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SECRET



10 DOWNING STREET

From the Private Secretary

10 December 1985

PRIME MINISTER'S MEETING WITH SECRETARY SHULTZ

The Prime Minister had a meeting this morning with Secretary Shultz. Mr. Shultz was accompanied by Ambassador Price and Mrs. Ridgway. The Foreign Secretary was also present.

The Prime Minister hoped that preparations were already well in hand for the next meeting between President Reagan and Mr. Gorbachev. It would be essential to make substantial progress in the arms control negotiations and on other issues before that meeting. It would not be manageable simply to have a second getting-to-know-you session. Mr. Shultz said that President Reagan saw the next summit as a useful deadline for securing progress on the various issues under negotiation between the United States and the Soviet Union. He was particularly concerned to make progress across the board and not to let regional, bilateral or human rights issues stagnate. But there was of course no doubt that the arms control negotiations in Geneva were the centre-piece. In this respect Mr. McFarlane's departure was a major loss. Admiral Poindexter was a very knowledgeable and capable substitute but was no particular expert on arms control issues.

The Prime Minister asked how far the INF negotiations had really been decoupled from progress over START and the Strategic Defence Initiative. Secretary Weinberger had thought that it was by no means certain that the Soviet Union accepted such decoupling. Mr. Shultz said that the two issues were potentially separable. The obvious ploy for the Soviet Union was to negotiate a solution of INF which would be attractive to people in Europe and then at the last minute reinstate the link with the SDI. On the other hand this tactic had been heavily discounted in advance. Meanwhile the United States Administration would continue and step up efforts to convince people that it was right to go on doing research into the SDI. The Prime Minister's statements and the British Government's decision to participate in SDI research were helpful in this respect.

Mr. Shultz continued that the Administration had been giving further thought to how to take matters forward on the SDI. They noted that, at the Summit, Gorbachev had characterised the SDI as a programme to put weapons in space

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to strike targets on earth. The President had reflected on this and instructed that an attempt be made to design a Treaty which would prohibit offensive weapons in space while permitting defensive weapons. It remained to be seen whether it was possible to draw a firm line between two sorts of weapons. Following his own conversation with the Prime Minister in New York at the end of October, he had also formed up to the President on the question of "sharing" the SDI with the Soviet Union. The President had said that he was not wedded to sharing but was searching for a concept which would give the Soviet Union confidence in a managed transition to greater reliance on strategic defence. Mr. Shultz continued that this was one reason why he had been enthusiastic about the proposal at the Geneva summit for cooperation between the United States and the Soviet Union on fusion research. This would put in place a system to manage a complicated technical enterprise without compromising US technology and would provide useful experience. There was also more scope than Gorbachev had recognised for developing the open laboratories approach. The President hoped that the Prime Minister would give further thought to the handling of the SDI over the next few months. He had found her contributions and in particular the Camp David four points invaluable. The Prime Minister recalled that she had left the President in New York with a note setting out a line of argument to use with Gorbachev to explain how a transition to greater reliance on strategic defence might be handled.

Secretary Shultz said that another issue on which it would be helpful to have the United Kingdom's views on what should be said about British and French strategic deterrents in negotiations with the Soviet Union. The Soviet Union continued to try to draw them into the negotiations on INF. He would like to have an agreed form of words which the Americans could use, perhaps based on the Foreign Secretary's statement at the 1983 United Nations General Assembly. The Foreign Secretary recalled that the formula which he had used had referred both to the disparity in size between the British deterrent force and that of the Soviet Union and to the consideration of no change in the Soviet Union's defensive capability. It was agreed to let Mr. Shultz have a precise form of words to cover the United Kingdom position.

Middle East

The Prime Minister referred to the importance of steps by the United States to bring about some early movement on Arab/Israel. Mr. Shultz said that the basic problems of which Palestinians should be involved in a joint delegation and of the nature of the international framework for negotiations were no closer to solution. He had thought that a breakthrough was possible following his meeting with King Hussein in Aqaba last summer but the prospects of this had since faded. The only new factor was signs of interest from Syria in participating in negotiations. It was tragic that Congress had blocked the arms sale to Jordan.

