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S E C R E T SECTION 01 OF 03 LONDON 13545

E.O. 12356: DNG: OADR
TAGS: OVIP (BUSH, GEORGE), UK, US
SUBJECT: VICE PRESIDENT'S MEETING WITH FOREIGN SECRETARY
- HOWE, JUNE 24

1. SECRET - ENTIRE TEXT.

2. THE VICE PRESIDENT DISCUSSED WITH FOREIGN SECRETARY HOWE AT THE FOREIGN OFFICE JUNE 24 EAST-WEST RELATIONS, AFGHANISTAN, POLAND, CENTRAL AMERICA, THE MIDDLE EAST, HONK KONG, THE AIRLINES ANTI-TRUST CASE, AND THE U.S. ECONOMY. OTHER BRITISH PARTICIPANTS WERE FOREIGN OFFICE POLITICAL DIRECTOR SIR JULIAN BULLARD, ASSISTANT UNDER SECRETARIES SIR JOHN LEAHY AND JOHN URE, AND ECONOMIC RELATIONS DEPARTMENT HEAD LEN APPEYAR. OTHER U.S. PARTICIPANTS WERE AMBASSADOR LOUIS, ADMIRAL MURPHY, ASSISTANT SECRETARY RICHARD BURT, ASSISTANT TO THE VICE PRESIDENT FOR NATIONAL SECURITY DONALD GREGG, DEPUTY ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS CHARLES TYSON, AND A/DCM RICHARD MCCORMACK.

3. OPENING REMARKS: THE VICE PRESIDENT SAID HE WAS UP-BEAT ON THE U.S. ECONOMY, WHICH WAS RECOVERING EVEN MORE STRONGLY THAN SOME EXPECTED AND CONTRIBUTING TO A GENERAL FEELING OF OPTIMISM ABOUT THE FUTURE. THE REAPPOINTMENT
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OF VOLCKER HAD BEEN WELL RECEIVED. WE WERE CONCERNED ABOUT INTEREST RATES AND OUR DEFICIT, BUT ON DEFENSE SPENDING WE WERE DETERMINED TO KEEP OUR COMMITMENT TO RESTORE THE MILITARY BALANCE.

4. ON FOREIGN AFFAIRS, THE VICE PRESIDENT NOTED OUR

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CONCERNS ABOUT THE MIDDLE EAST. HABIB WOULD BE RETURNING TO THE AREA SHORTLY. IN CENTRAL AMERICA WE WERE DOING WHAT WAS IN OUR INTEREST AND IN THE INTEREST OF OTHER COUNTRIES CONCERNED WITH PROMOTING DEMOCRACY. WE WERE AWARE OF THE EMOTION ON THIS ISSUE, AND NEEDED TO DO A BETTER JOB IN TELLING OUR STORY. IN THE PACIFIC, OUR RELATIONS WERE BASICALLY GOOD, EXCEPT FOR VIETNAM. WITH CHINA OUR TIES WERE BETTER THAN THE PRESS IMPLIED. IN EAST-WEST RELATIONS, SOME THINK THE PRESIDENT IS TOO HARD-LINE, BUT HE IS NOT. HE IS REALISTIC ABOUT THE SOVIETS AND BELIEVES THEIR POLITICAL BEHAVIOR IS TOTALLY UNACCEPTABLE. BUT HE IS COMMITTED TO ARMS REDUCTIONS. THE OUTCOME OF THE GERMAN AND BRITISH ELECTIONS WERE HELPFUL FACTORS, AND APPEARED TO HAVE CURBED SOME OF THE MORE FLAMBOYANT CRITICISMS OF OUR POLICIES IN EUROPE.

