the fall in the price of oil to be short term. He thought it would recover from a low point of around \$23, and was very bullish about the prospects of a substantial rise in the longer term.

Against this background, he thought shale oil had a rosy future, using the extraction techniques developed by Occidental Oil, and he said he would be talking to some British companies about the possibility of going into joint ventures with them.

Dr. Hammer congratulated the Government on the tax changes which had been made to help promote the development of small fields in the North Sea. Occidental Oil expected to spend in the North Sea about £1 billion more "over the next several years" than they would have spent without the tax changes.

I am sending a copy of this letter to Rachel Lomax (HM Treasury).

DAVID NORGROVE

Geoff Dart Esq.,
Department of Energy



10 DOWNING STREET

From the Private Secretary

13 January 1986

DR. ARMAND HAMMER

Dr. Armand Hammer called to see the Prime Minister this afternoon. Among other things, he reported that he had today had lunch with Mr. Duncan Bluck, Chairman of the British Tourist Authority. Dr. Hammer said he had discussed with Mr. Bluck the building of a new pavilion, next to the existing British pavilion at the EPCOT Centre at Disney World, Florida. The existing pavilion did not do full justice to Britain, since it consisted primarily of shops. A new pavilion, which concentrated on the culture and history of Britain, would help promote tourism to the UK. Dr. Hammer concluded by saying that he had agreed to underwrite half of the cost of the pavilion on a challenge basis.

The Prime Minister did not comment.

I am sending copies of this letter to Paul Pegler (Chief Secretary's Office, HM Treasury), and Michael Gilbertson (Department of Trade and Industry).

DAVID NORGROVE

Leigh Lewis Esq.,
Department of Employment

FILE
CAJAAZ

cc Master
bc BG.

ECU



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6460.....

Switchboard 01-213 3000

Prime Minister

Mr. Hammer's letter is at
Flog A. The Dept of

Employment note at
Flog B gives the
background in the EPLOT
centre. MEA 10/1

10 January 1986

Mark Addison Esq.,
Private Secretary,
10 Downing St.

Dear Mark,

Briefing for the Prime Minister's meeting with Armand Hammer

Thank you for your letter of 7 January requesting briefing for the Prime Minister's meeting with Mr Armand Hammer on Monday 13 January.

The enclosed brief has been prepared with the help of DTI and the FCO. Mr Hammer is meeting Duncan Bluck, Chairman of the British Tourist Authority at 12.00 on Monday 13 January. The outcome will be reported to officials here and any further briefing passed on to you direct early on Monday afternoon.

I am copying this to Robert Culshaw (FCO) and Caroline Bradley (DTI).

Yours ever,

Iain Mackinnon

Iain Mackinnon
Private Secretary

MEETING WITH MR ARMAND HAMMER: MONDAY 13 JANUARY

BRIEF FOR THE PRIME MINISTER

INTRODUCTION

You are meeting Mr Armand Hammer, Chairman of Occidental Petroleum, at his request primarily to discuss his proposal for a new British pavilion at the EPCOT centre, Disneyworld, Florida. Mr Hammer and his associates are willing to fund part of the costs of this project and he will no doubt be seeking support from the UK for the balance. The British Tourist Authority estimate that the costs would be a minimum of 10 million dollars and possibly much more.

LINE TO TAKE

Welcome his initiative and the interest he has shown in promoting Britain. However there are no prospects of the Government contributing towards the capital costs of this particular project. From the point of view of promoting the UK it is considered that resources can be more effectively deployed elsewhere.

Nevertheless it is possible that the project could be beneficial in terms of tourism, British industry generally and the encouragement of closer ties between the two countries. British firms, particularly those who trade in or with the USA may be interested in participation and you should offer to assist in identifying prospective candidates.

BACKGROUND

Mr Hammer (age 81) is a multi-millionaire and a keen enthusiast in cultural matters. He has recently been instrumental in setting up the first cultural exchange agreement between the USA and USSR since the Geneva summit; a collection of works of art owned by Mr Hammer are to be exhibited in the USSR. Mr Hammer has over the years maintained close relations with the USSR administration and has come to be regarded as an unofficial ambassador for the President of the USA in Soviet matters.

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ACT 2000

There is, at present, no involvement by Government or other public agencies.

When EPCOT was at the planning stage Walt Disney World approached the Governments of all members of the UN inviting them to participate. The UK declined on the grounds that it would involve considerable expenditure of public funds and that the main beneficiary would be Walt Disney World. From the point of view of promoting the UK it was considered that the money could be used more effectively elsewhere. The British Tourist Authority considered having a presence at EPCOT to aid their tourism promotional efforts in the USA but concluded that it was not an appropriate location in which to expend their limited resources.

Mr Hammer met privately with Lord and Lady Spencer last December and it is understood that Lady Spencer, who is a member of the Board of the BTA, expressed enthusiasm for his proposals. His UK representative, a Mr Ranulph Fienes, subsequently met the BTA's Chairman, Mr Duncan Bluck, to discuss the matter. Mr Bluck offered to consider the possibility of helping to co-ordinate private sector support. As far as financial support was concerned BTA might be able to participate in marketing ventures if and when the new facilities were built. But there could be no question of contributing to the capital cost. Mr Hammer is to meet Mr Bluck at 12.00 p.m. on Monday 13 January.

Attached to Mackinnon / Addison
10/1/86

BTA have suggested that the capital cost of this project would be a minimum of 10 million dollars and possibly a lot more. There are no prospects of making Government money available on this sort of scale and it is not considered that a proposal such as this is the best way to promote tourism or British industry generally. Nevertheless it is possible that there could be some limited benefit to the UK and it is possible that individual firms may be interested in participating. DTI and overseas posts in the USA would be prepared to try and identify prospective candidates, without commitments.



10 DOWNING STREET

From the Private Secretary

7 January 1986

The Prime Minister is meeting Armand Hammer, Chairman of Occidental Petroleum, when he passes through London on 13 January. I enclose a copy of his letter of 15 December which led to the setting up of the meeting.

I should be grateful for briefing, particularly on Mr Hammer's proposal for a new British pavilion at the EPCOT Centre at Disneyworld, which you will wish to draw up in conjunction with Robert Culshaw (Foreign and Commonwealth Office) and Caroline Bradley (Department of Trade and Industry) to whom I am copying this letter.

I hope the briefing can be with us by Friday 10 January. I am sorry for the short notice.

(MARK ADDISON)

S. G. Ratcliffe, Esq.,
Department of Employment.

VC
JK



10 DOWNING STREET

From the Private Secretary

31 December 1985

I hope to speak to you on the telephone this morning about Dr. Hammer, but in the meantime could you please offer him 1645 hours on Monday 13 January at 10 Downing Street. I had hoped to find a Chequers slot around the time that Dr. Hammer was in London, but unfortunately there is not one. I do hope he will understand.

In his letter, Armand Hammer asks for a photograph like the one which Paul-Louis Weiller has. Unfortunately, I have no idea which photograph Dr. Hammer is talking about. If there is any way of finding out, I could then arrange for a similar one to be given to him.

At your convenience would you be kind enough to confirm this appointment.

Caroline Ryder

Sir Gordon Reece

E.R.

① N. L. W. 30.12

N. L. W.
30.12

② PRIME MINISTER

I attach a letter from Dr. Hammer who asks if he could come and see you at the end of next week. I attach the diary for the next fortnight. You are very tied up in London. If you want to see him would you like to do so at Chequers?

Yes not

I will of course let him have a signed photograph as he requests.

CR

(Caroline Ryder)

30 December 1985

Ackd 30/12

Gordon Reece

Apartment 86,
55 Park Lane,
W1.

27th December 1985

Mr Sean Connolly

Dr Hammer asked me to deliver this letter to the Prime Minister on his behalf. I would be grateful if you could put it into the system.

I haven't read it, but I understand it contains a request to see her. Should this prove to be possible, he is in this country January 8th, 9th, 11th and 12th but I am sure he would come over any time.

Yours

Gordon

Mrs Caroline Ryder.



DEPARTMENT/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>2642</i> (one piece/item number)	
Extract details: <i>Moore to Armstrong dated 20 December 1985</i>	
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Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
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Enter extract details if it is an extract rather than a whole piece.

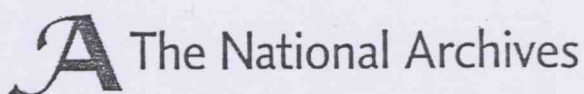
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Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.



DEPARTMENT/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>2642</i> (one piece/item number)	
Extract details: <i>Armstrong to Moore dated 18 December 1985 with attachment</i>	
CLOSED UNDER FOI EXEMPTION <i>40(2); 41</i>	<i>29/11/2016</i> <i>G. Gray</i>
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OCCIDENTAL PETROLEUM CORPORATION

10889 WILSHIRE BOULEVARD • SUITE 1600

LOS ANGELES, CALIFORNIA 90024

(213) 208-8800

ARMAND HAMMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

15 December, 1985

The Rt. Hon. Margaret Thatcher, PC, FRS, MP, MA, BSc,
10 Downing Street,
London, S.W.1.

