

GR 830

CONFIDENTIAL

CONFIDENTIAL

FM WASHINGTON 162118Z JUL 83

TO PRIORITY F C O

TELEGRAM NUMBER 2027 OF 16 JULY

INFO UKMIS NEW YORK UKDEL NATO MOSCOW PARIS BONN TOKYO OTTAWA

UKREP BRUSSELS.

INFO SAVING CG'S IN USA.

MY I.P.T.

YOUR VISIT TO WASHINGTON.

II THE SUBSTANCE.

1. THE SUBSTANCE OF YOUR TALKS HAS BEEN REPORTED IN A SERIES OF TELEGRAMS BUT IT MAY HELP TO DRAW TOGETHER THE MAIN THEMES.

2. EAST-WEST RELATIONS

SHULTZ SHARES YOUR VIEW THAT WE NEED TO BE REASONABLE AS WELL AS ROBUST IN OUR DEALINGS WITH THE SOVIET UNION AND THAT THE RECENT ELECTIONS IN WEST GERMANY AND BRITAIN HAS PUT THE ALLIANCE IN A FAVOURABLE POSITION TO PURSUE A POLICY OF FIRMNESS WITH DIALOGUE. THE SUCCESSFUL CONCLUSION OF THE MADRID TALKS WAS A STEP IN THE RIGHT DIRECTION. THE AMERICANS REALISE THAT A SUMMIT MAY BE NECESSARY BUT ARE DETERMINED NOT TO HAVE ONE FOR ITS OWN SAKE. THEY ARE VERY UNENTHUSIASTIC ABOUT MRS GANDHI'S IDEAS.

3. THE AMERICANS WERE PLEASSED WITH KOHL'S VISIT TO MOSCOW, BELIEVING THAT HE STRUCK JUST THE RIGHT NOTE. THEY ARE SENSITIVE TO THE DIFFICULTIES THE GERMAN GOVERNMENT WILL FACE AS THE MOMENT OF PERSHING DEPLOYMENT APPROACHES. SHULTZ AGREED WITH THE NEED TO AVOID ALLOWING E/W TRADE ISSUES TO DAMAGE THE ALLIANCE BUT WAS GLAD TO NOTE THAT YOU SHARED THE AIM OF STRENGTHENING COCOM AND OF AVOIDING SALES OF MILITARILY APPLICABLE HIGH TECHNOLOGY.

4. MIDDLE EAST.

SHULTZ SAID THAT PROGRESS WAS EFFECTIVELY BLOCKED BOTH ON THE LEBANON AND ON WIDER ISSUES. WHILE HE IS PREPARED TO FIND WAYS OF MEETING GENUINE SYRIAN SECURITY CONCERNS IN LEBANON, HE HAS COME TO THE CONCLUSION THAT ASSAD'S FUNDAMENTAL OBJECTION IS TO ANY AGREEMENT WITH ISRAEL. THE AMERICANS WILL CONTINUE TO WORK ON THE SAUDIS BUT HAVE NO HOPES OF AN EARLY BREAKTHROUGH AND ARE CONCENTRATING ON TRYING TO CONTAIN THE SITUATION WITHIN LEBANON ITSELF. THEY ARE NATURALLY CONCERNED AT THE IMPLICATIONS OF THE PRESENCE OF SOVIET MILITARY ADVISORS IN SYRIA AND THE POSSIBILITY THAT THEY MIGHT MOVE INTO THE BEKAA VALLEY IN THE EVENT OF HOSTILITIES. BOTH SHULTZ AND WEINBURGER STRESSED THE IMPORTANCE THEY ATTACHED TO OUR CONTRIBUTION TO THE MNF.

CONFIDENTIAL

5. DN

CONFIDENTIAL

5. ON THE WIDER ISSUES, THE AMERICANS DO NOT SEE HOW PROGRESS CAN BE MADE UNLESS AND UNTIL THE ARABS ARE PREPARED TO ACCEPT THE NEED FOR A DIRECT DIALOGUE WITH ISRAEL. THEY STILL THINK THAT HUSSEIN IS WILLING BUT HAVE NO REAL HOPE THAT HE CAN MOVE ON HIS OWN IN PRESENT CIRCUMSTANCES. THEY HOPE THAT WE CAN JOIN THEM IN HAMMERING HOME THE MESSAGE THAT THE ARABS HAVE TO DEAL WITH ISRAEL AND THAT ONLY IN THE CONTEXT OF NEGOTIATIONS CAN THEY HOPE TO INFLUENCE ISRAELI BEHAVIOUR IN THE OCCUPIED TERRITORIES.

