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TO DESKBY 221430Z UKDEL NASSAU  
TLNO 86  
OF 211730Z OCTOBER 85  
INFO IMMEDIATE WASHINGTON

Prime Minister  
I asked for some  
further work on the  
points for discussion  
on ~~arms~~ arms  
control. This is  
better, though still  
does not have a  
broad enough approach  
CDN.

FOR SECRETARY OF STATE'S PARTY  
WASHINGTON TELNO 6 TO YOU: PRIME MINISTER'S MEETING  
WITH PRESIDENT REAGAN: ARMS CONTROL ASPECTS  
1. SINCE THE DRAFT OF THE PRIME MINISTER'S SPEAKING NOTE FOR  
USE AT THE SUMMIT MEETING IN NEW YORK ON 24 OCTOBER WAS PREPARED,  
THERE HAVE BEEN THREE FURTHER DEVELOPMENTS:  
I) THE SOVIET FORMAL OFFER TO US OF TALKS ON OUR DETERRENT:  
II) THE PRESIDENT'S REAFFIRMATION OF THE RESTRICTIVE INTER-  
PRETATION OF THE ABM TREATY, FOR THE PURPOSES OF SDI RESEARCH:  
AND  
III) FURTHER SOVIET PROPOSALS GOVERNING INF AND KRASNOYARSK.  
THE PRIME MINISTER IS NOW ALSO TO SEE THE PRESIDENT BILATERALLY. AND  
THERE WILL BE OTHER LOWER LEVEL CONTACTS, BOTH BILATERAL  
(POLITICO-MILITARY TALKS) AND ALLIANCE (SCG), THIS WEEK.  
BILATERAL - GENEVA ISSUES  
2. AT HER BILATERAL MEETING THE PRIME MINISTER MAY WISH TO MAKE  
THE FOLLOWING POINTS:  
A) GENEVA MEETING OF GREAT IMPORTANCE NOT ONLY FOR EAST-WEST  
RELATIONS, BUT FOR THE ALLIANCE. IF IT GIVES A VISIBLE IMPETUS

TO ARMS CONTROL, GOOD BASIS FOR MANAGING A POLITICALLY CRITICAL  
COUPLE OF YEARS:

B) THERE IS A GREAT DEAL FAMILIAR AND UNACCEPTABLE IN THE SOVIET PROPOSALS, ESPECIALLY THE CONTINUING BID FOR A EUROSTRATEGIC BALANCE. BUT WE SHOULD EXPLOIT THE CHANCE WHICH SOME OF THE SOVIET IDEAS OFFER TO GET A REAL NEGOTIATION STARTED ON OFFENSIVE REDUCTIONS:

C) GORBACHEV A SKILFUL OPERATOR. MUST BEAT HIM AT HIS OWN GAME. US 'COUNTER-PROPOSALS' PRE-SUMMIT WOULD BE ASTUTE BOTH DIPLOMATICALLY AND FOR ALLIANCE MANAGEMENT:

D) EMPHASISE NEED TO ENGAGE RUSSIANS IN AGREED CLARIFICATION OF GREY AREAS IN RESEARCH/DEVELOPMENT AREA, AND ON PROVIDING PREDICTABILITY ON THE OFFENSIVE/DEFENSIVE RELATIONSHIP, BASED ON CONTINUING OBSERVANCE OF THE ABM TREATY. WELCOME CONTINUING US RESTRICTIVE INTERPRETATION:

E) KEY WESTERN INTEREST IS PRESERVATION OF EXISTING ARMS CONTROL REGIME. CONCERNS ABOUT SOVIET NFN-COMPLIANCE SHOULD NOT BE CAUSE FOR OVERTHROWING THIS:

F) KRASNOYARSK/FYLINGDALES TRADE OFF TOTALLY UNACCEPTABLE BUT WORTH SEEING WHETHER WILLINGNESS TO GIVE UP KRASNOYARSK CONTAINS A REAL SIGNAL THAT GORBACHEV SEES THE NEED TO MEET OUR CONCERN:

G) HANDLING OF SOVIET PROPOSAL ON MODERNISATION A KEY INTEREST FOR US, GIVEN TRIDENT D5. MUST BE REJECTED. WESTERN DETERRENTS CANNOT BE FROZEN AND REMAIN CREDIBLE:

H) CONSCIOUS THAT GORBACHEV'S MOTIVES IN WOOING FRANCE AND BRITAIN AIMED AT DE-COUPPING US AND EUROPE. DIALOGUE A KEY ELEMENT OF OUR SOVIET POLICY AND ALREADY COVERS ARMS CONTROL. IN FOLLOWING UP GORBACHEV PROPOSAL, WILL BE GUIDED BY TWO PRINCIPLES. NO QUESTION OF REDUCTIONS IN UK FORCES, NOW OR LATER, UNTIL OUR PRECONDITIONS ARE FULFILLED. WILL KEEP IN CLOSEST POSSIBLE TOUCH.

