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From the Private Secretary

5 November 1984

**MEETING BETWEEN THE PRIME MINISTER AND SECRETARY SHULTZ AT
THE BRITISH HIGH COMMISSIONER'S RESIDENCE IN NEW DELHI
AT 2200 HOURS ON SATURDAY 3 NOVEMBER 1984**

Secretary Shultz called on the Prime Minister in the British High Commissioner's Residence in New Delhi on 3 November. He was accompanied by Senator Baker, Senator Moynihan, Mr. Burt (Assistant Secretary for European Affairs) and Mr. Hughes (State Department spokesman). Mr. Ingham and I were also present. It was agreed that no notes would be taken. This letter therefore reconstructs the conversation from my memory.

The Prime Minister said that she was very glad that Secretary Shultz had come to India for Mrs. Gandhi's funeral and hoped that he would establish a good relationship with Rajiv Gandhi. She believed that Rajiv Gandhi was distinctly to the right of his mother, though his freedom of manoeuvre would be circumscribed particularly in the early months. His succession was an opportunity for the West as a whole to improve its relations with India and she hoped that the United States would take advantage of this. The Prime Minister went on to give a brief account of her talks with President Zia. Secretary Shultz commented that he had complained forcefully to Tikhonov about Soviet innuendoes of American involvement in Mrs. Gandhi's assassination. Tikhonov had denied it, but then said surlily that the Russians would stop doing what they were not doing anyway.

The Prime Minister complimented Secretary Shultz warmly on his recent speech on terrorism. This had raised important issues as to how far certain activities could be permitted in a democratic society. Secretary Shultz said that he believed there was scope for much wider and more effective international cooperation against terrorism. The aim should be to pre-empt terrorist actions. He cited as

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an example the FBI's recent arrest of a number of Hondurans in Florida who had been planning a coup in Honduras and the murder of the President.

The Prime Minister said that it was an important moment in East/West relations. She had welcomed the way in which the US Administration had handled Gromyko's visit to Washington. She thought that there was an opportunity, if the West was patient, to get back into serious negotiations with the Russians. But it was hard to know what was going on within the Soviet leadership. For instance, it seemed from some reports that Gorbachev was slipping down the hierarchy. There were also the constraints of the Soviet system itself.

Secretary Shultz agreed generally with this analysis. The very fact that one had to rely on where people stood in photographs for analysis of the Soviet leadership showed how little was really known about what went on in the Soviet Union. He had recently made a speech on the management of US/Soviet relations which he believed could apply equally to UK/Soviet relations. He saw a need for more equilibrium, avoiding unrealistic threats to break relations altogether in response to particular Soviet actions as well as unnecessarily sensational treatment of minor advances. He looked forward to discussing the subject in detail with Sir Geoffrey Howe. Senator Moynihan interjected that it was important to recognise that the Soviet system was in decline. The Prime Minister said that she agreed that the Soviet economic system was in decline but one had to recognise that Soviet Communism was here to stay. It had been established longer in the Soviet Union than had universal suffrage in Europe and the United States. There was no point in deluding ourselves about its permanence. But she agreed with Secretary Shultz about the management of relations with the Soviet Government.

In response to an invitation from Secretary Shultz, the Prime Minister outlined her views on the prospects for disarmament, and particularly the question of weapons in outer space. Evidence had mounted over several years of a major Soviet research effort in the field of lasers and particle beam weapons. It was important for the United States to match this effort. American success earlier this year in intercepting and destroying an incoming nuclear warhead had been a sharp reminder to the Russians of American technological superiority. She thought that, taken with President Reagan's so-called Star Wars speech, it had come as quite a shock to them.. The Strategic Defence Initiative offered the West useful leverage in other nuclear arms control negotiations.

At the same time, one had to be realistic. There was no serious likelihood of developing the technology to the point when nuclear weapons could be made redundant. An attempt to achieve this would only mean that, after incurring massive expenditure, both sides would find themselves once again in a situation of balance though at higher cost. She believed, therefore, that this was a good moment to probe the Russians to see whether progress could be made on disarmament. She thought that once the new US Administration had settled down after the elections, say by next spring, they might find the Russians ready for negotiations.

The Prime Minister continued that we had prepared a paper on these issues. But we were aware that American knowledge and technological capacity in this area was much higher than our own and had therefore not sought to press our views upon them. Probably the Americans would have thought of all the aspects which had occurred to us. None the less it would be helpful to have bilateral discussions. Secretary Shultz welcomed this. Although the Americans would say that they had thought of all the points which occurred to us, it would not necessarily be true.

The Prime Minister continued that it was important to take account, too, of chemical weapons. She was curious about Russian motives in being ready for negotiations in this area given that they had superiority. She herself thought that, if serious negotiations were to be engaged, it would be necessary for the Americans to update their chemical weapons capability. Secretary Shultz said that the problem was to get the necessary funds through Congress.

Secretary Shultz continued that he had found what the Prime Minister said extremely interesting. He thought it would be an excellent idea to hold a small seminar between the two Governments at the highest level, that is the Prime Minister and the President, himself and the Secretary of State early in the life of the new US Administration. This could thrash out these and similar issues. The Prime Minister said that she would welcome this. Both she and President Reagan would be into a second term and it would be a good time to take stock. The seminar should be kept extremely small. It would also be essential to have papers prepared in advance to focus discussion.

The Prime Minister said that she hoped that the new US Administration would give urgent attention, after the elections, to a new initiative on the Middle East. This was widely expected and was essential if King Hussein were to be brought back into the peace process. He was depressed about the prospects but had taken an important step by restoring relations with Egypt. Secretary Shultz took note

of this but wondered whether there was really material to constitute a significant new initiative.

The Prime Minister said that she had declined to send observers to the Nicaragua elections since they were clearly going to be a sham. She had been put out to discover that a small number of British parliamentarians were going as observers. Secretary Shultz applauded the Government's decision.

At the end of their discussion, the Prime Minister took Secretary Shultz aside to stress the great importance to the UK of reaching a settlement in the Laker case. The Department of Justice must avoid prosecutions. Secretary Shultz nodded but made no comment.

I am sending copies of this letter to Richard Mottram (Ministry of Defence) and to Richard Hatfield (Cabinet Office). I should be grateful if it could be shown only to those with a strict need to know.

(C.D. POWELL)

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Foreign and Commonwealth Office.