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United States Department of State

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Washington, D.C. 20520

CS 2/18/00

February 14, 1985

MEMORANDUM FOR ROBERT C. MCFARLANE  
THE WHITE HOUSE

Subject: Fact Sheets for the President's Use In His  
Meeting with Prime Minister Thatcher  
February 20, 1985

Attached are fact sheets for the President's use in his  
meeting with Prime Minister Thatcher at noon on February 20

Nicholas Platt  
Executive Secretary

Attachments:  
As stated

DEPARTMENT OF STATE  
BRIEFING PAPER

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GENEVA NEGOTIATIONS/ARMS CONTROL

I. BACKGROUND

- o Talks to begin March 12 in Geneva
- o US fielding strong team headed by Kampelman, Tower and Glitman

II. OBJECTIVES

- o radical reductions in existing/planned offensive nuclear arms
- o discussion of offensive - defensive relationships
- o restore the viability of the ABM Treaty

III. US APPROACH

- o have made clear that a priority objective is to reduce existing offensive nuclear weapons -- the immediate threat--and seek increased stability
- o in the long term, seek to strengthen stability by evaluating the potential for moving towards a strategic relationship more dependent on defensive systems
- o have made clear research nature of SDI, and that we will not abandon SDI research
- o would consult fully with Allies, Soviets before reaching any potential deployment decisions
- o plan to raise our concerns about Soviet erosion of ABM Treaty; also prepared to hear out their concerns
- o while recognize that all three fora are interrelated, believe progress in one area should not be held hostage to progress in others

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GENEVA TALKS: INTERRELATIONSHIP OF DEFENSE,  
STRATEGIC, AND INF ISSUES

I. BACKGROUND

- o Talks to begin March 12 in Geneva
- o US fielding strong team headed by Kampelman, Tower and Glitman

II. OBJECTIVES

- o radical reductions in existing/planned offensive nuclear arms (both strategic and INF)
- o discussion of offense - defense relationships
- o restore the viability of the ABM Treaty

III. US APPROACH

- o We have made clear that a priority objective is to reduce existing offensive nuclear weapons -- the immediate threat--and seek increased stability.
- o In the long term, we seek to strengthen stability by evaluating the potential for moving towards a strategic relationship more dependent on defensive systems. Mutual reductions in offensive forces can facilitate this transition.
- o We have made clear the research nature of SDI, and that we will not abandon SDI research.
- o We would consult fully with the Allies, and the Soviets before reaching any potential deployment decisions.
- o We plan to raise our concerns about Soviet erosion of the ABM Treaty; we are also prepared to hear out their concerns. SDI research is fully consistent with the ABM Treaty.
- o While we recognize that all three fora are interrelated, we believe progress in one area should not be held hostage to progress in others.

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United Kingdom: Internal Political Situation

- o At present, Prime Minister Thatcher's position in the British polity is virtually unassailable. Her opposition is factionalized. The only curb on Thatcher's power has been Conservative backbenchers who have revolted at several of her recent attempts to cut middle-class benefits such as education allowances.
- o The Labor Party is trailing the Conservative Party by approximately 8 points in the polls. Labor has been seriously damaged because the public associates the Party with Miners' Union leader Scargill and with picket violence. Party Leader Neil Kinnock is falling even further behind Thatcher in personal popularity. Kinnock is fighting for positions which will attract votes against the left wing of his party which seeks a triumph of Marxism.
- o The coal miners' strike which has dominated the British domestic scene for eleven months is crumbling. Miners are steadily returning to the pits with approximately 50 percent of the nation's 180,000 miners now working.
- o Thatcher will score a major domestic political victory when she can claim the strike is over. Depending on the terms of settlement, Miners' leader Scargill and his union may never again have the political and economic weight they enjoyed prior to the strike.
- o The whole trade union movement may falter as blame for the strike failure is portioned out. The Labor Party will suffer as well since the hard left is grooming Kinnock as the scapegoat.
- o As the miners' strike leaves center stage, the state of the British economy, i.e. high unemployment, a weak exchange rate, and record high interest rates, will become the primary domestic political preoccupation.
- o The opposition has thus far not been able to capitalize on the economy's performance by putting the onus on the Conservatives. To date, none of the other parties seems to provide the British public with a credible alternative to Mrs. Thatcher's program.
- o The Alliance Party formed by the Liberals and Social Democrats wins by-elections, but fails at the national level because of the first-past-the-post election rules. Internally, they are hampered by a lack of party machinery and no clear vision of the future relationship between the two parties.

