

SECRET

RELEASED IN FULL

PAGE 01 LONDON 13204 01 OF 03 101658Z
ACTION NODS-00

INFO LOG-00 ADS-00 /000 W
-----161163 101701Z /41

O 101653Z JUN 85
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 2415

S E C R E T SECTION 01 OF 03 LONDON 13204

NODIS

DECAPIOTED

FOR S/S AND EUR ASSISTANT SECRETARY BURT

E.O.12356: DECL: OADR
TAGS: PREL, OVIP (SHULTZ, GEORGE), UK
SUBJECT: THE SECRETARY'S MEETING WITH PRIME
- MINISTER THATCHER, JUNE 7

1. SECRET - ENTIRE TEXT.

2. SUMMARY: PRIME MINISTER THATCHER AND THE SECRETARY REVIEWED THE MIDDLE EAST, SALT II, EAST/WEST RELATIONS AND ECONOMIC ISSUES DURING THEIR MEETING AT DOWNING STREET JUNE 7. THATCHER SAID THAT WHEN SHE SAW HUSSEIN EARLIER IN THE DAY, HE HAD PRESSED HER TO ACCEPT A VISIT TO THE UK BY A JORDANIAN/PLO DELEGATION, BUT THAT SHE WANTED TO RESPOND IN A WAY THAT WOULD NOT JEOPARDIZE MURPHY'S EFFORTS. THE SECRETARY AGREED, COMMENTING ON THE POLITICAL REALITIES IN ISRAEL AND ISRAELI FEARS THAT ONCE THE PLO ACHIEVED LEGITIMACY, IT WOULD LOSE INTEREST IN DIRECT NEGOTIATIONS; HE NOTED THE NEED TO MOVE HUSSEIN AWAY FROM HIS INSISTENCE ON AN INTERNATIONAL CONFERENCE. THATCHER ARGUED IN FAVOR OF ABIDING BY SALT II. THE SECRETARY SAID THE US TOOK A VERY
SECRET

SECRET

PAGE 02 LONDON 13204 01 OF 03 101658Z

SERIOUS VIEW OF SOVIET BREACHES OF ARMS CONTROL AGREEMENTS. THE SECRETARY REVIEWED PROSPECTS FOR FURTHER MEETINGS WITH GROMYKO AND FOR A SUMMIT. AMBASSADOR PRICE AND ASSISTANT SECRETARY BURT ALSO ATTENDED THE MEETING.

WE UNDERSTAND THAT ASSISTANT SECRETARY BURT, WHO HAS NOT SEEN THIS MESSAGE, IS ALSO PREPARING A REPORT ON THE SECRETARY'S MEETING WITH THATCHER.
END SUMMARY.

**REVIEW AUTHORITY: Robert Homme, Senior
Reviewer**

MIDDLE EAST

3. THATCHER SAID THAT SHE HAD BEEN GRATEFUL FOR PRESIDENT REAGAN'S MESSAGE ABOUT HIS MEETING WITH KING HUSSEIN. SHE HAD FOUND THE TONE OF THE MESSAGE RATHER OPTIMISTIC. SHE HAD ALSO FOUND THE KING MUCH ENCOURAGED BY HIS VISIT. NOTING THAT SHE HAD MET SHAMIR AND THEN HUSSEIN, THATCHER SAID THAT HUSSEIN HAD PRESSED HER TO ACCEPT A VISIT TO THE UK BY A JORDANIAN/PLO DELEGATION IN ADVANCE OF MURPHY'S MEETING WITH A JORDANIAN/PALESTINIAN DELEGATION IN AMMAN. THATCHER HAD TOLD HUSSEIN THAT THIS WOULD REQUIRE CAREFUL THOUGHT; THOSE WHO TOOK PART WOULD HAVE TO BE READY PUBLICLY TO ACCEPT UN RESOLUTIONS 242 AND 338; THEY MUST ALSO HAVE PUBLICLY REJECTED TERRORISM. THATCHER WAS PARTICULARLY CONCERNED ABOUT THE TIMING OF ANY VISIT. IT SEEMED TO HER A SECOND STEP RATHER THAN A FIRST; AND TAKING IT NOW MIGHT JEOPARDIZE THE FIRST STEP, MURPHY'S MEETING WITH A JORDANIAN/PALESTINIAN DELEGATION IN AMMAN.

