

add

CONFIDENTIAL



file

src

10 DOWNING STREET

From the Private Secretary

24 January 1983

The Prime Minister read with interest Sir Oliver Wright's letter about Mr. George Shultz (your letter of 13 January refers).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

13 January 1983

mk

Time Minute

worth reading, if you
have time.

Gen Shultz

US: George Shultz

A.T.C. ^{18.}/₁

You may like to bring to the Prime
Minister's attention the enclosed copy of
an interesting and timely analysis of
George Shultz's influence, prepared by
Sir Oliver Wright.

Yours ever
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street



BRITISH EMBASSY,

WASHINGTON, D. C. 20008

TELEPHONE: (202) 462-1340

FROM THE AMBASSADOR

28 December 1982

Sir Antony Acland KCMG, KCVO
PUS
FCO

HMAD
For ha/ru/ly pa.

cc. Private Secretary
Ps/Mr Hunt
Sir J. Burhard
Sir J. Leahy
Mr Giffard
Mr Evans
HMAD
BRD Ps/PUS
BESD
TRD
Defence DepV.

Dear Antony,

Mut 3/11


GEORGE SHULTZ: THE CALMING INFLUENCE

"If I could choose one American to whom I would entrust the nation's fate in a crisis, it would be George Shultz" (Dr Henry Kissinger).

1. In London the Secretary of State praised George Shultz for having made a "major mark on the world putting his own stamp on US foreign policy". You and he will have formed your own impressions of him, but it is I think worth considering why he is at present riding so high in US and international esteem, after so short a period in office. I attach for ease of reference a brief "C.V."

2. As the most experienced member of Mr Reagan's Cabinet, having held three senior positions under Nixon, Shultz brought to the State Department a wealth of public expertise. Economic and financial problems are for him as important and pressing as the traditional fare of diplomacy. After a distinguished career in government, business and academia, he is not driven to enhance his own glory. Unencumbered by ego problems or Kissinger-type dreams of solving the world's problems single-handed he is, as they say here, comfortable with his public and private life. Presidential Assistant Jim Baker has described him as a "good psychologist" - a rare tribute from the White House, and an important attribute in Washington where double-dealing runs a good second to horse dealing. He has earned the reputation of a good team-player. He shares the President's conservative attitudes in foreign and domestic policies. He recognises (as Haig never did) that Mr Reagan has a deep dislike of private tensions between his senior advisers, and an equal distaste for having to resolve these personally. He never ceases to insist that he is the instrument for the conduct of foreign policy decided by the White House, content to emphasise that "we are all working for the President; he is the boss". Granted that he does not face the sort of intellectual or personal opposition from the White House with which so many of his predecessors had to contend. Judge Clark is no Kissinger or Brzezinski! Shultz has managed to avoid the wranglings with White House staff which so reduced Haig's effectiveness. Indeed, it was the White House who encouraged the

/introduction



introduction of Shultz into domestic and international economic counsels, in which he has been playing an important part. Certainly he has restored primacy in the formulation and execution of foreign policy to the State Department: The decisions remain of course at the White House.

3. Shultz likes to describe himself as a "university man". A good listener, in addressing each problem his method has been to take the widest possible sounding of opinion, withholding his own views until he is ready to go away and make his mind up by himself. Adapting also what his staff describe as the labour lawyer (another previous incarnation) technique to diplomacy, Shultz hammers away at procedural issues if he thinks that for the moment progress on substance cannot be achieved. This we are told has been typical of his meetings so far with the Soviet Ambassador, Dobrynin, in which Shultz has talked at length about the procedures for the series of US-Soviet negotiations and other talks, without trying to tackle the problems of substance which for the moment look too difficult to be resolved. His purpose is to keep the dialogue alive, to explore small compromises, and to wait for other factors to give the relationship a firmer thrust forward. Shultz will continue to exercise great caution in his dealing with the Soviet Union, not only as the President's man, but by virtue of his own distrust of Soviet initiatives and propaganda ploys. He has strong views on the nature of the Soviet regime, remarking to me that the hour he spent with Mrs Shcharansky was his worst since becoming Secretary of State. No ideologue, however, his views on the Russians look steadier, sounder and above all more realistic than those of some others here. Gromyko, we are told by others present, seemed to find Shultz's quieter but rather implacable approach a good deal more disconcerting than the tirades to which he used to be subjected by Al Haig.