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Mr. Shultz made clear that the information about the Administration's thinking on the handling of SDI with the Soviet Union was sensitive. I should be grateful if circulation of this letter could be restricted accordingly.

I am copying this letter to Richard Mottram (Ministry of Defence) and Michael Stark (Cabinet Office).

(C.D. Powell)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER

MEETING WITH MR SHULTZ

He comes at 1200 for half an hour, accompanied by Ambassador Price and Mrs. Ridgway (Assistant Secretary of State for European Affairs).

The subjects you will want to raise are:

Departure of McFarlane

- How will this affect foreign policy formation?

US/Soviet Summit

- When will next Summit be?
- What work is in hand to prepare it?
- How do we get started on separate INF talks?
- What will be said publicly by US Administration on continued observance of SALT II?
- What prospects of progress on Afghanistan?
- Any sign of movement (apart from case of Mrs. Bonner) on emigration?

Middle East

- Will this now come back near the top of the in-tray?
- When is Peres likely to break the coalition?
- How can we keep King Hussein's morale up?

Central America

- Are we right to detect new phase of pressure by the US on the Sandinistas?

Northern Ireland

- Grateful for helpful statements.

UK/US Supplementary Extradition Treaty

- How can we help get this through the Senate? (Anglo-Irish Agreement ought to be a factor in favour.)

C.D.P.

CHARLES POWELL

9 December 1985



(1) announce within a matter of days my intentions for early legislation having effect from the date of announcement, in terms of the draft attached;

(2) put in hand immediately the drafting of a new Bill.

I am of course ready to discuss this urgently if you wish.

I am copying this to the Lord President, the Lord Privy Seal, the Solicitor General, the Chief Whip, the Chancellor of the Duchy of Lancaster and Sir Robert Armstrong.

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pp K B

6 December 1985

(Approved in draft by the Secretary of State and signed in his absence.)

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

9 December 1985

Dear Charles,

Visit of Mr Shultz to London: 10 December

The Prime Minister has agreed to see the US Secretary of State, Mr George Shultz, from 1200 on 10 December. I enclose briefing on the follow-up to the Geneva and the Hillsborough Summits, and on the Middle East. As Mr (Admiral) Poindexter has just replaced Mr McFarlane as President Reagan's National Security Adviser the Prime Minister may also wish to ask Mr Shultz whether this will affect foreign policy formation in Washington.

Mr Shultz will go on from No 10 to address a luncheon meeting of The Pilgrims on 'Transatlantic Relations'. This will be followed by a meeting with the Foreign Secretary. In the evening Mr and Mrs (Obie) Shultz will host a small theatre supper for the Foreign Secretary and Lady Howe.

On 11 December Mr Shultz will go to Brussels for a meeting with the European Commission and for the 12/13 December meeting of the North Atlantic Council. He will then visit Bonn, West Berlin (where he will make another major speech), Budapest, Bucharest and Belgrade.

You will have seen Washington telno 3346 (copy enclosed) on Mr Shultz's current relaxed and confident mood.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



PRIME MINISTER'S MEETING WITH MR SHULTZ : 10 DECEMBER

OUR OBJECTIVES

Summit and Geneva Negotiations

- (a) To review prospects for Geneva talks
- (b) To stress importance of US observance of SALT II on basis of President's 10 June decision, and restrictive interpretation of AMB Treaty

Middle East

- (c) To seek US assessment of Arab/Israel developments and urge active support for King Hussein

Northern Ireland

- (d) To thank Mr Shultz for US expressions of support for the Agreement and to inform him of the state of play regarding implementation

UK/US Supplementary Extradition Treaty

- (e) To seek Mr Shultz's views on how best to overcome opposition in the Senate Foreign Relations Committee (FRC).