Dear Prime Minister,

I felt that I could not pass through London without saying hello to you. I arrived last night to keep some business appointments before departing for Los Angeles. Hence, I did not presume to try to see you, although it would have been a great opportunity to bring you up to date on my meetings this past week in Moscow with Mr. Gorbachev and the Prime Minister, Mr. Ryshkov.

No doubt you saw the news clippings reporting that I was successful in signing the first cultural exchange agreement between the United States and the USSR since the summit. As a result, the United States will receive the largest collection of Impressionist and Post-Impressionist masterworks ever from the Soviet Union. In return, my collection, "Five Centuries of Masterpieces" will be exhibited in the Soviet Union for nine months. In addition, the National Gallery of Art in Washington, D.C. will loan forty Impressionist and Post-Impressionist works to the Pushkin in Moscow and Hermitage in Leningrad. The enclosed clipping from the New York Times will explain to you more fully the details of the exchange.

Quite by accident, I met my friend Paul-Louis Weiller, who showed me a beautiful autographed photograph of you which was being delivered by Lady Glover. Never have I seen you looking better and it would give me great pleasure if I could also have a copy to augment your photograph which occupies a prominent position behind my desk in my office in Los Angeles.

/contd.

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I hope to have the opportunity of seeing you on my next visit to Europe, when, on January 10, I will go to Marseilles for the dedication of the Theatre du Gymnase, for which I provided renovation funds. It will open with "Camille" in my honor, since the hero bears my first name. At that time I could come to London to see you. I would like to report to you on my meeting yesterday with Lord and Lady Spencer at Althorp. I believe that I can be of great help to the British Tourist Authority by putting together a group of American friends who would provide matching funds with the U.K. for a new British pavilion at EPCOT Center at Disneyworld in Florida. It could stimulate a large increase in tourism to the United Kingdom by presenting British cultural and historical exhibits, beginning with the Mary Rose exhibition which is now touring the United States under my auspices.

no doubt you will hear from Lady Spencer and Mr. Duncan Bluck, with whom I have already conversed in this regard.

With warmest regards.

Respectfully,

Armand Hammer

SEASON... MANAGING THE STONE, THE NILE'

ing on."
e-liners and bright repartee."

"A slam-bang fun fest..."
—Liz Smith, NEW YORK DAILY NEWS

"Kathleen Turner... she's
every inch a star and
never anything less
than mesmerizing."
—Rex Reed, NEW YORK POST

"Danny DeVito keeps us
rolling in the aisles."
—George Anthony, THE TORONTO SUN

"...delightful... pure
pleasure."
—Judith Crist

In Argentina, a Cultural Renaissance

By LYDIA CHAVEZ

Special to The New York Times

BUENOS AIRES, Dec. 13 — The Italian director Lina Wertmuller talked about film in one room while Argentine novelists discussed literature in the next. On the same evening, a new political play had a premiere.

Since censorship was lifted more than two years ago as Argentina returned to democracy, exiled artists, directors, painters and actors have returned to produce several award-winning works. In the last year, Argentines won awards at the Cannes and Venice film festivals and the Moscow International Ballet Competition.

In short, Argentina is enjoying a cultural renaissance. And after seven years of military rule in which hundreds of artists fled for artistic or political reasons, a lack of funds has not spoiled the country's enthusiasm for culture.

"Culture is the consciousness of a society," said Mario O'Donnell, director of culture for Buenos Aires. "It is a country's self-image, and the difference in a democracy is enormous."

The man who sat in Mr. O'Donnell's chair as cultural director during the military regime banned works and drew up blacklists. Mr. O'Donnell said his own aim was to "take culture to the people."

Neighborhood Groups Blossom

In a demonstration of the country's new openness, Miss Wertmuller and 33 other foreign artists, many of whom shunned the country during the military's rule, are here to celebrate Argentina's new cultural identity. The visitors and Argentine artists are taking part in seminars on such topics as women in the theater, the Argentine novel and the future of film. Large audiences have turned out.

The most striking difference between the country's new cultural life, according to many artists, is the variety of new productions in the theater, dance, movies and fine arts. Neighborhood arts groups have blossomed in the last year, they say.

Among the Argentines who have returned from political exile is the actress Norma Aleandro, who is the star of the film "The Official Story."

The young couple portrayed in the movie adopt a child who they later discover was kidnapped during the military's counterinsurgency campaign. Miss Aleandro shared the best actress award at the Cannes Film Festival with Cher. Her return, and the movie, would not have been possible under the military regime.

Norman Briski, who worked with Joseph Papp in New York during his political exile, recently appeared in the play "Twenty Years is Nothing," a tragicomic look at recent Argentine history. Mr. Briski and his play would also not have appeared here under military rule.

Democracy and Culture

Not all of the Argentine works honored recently had political themes. Julio Bocca, who recently won a gold medal at the Moscow International Ballet Competition, chose the tango for his presentation. The film that won a special jury prize in the Venice Film Festival, "Tangos, the Exile of Gardel," was also apolitical.

Carlos Gorostiza, the Argentine Culture Minister and a playwright, said it was impossible to draw a direct line between the recent set of arts awards and democracy. Nevertheless, he said, "a rich cultural life is more possible under a democracy, and more authentic," because artists are championed on the basis of artistic accomplishment rather than political beliefs.

Despite a lack of equipment and limited opportunities, many Argentine artists say they prefer to work here. Exiled artists whose personal or professional commitments have prevented a permanent return nonetheless visit Argentina for special projects.

"It is important to work here," Mr. Briski said. "It is my life, my theater, my country." But he will continue to work in New York as well, he said.

A lack of money has influenced some artists' work and work habits. Argentine painters, for example, work in group studios to save money. Drawing with pencils is more popular than working with oils, which are expensive. Painters have been helped by a new interest in Latin American art, according to a gallery owner.

'You Have to Travel'

Most actors and actresses say that to support their families, they must work abroad at least part of the year. "You have to travel to be able to do the kind of work you want to," Miss Aleandro said. Argentine movies must also depend on foreign sales to turn a profit, she said. "The Official Story," for example, did well in Argentina, but it failed to make a profit until it was released abroad, Miss Aleandro said.

Mr. Bocca, the dancer, said he must also perform abroad to supplement his \$400-a-month earnings as a dancer for the Colón Theater. The professional opportunities abroad are also an attraction, he said.

"My dream has always been to be able to dance all over the world," he said in an interview in one of the theater's basements. His goal is to study or dance with American Ballet Theater. But Argentina, he insisted, will always be his base.

As for the public, few people seem to mind the problems that can occur when events are staged on a low budget.

Such patience was evident one recent evening when Miss Wertmuller took part in a roundtable discussion. When the moderator asked her a question in Spanish, she smiled and said she did not understand a word he was saying. A woman in the audience who spoke Italian jumped up, but someone else had already moved to Miss Wertmuller's side to translate the question.

When the interpreter failed to translate the answer into Spanish, many of the 300 people in the audience sat patiently but were perplexed.

"We understand enough," said Pedro Urtaaga, a 65-year-old retired seaman attending the seminar. "They didn't do anything like this under censorship. You know, there was a genocide here then."

Arts Group To Honor Educators

Four New York City teachers and

OF THE NILE
ROSENTHAL & LAWRENCE KONNER

PAPERBACK
by Twentieth Century Fox Film Distributors
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NEW JERSEY

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Bergen
TENAFLY 567-0004
✓ **BRUNSWICK SQUARE**
TWIN
EAST BRUNSWICK
238-2998
✓ **CINEMA 23**
CEDAR GROVE 239-1482
✓ **CINEMA PLAZA**
FLEMINGTON 782-2777
✓ **CINEMA 10 QUAD**
SUCCASUNNA 584-9860
✓ **ESSEX GREEN**
TRIPLEX
W. ORANGE 731-7755
✓ **FREEMAN CINEMA 6**
FREEHOLD 482-0600
✓ **HALL TRIPLEX**
BRICKTOWN 477-5551
✓ **MELO PARK**
TWIN CINEMA
EDISON 549-6767
✓ **LOEWS MEADOW SIX**
SECAUCUS 986-6161
✓ **MORRIS COUNTY**
HALL TWIN
HANOVER TOWNSHIP
539-7966
✓ **MOVIES**
MIDDLETOWN
MIDDLETOWN 671-1020

ROCKLAND
✓ **UA CINEMA 304**
NEW CITY 634-8200

✓ **OCEAN COUNTY**
MALL TRIPLEX
TOMS RIVER
240-3095
✓ **RIALTO TRIPLEX**
WESTFIELD
232-0588
✓ **ROCKAWAY TWELVE**
ROCKAWAY TOWNSHIP
328-0660
✓ **RKO CENTURY**
✓ **RKO ROUTE 4-TRIPLEX**
PARAMUS 487-7909
✓ **LOEWS**
SHOWBOAT QUAD
EDGEWATER
941-3660
✓ **SHREWSBURY**
TRIPLEX
SHREWSBURY 542-5395
✓ **SOMERVILLE**
CIRCLE TRIPLEX
NANTUCKET 526-0701
✓ **STATE**
JERSEY CITY 653-5200
✓ **STRAND**
SUMMIT 273-3900
✓ **TOTOWA TWIN**
TOTOWA 256-8484
✓ **RKO CENTURY**
✓ **RKO WARNER QUAD**
RIDGEWOOD 444-1234
✓ **WASHINGTON TWIN**
WASHINGTON 688-0451

ALSO AT THEATRES IN UPSTATE N.Y.

