

Subject

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND MEMBERS OF THE US SENATE AT 1545 ON THURSDAY 26 FEBRUARY 1981 ON CAPITOL HILL, WASHINGTON, D.C.

Those present: (List attached)

Senator Baker (Senate Majority Leader) welcomed the Prime Minister, whose visit was very timely since the new US Administration were just beginning to shape a new course for the United States. The US Government's policies would be designed to further the liberty of the free world and would be shaped in consultation with the United States, as in the past.

Senator Robert Byrd (Senate Minority Leader) described Anglo/US friendship as unique and said that close Anglo/US relations were essential to the free world. The United States was pleased to know that the British Government shared their concern about events in Poland.

The Prime Minister said that it was very exciting for her to visit a new Administration which had laid down in advance and very clearly the principal lines of its policy and had had that policy endorsed by the electorate. President Reagan would give clear leadership to the Western world. The British Government welcomed the appointment of Secretary Haig who knew Europe well and was respected by his European colleagues. Britain was doing her bit within the Alliance and did not take the US contribution for granted; the US presence in Europe was essential. The British Government had increased its contribution to NATO by 3% in real terms in its first year in office and this year's figure would be slightly above that.

Referring to Theatre Nuclear Forces, the Prime Minister said that everybody wished nuclear weapons had never been invented but the Soviet Union had more such weapons than the West and if the West wished to have a policy of deterrence than it must be able to deter. Britain had been robust on the TNF issue, as had the Germans and Italians. Some public doubts remained in Belgium and the Netherlands though the governments of those countries agreed with the NATO position. The West should be prepared to talk about

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reducing the level of Theatre Nuclear Forces needed to maintain the balance, but that balance must be a true one - verified and monitored.

The Prime Minister said that because the NATO shield was an effective one the Soviet Union had to look elsewhere to foment trouble and thus one saw outbreaks of hostility girdling the globe. It was characteristic of the behaviour of a communist country that Vietnam had chosen to attack her communist neighbour, Cambodia, rather than improve the living standards of her own people.

Turning to President Brezhnev's recent speech suggesting a US/Soviet summit, the Prime Minister referred to its extreme canniness. Her own reaction in the House of Commons had been to undertake to study it carefully but to make the point that the withdrawal of Soviet troops from Afghanistan would have been the most effective signal that could be made to the West.

The Prime Minister said that the Polish situation represented a fundamental change from anything that had gone before. We were seeing the rise of a new centre of power in a communist country. Since this was something which no communist state could stand, we were in effect seeing the most serious challenge to communism ever mounted. It was vital that there should be no outside interference in Poland.

The Prime Minister said that while the West faced many problems, it must not be downhearted and should look on what appeared to be a catalogue of gloom and doom as a challenge.

Senator Percy (Chairman, Foreign Relations Committee) asked the Prime Minister to comment on the US economic programme. The Prime Minister said that the American economy was very strong and she endorsed the President's approach of trying to unleash the energies of a free enterprise economy and reduce the level of public expenditure. To do that while increasing defence expenditure was a difficult task but she was confident that the US would come through her difficulties more quickly than Britain had done.

/ In reply

In reply to a question about the economy from Senator Pell (Democrat - Rhode Island) the Prime Minister said that her Government had succeed in cutting public expenditure but not in reducing the overall burden of taxation. We were too much a consumer society with too little investment. She hoped that the level of investment in Britain would now improve, although we did not always get the best possible return because of union demarcation disputes and restrictive practices.

Senator Thurmond (Chairman, Judiciary Committee) asked the Prime Minister for her views on the free enterprise system in contrast to what he called the tyranny of socialism. The Prime Minister said that it was impossible to have a free society without free enterprise and we did not shout that fact from the rooftops as much as we should. It was in controlled societies that there were massive food shortages and from such societies that there came the largest number of refugees.