SECRET

SECRET

PAGE 03 LONDON 13204 01 OF 03 101658Z

4. THE SECRETARY SAID THAT HE THOUGHT THAT THE PRIME MINISTER WAS RIGHT. HUSSEIN HAD NEVER MENTIONED THIS PARTICULAR STEP DURING HIS DISCUSSIONS IN WASHINGTON. HIS FOREIGN MINISTER HAD SUBSEQUENTLY GIVEN A PRESS INTERVIEW ALLEGING THAT THERE HAD BEEN AGREEMENT ON A WHOLE SERIES OF MEETINGS WHICH WOULD BE TOTALLY UNACCEPTABLE TO ISRAEL AND TO THE US. ONE HAD TO CONSIDER CAREFULLY THE POLITICAL REALITIES. BEFORE THERE COULD BE A MEETING BETWEEN A JORDANIAN/PALESTINIAN DELEGATION AND ISRAEL, THERE WOULD PROBABLY HAVE TO BE AN ELECTION IN ISRAEL. IF THE ISSUE IN THAT ELECTION WAS WHO IS PREPARED TO MEET THE PLO AND WHO NOT, THE NAYS WOULD HAVE IT. AS FAR AS ISRAELI OPINION WAS CONCERNED, THE PLO WAS STILL DEEPLY IMPLICATED IN VIOLENCE AND TERRORISM; AND INDEED THERE WAS GOOD EVIDENCE FOR THIS. IF THE ISSUE WAS INSTEAD WHO WILL MAKE PEACE WITH KING HUSSEIN, IT WAS QUITE POSSIBLE THAT THOSE ADVOCATING THIS STEP WOULD WIN. IT WAS IMPORTANT ALSO TO SEE THE PROCESS NOT AS ONE LEADING TO US RECOGNITION OF THE PLO, BUT AS A SERIES OF STEPS TOWARD DIRECT NEGOTIATIONS WITH ISRAEL.

5. THE SECRETARY CONTINUED THAT IT WAS ESSENTIAL TO MOVE HUSSEIN AWAY FROM HIS INSISTENCE ON AN

INTERNATIONAL CONFERENCE. WE NEEDED TO THINK OF OTHER WAYS TO PROVIDE AN UMBRELLA FOR DIRECT NEGOTIATIONS BETWEEN A JORDANIAN/PALESTIAN

SECRET

NNN

SECRET

PAGE 01 LONDON 13204 02 OF 03 101659Z
ACTION NODS-00

INFO LOG-00 ADS-00 /000 W
-----161220 101701Z /41

O 101653Z JUN 85
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 2416

S E C R E T SECTION 02 OF 03 LONDON 13204

NODIS

FOR S/S AND EUR ASSISTANT SECRETARY BURT

E.O.12356: DECL: OADR
TAGS: PREL, OVIP (SHULTZ, GEORGE), UK
SUBJECT: THE SECRETARY'S MEETING WITH PRIME

DELEGATION AND ISRAEL. THERE WOULD BE WIDESPREAD SUPPORT FOR WHAT THE KING WAS DOING, BOTH IN EUROPE AND ELSEWHERE. THE ONLY QUESTION WAS HOW TO PROVIDE A FORMAL STRUCTURE FOR THAT SUPPORT. THERE WERE A NUMBER OF IDEAS ALREADY IN THE AIR SUCH AS HOLDING THE OPENING SESSION OF NEGOTIATIONS ON THE UNITED NATIONS' PREMISES IN GENEVA. WHAT HUSSEIN NEEDED BASICALLY WAS RISK ASSURANCE, SOMETHING TO CONVINCE HIM THAT HE HAD THE SOLID SUPPORT OF A LARGE NUMBER OF FRIENDS. THE US ADMINISTRATION, FOR ITS PART, WOULD DO ITS BEST TO GET AN ARMS PACKAGE FOR JORDAN THROUGH

CONGRESS ALTHOUGH IT WOULD BE A HARD FIGHT.

6. THATCHER SAID THAT THE SUPPORT KING HUSSEIN WAS SEEKING FROM THE UK WAS TO RECEIVE THE PLO. THE SECRETARY SAID THAT SUCH A MEETING WOULD FUEL ISRAELI FEARS THAT ONCE THE PLO HAD ACHIEVED LEGITIMACY IT WOULD LOSE INTEREST IN DIRECT
SECRET