"I sat there watching
this terrific movie and
said to myself, 'It's
the kind of movie that

IRKO CINEMA 5

PLAZA 58th E. of Mad 355-3320	FOOL FOR LOVE 12, 2:10, 4:20, 6:30, 8:45, 10:55
PARIS 58th W. of 5th 688-2013	THE OFFICIAL STORY 12, 2:10, 4:20, 6:30, 8:45, 10:55
CINEMA I 3rd & 60th St. 753-5022	ELENI 12:45, 3:15, 5:45, 8:15, 10:45
CINEMA II 3rd & 60th St. 753-0774	SUBWAY 12, 2:10, 4:20, 6:35, 8:50, 11
BEEKMAN 2nd & 65th St. 737-2622	TWICE IN A LIFETIME 12, 2:15, 4:20, 6:30, 8:40, 10:50
SUTTON 3rd & 57th St. 759-1411	JEWEL OF THE NILE 12, 2:10, 4:20, 6:30, 8:40, 10:50
NEW GRAMERCY 23rd St. & Lex 475-1660	JEWEL OF THE NILE 1, 3:10, 5:20, 7:30, 9:45, 12 Mid.
MURRAY HILL 3rd & 34th St. 685-7652	SPIES LIKE US 12, 2, 4, 6, 8, 10, 12
MANHATTAN TWIN 3rd & 58th St. 935-6420	SPIES LIKE US 12, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 Mid.

Walter Reade Theatres

BARONET 3rd Ave. at 59th St. 355-1663	WHITE NIGHTS 12, 2:40, 5:15, 8, 10:40
CORONET 3rd Ave. at 59th St. 355-1663	CLUE (ENDING "A") 12, 1:50, 3:40, 5:30, 7:20, 9:10, 11
FESTIVAL 57th St. at 6th Ave. 757-2715	JAGGED EDGE 12, 2, 4, 6, 8, 10
NEW CARNEGIE 57th St. & Broadway 582-4582	RUNAWAY TRAIN 12, 2:10, 4:20, 6:30, 8:40, 10:50
34th St. E. Near 2nd Ave. 683-0255	JAGGED EDGE 12, 2, 4, 6, 8, 10
BAY CINEMA 2nd Ave. at 32nd St. OR-9-0160	SANTA CLAUS: THE MOVIE 12, 2:10, 4:20, 6:30, 8:40
ZIEGFELD 6th Ave. & 54th St. 765-7600	WHITE NIGHTS 12, 2:40, 5:15, 8, 10:40
23rd St. W. 1 23rd St. & 8th Ave. 989-0060	JAGGED EDGE 1:45, 3:45, 5:45, 7:45, 9:45
23rd St. W. 2 23rd St. & 8th Ave. 989-0060	SANTA CLAUS: THE MOVIE 12, 2, 4, 6, 8, 10
23rd St. W. 3 23rd St. & 8th Ave. 989-0060	CLUE (ENDING "B") 1:15, 3:05, 4:55, 6:45, 8:35, 10:25
WAVERLY 1 6th Ave. at 3rd St. 929-8037	MIXED BLOOD 12:30, 2:25, 4:20, 6:15, 8:10, 10:05 SPECIAL MIDNIGHT SHOW TONIGHT

U.S.-Soviet Art Exchange Planned

By IRVIN MOLOTSKY
Special to The New York Times

WASHINGTON, Dec. 13 — An exchange of Impressionist and Post-Impressionist masterpieces by American and Soviet museums was announced today, the first major cultural agreement to come from last month's Geneva summit.

Under the agreement, 40 paintings from the Hermitage art museum in Leningrad and the Pushkin Museum in Moscow will be displayed next year at the National Gallery of Art here and at the Los Angeles County Museum of Art.

In exchange, the National Gallery will put 40 of its own Impressionist and Post-Impressionist paintings on display at the Soviet museums, followed by 40 more from the industrialist Armand Hammer's collection, "Five Centuries of Masterpieces," in the Los Angeles museum.

The United States-Soviet exchange was the second consequence of the Geneva meeting to be disclosed in two days. On Thursday, the two countries announced that the summit had resulted in broad agreement on environmental protection.

Announcement Made Jointly

Announcement of the art exchange was made here by J. Carter Brown, director of the National Gallery, and in Moscow by Mr. Hammer, the chairman of Occidental Petroleum and a noted art collector. Dr. Hammer, reached by telephone in London, where he was stopping on his way to his home in Los Angeles, said that while the show was not scheduled to be taken to New York, he had not

given up on trying to get the show brought there.

The list of "wants" submitted to the Russians by Mr. Brown and Mr. Hammer consisted of eight paintings by Cézanne, three by Monet, three by Renoir, nine by Gauguin, three by Van Gogh, six by Matisse and eight early pieces by Picasso.

Mr. Brown said he was hopeful that the Russians would send virtually all the requested paintings. Dr. Hammer, on the other hand, entertained no uncertainty at all. "All the pictures are set," he said. "They are not going to take any out. We want to have them all and will insist on it."

Asked to select a favorite from among the 40 paintings expected to be lent by the Soviet Union, Mr. Brown chose "The Red Room," a 1908 work by Matisse. "It is a great big thing that knocks you out," he said, adding that the picture anticipated the abstract style that was to follow.

Picasso Paintings Admired

He also admired two paintings by Picasso, whose early works Mr. Brown considers part of the last examples of Post-Impressionism as the 20th century got under way. One was "Three Women" (1908) and the other "Portrait of Ambroise Vollard" (1909-10).

The 40 works are part of a show brought to Lugano, Switzerland, by the Swiss industrialist and art collector Baron Hans Heinrich Thyssen-Bornemisza, who sent part of his own collection of old master paintings for display in the Soviet Union in exchange.

"This is the first big show of art

from the Soviet Union since détente ended," Mr. Brown said. He observed that a show in the United States of artworks from the Hermitage — that would have included paintings by Rembrandt, Titian, Rubens and Van Dyck, sculptures by Bernini and Giambologna and about 400 other art objects — was canceled in 1980 as part of President Carter's decision to halt cultural exchanges to protest of Soviet military intervention in Afghanistan.

Dr. Hammer said he did not believe that any of the pictures to come here had been part of the canceled exhibition.

Halted After Invasion

Cultural exchanges were renewed with the signing of a new cultural treaty by President Reagan and Mikhail S. Gorbachev, the Soviet leader.

The Russians, Mr. Brown said, have been reluctant to allow their art to enter the United States out of fear that it could be seized by court actions brought by heirs of people who lost the works in the Russian Revolution.

To preclude this, he said, the Secretary of State must publish in The Federal Register a declaration of immunity against seizure. After the Soviet intervention in Afghanistan, he said, Secretaries of State have refused to issue such waivers and the Soviet Union has declined to send the art out.

Mr. Brown said he saw Secretary of State George P. Shultz earlier in the week and Mr. Shultz "said he favored implementing the waiver."

Asked to confirm whether this was the intent of Mr. Shultz, an official of the State Department said: "We expect no problem at all. This exemption is routine."

"We think this is an extraordinary exhibition and is one of the fruits of the Geneva summit. We expect that it will be one among many to follow."

Exchange Called Unprecedented

According to his Washington office, Dr. Hammer said in Moscow: "This is an unprecedented exchange of art treasures between the United States and the Soviet Union that would not have been possible without the cultural agreement signed by President Reagan and General Secretary Gorbachev in Geneva."

Dr. Hammer, who has been engaged for many years in both business ventures and cultural activities in the Soviet Union, added: "In keeping with President Reagan's and General Secretary Gorbachev's desires to lay a foundation for better understanding among the people of our two countries, this is a first step in people-to-people exchanges, which, hopefully, will be followed by cooperation in other areas, such as arms reduction and the avoidance of a nuclear war, which both leaders agree must never be fought."

Last week, an exchange was agreed to in which the Empire State Institute for the Performing Arts in Albany would take its musical about Raggedy Ann dolls to Moscow next month and the Moscow Musical Theater would send a ballet and a concert version of "Peter and the Wolf" to Albany in June.



"Ambroise Vollard," an oil by Picasso painted in 1910.

Mr. Brown said the impending arrival next month of a big Impressionism show at the National Gallery made the timing perfect for the gallery's participation. The mounting of that show meant that some of the National Gallery's permanent collection would have to be moved anyway to make room for the arrivals.

The agreement would seem to give Mr. Brown another inning in the unacknowledged rivalry between his National Gallery and the Metropolitan Museum of Art in New York City.