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UNITED KINGDOM: INTERNAL ECONOMIC SITUATION

o In 1984 the British economy grew at approximately 2 percent compared to 3.5 percent in 1983 (year over year). Embassy London estimates that the coal strike lowered the growth rate 1-1.5 percent from what it would have been otherwise. Consumer spending was predictably lower in 1984 than in 1983 given where the economy is in the business cycle (i.e., starting the fourth year of its current recovery).

o Unemployment grew steadily throughout 1984 from 12.2 percent to 12.9 percent. It increased again in January to 13 percent or 3.12 million adults seasonally adjusted. If "school leavers" (recent graduates) are included the rate is 13.9 percent, indicating that unemployment among young people is relatively high.

o The average annual rate of inflation in 1984 was 5 percent. This rate, which is slightly higher than the government's projections, was caused in part by wage pressures and by manufacturing input costs (up 8.5 percent).

o Since January the British base rate (prime) has risen by 4.5 percent to 14 percent as HMG has sought to counter a declining pound by influencing interest rates rather than through large scale intervention on foreign exchange markets. As the inflation rate remains around 5 percent, the real interest rate is the highest it has been in at least fifty years.

o Also since January of 1984 the pound has fallen from \$1.45 to \$1.11. Factors contributing to the weakening of the pound include declining oil prices, the strength of the dollar, labor unrest and market concern about monetary policy. Recently, the pound has been steady.

o The British current account showed a \$600 million surplus in 1984 down substantially from the 1983 surplus of \$4.4 billion. This decrease is due in large part to oil imports (up 25 percent) as oil is being substituted for coal in power generation. The British taste for imports continued to outpace growth in exports as non-oil exports grew 5.5 percent in 1984 and non-oil imports increased by 12 percent.

o Capital investment in 1984 was up by 8 percent over the previous year, providing a greater share of growth in the GNP than did consumer spending which was up 2 percent over the same period.

o On March 19, the Chancellor will announce the new budget which is characterized as a "Budget for Jobs" because of its stress on the unemployment problem. It will also include an across-the-board tax cut worth approximately 1.5 billion pounds (maybe less depending on the effect of recent interest rate increases).

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US - UK ECONOMIC FACT SHEET

	<u>U.S.</u>	<u>U.K.</u>
<u>Size of Economy</u>		
1983 GNP (\$ billion)	\$3,304.8	\$456.0
1983 GNP per capita	\$14,090.0	\$8,540.0
1983 population (millions)	234.5	53.4
<u>Real GNP Growth</u>		
1983 4th/4th	6.3%	3.5%
1984 4th/4th	5.6%	n.a.
<u>Unemployment Rate (total) (January)</u>		
Official release	7.3%	13.0%
Adjusted by BLS to U.S. concept	7.3%	13.4%
<u>Inflation Rate (CPI-U)</u>		
1983 (year avg)	3.2%	4.6%
1984 (year avg)	4.3%	5.0%
<u>Interest Rates (short-term)</u>		
January 1984 (avg)	9.45%	9.43%
January 1985 (avg)	8.11%	11.52%
<u>Money Supply Increase</u>		
1983 Dec/Dec	9.3% (M1)	10.6% (LM3)
<u>Total Government Budget Deficit</u>		
as % GNP (NIA basis)		
CY 1983	-4.1%	-4.0%
CY 1984 (projected)	-3.4%	-3.3%
<u>Government Expenditures</u>		
as % GNP		
CY 1983	35.3%	44.3%
CY 1984 (projected)	34.4%	43.3%
<u>Current Account Balance</u>		
1983 (\$ billion)	-\$41.6	\$4.4
1983 (as % GNP)	-1.3%	1.5%
1984 (\$ billion)	-\$100.0	\$0.6
1984 (projected as % GNP)	-2.7%	0.0%
<u>Bilateral Trade-Balance with U.S.</u>		
1983 (Jan-Nov, \$ billion)	NA	\$2.2
<u>Exchange Rate</u>		
Dollar Rate, Jan. 31, 1985	NA	\$1.1278
% change vs. \$, year to end 1984	NA	-20.9%
% change, trade-weighted, yr to end '84	+10.8%	-11.2%