4. Calm and methodical by nature, Shultz can be quick to act, when he feels the time is right. The first problem which he really addressed his attention was, of course, the Middle East. Having consulted Kissinger and other outsiders (a favourite technique) as well as his own senior staff, he concluded that the Camp David process in the form in which it then stood was going nowhere; that the main elements needed to be put forward in a new way; and that this must be done by the President himself. Shultz warned the President that the proposed statement would produce sharp Israeli reactions and that, if he made it, he must be prepared for these, as well as some domestic resistance. The initiative was launched within eight weeks. The difficulties of following through are immense. There is an obvious danger that it may turn out to be another Rogers' plan, all right as a statement of intent, but impossible to implement. American efforts over the next few months are going to have to be devoted to getting the Israelis out of Lebanon; rather than getting them off the West Bank. The fact remains, however, that Shultz's initiative already has served to help bridge the gap between the US and European positions on the Middle East and to stabilise US relations with the moderate Arab



countries. The President is fully committed to the approach; and it was achieved with surprisingly little domestic resistance. Nonetheless Shultz has to operate ^{within} strict limits. While the US is the only power with the clout to influence a solution to the conflict, the Jewish lobby ensures that pressures on Israel are limited in scope. It is part of accepted wisdom here that opposition from the Jewish community means death to any electoral Candidate, Presidential or Congressional.

5. The same skill was shown in Shultz's approach to the next problem to which he applied his hand: the pipeline dispute. Shultz inherited decisions he certainly felt should never have been taken (he was on public record as having little faith in the efficacy of economic sanctions). While supporting the President's policy loyally, he was quick to sense that sections of the Administration and Congress (not to mention the media and US business) were beginning to understand the self-defeating nature of the measures which had been adopted. Rather than trying to take these head-on, he was able to change the angle of approach, progressively bringing the President round to his way of thinking (and isolating those opposed to it) and, with help from us and others, to produce a solution which got us and the United States off the hook. The harder-liners did not much like this outcome and have been predicting that the studies now to be engaged will produce few if any results. It is important to Shultz's credibility that we should do our best to belie them.

6. There is plenty of evidence of Shultz's influence in other matters. He went to Europe convinced that the most pressing international problem of all was to try to help the world find a way out of the recession, since the recession was at the heart of many of the most strident of current problems: trade protectionism, the threatened agricultural war, the inadequate defence performance of some of the weaker brethren in the Alliance. He believes that Foreign, Finance and Defence Ministers must take a closer interest in each other's affairs, since each area of responsibility overlaps with the others. Easier said than done; and he did not come back from Europe with a plan in his pocket. Although he had succeeded in defusing the row with the French over the pipeline and with the European Community over subsidised agricultural exports and in calming European fears over the two track INF decision. Not bad for a 13 day trip.

7. Shultz does not pretend to have any magic formulae, other than working away at such unglamorous but important tasks as increasing the resources of the IMF, and containing protectionist pressures here and elsewhere. But he has correctly identified the priorities and will worry away at the subject, convinced as he is that the thinning down of the world economy has now reached a point at which further doses of austerity may do the patient more harm than good. No advocate himself of expansion at any price, Shultz I think still found Ministers in London somewhat more addicted than he is at this point to absolute virtue. There are, I scarcely need add, divided views on that here too. In an area, meanwhile, which is more properly perhaps the concern of the Secretary of State, he has shown a determination



to prevent US/European economic differences getting out of control. The successful meeting he held with the Commission in Brussels, flanked by four other US Cabinet Ministers, was an important case in point. He has since, been doing his best to damp down the considerable frustration felt here at the outcome of the GATT Ministerial meeting.