Unless Dr. Hammer can induce the Russians to change their mind, the Hermitage-Pushkin show will not be seen in New York.

"While New York is not included at first, I have not given up on New York," Dr. Hammer said from London. "I'm going to send a telex to the Russians that it would be a loss if they didn't schedule there. I am going to write to the Soviet Government to point out that New York, to my way of thinking, ought to be included. I think we have a good chance."

Dr. Hammer added that his company, Occidental Petroleum, would be the exhibition's corporate sponsor in the United States.

The works from the Soviet Union will be shown in Washington around May and June, and in Los Angeles in August and September.

Mr. Brown said he hoped today's announcement would be only the first of many. "Our hope is that there will be performing artists to follow," Mr. Brown said. "Secretary Shultz wants to get a U.S. presence there right away."

Sahl-Salzman Retrospective

The Cubiculo Theater, 414 West 51st Street, will present a 10-year retrospective of music-theater works by Michael Sahl and Eric Salzman tonight at 8. Excerpts from collaborative pieces, including "Socialization and Its Discontents," will be performed. The retrospective will be directed by Ron Dailey, with music direction by Constantine Kitsopoulos. Tickets are \$10; information: 265-2138.

Boon for Museums Seen

By JOHN RUSSELL

In addition to making possible exchanges of exhibitions such as in the agreement announced yesterday on collections of Impressionist and Post-Impressionist art, the resumption of Soviet-American cultural exchanges is likely to benefit the museum world in another way: Loans of individual key paintings from the Soviet Union can once again take their place in major retrospectives of the painters in the West who were bought by Russian collectors before 1914.

This applies above all to Cézanne, Monet, Renoir, Gauguin, Van Gogh, Douanier Rousseau, Matisse and Picasso, all of whom are exceptionally well-represented in Soviet museums.

No survey of these artists' work that does not include loans from the Soviet Union can be called complete. Retrospective exhibitions of Chagall, Kandinsky and other Russian-born artists are also incomplete if they do not include paintings — now held in Soviet museums, and for the most part never exhibited — that date from the periods during which the artists in question were still working in Russia.

Recent examples of noncooperation include the Henri Rousseau exhibition at the Museum of Modern Art earlier this year and the current Renoir exhibition in Boston. In both cases, key loans from Soviet museums were made available to French museums when the exhibitions were in Paris, but not to museums in this country. As it is now customary for important international loans to be made on a reciprocal basis, it is likely that American museums will make exchanges of one kind or another in return for the Soviet loans.

Yesterday's exchange agreement will likely be the first of many involving exhibitions being exchanged en bloc. The Metropolitan Museum of Art was active in this matter during the 1970's, when the Scythian gold objects from the Hermitage in Leningrad and the "Treasures from the Kremlin" in Moscow both came to New York. During that same period of relative détente a mixed exhibition of older paintings from the Hermitage was shown both at the National Gallery in Washington and at the Knoedler Gallery in New York.

All the News
That's Fit to Print

The New York Times

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NEW YORK, SATURDAY, DECEMBER 14, 1985

60 cents beyond 75 miles from New York City, except on Long Island.

10 CENTS

Weather: Variable cloudiness today, mostly clear skies, windy tonight. Mostly sunny and cold tomorrow. Temperatures: today 33-37, tonight 15-20; yesterday 38-40. Details, page 50.

TRANSIT FARE RISE TO START ON JAN. 1 IS VOTED BY M.T.A.

\$1 FOR SUBWAY RIDE

Railroad Tickets Up 11%
— Bridge and Tunnel
Tolls Go to \$1.75

By DEIRDRE CARMODY

The Metropolitan Transportation Authority voted yesterday to raise bus and subway fares to \$1, tolls on major bridges and tunnels to \$1.75 and commuter railroad fares by 11 percent. The increases take effect Jan. 1.

The increases, expected since October, when the authority projected a \$267 million operating deficit for 1986, were approved at a special meeting of the authority's board at the Roosevelt Hotel.

They are projected to raise an additional \$198.8 million next year. That estimate takes into account an expected drop in subway and bus ridership of 1 to 2 percent.

First Increase in 2 Years

The last fare increase occurred two years ago, when bus and subway fares went to 90 cents, from 75 cents.

Authority officials said that under the new fares, bus and subway riders would pay about 55 percent of the cost of each ride, instead of the current 50 percent. Fares in other cities, they said, typically pay 30 percent to 45 percent of the cost of service.

Riders on the Long Island Rail Road and the Metro-North Commuter Rail-

New commuter fares, page 30.

road will pay about 50 percent of the cost of each ride under the new fares.

Mayor Koch said further increases were likely next year unless the authority could obtain greater state or city subsidies.

Earlier this week, after lengthy talks about how the city and state would help balance the M.T.A. budget, the state agreed to increase its payments to the

Continued on Page 30, Column 1

Inquiry by State On Gross Finds Medical Lapses

By SAM ROBERTS

The state's charges against Dr. Elliot M. Gross, the city's Chief Medical Examiner, accuse him of improperly failing to determine that the manner of death of four people in police custody was homicide. He also deviated from standard professional practice in five other cases, according to the charges.

The charges, filed July 30 by the State Health Department's Office of

Text of state charges, page 31.

Professional Medical Conduct, have not been made public by the state. A copy was obtained by The New York Times.

The state said Dr. Gross had, in certain instances, "displayed a lack of knowledge of firearms and firearm residues," performed a "superficial and inadequate pathological examination" for fractures during one autopsy and "inappropriately suggested" that an assistant endorse his findings in another.

He was also charged with having practiced medicine "fraudulently" by giving testimony, as an expert witness for the defendant during a New Jersey court hearing, that "was incorrect, not in accord with basic scientific and medical knowledge and not a plausible hypothesis" for the cause of death. The defendant was acquitted of beating a 2-year-old to death.

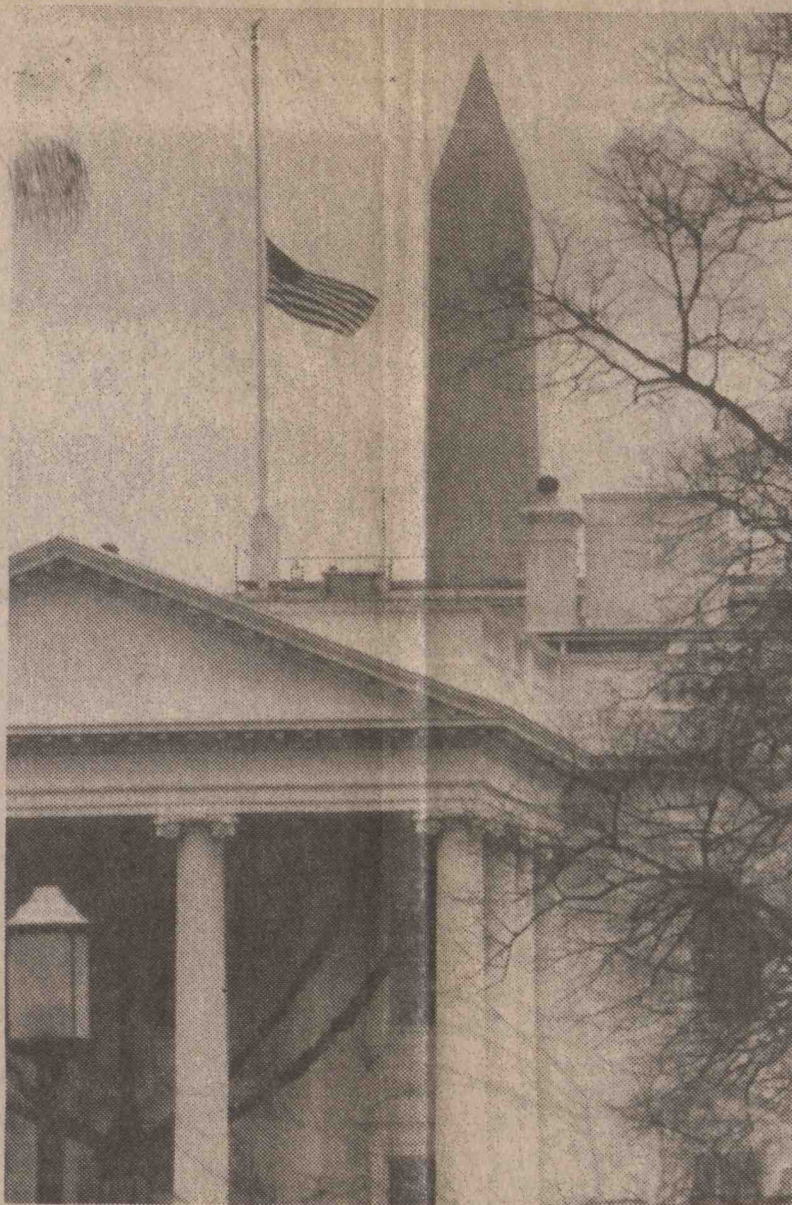
Denial by Gross

Dr. Gross has repeatedly and specifically denied any wrongdoing. Yesterday his lawyer said that, for the most part, the precise charges merely paraphrased previous allegations against Dr. Gross.