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BY LOT, NARA, DATE 11/8/00

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NLS F97-013/2-#13

East-West Relations

BY LOJ NARA, DATE 4/8/00

Background

- o Past year saw continuation of strained East-West relations, although modest progress was made with Soviets on bilateral issues (grain sales, long-term economic cooperation, and Hotline agreements; resolution of consular matters).
- o In addition to arms control, major agenda items in relationship include massive Soviet military levels, regional issues (e.g. Afghanistan, Soviet role in Central America), human rights.
- o US has consistently shown readiness for dialogue on central issues. September meetings with Gromyko exemplified this commitment, helped lay basis for renewed arms control talks.
- o Western firmness and allied unity were vital in convincing the Soviets they would not be able to achieve their objectives by dividing the West, but only by addressing issues and returning to the negotiating table.

II. Current Situation

- o US dialogue with Soviets has broadened. Agreement to renew arms talks an encouraging step, and positive round of trade talks was held last month in Moscow.
- o On regional issues, we have agreed to Middle East experts' talks in Vienna February 19-20.
- o Ukrainian party boss Shcherbitskiy to visit US in March as part of parliamentary exchange.

III. British Views

- o UK strongly supportive of US policy toward USSR. Thatcher government has steadily expanded contacts with the East Bloc in past two years. Thatcher concerned about East-West tensions, interested also in trade opportunities.
- o Politburo member and possible heir apparent Gorbachev visited UK in December, had extended meetings with Thatcher. No concrete results from visit, but British report good exchange of views.

IV. Prospects

- o While resumption of the arms control dialogue is encouraging step, we expect no early breakthroughs with Soviets, and must avoid raising unrealistic expectations of rapid progress.
- o We will be pressing Moscow for progress on the full agenda of concerns -- regional problems, human rights and bilateral issues as well as arms control -- and hope UK will take similar stance.


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Fact Sheet on Defense and Space

- o Believe deterrent relationship based on a greater reliance on defensive systems could be more stable and reliable than current situation.
- o SDI is a research program; it will investigate the feasibility of advanced technologies for defense against ballistic missiles.
  - SDI research emphasizes non-nuclear means for missile destruction. Relatively near-term options appear to be kinetic energy weapons, with directed energy weapons ready later.
  - No deployment decision is contemplated before the early 1990s.
  - All SDI research will be in accord with the ABM Treaty, which bans development, testing, and deployment of air, sea or space-based and mobile land based ABM systems but which permits research.
- o The Administration is seeking a Congressional appropriation of \$3.7 billion for FY 86. Congressional support for the program has been strong. We are briefing members of Congress and staff to build support, with positive results.
- o We have begun and will continue extensive consultations with Alliance members on SDI in order to explain inter alia why we think increased reliance on ballistic missile defense could enhance Alliance security and strategic stability. We have just updated the NAC on SDI and had discussions with a small group of key allies. We plan discussions in a number of European and Asian capitals in March.