Senator Helms (Chairman, Agriculture, Nutrition and Forestry Committee) said that some of the US media were playing a requiem for Mrs. Thatcher's Government. What was her assessment of the British people's willingness to pull through? The Prime Minister said that the level of unemployment was the principal continuing problem but it was essential to squeeze inflation out of the system so as to restore confidence and sound money. There was always a period during an illness when the medicine was more unpleasant than the disease but you should not stop taking the medicine. She felt that there was deep recognition among the British people that her policies were right. News of a requiem for these policies was exaggerated and premature.

Senator Glenn (Democrat - Ohio) said that Mr. Geoffrey Pattie had made a notable contribution at the recent Werkunda meeting. However, some of the US participants had been shaken by news of the limited contribution NATO allies were willing to make e.g. the Germans who had referred to reducing military force levels. The Soviet Union were on the march and threatening the West's vital supplies of minerals and metals. France was maintaining

/ her position

her position at arms length from the Alliance and the French Foreign Minister, during his recent visit, had made clear that while he thought the Alliance was vital, France was not willing to re-enter it. He wanted to know how the European allies proposed to meet the growing threat. The Prime Minister replied that the Federal Republic would, she believed, meet the 3% target. If war were to break out in the near future Europe would provide the bulk of naval, army and air forces and quite rightly so. In his speech, Mr. Pattie had considered the question of a rapid deployment force (RDF) outside NATO. The NATO countries could not formally operate outside the NATO area and the Germans were prevented from doing so by their Constitution. It would however be a different matter for a number of member countries of NATO to do what they could with the United States to put together an RDF. Britain was willing and anxious to help. As far as Theatre Nuclear weapons were concerned, the West would have enough cruise missiles to meet the threat from Soviet SS20s but there was a parallel duty to try to enter talks to reduce the number of such weapons on either side. One should not underestimate the problems facing the Soviet Union e.g. in Afghanistan and Poland. The fact that the majority of members of the Non-Aligned Movement had turned against the Soviet Union was a major plus.

Senator Lugar, (Chairman, European Affairs Sub-Committee) asked whether, with the wisdom of hindsight, the Prime Minister wished she had cut taxes and expenditure more drastically in Britain. The Prime Minister said that Britain had been bedevilled by a series of incomes policies which had set the norm for two or three years but which had led, when the policy broke down, to a massive surge of wage increases and to inflation. She begged the United States never, never to go the route of such an incomes policy. It was also important to avoid being bedevilled by enormous nationalised monopolies such as existed in Britain which were forever seeking either higher prices or larger Government subsidies.

Senator Moynihan (Ranking Minority Member, Select Intelligence Committee) asked what response the West should make to a Soviet intervention in Poland. The Prime Minister said that if the Soviet Union did intervene in Poland there would be a total change in

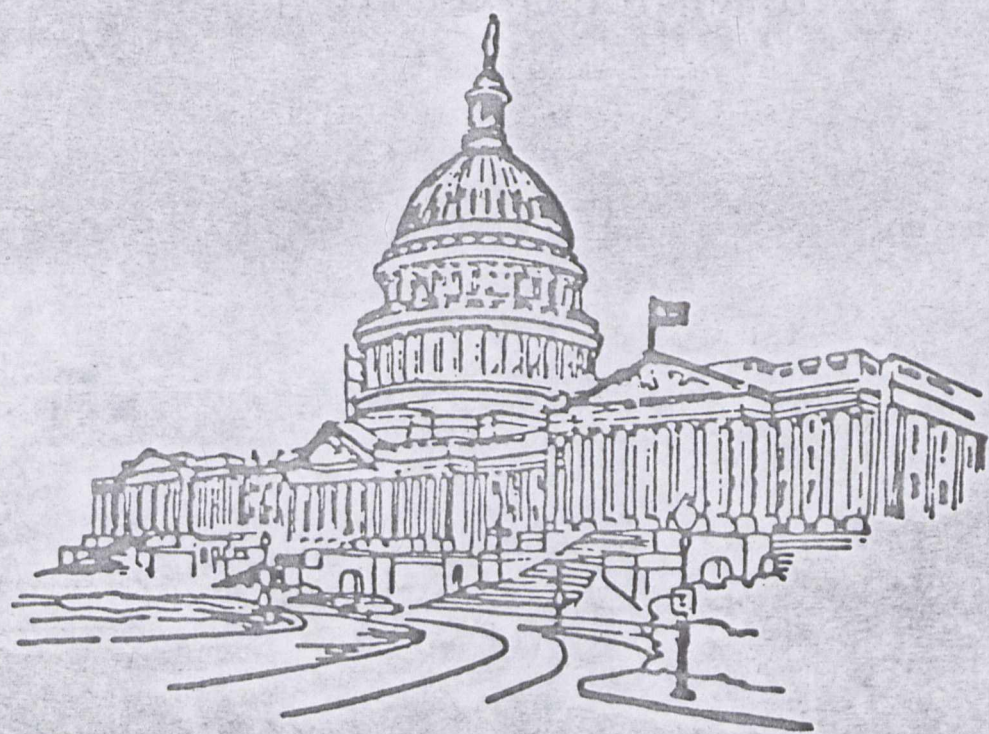
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the world atmosphere with an end to detente. It would be unwise to spell out reactions in advance but the West would have to look at trading policies. Already, Britain did not permit high technology sales. She thought that the Soviet Union had a pretty good idea of the kind of Western reaction they would have to face.