SECRET

PAGE 02 LONDON 13204 02 OF 03 101659Z

NEGOTIATIONS. HE ACCEPTED THAT THE PLO WOULD HAVE TO BE INVOLVED EVENTUALLY IN PEACE NEGOTIATIONS. THE ISRAELI IMPERATIVE WAS THAT THE PLO SHOULD NOT BE PRESENT AT THE BEGINNING OF NEGOTIATIONS; HUSSEIN'S IMPERATIVE THAT THE PLO SHOULD BE THERE AT THE END. IT SHOULD BE POSSIBLE TO FIND A FORMULA WHICH WOULD MEET THE NEEDS OF BOTH. THE SECRETARY CONTINUED THAT, WHEN HE HAD SEEN KING HUSSEIN IN AQABA, HE HAD PERSUADED HIM OF THE MERITS OF SETTING UP A WORKING GROUP BELOW MINISTERIAL LEVEL COMPRISING TWO ISRAELI REPRESENTATIVES, TWO JORDANIAN/PALESTINIAN REPRESENTATIVES AND PARTICIPANTS FROM EGYPT AND THE US. THE GROUP'S PURPOSE WOULD BE TO DEVELOP THE AGENDA AND MODALITIES FOR DIRECT NEGOTIATIONS. THERE WERE ATTRACTIONS IN IT FOR BOTH JORDAN AND ISRAEL. UNFORTUNATELY, ZAID RIFA'I HAD ARGUED THE KING OUT OF IT.

7. THE SECRETARY SAID THAT HE WAS PLEASED TO FIND THAT BRITAIN AND THE US AGREED IN REJECTING KING HUSSEIN'S CONCEPT OF AN INTERNATIONAL CONFERENCE. HE THOUGHT THERE WAS ALSO AGREEMENT THAT IT WAS TOO SOON TO BE THINKING OF DIRECT MEETINGS WITH THE PLO. IN HIS VIEW, SUCH AN EVENT MIGHT JEOPARDIZE BOTH THE PROPOSED US MEETING WITH A JORDANIAN/PALESTINIAN DELEGATION AND THE CHANCES OF PERES' RE-ELECTION. THATCHER SAID THAT SHE WOULD NEED TO THINK THROUGH VERY CAREFULLY HOW TO REPLY TO KING HUSSEIN. SHE WOULD SEND THE PRESIDENT A MESSAGE GIVING AN ACCOUNT OF HER TALK WITH THE KING AND SEEKING HIS VIEWS.

SECRET

SECRET

PAGE 03 LONDON 13204 02 OF 03 101659Z

SALT II

8. THATCHER SAID SHE KNEW THAT PRESIDENT REAGAN

FACED A DIFFICULT DECISION ON WHETHER TO CONTINUE TO OBSERVE SALT II CONSTRAINTS. HER STRONG AND INSTINCTIVE VIEW WAS THAT IT WAS VITAL FOR THE MOST IMPORTANT COUNTRY IN THE WORLD TO BE SEEN TO ADHERE TO TREATIES. SHE RECOGNIZED THE DIFFICULTIES CREATED FOR THE PRESIDENT BY SOVIET BREACHES OF SALT II, THOUGH THERE WAS SOME DISPUTE AS TO HOW SIGNIFICANT THESE WERE. SHE UNDERSTOOD THAT ONE SOLUTION BEING CONSIDERED WAS TO MOTHBALL A POSEIDON SUBMARINE RATHER THAN DISMANTLE OR DESTROY IT ALTOGETHER. EVEN THIS WOULD RISK SETTING OFF A CHAIN REACTION WHEREBY THE SOVIET UNION ALSO FAILED TO DISMANTLE SUBMARINES OR SILOS, THOUGH SHE COULD UNDERSTAND THAT THE PRESIDENT MIGHT WELL COME TO THE CONCLUSION THAT THIS WAS THE LEAST HE COULD DO. BUT SHE CAME BACK TO THE POINT THAT IT WAS BEST FOR THE US TO RETAIN THE MORAL HIGH GROUND AND PRESERVE THE WEST'S REPUTATION FOR KEEPING THE AGREEMENTS WHICH IT SIGNED. SECRETARY SHULTZ SAID THAT THE UNITED STATES TOOK A SERIOUS VIEW OF SOVIET BREACHES OF ITS ARMS CONTROL AGREEMENTS, IN PARTICULAR THE DEVELOPMENT OF THE MOBILE SS25, THE ENCRYPTION OF TELEMETRY AND THE CONSTRUCTION OF THE KRASNOYARSK RADAR, WHICH IN THE US'S VIEW WAS A STEP TOWARDS AN ABM SYSTEM GIVING NATIONAL COVERAGE. HE WOULD

