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THE SECRETARY OF STATE
WASHINGTON

January 16, 1984

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Dear Margaret:

Thanks so much for taking your time with me, especially on a Sunday. The President and I value your counsel greatly. The opportunity for a lengthy exchange with you and Sir Geoffrey was therefore most welcome.

I look forward to talking with you again soon.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Shultz".

George P. Shultz

The Right Honorable
Margaret Thatcher, M.P.,
Prime Minister,
London.

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10 DOWNING STREET

From the Private Secretary

16 January, 1984

VISIT OF MR. SHULTZ

I enclose a record of the conversation between the Prime Minister and Mr. Shultz at No. 10 Downing Street yesterday at which, as you know, the Foreign and Commonwealth Secretary was present.

There are references in the record to a recent document on the internal situation in the Soviet Union which the Prime Minister has received from the Reverend Michael Bordeaux of Keston College. This was received here on Friday. I shall let you have a copy separately and also, as the Prime Minister promised, let the US Embassy have a copy.

I also enclose a copy of a letter from President Reagan to the Prime Minister which Mr. Shultz handed over. The Prime Minister would like to reply, commenting on the President's speech today on East/West Relations. I should be grateful if you would let me have a suitable draft early this week.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office). I should be grateful if you and they would ensure that it is not circulated further except to those who need to know, for operational reasons, of the contents of the Prime Minister's discussion with Mr. Shultz.

AJ COLES

B. Fall, Esq.,
Foreign and Commonwealth Office

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE US
SECRETARY OF STATE AT 1705 HOURS ON SUNDAY 15 JANUARY 1984 AT
10 DOWNING STREET

<u>Present:</u> Prime Minister	Mr. Shultz
Foreign and Commonwealth Secretary	US Ambassador
Sir Antony Acland	Mr. Burt
Mr. Coles	Admiral Howe

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The Prime Minister enquired about the health of President Reagan, Vice President Bush and Mr. Weinberger. Mr. Shultz said that all were well and that they were preparing for the election campaign. The President would announce his intentions on 29 January. The presumption was that he would declare his intention to stand.

The President believed that the best way to get re-elected was to do the best possible job for his country. He had not wanted to be a declared candidate at the time when he gave the State of the Union message on 25 January.

In the Democratic camp, the financial and other support was going to Mr. Mondale. But he still had to face the first moment of truth at the ballot box.

The Prime Minister said that the Western world would benefit from continuity in the United States. She understood that President Reagan was to make an important speech on East/West relations on 16 January. Mr. Shultz said that President Reagan had asked him to hand the Prime Minister a copy. Although the speech would be delivered at 1000 US time tomorrow, if the Prime Minister had a major point to make he was sure that the President would be glad to hear of it. He had also brought for the Prime Minister a copy of the report of the Kissinger Commission on Central America.

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The Prime Minister said that her impression from summaries of the report was that it had been designed to command bipartisan support. The temptation, when one could not find a real answer for problems, was to throw money at them. Mr. Shultz said that he had told Dr. Kissinger that he now understood the latter's solution for Central America - it was to buy it. But the report was very constructive in that it had secured the assent of major figures from the Democratic Party who now recognised the importance of US policies in the area.

The Prime Minister recalled that on her first visit to the United States after the election of President Reagan she had had to spend more time in her television broadcasts on El Salvador than on any other subject. Its importance was not then appreciated. Mr. Shultz said that the Administration would have to work very hard to get the report through Congress. The proposal for aid of \$8 billion over five years for Central America was at first sight very striking. But given that the present level of aid was \$850 million a year, the increase was not all that large. There was considerable uncertainty as to what would happen in Guatemala. In El Salvador, provided the next elections were carried out successfully and the new Government took firmer action in the justice field, then the US would be on very sound ground to apply pressure in that country. The Prime Minister commented that El Salvador was indeed critical. She had been struck by Napoleon Duarte's comment to her some months ago that if democracy did not produce results next time, in the sense of progress in dealing with violence and guerilla activity, the people of El Salvador would lose all faith in it as a political system. Mr. Shultz said that he expected the turn-out in the Presidential elections in El Salvador to be smaller than on the last occasion, precisely because faith in democracy was on the wane. It was not certain that Duarte would win the election. D'Aubuisson was a strong figure. Some asked what the American attitude would be if he won. The reply had to be that if he won clearly in a fair election then he had to be supported in the hope that he would pursue a policy of reconciliation. In the same way, if Duarte won, he would have to seek the support of the right wing. The Prime Minister suggested that there would need to be sufficient observers to ensure that the election was fair. Mr. Shultz said that there was no doubt