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NON GENEVA ARMS CONTROL ISSUES

3. IN THE LIGHT OF WASHINGTON TEL NO 2914, AND UNLESS THE PRESIDENT HAS REPLIED IN THE MEANTIME, IT WOULD BE MOST VALUABLE IF THE PRIME MINISTER REFERRED TO OUR RECENT INITIATIVE AND HER HOPE THAT THE PRESIDENT WILL SUPPORT IT. IT WOULD BE TACTICALLY USEFUL IF SHE COULD ALSO MENTION HER CONTINUING CONCERN OVER PROGRESS IN THE CW NEGOTIATIONS.

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SUMMIT MEETING AND DINNER

4. FOR THE MEETING OF THE SIX THE EXISTING BRIEF REMAINS VALID BUT THE PRIME MINISTER MAY ALSO WISH TO WELCOME THE PRESIDENT'S DECISION ON ABM TREATY INTERPRETATION.

SDI PARTICIPATION

5. ON SDI PARTICIPATION (PARAGRAPH 9 OF WASHINGTON TUR) MR HESELTINE HAS BEEN CONSULTED AND THE FOLLOWING ADVICE AGREED WITH HIM. OD IS TO REVIEW THE OUTCOME OF THE OFFICIAL LEVEL TALKS ON 28 OCTOBER. THE JOINT WORKING GROUP HAS IDENTIFIED 18 AREAS WHERE THE UK COULD MAKE A CONTRIBUTION WHICH WE ASSESS TO BE WORTH ABOUT 1.5 BILLION DOLLARS OVER 5 YEARS. THE US SIDE AGREE WITH THE AREAS BUT ARE NOT IN A POSITION AT OFFICIAL LEVEL TO MOVE BEYOND PARTICIPATION IN PATHFINDER TYPE WORK WORTH ABOUT 150 MILLION DOLLARS OVER 5 YEARS. THE UK SIDE HAVE SUGGESTED MECHANISMS BY WHICH CONTRACTS MIGHT BE PLACED WITH UK FIRMS RATHER THAN HAVING TO GO TO COMPETITION. A NUMBER OF ISSUES ON INFORMATION EXCHANGE HAVE BEEN CLEARED AWAY BUT WE HAVE YET TO ESTABLISH THE GUARANTEED AVAILABILITY OF US INFORMATION TO GIVE MEANING TO THE INFORMATION EXCHANGE PROGRAMME. WE ARE SEEKING A TECHNOLOGY TRANSFER REGIME IN WHICH THE US WOULD TREAT BRITISH COMPANIES AS WE FOR OUR PART WOULD TREAT US ONES. WE ARE FULLY SEIZED OF THE SECURITY DIMENSION. IT IS CLEAR THAT THESE KEY ISSUES CAN ONLY BE CARRIED FORWARD AT

THE POLITICAL LEVEL, INITIALLY WHEN MR HESELTINE SEES MR WEINBERGER ON 29 OCTOBER. THE US DESIRE TO SIGN US UP FORMALLY BEFORE THE SUMMIT GIVES US SOME NEGOTIATING LEVERAGE. IF WE ARE TO EXPLOIT IT, WE MUST GUARD AGAINST GIVING ANY COMMITMENT IN PRINCIPLE TO SIGN UP UNTIL WE HAVE SEEN WHAT THE AMERICANS HAVE TO OFFER ON THESE KEY ISSUES. THE PRIME MINISTER MAY WISH TO RECALL HER EARLIER CONVERSATION WITH THE PRESIDENT IN THE SUMMER WHEN SHE EXPLAINED THE CASE FOR SUBSTANTIAL UK PARTICIPATION IN THE CONTEXT OF THE ADVERSE BALANCE OF DEFENCE TRADE, THE HUGE COST OF TRIDENT AND THE POLITICAL NEED TO SHOW BENEFITS FROM THE CLOSE ANGLO-AMERICAN RELATIONSHIP. OFFICIALS HAVE SHOWN THAT SUBSTANTIAL PARTICIPATION IS POSSIBLE IF THE POLITICAL WILL IS THERE. SHE HOPES THAT THE PRESIDENT AND MR WEINBERGER WILL BE READY TO CARRY THIS FORWARD RECOGNISING THIS POLITICAL DIMENSION: IF SO, THEY WILL FIND THE BRITISH GOVERNMENT VERY READY QUICKLY TO RESPOND.