- o   
We are actively investigating the possibility of active Alliance participation in aspects of developing SDI technology at some point in the future.

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NLRR EOI-047 #2251

BY CU NARA DATE 11/14/06

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- o Mrs. Thatcher has endorsed SDI research but voiced reservations about deployment of SDI because of concerns for its possible decoupling effect, the effect on nuclear deterrence and stability, and the impact on US-Soviet arms control negotiations. She has also raised concerns about whether eliminating nuclear weapons might actually increase the likelihood of conventional war.
- o We are actively investigating the possibility of active Alliance participation in aspects of developing SDI technology at some point in the future.

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BRIEFING PAPERNLS F97-013/2#5BY ADJ NARA, DATE 11/8/00CHEMICAL WEAPONS (CW) ARMS CONTROL: VERIFICATION CONCERNSPositions:

- o US: Draft Treaty calls for comprehensive worldwide ban; requires stiff verification and compliance procedures, including anywhere-anytime, mandatory challenge inspection (Article X).
- o UK: Agrees with overall US approach, but has strong private reservations about Article X; has urged us to adopt a UK alternative which requires on-site inspection but permits "managed access" to challenged CW sites. UK approach has series of escalating penalties should access be refused.
- o USSR: "Basic Provisions" calls for comprehensive, worldwide ban with national (i.e., self-) inspection; has accepted international on-site inspection "in principle" of destruction of declared CW stocks only; has floated idea of European CW-free zone; has not yet responded constructively to US draft treaty.

US-UK Consultations:

- o UK has indicated it will support Article X publicly through end of spring CD session (i.e., late April).
- o UK has made clear privately, however, that its support for Article X is based solely on principle of Allied unity.
- o London is concerned that Article X would pose unacceptable security risks to sensitive UK facilities. Moreover, London believes UK variant to be more effective than Article X in deterring Soviet violations.
- o We have told UK officials that while we welcome discussion of their ideas, any alternative inspection regime must be at least as effective as that contained in Article X. We have also stressed importance of Allied unity in pressuring the Soviets to respond constructively to US proposals.

Thatcher Will Raise Article X Issue:

- o UK officials inform us that Thatcher will raise issue of UK concerns on Article X with the President.
- o We understand informally that Thatcher is interested in offering greater public support for the President's CW modernization efforts, but may find it politically difficult to do so in absence of an arms control position. UK can support whole-heartedly.
- o This being so, Thatcher may state that acceptance of, or movement toward, the UK position on challenge inspection would make such public support for modernization easier.

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FACT SHEET  
OTHER ARMS CONTROL ISSUES

CDE

- o The Soviets began the current fifth round of the Stockholm CDE by presenting provisions of a non-use of force treaty in Stockholm. The format and much of the content is unacceptable. They have also tabled a constraint measure.
- o At the same time, the Soviets have signalled that they might be prepared for serious negotiations on the Western proposals based on the President's offer to discuss non use of force.
- o The West still remains in a strong position as it begins to table the details of its measures.
- o How to deal with constraints or limits on military activities remains a major open question.

MBFR

- o The Soviets have just given a response to the Western April, 1984 initiative in the MBFR talks putting initial US/Soviet reductions and a collective freeze into treaty format. There has been no progress on the major issues of data and verification.
- o It thus does not appear to be a major substantive step, but we will have to consider how to deal with it.
- o In the meantime, we intend to continue to press the substance of the position we adopted in the Western April initiative including the enhancement of verification for which it calls.
- o The Germans are likely to press for a quick Western move in response to the latest Soviet step.
- o After a recent review of MBFR in London, we understand that the British have decided to deemphasize MBFR, and it might be useful to note that we continue to feel that MBFR remains an important arms control forum.

Talking Point:

- We hope that the UK will continue to play an active and constructive role in the MBFR talks as it remains an important arms control forum for the Alliance and in East West relations.