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that there would be plenty of unofficial observers from the United States.

Taking up Mr. Shultz's reference to Guatemala the Prime Minister recalled that during her last visit to Washington she had informed President Reagan that we would leave the British troops in Belize until both he and the Prime Minister of Belize had fought their elections. But we then had to consider how best our contribution to the whole area of Central America and the Caribbean could be organised. Belize wanted British troops to stay and she had been told that Guatemala wanted them to stay for if our troops withdrew the Government of Guatemala would come under pressure to move into Belize which it did not want to do. Mr. Shultz said that occasionally he felt that something constructive was happening on the border dispute but he was not aware of any significant activity at present. The Prime Minister repeated that, following ^{the elections} /to which she had referred, we should wish to look, together with the United States, at the shape of our contribution to the whole area. Mr. Shultz replied that he understood that.

Sir Antony Acland asked whether the \$8 billion package of aid recommended for Central America by the Kissinger Commission included aid for Belize. Mr. Shultz said that he was not certain what the answer to this was. It was important not to lose sight of the Caribbean basin initiative which enabled some of the countries in the area to enter United States markets. His own approach was to try to create incentives for the peoples of the area to save and work. This was preferable to an approach based on aid. But the fact was that the infrastructure in Central America had been very badly mauled and help was needed to restore it. That was the concept of the Kissinger report.

The Foreign and Commonwealth Secretary said that there was a certain lethargy in the area. The Prime Minister of St. Lucia had said in New Delhi that the West Indians were sometimes criticised for living on a diet of rum, bananas and West Indian music. But that was the way they had chosen to live and they had expected to be able to continue to pursue this way of life peacefully. This was partly why events in Grenada had upset them. The

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/ Prime Minister

Prime Minister recalled that the Prime Minister of the Bahamas had made the perceptive remark at New Delhi that if small countries could not make adequate arrangements for their defence, this raised a question as to their right to be independent.

As the former imperial powers had withdrawn from their earlier areas of influence, so underlying conflicts had emerged. Examples were Palestine, India, Africa and the Gulf. The potential for conflict was considerable. This was one reason why we were now looking at the problem of small states e.g. in the Pacific. It was fortunate that we still retained islands of strategic importance such as Ascension and Diego Garcia. These must be retained. The Foreign and Commonwealth Secretary pointed out that all these small states were liable to be hijacked by small groups of people. That was the problem which we were studying.

The Prime Minister observed that if circumstances arose in which the Panama Canal and the Suez Canal were closed, the West would be dependent on the routes around the Cape of Good Hope and Cape Horn. This was one of the factors which had influenced our thinking on the Falkland Islands which had been of strategic importance on three occasions in our history. Following Grenada, we could no longer leave the fate of small islands to chance. We needed to consider what arrangements could be made for them with the participation, as appropriate, of Australia, Canada, Britain and the United States. It was in this context that we should need to consider the future of the British military presence in Belize.

Mr. Shultz said that the comment made by the Prime Minister of the Bahamas and quoted by the Prime Minister above was indeed striking. Sir Antony Acland pointed out that Mr. Pindling would be the host for the next CHOGM when the security of small states could be expected to be a prominent item of discussion.