8. Lest this begin to sound like too much of a panegyric, let me add that Shultz is not Superman, nor can he be expected to be. He will need to pay attention to his relations with Congress. Having won unanimous approval for his appointment in the Senate, Shultz has hardly been there since. Although he has wisely appointed a retiring Congressman, Derwinski, as Counsellor in the State Department I am not sure that he or anyone else could have spared us the messy outcome in the lame-duck session in Congress of some matters of importance to the Allies (though we did not do badly in terms of our own defence sales); but he has not yet succeeded in making much use of his authority on the Hill.

9. In the time so far available it is hardly surprising that Shultz has not been able as yet fully to devote his attention to some questions no less important than those I have described. After the Sturm und Drang diplomacy of Haig, the change to Shultz was welcome from almost all possible points of view. The area in which he does not have anything like Haig's expertise, however, is the arcane world of strategic arms reduction and INF. There is not the slightest doubt of his capacity to master those subjects and, with his European trip, he has been starting to do so. It is safe to bet that he will continue to feel himself more comfortable, and perhaps also on safer ground within the Administration, on subjects like the Middle East and international economic relations, on which his expertise is already formidable. But the real test of his tenure as Secretary is liable to come on his ability to help the Allies to work its way through the problems associated with INF deployment next year. That will depend on a display not only of steadiness (of which there will be plenty from Shultz) but also of imagination.

10. Nor should we forget that Shultz, with all his gifts, will be operating within certain well defined political parameters. This Administration will continue to take a tough line with the Soviet Union (which suits his own inclinations anyway). There will be many battles ahead over arms control. Nevertheless, what he has achieved so far is pretty remarkable. He has been getting such a good press one is bound to wonder where the banana skin is going to come from. But Shultz, I suspect, is a good deal less prone than most to banana skins.

11. Cy Vance, I am told, used to have a similarly reassuring quality. He too seemed almost invariably to be on the sensible side of any issue. He did not, however, prove an effective Secretary of State. Perhaps with Carter and Brzezinski, no-one could have been. Shultz already has proved himself more effective than any of his recent predecessors. I would expect him to continue to do so. Behind that



quiet exterior, you will, I think, have sensed his strength of character, the quality of his mind and the calm of his temperament. Above all, he has a quiet sense of humour and therefore judgement. Shultz, as he has told me clearly and as he demonstrated in London, attaches great importance to what he and the Administration persist in regarding as a special relationship with Britain. He regards us, at any rate under the present Government, as the most dependable of America's allies. He values our advice and pays attention to it. He was, as you know, taken aback by our reactions about the Falklands vote, because he felt he detected an element of stridency in them: and the last thing he is is strident. He will not be easy to shift from positions he believes to be right; and they will not always be ones which will suit us. I would conclude, however, by endorsing what Henry Kissinger said. A good man to have at one's side in a crisis; a very welcome steadying influence in this rather febrile capital; and a very knowledgeable and experienced figure in an Administration rather short on knowledge and experience. I only hope, for Shultz's and our sakes, that here in Washington, where ignorance is bliss, it will not be folly for Shultz to be wise.

With all good wishes for 1983 - yours and Steve's!

Oliver

Oliver Wright

cc HM Ambassadors
Paris, Bonn, UKMIS New York,
UKDEL NATO, Moscow,
UKREP Brussels.

GEORGE P SHULTZ: SECRETARY OF STATE

1920 Born New York City

1942 Graduated BA Economics, Princeton University

1942-44 US Marine Corps

1948-54 Faculty of Massachusetts Institute of
Technology

1949 PhD, Industrial Economics MIT

1955 Senior staff economist to the President's Council
of Economic Advisers

1956-57 MIT Faculty

1957-68 Professor of Industrial Relations, and later
Dean of the University of Chicago Business School

1969 Secretary of Labour under President Nixon

1970 Director of the Office of Management and Budget

1972 Secretary of the Treasury, and later Presidential
Assistant and Chairman of the Council on Economic
Policy

1974 Left government (with Nixon's resignation) to
become executive Vice President and later
President, of the Bechtel Group

1975-82 Part-time faculty member at Stamford University
Graduate School of Business, and a member of the
Board of Directors of General Motors, Dillon Reed
and Morgan Guaranty Trust International Council.

1980 Chairman of President Reagan's Economic Policy
Advisory Board.

1982 Secretary of State.