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6. THE VICE PRESIDENT SAID SECRETARY SHULTZ HAD TAKEN SOME FLACK ON THIS STATEMENT. SOME THOUGHT IT TOO HARD, OTHERS TOO SOFT. WHAT IS IMPORTANT NOW IS TO SEE WHAT THE SOVIETS WILL DO. THE SOVIETS ARE SAYING THAT THEY HAVE NO COMMUNICATIONS WITH THE U.S., BUT THAT IS BALONEY. BURT NOTED THAT SECRETARY SHULTZ HAS MET WITH DOBRYNIN TEN TIMES SINCE JANUARY. THE VICE PRESIDENT SAID ANDROPOV HAD TRIED TO EMPHASIZE TO HARRIMAN THAT THERE WAS NO DESIRE FOR DIALOGUE BY THE U.S., AND ARBATOV AND OTHER SOVIETS WERE PUTTING OUT THE SAME LINE.

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8. THE VICE PRESIDENT NOTED THAT LIBERALS IN THE PRESS HAD SEIZED ON THE PRESIDENT'S REFERENCE TO THE "EVIL EMPIRE". BUT WE SHOULD NOT BE UPTIGHT ABOUT THIS, AS SOME ARE. IT WAS MILD COMPARED WITH WHAT THE SOVIETS SAY ABOUT US ALL THE TIME. THE SOVIETS ARE COMING TO REALIZE THAT THE PRESIDENT IS CONSISTENT IN HIS ATTITUDES TOWARD SOVIET BEHAVIOR, AND THEY SHOULD COME TO RECOGNIZE AS WELL HOW DEEPLY HE FEELS ABOUT ARMS CONTROL.

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THE VICE PRESIDENT REVIEWED THE FLEXIBILITY WE HAD SHOWN ON MBFR, START, AND INF. HE SAID THE PUBLIC WILL COME TO APPRECIATE THAT IT IS OUR SIDE THAT HAS SHOWN FLEXIBILITY.

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10. AFGHANISTAN:

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THE VICE PRESIDENT SAID THE PAKISTANI FOREIGN MINISTER YAQUB KHAN HAD SPOKEN ABOUT POSSIBLE SOVIET FLEXIBILITY WHEN HE VISITED WASHINGTON; BUT WHEN HE WENT TO MOSCOW HE FOUND THERE WAS NONE THERE. BURT NOTED THAT A RECENT EXCHANGE OF LETTERS WITH GROMYKO WAS DISAPPOINTING: GROMYKO SIMPLY STRESSED

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AGAIN OUTSIDE INTERFERENCE.

11. POLAND:

[REDACTED]

THE VICE PRESIDENT COMMENTED ON THE GENUINE LONGING FOR FREEDOM EVIDENT DURING THE POPE'S VISIT, BUT SAID IT REMAINED TO BE SEEN WHETHER THIS WOULD RESULT IN ANY FURTHER LIFTING OF THE MEASURES IMPOSED IN CONNECTION WITH MARTIAL LAW.

12. U.S. DEFICIT:

[REDACTED]

WHILE NOTING THE RECENT UPTIC IN THE FEDERAL HOUSING MORTGAGE INTEREST RATE, THE VICE PRESIDENT SAID THE ADMINISTRATION CAN TAKE CREDIT FOR HAVING BROUGHT INTEREST RATES SO FAR DOWN FROM THE 21 PERCENT PRIME RATE THAT IT FOUND WHEN TAKING OFFICE. THE POLITICAL SEASON WAS COMING ON IN THE UNITED STATES AND THE DEBATE ABOUT HOW TO BRING THE DEFICIT DOWN WOULD BE INTENSE. TIP O'NEILL WANTED TO CAP THE THIRD TAX CUT, BUT THE ADMINISTRATION DID NOT THINK THIS WAS THE WAY TO GO.

[REDACTED]

DESCRIBING THE PROPOSED STAND-BY TAX, THE VICE PRESIDENT SAID THERE WAS NO GREAT ENTHUSIASM FOR THIS MEASURE, WHICH WOULD LIKELY FACE A JUGGERNAUT IN THE HOUSE. THE

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DEBATE HAD EVOLVED SOMEWHAT IN THE U.S., HE SAID, AND NO ONE ARGUES ANY MORE THAT DEFICITS AND INTEREST RATES

