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TO IMMEDIATE FCO

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## PRIME MINISTER'S VISIT TO WASHINGTON, 28-30 SEPTEMBER

1. THE PRIME MINISTER PAID A HIGHLY SUCCESSFUL VISIT TO WASHINGTON ON 28-30 SEPTEMBER. SHE HAD AN EXCELLENT MEETING WITH THE PRESIDENT AND SEPERATE MEETINGS WITH THE VICE PRESIDENT, VOLCKER (CHAIRMAN, FRS) REGAN (TREASURY SECRETARY) AND THE SENATE FOREIGN RELATIONS COMMITTEE: AND RECEIVED YESTERDAY EVENING THE AWARD FROM THE WINSTON CHURCHILL FOUNDATION OF THE UNITED STATES.
2. THE CENTRE-PIECE OF THE VISIT WAS A LONG TETE-A-TETE MEETING WITH THE PRESIDENT, MARKED BY A GOOD SUBSTANTIVE DISCUSSION OF EAST/WEST RELATIONS. THERE WAS AGREEMENT ON THE NEED TO CONTINUE EFFORTS ON DIALOGUE WITH THE SOVIET UNION. THIS DISCUSSION WAS COMPLEMENTED BY YOUR OWN TALKS WITH MR SHULTZ ON A WIDE RANGE OF INTERNATIONAL ISSUES (REPORTED SEPERATELY BY TELEGRAM).
3. THERE FOLLOWED A WORKING LUNCH WITH THE PRESIDENT ATTENDED BY YOURSELF, SHULTZ, REGAN AND CLARK AMONG OTHERS. THIS PROVIDED AN OPPORTUNITY FOR A FREE-RANGING DISCUSSION ON THE US ECONOMY AND INTERNATIONAL SUBJECTS. ON THE MIDDLE EAST, THE PRIME MINISTER DREW ATTENTION TO THE PRESSURES WHICH WOULD BUILD UP ON JORDAN AND OTHER MODERATE ARAB GOVERNMENTS, IN THE CONTINUING ABSENCE OF MOVEMENT TOWARDS A SETTLEMENT. THE PRIME MINISTER EXPLAINED HER CONCERN ABOUT FACILE ARGUMENTS THAT THE BRITISH AND FRENCH NUCLEAR DETERRENTS SHOULD BE INCLUDED IN THE US/SOVIET ARMS NEGOTIATIONS: IF THEY WERE, THE IMPLICATION WAS THAT THE US WOULD HAVE LESS THAN PARITY WITH THE SOVIET UNION. PREOCCUPIED AS THEY ARE WITH THE PROBLEMS OF CENTRAL AMERICA AS WELL AS THOSE OF THE MIDDLE EAST, THE PRESIDENT AND SHULTZ GREETED WITH UNDISGUISED RELIEF THE NEWS THAT OUR FORCES IN BELIZE WOULD NOT BE WITHDRAWN AT THE END OF THE YEAR., BUT WERE LEFT IN NO DOUBT THAT WE ARE NOT PREPARED TO KEEP THEM THERE VERY MUCH LONGER.
4. THE PRIME MINISTER PULLED NO PUNCHES ON BILATERAL AND OTHER PROBLEMS. THE STRENGTH OF THE UK/US RELATIONSHIP AND THE RAPPORT WHICH THE PRIME MINISTER HAS WITH THE PRESIDENT AND SENIOR MEMBERS OF HIS ADMINISTRATION MEAN THAT THE AMERICANS EXPECT FORTHRIGHT DISCUSSION OF CONTENTIOUS ISSUES. THIS THEY GOT IN A SERIES OF MEETINGS, INCLUDING DINNER WITH A GALAXY OF SENIOR US BUSINESSMEN AND FINANCIERS AND IN HER TALKS WITH SECRETARY REGAN AND MR VOLCKER, THE PRIME MINISTER MADE CLEAR HER CONTINUING CONCERN OVER THE US BUDGET DEFICIT AND THE EFFECT ON INTEREST RATES. BOTH IN PRIVATE AND IN PUBLIC SHE SET OUT WITH EQUAL CLARITY OUR CONCERNS