Turning to the Middle East, the Prime Minister said that she was worried by the domestic political situation in the Lebanon. The Multi-National Force could not be withdrawn unless satisfactory alternative arrangements were made. For this would lead to the

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most terrible slaughter. She had been surprised by some of the comments made by US Senators, including Senator Percy though she noted that he claimed not to have been accurately reported. Mr. Shultz said that Senator Percy appeared never to be wholly accurately reported. Senator Tower and Warner, on their return from the Middle East, had stated that it was critical that the MNF should not pull out of the Lebanon. The pendulum of opinion was now beginning to swing in the United States. Mr. Mondale was being accused of endorsing the "cut and run option". The President had stood very firm throughout all this clamour.

The Prime Minister stated that, while the MNF should not withdraw prematurely, it could not stay indefinitely nor should its presence be used as an excuse for not making progress with reconciliation. The power of Syria in the present situation was very evident. The Foreign and Commonwealth Secretary had just had very interesting talks with President Assad. The Foreign and Commonwealth Secretary said that the main point which had emerged from these talks was Syria's ability to prevent the reconciliation process moving forward. They maintained that no progress could be made until the 17 May Agreement had been abrogated. Mr. Shultz said that he had told Sir Geoffrey Howe that there was a direct relationship between Syrian aggressiveness and the sense of commitment on the part of the MNF. The firmer we were, the readier the Syrians were to talk and make compromises. So it was most important that we should continue to display steadfastness. Assad was fond of claiming that the MNF was short of breath and could not stay long. The Foreign and Commonwealth Secretary agreed that the Syrians believed that they could wait until the MNF was forced to withdraw. That was why we had recently stated publicly that the MNF could not go, leaving a vacuum behind. But it was urgent to find a way forward. The Prime Minister said that a further tragedy involving the MNF could produce a new political situation in the country affected. We ourselves, through the patrolling and guarding activities of the British contingent, had quite a high profile in Beirut. Some might conclude that the best way of hastening the departure of the MNF was to attack the British contingent. We needed an understanding as to when we should make an approach to the United Nations. The UN Secretary General could

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not make a move without a request from the Lebanon. So perhaps we ought to bring pressure to bear on President Gemayel. Mr. Shultz stated that the question of whether the MNF could be deployed less vulnerably was being discussed in Washington. Mr. Weinberger was giving this matter much attention. The United States Marines were now more secure than at the time of the tragic bomb attack. The Foreign and Commonwealth Secretary commented that President Assad pointed to this as part of a process by which the MNF increasingly withdrew into bunkers. The Prime Minister said that the reasons for maintaining the MNF were very clear. But, as she had said, it was equally clear that a further attack could transform the situation. (this would be especially true as the United States election campaign got under way). Some action would then have to be taken. At present, she could think only of a rapid resort to the United Nations. She was aware of Soviet and Syrian opposition to a United Nations force but they might find it hard to veto a suitable Resolution. The Foreign and Commonwealth Secretary commented that it might be hard to secure a Lebanese request for a United Nations force; and in practice it was very difficult to define a UN role sufficiently close to the existing MNF role. But the Syrian attitude towards the 17 May Agreement remained the dominant obstacle. The Prime Minister asked what would bring about a change in the Syrian attitude - stick or carrot? The Foreign and Commonwealth Secretary replied that the only thing which the Syrians wanted and which we could give was MNF withdrawal; but for us that meant the insertion of a UN force. If there was to be any chance of achieving this, we would have to handle the Syrians carefully with respect to the 17 May Agreement.

Mr. Shultz said that he was sure that the Israelis did not wish to maintain a military presence, on the present scale, in the Lebanon.