An administrative law judge has set the state's charges aside on procedural grounds; the state's health commissioner wants them reinstated.

The harshest criticism in the formal charges was directed at Dr. Gross's conduct in the case of Michael Stewart, a Brooklyn man who died in 1983, 13

Continued on Page 31, Column 1



Flag flying at half-staff over White House to mark death of crash victims.

Clues Are Sought to Crash That Killed 256 in Gander

By CHRISTOPHER S. WREN

Special to The New York Times

GANDER, Newfoundland, Dec. 13 — Searchers combed the snow-dusted woods near the international airport here today, recovering bodies and searching for clues to the jetliner crash Thursday that killed a 248 American soldiers going home from the Middle East.

The investigators said they still did not know what caused the disaster. There were no survivors among the 256 people aboard, who included eight crew members. The chartered DC-8 had stopped to refuel at Gander.

"I have not specifically and categorically ruled out anything at this time," Peter Boag, the chief investigator from the Canadian Aviation Safety Board, told reporters at a briefing in the airport terminal late this afternoon.

Exploded in Woods

"What was observed was in all respects a normal arrival and departure until the fireball was observed," Mr. Boag said, referring to the explosion of the Arrow Air charter flight in woods outside the airport as it was taking off.

In a potential setback to the investigation, the flight data and cockpit voice recorders, which were recovered Thursday and flown back to Ottawa for inspection, sustained "extensive internal damage," Mr. Boag said.

He said it was uncertain whether they would yield any useful information. The "black boxes," as they are informally called, are used to reconstruct events leading to a plane crash.

The death toll for the tragedy, the third worst aviation disaster this year, was revised downward today from the initial estimate of 250 soldiers aboard. Maj. Gen. John S. Crosby of the Army, who has led a 32-member American

military team to Gander, said the Army had at first believed that there were two more American soldiers "because we just didn't have the manifest."

[Safety specialists had no solid clues on what caused the crash, but there was speculation that the plane was unable to climb because de-icing fluid had not been applied to its wings and fuselage. In Washington, a State Department official said the Sinai peacekeeping force would not use Arrow Air for a coming flight. Page 4.]

Mr. Boag confirmed earlier reports that the aircraft had not been de-iced before takeoff. The expensive and time-consuming procedure, which in-

Continued on Page 4, Column 5

REAGAN PROPOSES SELLING OFF F.H.A. TO PRIVATE BIDDER

Accord Reached For Subsidizing Price of Tobacco

By JONATHAN FUERBRINGER

Special to The New York Times

WASHINGTON, Dec. 13 — House and Senate negotiators today agreed on legislation to subsidize the sale of surplus tobacco to cigarette companies for as little as 10 percent of the market price.

The plan is designed to bail out the troubled program to keep up the price of tobacco. Since 1982 the price support program has been financed through a fee imposed on tobacco growers. The Reagan Administration opposes the new plan, which it says would cost the taxpayers \$1.1 billion.

The accord on tobacco prices and surpluses, proposed by Senator Jesse Helms of North Carolina, is expected to win the approval of a full House-Senate conference on Monday. It would also open the way for House-Senate agreement on extending the Federal tax on cigarettes at 16 cents a pack.

Part of Deficit-Cutting Effort

Both proposals are included in a combination of spending and taxing measures aimed at cutting the Federal budget deficit below projected levels. The bill would put into effect part of the budget savings agreed to in principle in the Congressional budget resolution for 1986.

The White House has threatened a veto of the package if it includes the cigarette tax, the tobacco program and several other items the Administration opposes. Conferees still have to reach final compromises on other elements of the plan, which would reduce projected deficits by \$60 billion to \$80 billion over three years. Among the unresolved issues are cuts in Medicare and the financing of the program to clean up toxic wastes, known as the Superfund.

The House and Senate are working to finish key legislation and end the first session of the 99th Congress by early next week. Two other conference committees, considering the 1986 military

Continued on Page 35, Column 1

Tax Votes Still Lacking

Despite fresh efforts, President Reagan apparently was still unable to deliver enough Republican votes to win passage of the tax bill. Page 33.

TO GO TO CONGRESS

Sale of Housing Agency
Is Described in Draft
of Budget for 1987

By ROBERT PEAR

Special to The New York Times

WASHINGTON, Dec. 13 — President Reagan's draft budget for the fiscal year 1987 contains a proposal to sell the Federal Housing Administration to "private bidders." The agency has provided mortgage insurance for more than 51 million home buyers, enabling many to get mortgages they might otherwise not have been able to obtain.

The agency was created by the National Housing Act of 1934 to combat the effects of the Depression. Its policies continue to set standards that are widely followed in the home-building and mortgage industries.

The housing agency cannot be dismantled unless Congress passes legislation to do so, and there has been bipartisan support for the agency's programs.

Confidential budget documents state that under the President's proposal "F.H.A. will be sold in its entirety as a single package, including all existing assets and liabilities," to "private bidders" in the "private sector."

Move to Private Control

The proposal dramatizes Mr. Reagan's commitment to sell Federal assets and to transfer Federal programs to private industry.

The budget documents, provided today to The New York Times by a White House official on the condition that he not be named, say: "The sale of F.H.A. to the private sector is assumed to take place by the end of 1989. Sale at this time presumes that at least two years will be required to develop an appropriate sale price, obtain legal authority, advertise and negotiate final sale."

In another move to turn over Government programs to private industry, the Defense Department has decided to let hospital chains and insurance companies bid on a contract to provide health care off military bases for military dependents and retirees, a Pentagon health official said. [Page 9.]

Cabinet officers got their first

Continued on Page 35, Column 1

U.S. Offers to Be Guarantor Of an Accord in Afghanistan

By DAVID K. SHIPLER

Special to The New York Times

WASHINGTON, Dec. 13 — The United States today announced its readiness to serve as a guarantor of a peace settlement in Afghanistan that would include both a withdrawal of Soviet troops and an end to American aid to the rebels.

Formal notification of the American position was made in a letter sent Wednesday to the United Nations Secretary General, Javier Pérez de Cuéllar, and made public in a speech prepared for delivery tonight by John C. Whitehead, Deputy Secretary of State.

He said the letter had conveyed the Reagan Administration's acceptance of a draft text of a detailed instrument that is being negotiated indirectly between Afghanistan and Pakistan, with the United Nations as a mediator. The text, which has not been made public, reportedly includes provisions for non-interference.

Soviet Interest Said to Grow

The agreement would technically be between Afghanistan and Pakistan, but guarantees from the Soviet Union and the United States would be necessary to make it viable.

Diego Cordovez of Ecuador, the Deputy Under Secretary General conducting the mediation efforts, said the new American position would be helpful. "I am very happy and satisfied that the United States has taken this step," he said.

Soviet officials have reportedly expressed increasing interest recently in some political settlement to the war in Afghanistan, where their troops have remained since they invaded six years

Continued on Page 32, Column 1



The New York Times
John C. Whitehead

Crowd Foils Cuban Kidnapping

By EDWARD SCHUMACHER

Special to The New York Times

MADRID, Dec. 13 — Four Cuban Embassy employees tried to kidnap a former Cuban official here today but were foiled when about 30 bystanders intervened, the police said.

The four embassy employees, including a vice consul waving a pistol, were arrested after the bystanders and a passing taxi blocked the Cubans' car and helped the former official to escape, the police said.

The police identified the former official as Manuel Antonio Sánchez Pérez and said he had been a senior economic official in the Government of Fidel Cas-

tro. Spanish Interior Ministry officials said that he had asked for political asylum 10 days ago during a stopover en route to East Berlin and that it had been provisionally granted.

His exact position in the Castro Government, however, remained unclear. Western intelligence sources here said the kidnapping attempt indicated that Mr. Sánchez, 50 years old, was more than an economist. Cuban exiles here said he had been involved in political infighting inside the Castro Government and may have had delicate intelligence information.

Spanish Government Angered

Spanish Foreign Ministry officials said the attempted kidnapping had angered the Government of Prime Minister Felipe González, which until now has maintained cordial relations with Cuba.

The Cuban Ambassador to Spain, Oscar García Fernández, was summoned to the Foreign Ministry tonight, moments after Foreign Minister Francisco Fernández Ordóñez returned

Continued on Page 6, Column 4



Cultural Legacy of Geneva: U.S.—Soviet Art Exchange

Soviet and American museums plan an exchange of Impressionist and Post-Impressionist masterpieces under the first major cultural agreement to come from Geneva summit meeting. Forty paintings from Soviet

museums are to be displayed in the United States; 40 paintings from the National Gallery are to travel to Soviet museums. Matisse's "Red Room," detail above, is to be among paintings from Soviet Union. Page 15.

French Sue U.S. Over AIDS Virus Discovery

By LAWRENCE K. ALTMAN

Special to The New York Times

PARIS, Dec. 13 — Intensifying a bitter dispute over who first established the cause of AIDS, officials of the Pasteur Institute, a leading French research organization, announced today that it had sued the United States Government.