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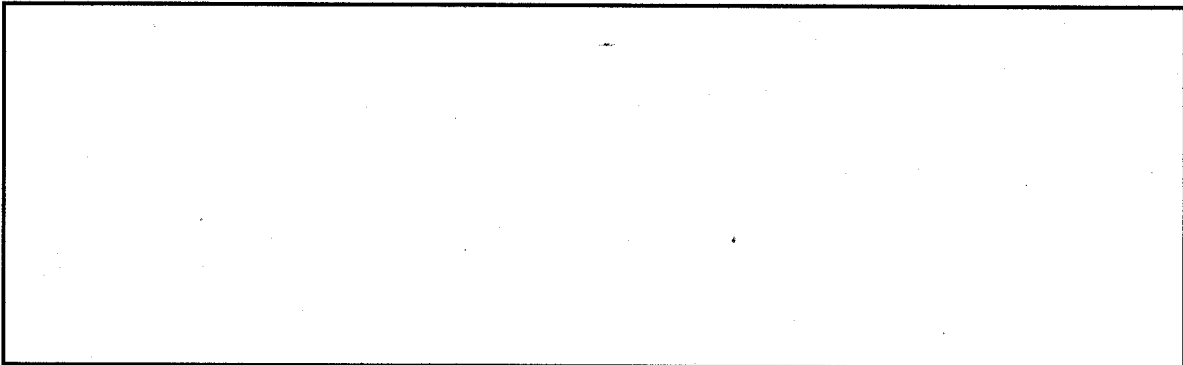
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DO NOT MATTER.

13. CENTRAL AMERICA: NOTING THAT THREE-QUARTERS OF OUR ASSISTANCE TO THE AREA IS ECONOMIC AID, THE VICE PRESIDENT SAID WE HAD TO DO A BETTER JOB IN EXPLAINING OUR EFFORTS TO FOSTER DEMOCRACY AND ECONOMIC REFORM. WE HAD AN ENORMOUS PUBLIC RELATIONS PROBLEM. HOWE RECALLED THAT, WHEN THE PRESIDENT VERY EFFECTIVELY EXPLAINED U.S. POLICIES ON THE LAST DAY OF THE WILLIAMSBURG CONFERENCE, TRUDEAU HAD ASKED WHY, IF OUR CASE WAS SO GOOD, THE U.S. PUBLIC DOES NOT ACCEPT IT. THE VICE PRESIDENT SAID IT IS BECAUSE OF THE VIETNAM SYNDROME, WHICH HAS TWO ASPECTS. ON THE ONE HAND NO ONE WANTS TO SEND IN U.S. TROOPS OR TO HAVE U.S. YOUNGSTERS KILLED. ON THE OTHER HAND WE DO NOT WANT TO END UP WITH A SITUATION, LIKE THAT IN VIETNAM, WHERE WE PULLED OUT AND THE VIETNAMESE BROKE THEIR COMMITMENTS, TOOK OVER LAOS AND CAMBODIA, CREATED A MASSIVE REFUGEE PROBLEM, AND TURNED THEIR OWN COUNTRY INTO A BASKET CASE.



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[REDACTED]
[REDACTED] IN RESPONSE TO HOWE'S QUERY; THE VICE PRESIDENT SAID WE BELIEVE THERE MIGHT BE SOME POSSIBILITY FOR PROGRESS THROUGH CONTADORA GROUP EFFORTS, ALTHOUGH THAT SEEMED TO LACK THRUST. HE WAS LOOKING FORWARD TO DISCUSSING THIS MATTER IN SCANDINAVIA, WHERE THE SWEDES SEEMED TO THINK THEY KNEW ALL ABOUT IT. HE WAS GOING TO MAKE SURE THE SWEDES UNDERSTOOD THE IMPORTANCE OF U.S. INTERESTS IN THE AREA, WHICH WAS CLOSER TO TEXAS THAN TEXAS WAS TO NEW YORK.

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15. ON BELIZE, THE VICE PRESIDENT ASKED WHETHER THE BRITISH WOULD MAINTAIN THEIR MILITARY PRESENCE, NOTING THAT PREMIER PRICE HAD RECENTLY TOLD THE VICE PRESIDENT HE HOPED THAT THE BRITISH WOULD STAY.