SECRET

NNN

SECRET

PAGE 01 LONDON 13204 03 OF 03 101659Z
ACTION NODS-00

INFO LOG-00 ADS-00 /000 W
-----161244 101702Z /41

O 101653Z JUN 85
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 2417

S E C R E T SECTION 03 OF 03 LONDON 13204

NODIS

FOR S/S AND EUR ASSISTANT SECRETARY BURT

E.O.12356: DECL: OADR
TAGS: PREL, OVIP (SHULTZ, GEORGE), UK
SUBJECT: THE SECRETARY'S MEETING WITH PRIME

REPORT THE PRIME MINISTER'S VIEWS, BUT THEY WOULD HAVE EVEN MORE EFFECT WERE SHE TO SEND A PERSONAL MESSAGE TO PRESIDENT REAGAN. TO INFLUENCE HIS DECISION, IT WOULD HAVE TO BE DISPATCHED THE SAME EVENING. THE PRIME MINISTER UNDERTOOK TO DO THIS.

EAST/WEST RELATIONS

9. REVIEWING HER RECENT DISCUSSIONS WITH PREMIER ZHAO ZIYANG, THATCHER SAID HE HAD GIVEN THE CLEAR IMPRESSION THAT, WHILE TRADE BETWEEN CHINA AND THE SOVIET UNION WOULD INCREASE, THERE WAS NO QUESTION OF NORMALIZING RELATIONS.

10. THE SECRETARY SAID THAT HE WAS IMPRESSED BY THE SPEED WITH WHICH GORBACHEV HAD MOVED TO CONSOLIDATE HIS POSITION AND PLACE HIS OWN NOMINEES IN THE POLITBURO. HE THOUGHT THAT THERE
SECRET

SECRET

PAGE 02 LONDON 13204 03 OF 03 101659Z

HAD BEEN A GENUINE CHANGE OF GENERATION IN THE SOVIET LEADERSHIP.

11. THE SECRETARY CONTINUED THAT THE ARMS CONTROL DISCUSSIONS IN GENEVA HAD NOT SO FAR BEEN A SERIOUS NEGOTIATING PROCESS. BUT THE EXCHANGES ON ARMS CONTROL WOULD CONTINUE NOT JUST AT GENEVA, BUT WHENEVER HE AND GROMYKO MET. GROMYKO WOULD BE COMING TO THE US IN SEPTEMBER AND HAD BEEN OFFERED A MEETING WITH THE PRESIDENT IN WASHINGTON. IT REMAINED TO BE SEEN WHEN AND WHERE A SUMMIT MEETING WOULD BE HELD. IT WAS BY NO MEANS OUT OF THE QUESTION THAT IT WOULD TAKE PLACE BY THE END OF THE YEAR. THE SOVIETS SEEMED TO BE MORE CONCERNED ABOUT THE WHERE THAN THE WHETHER; THEY WOULD UNDOUBTEDLY MOUNT A CONSIDERABLE PROPAGANDA EFFORT BEFORE SUCH A SUMMIT. THE US MUST HAVE THE COOLNESS AND WILL POWER TO BRUSH OFF UNSATISFACTORY PROPOSALS.

ECONOMIC QUESTIONS

12. THE SECRETARY SAID THAT THE US ECONOMY WAS GOING THROUGH A SOFT PERIOD BUT WAS NOT STAGNATING. THE MONEY SUPPLY FIGURES WERE GOOD. INTEREST RATES WERE DROPPING, INDEED THE TREASURY BILL RATE HAD GONE BELOW SEVEN PERCENT. MARKETS WERE CONVINCED THAT INFLATION WOULD REMAIN LOW. HE REMAINED CONCERNED ABOUT THE INTERNATIONAL DEBT PROBLEM. AN EVOLUTION OF ATTITUDES WAS NEEDED WHICH MAINTAINED IMF CONDITIONS ON AUSTERITY WHILE INSISTING ON MEASURES WHICH PROMOTED GROWTH. IT
SECRET

SECRET

PAGE 03 LONDON 13204 03 OF 03 101659Z

MIGHT BE ARGUED THAT THE TWO WERE NOT CONSISTENT BUT IN FACT THEY WERE. FOR INSTANCE MEXICO COULD ACHIEVE MUCH HIGHER GROWTH BY REDUCING THE EXTENT OF STATE OWNERSHIP. THE NECESSARY REMEDIES HAD BEEN SET OUT IN VARIOUS ECONOMIC SUMMIT CONCLUSIONS.

-

13. THE PRIME MINISTER AND THE SECRETARY HAD A BRIEF DISCUSSION OF THE PROSPECTS FOR THE UNITED KINGDOM ECONOMY
PRICE

SECRET

NNN