The director of the institute, Raymond Dedonder, contended at a news conference that its research team headed by Dr. Luc Montagnier found the virus that causes acquired immune deficiency syndrome and developed the first test to detect antibodies to the virus in 1983, a year before an Amer-

ican team led by Dr. Robert Gallo of the National Cancer Institute.

Professor Dedonder said that after months of fruitless negotiations with American officials over recognition of the institute's contributions to AIDS research and related commercial rights, the institute was suing to have its "rights recognized in the name of the scientific ethic."

But Dr. Gallo, the American researcher, said in a telephone interview that the Pasteur Institute was exaggerating its contributions. "We helped them a lot more than they helped us," he said.

Patent rights to a procedure for de-

tecting antibodies to the AIDS virus in blood have become both the material and symbolic center of the dispute. In the suit, the Pasteur Institute charges that the American researchers made use of virus specimens and research data supplied by the French when isolating the AIDS virus and developing a viral antibody test.

The American researchers subsequently took out a patent on the blood test on behalf of the United States Government. In doing so, the lawsuit charges, they violated a contract specifying that the materials were shared for noncom-

Continued on Page 8, Column 3

INSIDE

Wall Street's Busiest Week

The stock market wrapped up its biggest week in history with a 23.97 point gain in the Dow Jones industrial average, to a new high of 1535.21. Page 33.

New York Runoffs Upheld

A Federal appeals court ruled that primary runoffs in New York City elections do not discriminate against minority voters. Page 29.

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Maltese Agree on a Hard Issue, Not on a Soft Drink

By JUDITH MILLER

Special to The New York Times

VALLETTA, Malta — On this sunny
speck of an island in the Mediterranean,
the color a Maltese wears and the
beverage he drinks betray more than
esthetic preferences: they are political
statements.

Supporters of the ruling socialist
Labor Party wear red; members of the
conservative opposition Nationalist
Party wear blue. Labor Party mem-
bers drink Coca Cola; Nationalist
Party people sip Pepsi.

Most towns and villages — no matter
how small — have two ceremonial
bands: Labor and Nationalist.

In such a highly charged political en-
vironment, the hijacking of an Egyptian
airliner three weeks ago could
have polarized the Government and the
330,000 people of this nation, roughly
comparable in area to the borough of
Queens. Malta, however, has enjoyed
almost a consensus in support of the
Government's handling of the affair.

'Nothing but Solidarity'

"We fight each other on almost
everything, given our strong party divi-
sions," said Joseph Brincat, a former
Minister of Justice and Labor Member
of Parliament. "But on this issue, there
is nothing but solidarity."

The Nationalist Party leader, Eddie
Fenech-Adami, complained that Prime
Minister Carmelo Mifsud Bonnici had
failed to consult the opposition during
the hijacking. He recently demanded a
parliamentary inquiry into the Govern-
ment's handling of the affair.

But in an interview after the hijack-
ing, Mr. Fenech-Adami, although with-
holding final judgment, endorsed in
principle Mr. Bonnici's refusal to re-
fuel the hijacked airliner unless all pas-
sengers were released, as well as Mal-
ta's decision to permit Egyptian com-
mandos to storm the plane.

"All countries must take a firm stand
against terrorism," Mr. Fenech-
Adami said.

The episode has been politically awk-
ward for Malta, which found itself
caught among the competing interests
of its ally to the south, Libya, its
friendly ties with Egypt, and its desire
not to offend the United States or West-
ern Europe, whose tourists and trade it
has been courting.

Malta permitted the Egyptian com-
mandos to storm the plane only after
Libya, which Egypt and the United
States suspect of involvement, con-
demned the hijacking.

Both Parties Like Libya

Although the Labor Party and Na-
tionalists appear to have divergent
views on many domestic and foreign
issues, there is hardly any real differ-
ence on their stance toward ties with
Libya. Both favor strong relations.

The pro-Libya policy, officials say, is

No Shultz Comment On Lie-Testing Order

Special to The New York Times

BRUSSELS, Dec. 13 — Secretary of
State George P. Shultz refused to
comment today when asked about
President Reagan's executive order
requiring polygraph, or lie-detector,
testing for high officials, including
Cabinet officers.

"Well, that is, I think, a domestic
U.S. type issue, and I'll respond to it
in a domestic setting," he said at a
news conference at NATO headquar-
ters here.

In the past, Mr. Shultz was said to
have opposed widespread use of poly-
graphs, and his comment produced
speculation among reporters that he
might not be in favor of the order. His
aides have also refused to comment.

Mr. Shultz flew to Bonn late today.
A birthday party was organized on his
plane to mark his 65th birthday.



View of Valletta, capital of Malta. The nation has no natural resources other than sun, sea and a lot of history.

based on financial need and on fear.
"This country has an army of about 800
regular soldiers, supported by about
1,300 policemen," Mr. Fenech-Adami
said. "We don't even have a real minis-
try of defense."

"They could take us over in a day," a
Labor Party politician said.

A few weeks ago Libya and Malta
signed another accord. Its contents,
though not been fully disclosed, give
each other's citizens the right of entry
without visas and the right to buy prop-
erty and work without special permits.

According to Maltese officials, about
10,000 Maltese live and work in Libya.
With unemployment, the most pressing
domestic political issue, hovering be-
tween 9 and 10 percent, Malta, in ef-
fect, is trying to export its unemploy-
ment problem to Libya. The problem,
Maltese and other officials say, is that
most Maltese do not want to work there.

Maltese officials estimate Libyan-
Maltese trade at \$75 million a year.
Libya and Malta, which has no natural
resources other than sun, sea and a lot
of history, also have a barter agree-
ment — Libyan oil for Maltese exports.

Malta has been spared Libyan-spon-
sored terrorism, Arab officials say, be-
cause Libyan terrorists and those it
employs are permitted to come and go
and plan operations here as long as
Malta is not the target or venue for ter-
rorist attacks. As a result, security at
most Western embassies and Maltese
offices is relaxed.

'Think of Ourselves as European'

But Libyans, despite their impor-
tance to Malta's economy, are highly
unpopular here. "They have an ex-
tremely bad reputation," said Lino
Briguglio, a former Labor Party ex-
ecutive committee member who is trying
to do the unthinkable in Malta — form
a third political party. "The dislike is al-
most racist," Mr. Briguglio said. "We
think of ourselves as European, not
Arab. So people are offended by a lot
of Libyan Moslems running around,
drinking, carrying on, chasing
women."

Some businessmen are concerned
that the country's association with
Libya will adversely affect trade with
the West, which accounts for more than
80 percent of Malta's exports and 90
percent of its 400,000 tourists each year.

Louis A. Farrugia, who runs Far-
son's, Malta's privately owned brew-
ery, has recently begun exporting to
the United States 15,000 cases of
shandy, a mixture of beer and lemon
essence. He fears that Malta's coziness

with Libya might not only be bad for
Malta, but could hurt sales in America.
"We have emphasized our British
brewing heritage, rather than the prod-
uct's production in Malta in our pub-
licity campaign," Mr. Farrugia said.

No Foreign Military Bases

There are other points of consensus
between Nationalists and Labor. A
major area of agreement is Malta's re-
fusal to permit foreign military bases
here. Malta has paid a high price for its
strategic location. The three-island ar-
chipelago has been conquered by every
expansionist power in this cradle of
civilization: from the Phoenicians to
the British.

After Dom Mintoff's Labor Party
came to power in 1971, Malta vowed to
end its age-old role as someone else's
military base. In 1979, after angry ne-
gotiations, Mr. Mintoff obtained the
closing of the North Atlantic Treaty Or-
ganization base operated by Britain.
Despite the loss of \$30 million and
10,000 jobs, the closing of the base is
still popular among Maltese.

"Malta suffered greatly because of
the presence of others here," Mr. Brin-
cat, the former official, said. "When
Italy and Germany were fighting Brit-
ain in World War II, we were bombed
continuously because the British were
here."

"We want both the Russians and
Americans here, but in bathing suits,
not uniforms," he said.

Apart from these areas of consensus,
Maltese fight about almost everything
else. But the tone of the disputes is less

harsh, the "facade more civilized,"
since Mr. Mintoff resigned last Decem-
ber and appointed Mr. Bonnici in his
place, according to Joseph Cassar, edi-
tor of the Nationalist Party's paper, In-
dependence Print.

'You Don't Compromise With God'

Most foreign and Maltese political
analysts agree that Mr. Mintoff's
"theatrical" governing style, as Mr.
Briguglio called it, made compromise
difficult.

"This is a Catholic country," Mr.
Briguglio said. "Ninety-eight percent
are Catholics. While Mintoff was a
secularist, one who had numerous
heated clashes with the local Catholic
Church, anyone who opposed him was a
traitor, a sinner. Religion, in fact, has
influenced the quality of our political
debate. You don't compromise with
God, or with party principles."