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BY LOS, NARA, DATE 11/8/00



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US Army Contract for Mobile Subscriber Equipment

I. The Problem

o US defense contractors are in competition with a British firm for a four billion dollar defense contract.

II. The Facts

o The US Army has let a procurement contract for a communications systems known as "MSE" - Mobile Subscriber Equipment. The value of this program will be in excess of \$4 billion.

o The competitors for this contract are the US company GTE and the British company Rockwell-Collins.

III. Our Response

o The US Army will make its procurement decision based not on political criteria but on the technical merits of the competing proposed systems.

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Northern Ireland Fact Sheet

o The U.K. imposed direct rule in N.I. in 1972 and has made several proposals for a return to self-rule since then, but all have failed. In N.I. the major internal forces remain locked in political combat.

o In May 1984 the "All-Ireland Forum," convened by Prime Minister FitzGerald, issued a report which called on the U.K. to cooperate in facilitating movement toward Irish unity, or to propose other alternatives. FitzGerald and Prime Minister Thatcher met November 19 to discuss the Northern Ireland question. A vaguely worded communique was issued at the conclusion of the meeting indicating that the Prime Ministers would meet again early in 1985, before communal elections in Northern Ireland. From the Irish perspective, statements Thatcher made during a subsequent press conference raised serious questions regarding HMG's commitment to effecting changes in the situation in Northern Ireland.

o The two Prime Ministers agreed to meet early in 1985. FitzGerald will probably insist on assurance that the next summit produce some concrete results before going ahead with this meeting.

o It is too early to say whether the decision to hold another summit meeting early in 1985 alone will suffice for FitzGerald to maintain credibility domestically, and for the Social Democratic Labor Party (SDLP) in Northern Ireland to keep supporters from moving over to the Provisional Sinn Fein, the political arm of the Irish Republican Army.

o Increased pressure for US involvement could be avoided if we could point to specific measures resulting from the Anglo-Irish cooperation at the conclusion of the next summit meeting.

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NLS 897-013/2-18  
By L05, NARA, Date 4/8/00

The Middle East


I. The Problem

- o Jordan needs Palestinian and moderate Arab support for a clear move toward negotiations with Israel on the basis of Resolution 242 (peace for territory).
- o An Israeli withdrawal from Lebanon, ensuring adequate security for Israel's border and stability for south Lebanon, must be completed.
- o Iran under Khomeini will neither relent in its support for terrorism nor settle the Gulf War, despite strengthened Iraqi defenses and Iraqi readiness for a negotiated peace. Terrorism sponsored by Iran remains a serious problem.

II. The Facts

- o Israel has its economy and withdrawal from Lebanon with security on its agenda ahead of the peace process. Hussein has challenged the PLO to develop a joint approach to negotiations based on 242 and is working to strengthen moderate Arab forces.
- o Israel is proceeding with the first stage of its withdrawal. It wants an orderly transfer to the Lebanese government and UN forces, but Syria is blocking Lebanese cooperation.
- o A new cycle of fighting in the Gulf War would increase the danger to petroleum shipping and the Gulf States. Saddam Hussein's domestic position is strong. Iranian turmoil is increasing, but we see no crack in Khomeini's intransigence.

III. Our Response

- o We are committed to the positions set forth in the President's Middle East peace initiative as a realistic and workable basis for settlement.
  - o We should help Peres strengthen his domestic hand by dealing with Israel's economic problems and Lebanon, and encourage Hussein to bring the PLO to accept 242 and to solidify a moderate Arab alignment opposed to Syrian rejectionism.
  - o We welcome Israel's decision to withdraw. We hope Syria and Lebanon will support the UN talks at Naqura and other UN efforts to achieve orderly withdrawal arrangements.
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- o We should help Peres strengthen his domestic hand by dealing with Israel's economic problems and Lebanon, and encourage Hussein to bring the PLO to accept 242 and to solidify a moderate Arab alignment opposed to Syrian rejectionism.
- o We welcome Israel's decision to withdraw. We hope Syria and Lebanon will support the UN talks at Naqura and other UN efforts to achieve orderly withdrawal arrangements.
- o The President told Tariq Aziz he would urge Western leaders to use their collective influence and trade policies to compel Iran to accept a ceasefire in the Gulf and dissuade it from supporting international terrorism.