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16. MIDDLE EAST: [REDACTED]

[REDACTED] NOTING THAT HABIB WOULD BE RETURNING TO THE AREA, THE VICE SECRET

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PRESIDENT SAID WE HAD THREE OBJECTIVES IN LEBANON: THE WITHDRAWAL OF ALL OUTSIDE FORCES, THE RECONSTRUCTION OF THE COUNTRY, AND SOME GUARANTEE ABOUT ISRAELI SECURITY IN NORTHERN GALILEE. WE WERE NOT ENTHUSIASTIC ABOUT A PARTIAL WITHDRAWAL, AND OUR PUBLIC WAS CONCERNED ABOUT INVOLVING OUR MARINES IN A CONTINUING COMMITMENT IN THE AREA.

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17. AS TO THE WEST BANK THE VICE PRESIDENT SAID WE WERE NOT ABANDONING THE REAGAN INITIATIVE; AT THE SAME TIME THE STALEMATE ON WITHDRAWALS FROM LEBANON AND THE INCREASE IN SETTLEMENTS ON THE WEST BANK MADE PROGRESS DIFFICULT. THE VICE PRESIDENT BELIEVED HOWEVER, THAT WE SHOULD NOT UNDERESTIMATE THE SHIFTS IN PUBLIC OPINION IN ISRAEL REGARDING WEST BANK SETTLEMENTS AND CONTINUED OCCUPATION OF LEBANON.

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[REDACTED] THE VICE PRESIDENT SAI THE SAUDIS APPEAR TO BELIEVE THEY UNDERSTAND WHAT THE SYRIANS WANT. ASSAD WAS STILL MAINTAINING

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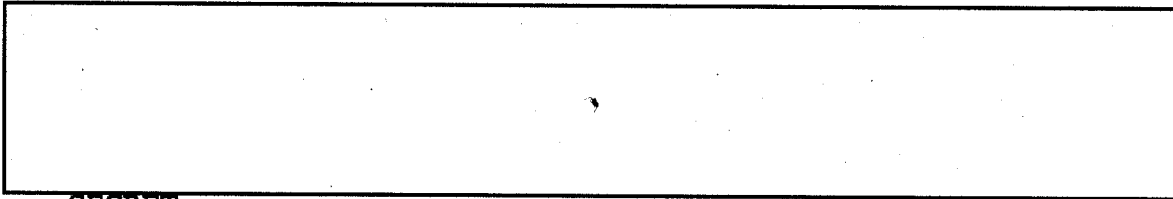
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THAT HABIB HAD BROKEN HIS WORD SINCE THE ISRAELIS HAD
MOVED FORWARD AFTER THE CEASEFIRE IN JUNE 1982. BEGIN
CLAIMED THAT THE CEASEFIRE HAD NOT MEANT A CEASEFIRE
IN PLACE.




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 THE VICE PRESIDENT SAID OUR
RELATIONS WITH CHINA WERE BETTER SINCE OUR DECISION ON
TECHNOLOGY TRANSFER. THE CHINESE THOUGHT WE HAD BROKEN
OUR WORD ON THIS ISSUE. WE HAD DRAGGED OUR FEET, THE
PROBLEM HAD GOT CAUGHT IN OUR BUREAUCRACY, AND THE
CHINESE HAD TAKEN HIGH LEVEL INTEREST IN IT. ON TAIWAN
THE CHINESE REMAIN SUSPICIOUS AND DO NOT ACCEPT THAT WE
INTEND TO LIVE WITH THE TAIWAN RELATIONS ACT. AS TO THE
TENNIS PLAYER WHO DEFECTED, THE CHINESE CHALLENGED US
ON THE WRONG ISSUE --ONE WHERE WE WOULD NOT BACK DOWN.

19. AIRLINES ANTI-TRUST CASE: 

 THE VICE
PRESIDENT NOTED THE SERIOUSNESS OF THE ISSUE AND SAID IT
WAS IMPORTANT THAT BOTH SIDES KEEP IT UNDER CONTROL.
LOUIS

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