Mr. Bonnici, by contrast, has re-
opened talks with "excommunicated"
groups, Mr. Briguglio said, such as the
Federation of Industry, an employer's
group, and even the Nationalist Party.
A select committee has been discuss-
ing constitutional changes and amend-
ments to the unpopular "Foreign Inter-
ference Act," which requires foreign
speakers or political visitors, some-
times even journalists, to register and
be approved by the Government.

The Times of London, which Mr.
Mintoff banned on grounds that it was
hostile to Malta, has been readmitted
here. Reporters from the British
Broadcasting Corporation, another tar-
get of his ire, have also returned.

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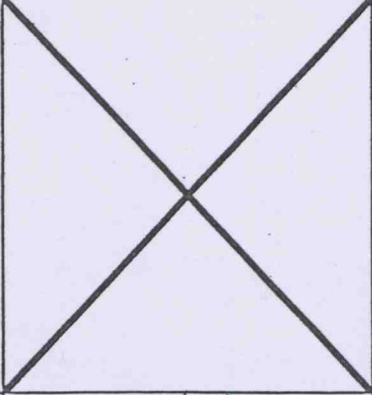
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DEPARTMENT/SERIES <i>PRAM 19</i> PIECE/ITEM <i>2642</i> (one piece/item number)	Date and sign
Extract details: <i>Stark to Moore dated 4 December 1985</i>	
CLOSED UNDER FOI EXEMPTION <i>40(2); 41</i>	<i>29/11/2016</i> <i>G. Gray</i>
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
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MISSING AT TRANSFER	
NUMBER NOT USED	
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DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.

This should be an indication of what the extract is,

eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.

Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

Evan Pol.



Occidental International Oil Inc.

16 Palace Street London SW1E 5BQ Telephone 01-828 5600 Telex 918818 Telegrams Oxyoil London

20th October, 1982.

Miss. Caroline Stephens,
10 Downing Street,
London, W.1.

✓ cl. 21/10.
Dear Miss Stephens,

Thank you for your letter dated 18th October, which I have forwarded to Tim Halford, who is currently visiting New Mexico on business. No doubt he will contact you on his return.

Kind regards.

Yours sincerely,

Alex Blake-Milton

Alex Blake-Milton,
Public Affairs Dept.



International Office

22 OCT 1982



COMPTON

OK 10-11-82



FIVE

RM

cc: Bingham

10 DOWNING STREET

From the Private Secretary

18 October, 1982

Very many thanks for your letter of 12 October.

I have had a word with the Prime Minister about the possibility of a photograph being taken before her meeting with Dr Hammer, and she would be happy to concede to this request.

I will get our Press Office to contact you about the details. I think it is better if the photograph takes place before the meeting starts.

CAROLINE STEPHENS

T Halford, Esq.,

SW

No. We could refuse Col
if he is not bringing his own!

1. MR. INGHAM
2. PRIME MINISTER

You are seeing Dr. Hammer on 11 November
just before the Royal Academy Dinner.

I have received a request from
Dr. Hammer for you to be photographed with
him as there is a photographic biography
being compiled of him.

Do you have any objection? This
would only take a minute.

AS

*Amend
no*

15 October 1982

Jul

15 October 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 12 October.

This is receiving attention and a reply will be sent to you as soon as possible.

CAROLINE STEPHENS

Tim Halford, Esq.

5

Occidental International Oil Inc.

Tim Halford
Vice President
European Public Affairs

16 Palace Street, London SW1E 5BQ Telephone 01-828 5600 Telex 918818 Telegrams Oxyoil London

12th October, 1982.

Ms. Caroline Stephens,
10 Downing Street,
London, W.1.

Dear Ms. Stephens,

Further to your letter of 1st October, 1982, to Dr. Hammer, I have pleasure in confirming that Dr. Hammer would be delighted to see the Prime Minister at 10 Downing Street, at 5 p.m., on Thursday, 11th November. I imagine Dr. Hammer will be staying at Claridges, but I will be handling his arrangements, so if you could let me know of any changes to the time of the meeting, I would be grateful.

Yesterday I sent to the Prime Minister, with Dr. Hammer's compliments, a copy of the current issue of Life magazine, in which there is a profile on Dr. Hammer. John Bryson, the photographer, has now been employed by Dr. Hammer to produce a photographic biography, and he would very much like to include a picture of Dr. Hammer with the Prime Minister. As I understand 10 Downing Street do not wish any photographers to be present at the Royal Academy dinner that evening, would it be possible for John Bryson to have one or two minutes, prior to the start of the private meeting or the end of the meeting, in which he could take one or two pictures? Dr. Hammer has been photographed with many heads of state throughout the world over the past year, and would be very appreciative if the Prime Minister would agree to the above request, as he feels the book would be incomplete without a picture with Mrs. Thatcher.

Kind regards.

Yours sincerely,



Tim Halford

cc: Pat Claytor
G. Reece.

a/gb

016
Occidental
International Oil Inc.

Tim Halford
Vice President
European Public Affairs

16 Palace Street, London SW1E 5BQ Telephone 01-828 5600 Telex 918818 Telegrams Oxyoil London

(2)

R 12/10

11th October, 1982

The Right Hon. Mrs Margaret Thatcher, M.P.,
Prime Minister and First Lord of the
Treasury,
10 Downing Street,
LONDON S.W.1.

Dear Prime Minister,

I was with Dr Hammer for the Mary Rose
event this weekend and he mentioned to
me that you were to meet on November 11th.

pps

He asked me to send you the enclosed
article from the current "Life" magazine,
which he thought you might enjoy.

Kind regards.

Yours sincerely,

ans

T. Halford

Tim Halford

Enc.



On Monday he discussed cancer research with Jonas Salk in La Jolla, Calif. On Tuesday he dined with Prince Charles in London. On Thursday he was in Moscow on oil business. On Friday he received an Austrian medal of merit in Washington, D.C. And on Sunday, Armand Hammer, 84, was back in Los Angeles, soaking off the week's travails in his indoor pool. Extravagant philanthropist and head of Occidental Petroleum, one of the world's largest oil companies, Hammer lives by his own version of the golden rule: "He who hath the gold" (he intones gleefully) "maketh the rule."

LIFE VISITS Armand Hammer,
daring wheeler-dealer, connoisseur

A TYCOON'S WORLD



To Armand Hammer and his third wife, Frances, 80, Red Square is as familiar as Park Avenue. Hammer made his first trip to Russia in 1921, riding for 80 hours in a train compartment lit by a single candle; now he jets in on his private Boeing 727.



Hammer's first Moscow residence was a bedbug-ridden hotel room with no running water. Sixty-one years later, his apartment, a gift from Leonid Brezhnev, has a dishwasher, a freezer, a Russian maid and a renowned art collection.

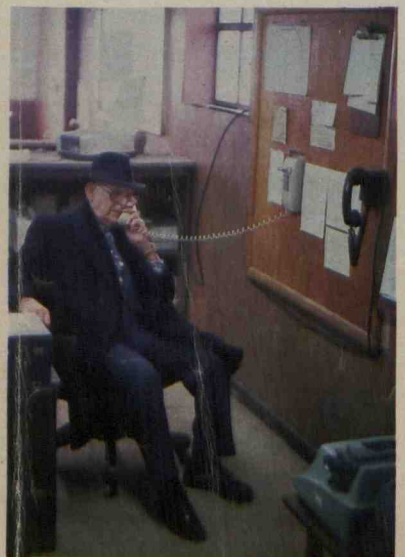
The young Hammer's first meeting with Lenin is memorialized in a new hit Russian play, *Thus We Will Win* (right). When the real Hammer gave Lenin a bronze statue of a monkey contemplating a human skull, Lenin commented that unless nations learned to coexist peacefully, man would destroy himself and the world would be left to apes. The statue still sits on Lenin's Kremlin desk (far right), which has been preserved as it was the day he died in 1924.



THE SOVIETS' FAVORITE CAPITALIST

Armand Hammer is an unusual sort of capitalist: he speaks fluent Russian, his parents were American Communists and his personal plane is allowed to fly inside Soviet borders. Hammer has been a folk hero in Russia since 1921, when the 23-year-old medical doctor saw starving peasants building their own coffins in the Urals and was told that a million bushels of wheat could end the famine. Though he had little business experience, he persuaded Lenin to let him organize an exchange of Russian furs for American grain. Hammer lived in Moscow for the next nine years, developing asbestos mines (the Soviet Union's first concession to foreigners) and collecting czarist art and baubles, which he later sold at enormous profit. In 1961 he was sent by President Kennedy to negotiate with Khrushchev; he and Brezhnev have conferred more than a dozen times. Though conservative critics consider his Soviet relations a bit *too close*, Hammer is pleased to be the only businessman in America whose jewelry drawer contains a watch from Leonid Brezhnev and cuff links from Richard Nixon.

Since the phones in his plane operate only over land, Hammer made use of a refueling stop in Cold Bay, Alaska, en route to Peking, to call his office in L.A.