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BY CS NARA DATE 11/14/06

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AFRICAN FAMINE

I. AFRICA - WIDE TRAGEDY

- o Drought in Africa has become an enormous tragedy: in Ethiopia alone thousands have died; continent wide death toll may already be in the millions.
- o Most seriously affected countries include Sudan, Ethiopia, Chad, Niger, Kenya, Mauritania, Mali and Mozambique.

II. US RESPONSE

- o This fiscal year the United States will supply half of Africa's estimated emergency food needs, some 1.5 million metric tons.
- o With our supplemental funds request to Congress of \$235 million, the total value of our famine assistance to Africa this year will exceed \$1 billion. This will cover food, transportation costs, medical assistance, shelter, and other needs.

III. WE URGE ALL DONORS TO HELP MEET REMAINING NEEDS

- o Despite the enormous US effort, there are still major emergency assistance needs gaps to be filled.
- o The UN Office of Emergency Operations in Africa, established by the Secretary General, is now calculating remaining unmet drought relief needs.
- o We understand the UN will call a donor conference late this month to coordinate response to this remaining need. Donors will have the opportunity to pledge specific assistance at the conference.
- o We have urged donors to attend the conference, and to provide strong support for relief efforts.

IV. LONG-TERM ASSISTANCE

- o In the longer term, much needs to be done to stimulate agricultural development throughout Africa. In most cases, structural changes as well as technical advances are needed to bring about more food production.
- o The US is pursuing new initiatives to encourage such changes. We hope to coordinate with other donors in these efforts, and solicit your support.

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Central America

I. Thatcher is Supportive of US Policy...

- o HMG is our staunchest European supporter on Central America, with a realistic understanding of area.
- o UK has opposed EC aid to Nicaragua; sent observers to Salvadoran but not to Nicaraguan elections.

II. ...But Needs Information

- o In order to ensure their continued support, we have regularly offered in-depth briefings.
- o The most recent exchange was the trilateral consultations in London on February 4-6 with Assistant Secretary Motley leading the US side.
- o They recently received Nicaraguan Vice President Ramirez to offset opposition leader Kinnock's visit to Managua.
- o February 4-6 consultations indicated Nicaragua (contras, Contadora and Manzanillo) is uppermost in their minds,

III. Our Response

- o Preventing consolidation of Marxist-Leninist regime in Managua is key to peace in region, US security concerns.
- o US policy is steering between the extremes of another Cuba or another Vietnam.
- o Anti-sandinistas deserve our support; we will do our best to ensure they get it.
- o At same time we will continue active diplomacy in support of Contadora and, should developments indicate it would be fruitful, at Manzanillo.
- o Manzanillo talks were going nowhere; Nicaraguans were using them to avoid negotiating seriously in Contadora.
- o Castro's recent indirect overtures lack signals of fundamental change in Cuban foreign policy.

o Salvadoran situation continues to improve. Duarte deserves strong international support.

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Central America

I. Thatcher is Supportive of US Policy...

o HMG is our staunchest European supporter on Central America, with a realistic understanding of area.

o UK has opposed EC aid to Nicaragua; sent observers to Salvadoran but not to Nicaraguan elections.

II. ...But Needs Information and Reassurance

o In order to ensure their continued support, we have regularly offered in-depth briefings.

o The most recent exchange was the trilateral consultations in London on February 4-6 with Assistant Secretary Motley leading the US side.

o They recently received Nicaraguan Vice President Ramirez to offset opposition leader Kinnock's visit to Managua.

o February 4-6 consultations indicated Nicaragua (contras, Contadora and Manzanillo) is uppermost in their minds.

o UK is also considering high-level visit to Cuba to explore Castro overtures.