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The Prime Minister said it was her impression that the Israelis would wish to stay in the area which dominated the road to Damascus but pull back elsewhere. Mr. Shultz observed that the most likely area for Israeli withdrawal was in that part of Southern Lebanon which adjoined the coast. But the Israelis would insist that the Lebanese armed forces demonstrated their capacity to maintain stability in the areas evacuated by the Israelis. The latter might also insist on the right to carry out patrols through these areas in order to check that stability was being maintained. Before the 17 May agreement was lightly cast aside, people should recall that the Lebanese had insisted during the negotiations that Israel should give up the right of patrolling; consequently, provision had been made for joint Lebanese/Israeli patrols under Lebanese direction. If the agreement was now abrogated, the Israelis would again insist on their right to patrol. There was more positive material in the 17 May agreement than met the eye. Although he took a certain satisfaction from that agreement, it could be changed if the parties wished this. But they would be wise to think carefully about changes - the agreement contained many hard won gains. It should also be noted that the Syrian attitude to the agreement fluctuated. Sometimes they wanted it abrogated, sometimes set aside. The Saudi Arabians objected not to the security provisions but to the normalisation arrangements - the latter, in their view, should not apply before the end of Israeli occupation. The Saudi objections could therefore be met by an understanding that the normalisation provisions would apply only after Israeli withdrawal.

The Prime Minister enquired whether the Lebanese armed forces were capable of keeping order in areas evacuated by the Israelis? Were the coastal areas not predominantly Shi'a? Mr. Shultz replied that the approach adopted when working out the 17 May agreement still made sense. This was that such areas should be policed by troops recruited from the local population. The Israelis had favoured this, partly because they thought that they could exercise influence on people who came from the border areas. But the device made sense in itself.

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Since the visit of the Israeli Prime Minister to Washington, Israel had been more constructive than people realised. Three examples. President Gemayel had told the Americans that his most urgent requirement was the lifting of the siege of Deir El Qamar; the Israelis had been approached and had made the necessary arrangements. Secondly, at American bidding they had undertaken not to interfere with the departure of Arafat from Tripoli. Thirdly, again in response to a request, the Israelis had allowed most if not all the relevant West Bankers to return to the reconvened Jordanian Parliament.

If stability could be restored in the Lebanon, then the UN could be asked to send in troops. But UN forces could not sensibly be asked to enter a situation of turmoil. The Prime Minister commented that she had turned Parliamentary opinion round once and would doubtless have to tackle the matter again next week. The MNF could not stay indefinitely and we should now consider the next steps. It was good that Arafat had left Tripoli and that the Israelis had shown helpfulness over the Jordanian Parliament. She was worried about the health of King Hussein who was more tense than he appeared. It was essential for him to make progress on the Palestinian problem. He had opened up one option by recalling the Parliament.

The Foreign and Commonwealth Secretary said it would be helpful if Arafat could bring about a regrouping of moderate Arab opinion. Agreeing, the Prime Minister observed that it would be easier for us if Arafat represented not the PLO but the Palestinian people.

Mr. Shultz said that Mr. Rumsfeld would be returning to Washington towards the end of next week. He wished to visit each of the MNF capitals en route and would also go to the United Nations.

The Prime Minister said that the situation in Cyprus was disturbing. Mr. Shultz commented that he hoped we would get it sorted out. The Prime Minister stated that much of the trouble

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was due to the way in which the Greek Cypriots had treated the Turks earlier. The Greeks were refusing to take part in tripartite consultations until UDI was reversed. Turkey was of much more importance to us than Greece strategically. President Kyprianou would be visiting London next week. The Foreign and Commonwealth Secretary said that the UN Secretary-General was more likely than anyone else to be a helpful influence in Cyprus. Mr. Shultz commented that he was worried about the Cyprus situation but also about its impact on US ability to maintain its substantial aid programme to Turkey. He asked whether the United Kingdom was able to station troops in Cyprus if it wished to (sic). The Prime Minister replied that we had major sovereign bases there

Passage deleted and retained under Section 3(4) (Wayland, 25 July 2014)

The Prime Minister said that we did not wish to be saddled with the role of moderator in the Cyprus problem. We had to remember the strategic implications and work patiently to keep Greece and Turkey with us. Sir Antony Acland observed that the Greeks and the Greek Cypriots would be well advised to make the best of the small gestures which Turkey had made. These were not enough but it was foolish not to build upon them. Kyprianou's recent proposals for a global arrangement seemed to be a recipe for stalemate.

