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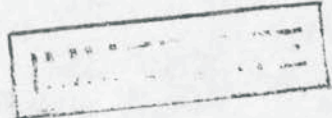
TO IMMEDIATE FCO

TELEGRAM NUMBER 1651 OF 28 MAY

INFO IMMEDIATE UKMIS NEW YORK, PARIS, BONN, PRIORITY OTHER EC POSTS

FOLLOWING FROM PRIVATE SECRETARY

SECRETARY OF STATE'S DINNER WITH SHULTZ: GULF



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1. DURING HIS BILATERAL DINNER WITH SHULTZ THIS EVENING, THE SECRETARY OF STATE SAID HE THOUGHT THAT THE US/UK BILATERAL DISCUSSIONS WHICH HAD TAKEN PLACE ON POSSIBLE CONTINGENCIES IN THE GULF HAD BEEN USEFUL. HIS IMPRESSION WAS THAT OUR APPROACH TO THE BASIC ISSUES WAS NOW VERY SIMILAR. HE REFERRED TO THE DISCUSSION BETWEEN EC FOREIGN MINISTERS OVER THE WEEKEND, WHICH HAD CONCLUDED THAT FROM THE ECONOMIC POINT OF VIEW IT WAS FORTUNATE THAT THE RECENT ESCALATION IN THE WAR HAD TAKEN PLACE WHEN THE OIL MARKET WAS RELATIVELY CALM. BUT IT WAS DIFFICULT TO SEE WHAT COULD BE DONE TO BRING THE WAR TO AN END. HIS OWN CONCLUSION WAS THAT WE HAD LITTLE CHOICE BUT TO LET IT RUN ITS COURSE, IN THE MEANTIME TAKING EVERY OPPORTUNITY TO USE AVAILABLE DIPLOMATIC LEVERAGE TO TRY TO KEEP IT IN CHECK.

2. SHULTZ WELCOMED THE BILATERAL CONSULTATIONS WE HAD HAD. HE SHARED THE SECRETARY OF STATE'S JUDGEMENT THAT OUR VIEWS HAD COME CLOSER TOGETHER THAN THEY HAD BEEN AT THE START. THE SITUATION IN THE WAR SEEMED TO BE ONE OF STALEMATE. THE IRANIANS MIGHT TRY TO BREAK THE STALEMATE BUT IF THEY DID HE FEARED THE IRAQIS MIGHT MAKE FURTHER USE OF CHEMICAL WEAPONS. THIS WOULD BE A CALAMITY. IT WOULD BE AN EVEN GREATER CALAMITY IF IT SUCCEEDED.



3. SHULTZ WENT ON TO SAY THAT WHAT SEEMED TO BE HAPPENING NOW WAS THAT BOTH THE BELLIGERENTS WERE GOING OUTSIDE THE BOUNDARIES OF THEIR OWN WAR. IRAQ WAS TRYING TO INVOLVE OTHERS. THE US DEPLORED THE ATTACKS THE IRAQIS WERE MAKING ON NEUTRAL SHIPPING BUT IT WAS HARD TO IMAGINE THAT THE IRANIANS WOULD NOT CONTINUE TO RETALIATE.

4. SHULTZ WAS SCEPTICAL ABOUT THE LIKELY EFFECTIVENESS OF A UN SECURITY COUNCIL RESOLUTION. HE SAID WE COULD NOT HIDE FROM THE FACT THAT THE WAR WAS ESCALATING. THE QUESTION WAS WHAT COULD BE DONE ABOUT IT. THERE WAS ALREADY SOME DEGREE OF US INVOLVEMENT. THE AWACS AIRCRAFT WERE CARRYING OUT 24 HOUR MONITORING AND THE SAUDI AIR FORCE HAD ALREADY SCRAMBLED TWICE. THIS EXPOSED THE US TO CONSIDERABLE RISK. THE IRANIANS TREATED ANYONE WHO WAS HELPING THE IRAQIS AS THE ENEMY. THEY WOULD KNOW OF THE AWACS PATROLS OVER SAUDI TERRITORY. THEY WOULD KNOW OF THE PRESENCE OF US SHIPS AND HAD NOTED US STATEMENTS IN OPPOSITION TO ANY ATTEMPTS TO CLOSE THE STRAITS. THE AMERICANS HAD A LOT OF CARDS ON THE TABLE AND SHULTZ FELT THERE WAS A CONSIDERABLE POSSIBILITY THAT THEY WOULD GET CALLED. THIS WAS A VERY DANGEROUS SITUATION AND IT WAS EXTREMELY IMPORTANT THAT WE SHOULD ACT IN CONCERT.

5. THE SECRETARY OF STATE STRESSED THAT THE BILATERAL DISCUSSIONS WE HAD HELD WERE VERY MUCH ON A CONTINGENCY BASIS AND THEIR RESULTS WERE SUBJECT TO FURTHER MINISTERIAL CONSIDERATION IN LONDON. THE IMPLICATIONS OF BECOMING DRAWN INTO THE CONFLICT NEEDED VERY CAREFUL CONSIDERATION. THE IRANIAN ATTACKS ON SHIPPING WERE ALREADY HAVING SOME EFFECT. SOME OF THAT EFFECT WAS DAMAGING TO IRAN AND THEY MIGHT COME TO RECOGNISE THIS. HE ASKED HOW SHULTZ SAW THE SITUATION IN TEHRAN.

6. SHULTZ REPLIED THAT THERE SEEMED TO BE CONFLICTING CURRENTS BUT HE DID NOT YET KNOW WHAT TO MAKE OF THEM. HE HAD RECENTLY DISCUSSED THE PROBLEM WITH YAKOUB KHAN WHO DID NOT CLAIM TO HAVE ANY BETTER UNDERSTANDING.

7. SHULTZ WENT ON THAT WE OUGHT TO DISCUSS WHAT SHOULD BE DONE IN THE EVENT THAT THE IRANIANS ATTACK US AIRCRAFT OR SHIPS. IN SUCH CIRCUMSTANCES THERE WOULD BE LITTLE TIME TO CONSULT. US COMMANDERS WOULD ACT ON THE BASIS OF THEIR RULES OF ENGAGEMENT. THE SECRETARY OF STATE AGREED THAT WE NEEDED TO BE EXTREMELY CLEAR ON RULES OF ENGAGEMENT. IN THE LEBANON THERE HAD BEEN DIFFERENCES OVER THIS. HE HAD NOT YET HAD THE CHANCE TO LOOK AT THE RESULTS OF THE US/UK MILITARY/MILITARY TALKS ON THIS. HE SUGGESTED THAT HE AND SHULTZ SHOULD DISCUSS THIS ASPECT FURTHER WHEN THEY MET IN LONDON IN THE MARGINS OF THE ECONOMIC SUMMIT. SHULTZ AGREED, ADDING THAT THE SITUATION WAS SERIOUS AND COULD GET WORSE. IT WOULD BE IMPORTANT TO KEEP COOL HEADS. BUT IF, AFTER AN ATTACK, TOO MUCH TIME WAS ALLOWED TO PASS BEFORE THERE WAS A REACTION, THE MOMENT TO DO SOMETHING EFFECTIVE COULD BE LOST.

8. GRATEFUL IF HASKELL WOULD AUTHORISE FURTHER REPITITIONS AS HE THINKS APPROPRIATE.

WRIGHT