III. Our Response

o Preventing consolidation of Marxist-Leninist regime in Managua is key to peace in region, US security concerns.

o US policy is steering between the extremes of another Cuba or another Vietnam.

o Anti-sandinistas deserve our support; we will do our best to ensure they get it.

o At same time we will continue active diplomacy in support of Contadora and, should developments indicate it would be fruitful, at Manzanillo.

o Manzanillo talks were going nowhere; Nicaraguans were using them to avoid negotiating seriously in Contadora.

o Castro's recent indirect overtures lack signals of fundamental change in Cuban foreign policy.

o High-level UK visit would undermine US policy of denying him respectability, otherwise achieve nothing.

o Salvadoran situation continues to improve. Duarte deserves strong international support.

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NLRR FOI-047 # 22516  
BY OH NARA DATE 11/4/82

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Communications Issues - Counteracting Soviet Propaganda

I. The Problem

o It is our understanding that the grant-in-aid approved by Parliament for 1985/86 does not cover increases in the cost of operations of the BBC External Services.

o We are concerned that this financial limitation could seriously detract from the outstanding reputation of the BBC for program quality and eventually lead to the reduction of program hours broadcast.

II. The Facts

o The BBC External Services is a vital partner in counteracting propaganda campaigns promoted by the Soviet Union and its allies.

o A recent National Security Council report on the U.S. Government's international broadcasting capabilities led to a Presidential commitment to modernize VOA's and RFE/RL's facilities and to expand and significantly improve their language services and geographic coverage at a cost of approximately \$1.8 billion.

III. Our Response

o The USG considers the use of international broadcasting an important tool of foreign diplomacy and important to U.S. national security.

o At this crucial juncture in East-West relations it is essential that accurate, objective, and comprehensive expressions of the Western point of view be made available to the citizens in developing countries and especially in the closed societies of Eastern Europe and the Soviet Union.

o The BBC External Services is considered a vital partner in countering Soviet propaganda; it serves as a vehicle for the conveyance of the Western point of view, especially with respect to HMG policy, the European Community, and NATO. We hope that this broadcasting effort will continue unabated at the existing level and quality.

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NLS F97-013/2 #30

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BY WJS, NARA, DATE 11/3/00

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Alan*

## BRIEFING MEMORANDUM

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S/S

*Thatcher Visit  
Feb 85*

TO : The Secretary

THROUGH: P - Michael Armacost  
E - Alan Wallis

FROM : EUR - Richard Burt

SUBJECT: Official Working Visit of Prime Minister Margaret Thatcher in Washington, February 20-21, 1985 -- Scope Paper

I. SETTING

Prime Minister Thatcher last consulted with the President, yourself and others at Camp David on December 22, 1984.

While Thatcher's dominance of the British political scene is unquestioned, the rest of the British political landscape is far from tranquil. Francis Fym's remark that big majorities mean big rebellion lingers in pundits' minds as they observe that the ever present rumbles of discontent within the majority have gotten louder lately. Many winners of marginal seats worry about explaining away 3 million plus unemployed in the '87 or '88 general elections, which may be set amidst halting economic recovery and charges of governmental insensitivity and arrogance. Yet February will mark the tenth anniversary of Thatcher's accession to Party leadership. During that period, Thatcher has been successful in redefining the British political context and then proceeding to defeat her opponents on the newly established battlefield. Thatcher's government elicits wide, if grudging respect for its resolution. It has achieved notable foreign policy successes and appears on the verge of an important industrial relations victory in the coal strike; but the intractable unemployment rate, the decline of the pound and limp economic performance, keep the political atmosphere lively.

After briefly catching the Tories last year, the Labor Party has drifted back about eight points in the polls with leader Neil Kinnock slipping even further behind Thatcher in personal popularity. This is partly because the public associates the party with Miners' Union leader Arthur Scargill and picket violence.