Turning to East/West relations, the Prime Minister said that the Russian attitude had not changed substantially. The Soviet system was rigid. There was no possibility of fundamental political change. The Russians would not give way much in negotiation. Nor had they changed their overall objective. So we must be wary. She had just read a most interesting document supplied by the Reverend Michael Bordeaux which reported that much of the propaganda on Soviet television now stressed the dangers of war and fears of war - to such an extent that even some of the dissidents were now worried. The same report had said that internal oppression was becoming worse.

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But we had to take into account our own public opinion. It was a constant fear that through lack of contact some development would occur which could otherwise have been prevented. Hence the need for dialogue. This had to be realistic. Expectations should not be unduly aroused. But even a slight improvement in the present situation would be worthwhile. So we must find ways of talking regularly to the Soviet Union and not just at international conferences. The Foreign and Commonwealth Secretary would be inviting Gromyko to London or visiting him in Moscow - and she left it to Sir Geoffrey Howe to decide which. But the need for regular and wide-ranging contact was clear because things were getting worse, as illustrated by the report to which she had referred and which she would copy to the Americans.

Mr. Shultz said that President Reagan would incur a lot of criticism because of the speech he would be making on East/West relations on 17 January. But the President felt he must make this speech. With regard to the Soviet propaganda about war to which the Prime Minister had referred, the American impression was that this had backfired. The Soviet population and some Eastern European countries had been so alarmed that the Soviet Government had had to back-pedal. The Prime Minister's visit to Hungary would be very valuable. As to Gromyko, it would be better for the Foreign and Commonwealth Secretary to go to Moscow rather than hold his talks in London. In Moscow, he could see other Soviet leaders.

The Prime Minister said that she thought that the Soviet Government must be in some difficulty in presenting its policies internally. It had hijacked the word peace and had then walked out of the arms control negotiations. She felt that we needed a general understanding at the level of the Soviet leadership - this would recognise that each side had its own way of life and that it was in the interest of both to get together and talk. She did not believe that much could be done at present to change Soviet society. So far as internal affairs were concerned, technology was on the side of the oppressor. If the Russians thought that we aimed to change their political system, they would clamp down and refuse a dialogue. But having educated a

whole society they would in due course come to find that the system was being questioned - and not just by dissidents. Another objective should be to help the East European countries to stay as free as possible. We in the West were now able to promote a dialogue because we operated from strength.

Mr. Shultz said that the President felt that the West should make a determined effort to talk to the Soviet Union. His conditions for such a dialogue were that the West should be strong, should be realistic and should not shade the truth to please the Russians. In his speech he would be telling his Administration and his right-wing supporters, who would not like it, that this was his approach. He (Mr. Shultz) had personally briefed Dobrynin about the speech and given him an advance copy. So the Soviet reaction would be interesting - they would have had the chance to prepare it. The President had thought it right to make the speech prior to Mr. Shultz's meeting with Gromyko on 18 January. The speech would refer to Soviet non-compliance with arms agreements and point out to the Soviet Union the need for the West to feel that agreements would be kept. But the President would also say that the results of the non-compliance review were not an occasion for walking out of the arms talks.

The Prime Minister commented that we were more likely to make progress on arms control agreements if there was a broader dialogue between East and West. Mr. Shultz said that the President would be referring not just to arms control problems but to regional matters, to human rights and to the need for the Soviet Union to take some constructive action to prevent a repetition of the KAL disaster. He would emphasise the merits of constructive dialogue, peaceful deterrence and constructive competition. If success were achieved by this approach, it would be because the actual dialogue was conducted privately. This was difficult for the democracies but important for the Soviet Union. The Prime Minister said that she hoped that the Soviet response would be constructive. Even if only a little progress was made, she would judge this a considerable success.

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In conclusion, Mr. Shultz said that the President would value the Prime Minister's reactions to his speech, any suggestions she might have for following it up and her impressions of her visit to Hungary.

The discussion ended at 1850.

A. J. C.

16 January 1983