6. (C) CENTRAL AMERICA

SHULTZ MADE A FORCEFUL DEFENCE OF AMERICAN POLICY AND STRESSED THE AMOUNT OF ECONOMIC AID THE U.S. WAS PROVIDING. BUT THE AMERICANS DO NOT SEE HOW THE FUNDAMENTAL ECONOMIC AND SOCIAL NEEDS OF THE REGION CAN BE MET UNLESS ITS SECURITY IS ASSURED. SHULTZ WAS OBVIOUSLY PLEASED TO HAVE YOUR CONFIRMATION THAT WE SUPPORTED U.S. OBJECTIVES. THE PRESIDENT, SHULTZ AND WEINBERGER SEPARATELY AND SPECIFICALLY REQUESTED THAT WE KEEP OUR GARRISON IN BELIZE AS AN ESSENTIAL CONTRIBUTION TO THE STABILITY OF THE AREA. SHULTZ AND EAGLEBURGER BOTH MADE IT CLEAR THAT THE IDEA OF A TRAINING TEAM WITH U.S. INVOLVEMENT WAS A DEFENSE DEPARTMENT IDEA WHICH DID NOT REPRESENT THE POSITION OF THE UNITED STATES GOVERNMENT.

ARGENTINA/FALKLANDS

7. REGAN SPOKE REASSURINGLY OF U.S. DETERMINATION TO HOLD ARGENTINA TO IMF CONDITIONS. SHULTZ MADE IT CLEAR THAT THE ADMINISTRATION'S EYES WERE FIXED ON THE ARGENTINE ELECTIONS. HE IMPLIED THAT THERE WOULD BE NO RUSH TO CERTIFICATION OF ARMS SALES BEFORE THEN BUT THAT, IF THE ELECTIONS TURNED OUT WELL, THE U.S. WOULD WISH TO ENCOURAGE DEMOCRACY IN ARGENTINA. WE CAN EXPECT DIFFERENCES OF VIEW WITH THE AMERICANS, BOTH ON CERTIFICATION AND OVER THE U.S. VOTE IN THE UN GENERAL ASSEMBLY IN THE AUTUMN.

BILATERAL ISSUES

8. YOU MADE CLEAR OUR OBJECTIONS TO U.S. MEASURES ON SPECIALTY STEEL IMPORTS AS WELL AS OUR CONCERN ABOUT ASPECTS OF THE EXPORT ADMINISTRATION ACT. IT WAS CLEAR THAT THE DECISION ON STEEL HAS BEEN TAKEN AGAINST THE ADVICE OF BOTH SHULTZ AND REGAN. THEY WILL EXPECT US TO TAKE ACTION IN THE GATT.

9. U.S. ECONOMY

THERE WAS CLOSE INTEREST IN THE PERFORMANCE OF OUR OWN ECONOMY: AND A GENERAL ACCEPTANCE THAT THERE IS AN OBVIOUS LINK BETWEEN HIGH DEFICITS AND INTEREST RATES IN THE U.S. REGAN SEEMED CONFIDENT, HOWEVER, THAT, EVEN IF INTEREST RATES DID MOVE UP A BIT, WHICH THEY ARE NOW DOING, THIS WOULD COOL, RATHER THAN CHOKE, THE RECOVERY. VOLCKER IS MUCH LESS SANGUINE ABOUT THE CONSEQUENCES OF THE CONTINUANCE OF DEFICITS AT THE PRESENT LEVELS.

CONFIDENTIAL

CONCLUSION

CONFIDENTIAL

10 CONCLUSION. THE AMERICANS WERE VERY GLAD TO TAKE STOCK WITH YOU AFTER OUR OWN ELECTION AND BEFORE THE DEVELOPMENTS OF THE AUTUMN. YOUR TALKS SHOWED THAT THE THINGS WE DISAGREE ABOUT - STEEL, AIRLINES EXPORT ADMINISTRATION ACT - MUST BE PLACED IN THE CONTEXT OF THE WIDER IDENTITY OF VIEW AND PURPOSE ON FUNDAMENTALS AND THAT OUR RELATIONSHIP IS STRONG ENOUGH TO CONTAIN THE ROWS. YOUR VISIT WAS VALUABLE IN ITSELF AND WILL HAVE PROVED A USEFUL CURTAIN-RAISER TO YOUR VISIT TO THE U.N. AND THE PRIME MINISTER'S VISIT HERE IN SEPTEMBER.

WRIGHT

[REPEATED AS REQUESTED]

LIMITED

NAD

EESD

WED

MED

MCAD

FID

UND

NEWS D

PUSD

PS

PS/LADY YOUNG

PS/MR WHITNEY

PS/MR LUCE

PS/MR RIFKIND

PS/PUS

SIR J LEAHY

MR GIFFARD

SIR J BULLARD

MR URE

MR JAMES

MR EGERTON

MR WRIGHT

THIS TELEGRAM
WAS NOT
ADVANCED

COPIES SENT TO
No. 10 DOWNING STREET

³
CONFIDENTIAL