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The Social Democrats continue to win by-elections, with David Owen as their primary national figure. Their success in a national election is still problematic given the British first-past-the-post election rules.

The bilateral political relationship remains relatively tranquil. Our extensive consultations on a wide variety of political and military topics, e.g. the Middle East, U.S. licenses for arms sales to Argentina, terrorism, southern Africa, and GLCM dispersal training, seem to be working.

This visit offers an opportunity to build on discussion begun during the Camp David meeting. As you know from your conversation with the PM in New Delhi, the Prime Minister is particularly interested in detailed talks on arms control issues. Mrs. Thatcher will again want to hear the President's thinking on SDI, while we will want to follow-up on McFarlane's post-Geneva briefing of the Prime Minister to ensure her support for the US position. The British are also concerned about what they see as our inflexibility on verification in the CW negotiations. We believe it would be useful for the principals to have an exchange on: next steps in the Middle East; Central America; terrorism, to discuss cooperative measures including the possibility of amending the bilateral extradition treaty to prevent terrorists from seeking a safe haven in either country; and, Northern Ireland.

Economic issues are a troublesome aspect of our bilateral relationship. Since the December meeting with Mrs. Thatcher, the pound has been in a steady decline reaching approximately \$1.10. In efforts to hold the line against further erosion of the pound, HMG has increased interest rates rather than intervene in the foreign exchange markets. The base rate is currently 14%, the highest real rate in 150 years. It is indicative of Mrs. Thatcher's interest in economic issues during this visit that she has asked for a roundtable attended by top economic policymakers. If this roundtable takes place, she would receive a good exposure to the Administration's position on a broad range of questions and would presumably focus less on economic matters in her talks with the President. It is worth noting that Mrs. Thatcher may use the occasion to lecture on US budgetary deficits and the resultant high dollar, although British grumbling about the relationship between deficits and interest rates has diminished as US interest rates have fallen and UK rates have risen.

There has been no change in the bilateral aviation situation since the December meeting. Efforts are being made to settle British creditor claims in the Laker case in order to end some of the private civil treble damage claims. If Mrs. Thatcher raises Laker, she is unlikely to refer to pending court cases or out of court maneuvers as she now seems to realize the limitations on Executive Branch action; she would probably note that a long-term problem exists in our bilateral civil aviation relations and once the courts have finished, we should address the matter seriously.

As this may be the President's only discussion with Mrs. Thatcher before the Bonn Summit, he may wish to urge her support for some of our key objectives for that meeting. One of our key objectives is to get agreement to begin new trade negotiations by early next year. German officials will be pushing for the same outcome and need clear British support to offset the more negative positions within the EC which we expect from France and Italy.

## II. OBJECTIVES

- Stress close links with HMG as demonstrated by continued high-level consultations on broad range of issues;
- Exchange views on East-West relations and related arms control issues;
- Discuss current situation in the Middle East and Central America;
- Review the global economic outlook and urge British support for US Summit objectives, especially trade negotiations;
- Discuss cooperative ventures to fight terrorism including the possibility of amending our Bilateral extradition treaty;
- Inquire about HMG plans regarding Northern Ireland.

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Thatcher Visit -- Scope Paper

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By NET, NARA, Date 11/15/00

Thatcher Visit:

UK-Ireland Ideas on Northern Ireland

 talks with the UK have led to new ideas for Northern Ireland. Thatcher might raise these.

Talking Points (only if raised):

- We welcome any action which will promote reconciliation of the parties in N.I.
- We are encouraged by the progress in the Anglo-Irish dialogue and will respond positively to continuing efforts by both governments to achieve a peaceful solution for the sorely troubled community of N.I.
- The Administration would examine seriously any request for direct US financial assistance to an economic reconstruction fund for Northern Ireland, but we can make no commitment.

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