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ABOUT UNITARY TAXATION AND EXTRA-TERRITORIALITY. THE U.S. BUSINESS LEADERS MANY OF WHOM HAD FLOWN SPECIALLY TO WASHINGTON FOR THE OCCASION, EXPRESSED OPTIMISM ABOUT THE PROSPECTS FOR CONTINUED RECOVERY NEXT YEAR, THOUGH WORRIES ABOUT THE EFFECT OF THE DEFICITS THEREAFTER. THEY AGREED WHOLE-HEARTEDLY WITH OUR VIEWS ON UNITARY TAXATION.

5. SENATORS PERCY AND BAKER AND A VERY HIGH TURN OUT OF MEMBERS OF THE SENATE FOREIGN RELATIONS COMMITTEE GAVE THE PRIME MINISTER AN EXTREMELY WARM WELCOME. THE DISCUSSION COVERED EAST/WEST RELATIONS, ARMS CONTROL, THE MIDDLE EAST, INTERNATIONAL TRADE, THE FALKLANDS, THE US BUDGET DEFICIT, UNITARY TAXATION AND NORTHERN IRELAND. SENATOR GLENN, WHO HAD REARRANGED HIS PROGRAMME TO ATTEND THE MEETING, ASKED ABOUT THE INCLUSION OF BRITISH AND FRENCH NUCLEAR SYSTEMS IN THE ARMS CONTROL TALKS. THE PRIME MINISTER MADE CLEAR THAT, IN THE CONTEXT OF SIGNIFICANT REDUCTIONS OF STRATEGIC WEAPONS BY THE SUPERPOWERS IN THE FUTURE, WE WOULD CONSIDER OUR POSITION IN RELATION TO ARMS CONTROL, BUT THAT AT PRESENT THE ISSUE WAS BEING RAISED BY THE RUSSIANS AS A CONFUSING DISTRACTION.

6. THE CHURCHILL AWARD PROVIDED A MOVING CLIMAX TO THE VISIT AND WAS MARKED BY A PERSONAL MESSAGE OF CONGRATULATIONS FROM PRESIDENT REAGAN. THE DINNER BROUGHT TOGETHER SENIOR MEMBERS OF THE POLITICAL ESTABLISHMENT HERE WITH THE TRUSTEES AND FRIENDS OF THE US WINSTON CHURCHILL FOUNDATION. THE PRIME MINISTER'S SPEECH, WHICH WON A LONG STANDING OVATION, SERVED AS A RE-DEDICATION TO THE CHURCHILL HERITAGE AND AN OPPORTUNITY TO LOOK DEEPLY AND UNCOMPROMISINGLY AT THE RISKS AND OPPORTUNITIES IN EAST/WEST RELATIONS. IT WILL STAND AND BE REMEMBERED HERE, AS THE PRIME MINISTER'S DEFINITIVE STATEMENT ON THE NATURE OF THE SOVIET UNION AND THE MANAGEMENT OF RELATIONS WITH IT. THE AUDIENCE, INCLUDING SHULTZ AND THOSE MORE INTIMATELY INVOLVED IN THE OCCASION (THE HARRIMANS AND SIR JOHN COLVILLE), WERE BOWLED OVER. SENATOR TOWER EXPRESSED HIS INTENTION OF READING THE SPEECH INTO THE CONGRESSIONAL RECORD.

7. IN ADDITION TO HER STATEMENT AT THE WHITE HOUSE AFTER THE TALKS WITH PRESIDENT REAGAN, THE PRIME MINISTER APPEARED ON ALL THREE BREAKFAST TELEVISION SHOWS AND GAVE A WELL-ATTENDED PRESS CONFERENCE. FOR DETAILS OF THE MEDIA COVERAGE, PLEASE SEE MIFT.

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