

Talks with President Reagan

Economic Summit

No ganging up against US

But must consider sustainability of recovery and interest rate problems: US deficit clearly significant.

Approach to debt problem.

Want serious discussion of terrorism.

Statement on democratic values.

Please support environment initiative.

East/West relations

"Washington Statement" good message of Alliance unity. Must convince Russians we are not aggressive and that we respect their security interests - they must respect ours. We should think about initiative to restart negotiations and create more trust.

Your Dublin speech on willingness to discuss no first use of force useful

/ Gulf

Gulf

Iranian offensive? Iraqis can hold?
Glad you are sending Stinger missiles
and tanker aircraft to Saudis - can
they repel attacks in their waters?
US/UK talks useful. Agreed military
action a last resort.

No lethal equipment supplied to Iran.

Belize

New decision - will keep garrison for
at least two years unless circumstances
change. Will not make public.

But want to work out with your people
ways of ensuring Belize's long-term
security. Agree?

Central America

Recognise huge importance to US.

Support you on preventing spread of
Communism.

But methods must promote the objective -
doubts about Contras in Nicaragua and
mining of Nicaraguan ports.

/ China

protectionist pressure.

(ii) luxury cars: disturbed by proposal to set limit to tax credit on business cars at figure which discriminates against imported cars. Delete ceiling or set it lower.

(iii) COCOM Computers

Regret agreement delayed. Believe you are trying to extend embargo too widely (eg. low-powered computers freely available on retail market).

(iv) Unitary Taxation

Welcome 'water's edge' principle.

But concerned implementation may be delayed by failure to resolve dividend issue.

Also, would welcome US/UK discussion of confusion over definition.

(v) Laker

Can't accept unilateral use of US law to matter provided for in bilateral aviation agreement.

We must tell our officials to find workable solution before summer holidays.

Intention to get deficit

Need to reduce down deficit

U.S. FNT - locomotive

1) Redⁿ of Deficit - U.S.

2) I.R. - lower needs

3) Case by case approach

With your understanding
of the situation.

China

His assessment?

Hong Kong negotiations - glad to hear from Shultz that you will tell the Chinese of US interest in satisfactory settlement.

Arab/Israel

| Promised Hussein that I would urge
| you to resume active mediation after
| US elections. |

Prospects?

Southern Africa

Botha visit.

Northern Ireland

Grateful for remarks in Ireland.
Want progress - but immensely difficult.

US/UK trade relations

- (i) we have important decisions on
protectionist cases - must resist
/ protectionist