The meeting ended at 1630 hours.

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4 March 1981





THE UNITED STATES SENATE
COMMITTEE ON FOREIGN RELATIONS

Senator Charles H. Percy, *Chairman*
Senator Claiborne Pell, Ranking Minority Member

and

THE LEADERSHIP, UNITED STATES SENATE:

Senator Howard H. Baker, Jr.
The Majority Leader

Senator Robert C. Byrd
The Minority Leader

MEETING WITH

THE RIGHT HONORABLE

MARGARET THATCHER M.P.

PRIME MINISTER OF THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND

Thursday, February 26, 1981
3:30 P.M.

S-207 The Capitol
Mansfield Room
Washington, D.C.

BRITISH GUESTS

- The Right Honorable Margaret Thatcher M.P.
Prime Minister of the United Kingdom of Great Britain and Northern
Ireland
- The Right Honorable The Lord Carrington KCMG MC
Secretary of State for Foreign and Commonwealth Affairs
- Sir Robert Armstrong KCB CVO
Secretary of the Cabinet
- Sir Michael Palliser GCMG
Permanent Under Secretary of State, Foreign and Commonwealth
Office
- Sir Frank Cooper GCB CMG
Permanent Under Secretary of State, Ministry of Defense
- Sir Nicholas Henderson GCMG
H.M. Ambassador to the United States of America
- Mr. Clive Whitmore
Principal Private Secretary to the Prime Minister
- Mr. Julian L. Bullard CMG
Deputy Under Secretary of State, Foreign and Commonwealth Office
- Mr. Bernard Ingham
Press Secretary, No. 10 Downing Street
- Mr. Nicholas M. Fenn CMG
Head of News Department, Foreign and Commonwealth Office
- Mr. Michael B. Alexander
Private Secretary to the Prime Minister
- Mr. George Walden CMG
Private Secretary to the Secretary of State for Foreign and Common-
wealth Affairs
- Mr. M J. E. Fretwell CMG
H.M. Minister, British Embassy, Washington, D.C.
- Mr. Stephen Wall
First Secretary, British Embassy, Washington, D.C.

DEPARTMENT OF STATE

- Mrs. Leonore Annenberg
Chief of Protocol-designate
- Mr. Edward J. Streater, Jr.
Deputy Chief of Mission, American Embassy, United Kingdom

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Strom Thurmond (Republican, South Carolina)

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Nancy L. Kassebaum (Republican, Kansas)
Rudy Boschwitz (Republican, Minnesota)
Larry Pressler (Republican, South Dakota)
Claiborne Pell (Democrat, Rhode Island), *Ranking Minority Member*
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Paul S. Sarbanes (Democrat, Maryland)
Christopher J. Dodd (Democrat, Connecticut)

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John G. Tower (Republican, Texas)
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Daniel P. Moynihan (Democrat, New York)
Orrin G. Hatch (Republican, Utah)
John W. Warner (Republican, Virginia)
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Secretary of the Senate

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Sergeant at Arms

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