EVER THE INSATIABLE COLLECTOR

Chiefly, of course, Hammer collects companies—from a Moscow pencil factory in 1925 to Oxy, which he took over in 1957 when it was worth \$34,000; now it is valued at \$8.2 billion. One of the few companies to have spurned him is Arm & Hammer Baking Soda, which he once tried to acquire simply because everyone assumed he already owned it. Hammer also collects planes (the Boeing 1-OXY, his fourth, is equipped with three phones, two TV sets, and a cardiac defibrillator in case he suffers a heart attack during his 330,000 annual miles aloft), art (he owns the Knoedler and Hammer galleries in New York and has endowed a wing in the Los Angeles County Museum of Art) and Arabian horses. He spent more than \$3 million at a recent Arizona horse auction at which each winning bidder was presented with a bottle of champagne. It was a typical Hammer weekend: by the time he left on Sunday, he had augmented his stables by 15 mares and his wine cellar by 15 bottles.

At an auction in Scottsdale, Ariz. (right), Hammer sizes up some very expensive horseflesh. Above, guarded by submachine guns, the \$5.8 million Codex Hammer—an 18-page Leonardo da Vinci notebook—and its owner arrive in Italy.







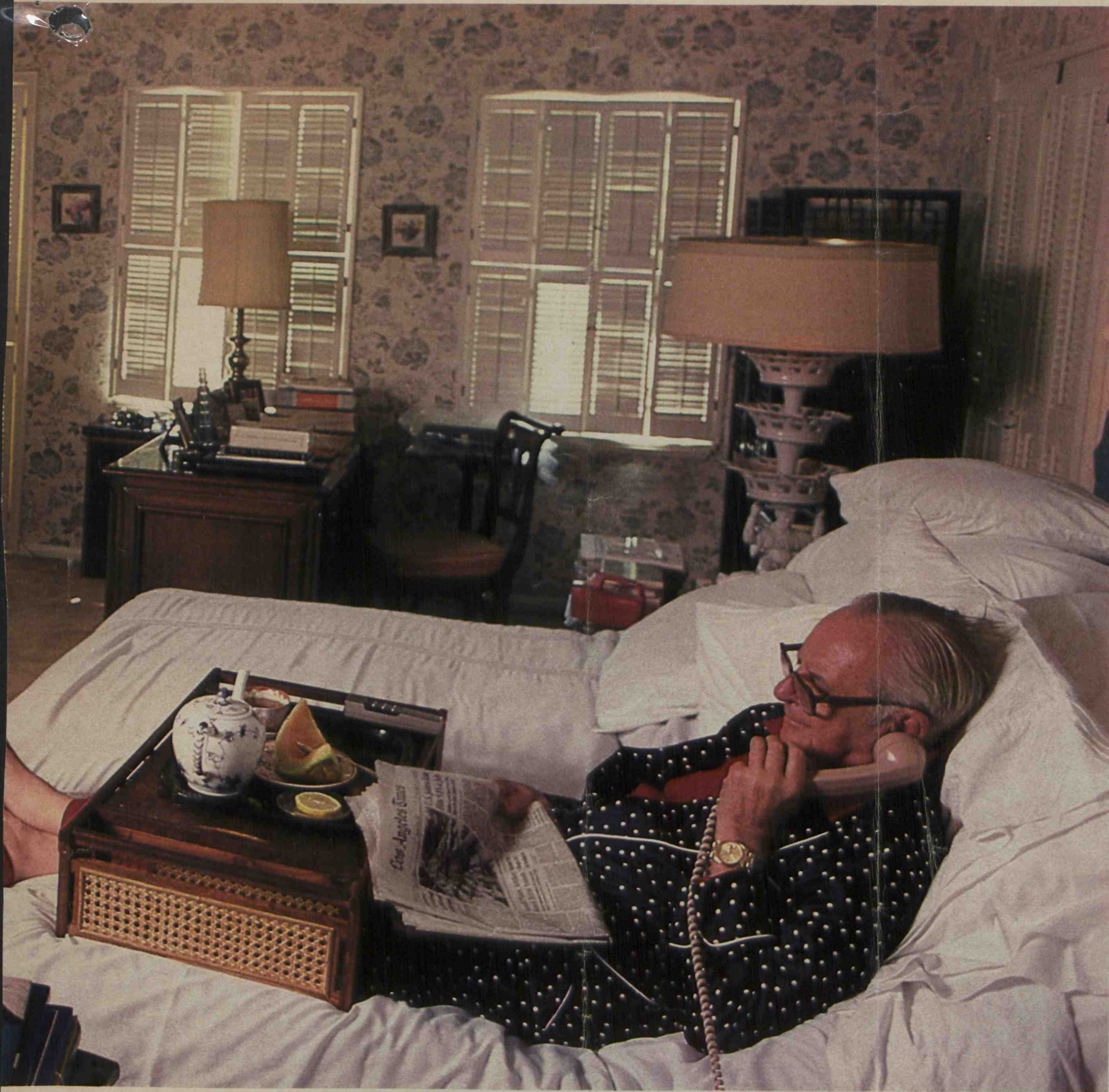
THE MAN IN TOUCH WITH EVERYONE



Dining with Cary Grant, Hamner gets an award...



in China for a mammoth coal deal, meets a singer...



examines bacteria with Dr. Jonas Salk...



and discusses his oil consortium with Prince Charles.

"Napoleon was known for doing two things at once," says Hammer. "My wife tells me, Armand, you can do four!" Here, in his Los Angeles bedroom on a Sunday morning, he does seven: watches four TV programs (three on a trio of sets once owned by LBJ), reads the paper, eats breakfast and arranges to have tea with the deputy prime minister of Bulgaria.

THE LITTLE PLACE HE CALLS HOME

On a recent day in New York, Hammer rose at five, phoned three continents before seven, drafted a proposal to take over the Cities Service Company between eight and 10 (after two weeks of dickering, an offer of \$4 billion was accepted, making it the biggest U.S. deal of his career), conferred with the secretary-general of the United Nations at 11 on how he could help persuade the Soviets to withdraw from Afghanistan, checked out a new Frank Stella painting at 12, met with Cities Service directors at one, and at six stepped out of his limousine at his tiny house in Greenwich Village. An elderly man in baggy black pants was waiting. "Mike!" cried Hammer, his eyes lighting up with more excitement than he'd shown all day. As a child, Mike Brignole used to deliver wood for Hammer's fireplace. He's a millionaire himself now, having loyally invested his savings in Oxy stock at \$1.50 a share (now \$18.50), but whenever Hammer comes to New York Mike presses his clothes, shines his shoes, makes a few cursory swipes with an ancient vacuum cleaner and packs a cardboard box with Hammer's favorite foods. "Here's your brown bread from Zito's Bakery," Mike said, "and some fresh mint from my garden for your iced tea." On the way to the airport, the precious carton rode in the front seat of the limousine. Two hours later, his Cities Service deal on hold, Hammer was in his plane en route to Los Angeles with six young Oxy executives, watching *Shoulder Arms*, a Charlie Chaplin movie about World War I. When the plane's lights went on after the film, the six exhausted executives were all asleep. Only Armand Hammer, age 84, was still awake, laughing his head off. ♠

L.A. and Moscow are all very well, but Armand and Frances Hammer prefer their converted Greenwich Village stable.



2/11
15/10

Dr. Armand HAMMER

10 DOWNING STREET

From the Private Secretary

1 October, 1982.

The Prime Minister wonders whether you could come and see her for a few minutes at 5 o'clock on Thursday, 11 November. As you know, you will be attending the Royal Academy Centenary Dinner later that evening.

Could your office please be kind enough to let me know where you will be staying in case I have to change the time of the meeting.

CAROLINE STEPHENS

Dr. Armand Hammer

E.R.
Caroline

DR ARMAND HAMMER

1. Herewith a copy of my letter to Gordon Reece dated 28th July.
2. Dr Armand Hammer has accepted the Prime Minister's invitation to dine here for the Royal Academy Centenary Dinner on Thursday 11th November.
3. This is just to remind you that the Prime Minister wanted to have an opportunity of a private talk with Dr Hammer, in order to ask him whether he will release Gordon Reece for the purpose set out in the enclosed copy letter.

29.9.82



IAN GOW



10 DOWNING STREET

PERSONAL AND CONFIDENTIAL

28th July 1982

Following our talk on 9th July, I have had a word with the Prime Minister and with Cecil Parkinson.

It would be very helpful if you could be released by Dr Armand Hammer for, say, four weeks in March/April 1983; three weeks in August/September 1983; and, whenever that should be, during the four weeks immediately preceding the General Election.

The Prime Minister has in mind to invite Dr Hammer to a lunch or dinner here, so that she may ask him whether he would be prepared to release you.

It was good to see you earlier in the month. Please let me know when next you are going to be in London.

With best wishes.

IAN GOW

Gordon Reece Esq

1. Editor
2. Ground on which will be built
3. How will parking arrangements

PART 1 ends:-

CS to Dr. A. Hammet of 4/8/82

PART 2 begins:-

1st Gov to CS + act of 29/9/82

____ Grey Scale #13 _____



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