#### BACKGROUND

6. THE FOLLOWING POINTS ARE RELEVANT:

A) MANY OF THE KEY SOVIET PROPOSALS REPACKAGED, DEPRESSINGLY FAMILIAR, AND UNACCEPTABLE. THIS IS PARTICULARLY TRUE OF INF WHERE THE CONTINUED SOVIET AIM OF ACHIEVING A EUROSTRATEGIC BALANCE IS UNDERLINED BY A GLOSS BY KARPOV (CHIEF SOVIET NEGOTIATOR) TO THE PROPOSALS

ANALYSED IN THE DEFENCE DEPARTMENT MINUTE OF 15 OCTOBER TO THE EFFECT THAT ACCEPTANCE OF SOME US GLCM DEPLOYMENTS WOULD MERELY BE AN INTERIM STEP ON THE WAY TO AN SS20/BRITISH AND FRENCH SYSTEMS BALANCE. WE NEED TO ENSURE THAT IN THESE CIRCUMSTANCES

THE ALLIANCE ADHERES FIRMLY TO AGREED NATO OBJECTIVES OF GLOBAL US/SOVIET BALANCE WITH NO COMPENSATION FOR BRITISH AND FRENCH SYSTEMS:

B) THE ATTENTION BEING PAID BY GORBACHEV TO EUROPE, INCLUDING HIS PROPOSALS TO MITTERRAND AND THE PRIME MINISTER HAVE TO BE SEEN IN THIS LIGHT. WE SHALL NEED TO BE VERY WARY OF THE POLITICAL OBJECTIVES BEHIND HIS PROPOSALS, AS WELL AS OF THEIR IMPLICATIONS FOR OUR OWN NUCLEAR DETERRENT:

C) NITZE HAS ALREADY IDENTIFIED TO THE NAC A NUMBER OF POINTS ON WHICH THE AMERICANS MIGHT BUILD. THE POINT OF DIRECT RELEVANCE TO US IN THE STRATEGIC AREA IS US HANDLING OF THE SOVIET MODERNISATION BAN WHICH WOULD CATCH THE TRIDENT D5. (ANALYSIS WILL ALSO BE NEEDED TO ASSESS THE IMPLICATIONS FOR THE ALLIANCE'S WORK ON SHORT RANGE INF MODERNISATION POST MONTEBELLO OF A SOVIET MODERNISATION BAN):

D) THERE HAVE BEEN SOME HINTS FROM WASHINGTON OF THE POSSIBLE PRESENTATION OF SOME REPACKAGED AMERICAN IDEAS BEFORE THE MEETING, PERHAPS BEFORE THE END OF THE PRESENT GENEVA ROUND ON 1 NOVEMBER. THE PRESIDENT WILL HAVE SPOKEN TO THE UNGA EARLIER ON 24 OCTOBER:

E) A FURTHER DOD REPORT ON COMPLIANCE IS DUE ON 15 NOVEMBER. IT MAY BE DELAYED BUT THIS IS PROBABLY THE PRIME MINISTER'S LAST FACE TO FACE OPPORTUNITY BEFORE FURTHER US DECISIONS ARE

TAKEN TO REPEAT HER CONCERNS THAT THE COMPLIANCE ISSUE SHOULD NOT UNDERCUT THE EXISTING TREATIES. THE US HAVE OFFERED FURTHER BILATERAL TALKS ON COMPLIANCE TO WHICH WE HAVE AGREED IN PRINCIPLE:

F) THOUGH THE PACKAGING OF THE OFFER TO TRADE KRASNOYARSK FOR FYLINGDALES (AND THULE) IS CLEARLY UNACCEPTABLE, IT CANNOT HAVE BEEN EASY FOR GORBACHEV TO OFFER TO GIVE UP KRASNOYARSK AND TAKEN TOGETHER WITH THE RENEWED OFFER OF INSPECTION VISITS THIS MAY JUST SIGNAL A RECOGNITION THAT IT IS AN ISSUE WHICH NEEDS TO BE MANAGED. WE SHOULD PRESS THE AMERICANS TO FOCUS ON WAYS OF BUILDING ON THIS, AND TO SEEK TO ENGAGE THE RUSSIANS IN ALL WAYS OF STRENGTHENING MUTUAL ADHERENCE TO THE ABM TREATY:

G) WASHINGTON TEL NO 2914 SETS OUT THE PRESENT STATE OF PLAY ON MBFR.

7. IF THE SECRETARY OF STATE IS CONTENT PLEASE PASS DIRECT TO PS/PRIME MINISTER.

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