OUR ARGUMENTS

Summit and Geneva Negotiations

- (a) Round 4 first opportunity to begin real negotiations. Recognise important differences remain
- (b) Some scope for progress on START apparent if Russians driven off unreasonable positions, eg on definition of strategic systems. Less optimistic on INF: must reject bogus Soviet claim that UK/French forces a 'stumbling block'. Their ultimate objective remains elimination of US INF in Europe



- (c) Gorbachev's speech to Supreme Soviet indicates reassertion of firm linkage between strategic offensive cuts and SDI. Gave President in New York in October some ideas of how progress could be made. Main objective: enhance stability and predictability
- (d) SDI: welcome President's commitment to conduct research on restrictive interpretation of ABM Treaty. US rationale for programme must be consistent
- (e) Continued US observance of SALT II and ABM Treaty vital. European publics would not understand rejection of existing obligations particularly after Summit
- (f) Collective Warsaw Pact endorsement of Summit. Hope that outcome will make it easier for East Europeans to pursue their relations with West. Your forthcoming visits should encourage.
- (g) (If raised) Gorbachev's remarks at Summit about Afghanistan likely to lead to greater flexibility?
- (h) (If raised) President handled human rights skilfully by taking tough line but stressing no US interest in claiming public credit for progress. What chance of progress; what time frame?

Middle East

- (i) Welcome briefing on latest US thinking, especially on international cover. Jordanian efforts remain only realistic basis for progress. Need for early action if opportunity of Peres' period in office not to be lost. As soon as 1986 dawns, all minds will be on the agreement to 'rotate' in October

Northern Ireland

- (j) Very grateful for statements of support for the Agreement by President Reagan and Speaker O'Neill



- (k) Reaction among the Unionist community in Northern Ireland has been rather worse than we expected. The Taoiseach and I reviewed the position in the margins of the European Council on 2/3 December and confirmed our determination that the Agreement should be implemented as planned
- (l) I recognise the strength of Unionist feeling about the Agreement but hope that its prompt implementation will show that the Agreement contains real benefits for them in terms of improved cross-border security and offers no threat to the status of Northern Ireland as part of the United Kingdom. I also hope that the SDLP may be persuaded to take up their seats in the Northern Ireland Assembly
- (m) In view of the President's generous offer of material support for Ireland we have begun discussions with the Irish Government on possible arrangements for administering any such funds. We hope to put specific proposals to the US Administration early in the New Year

UK/US Supplementary Extradition Treaty

- (n) Signature of the Anglo/Irish Agreement ought to have improved the prospects of securing the passage of the Treaty
- (o) The Irish Government's announced intention to sign the European Convention on Suppression of Terrorism - which also abolishes the political offence safeguard for serious crimes - should also help our case

TACTICAL ARGUMENTS

Middle East

- (a) Risk of radicals/Soviets/advocates of terror gaining upper hand

UK/US Supplementary Extradition Treaty

- (b) Recent events show that the US too is faced with the problem of



terrorists claiming their offence to be political and avoiding extradition (eg Beirut hi-jack)

THEIR OBJECTIVES

Summit and Geneva Negotiations

- (a) To cement Alliance unity ahead of round 4 at Geneva; listen to British views, particularly where they support State Department line in Washington inter-agency discussion

Middle East

- (b) Probably to argue ball in Hussein's court

Northern Ireland

- (c) To draw us out on our ideas for US financial assistance

UK/US Supplementary Extradition Treaty

- (d) Possibly to argue that we shall have to accept some amendments to the Treaty in order to secure its passage

OUR RESPONSE

Middle East

- (a) Arms sales postponement blow to credibility of Hussein's pro-Western approach. Strengthens need for active US support

UK/US Supplementary Extradition Treaty

- (b) We would prefer to hold out for the existing text; but would be prepared to consider possible amendments if necessary. This is something that officials will need to look at carefully

BACKGROUNDSummit and Geneva Negotiations

1. Summit and arms control prospects: Gorbachev's speech to the Supreme Soviet on 27 November repeated explicit linkage between a ban on SDI research (Star Wars was the main obstacle on road to agreement on arms control) and deep reductions in offensive weapons. He also claimed that UK/French forces represented a 'stumbling block' to progress on INF agreement.
2. Shevardnadze told Sir B Cartledge on 4 December that the Summit had been an important landmark and a start made in the right direction. The Soviet teams would not return to Geneva 'empty handed'. The European powers, particularly the nuclear states, should not be 'left on one side'. Shevardnadze questioned NATO's policy of continued INF deployments. 'That would not do'. He took up the suggestion of bilateral arms control talks at official level.
3. On 23 November, Mr McFarlane reported that Gorbachev had said he would think further about Afghanistan and human rights. Kornienko had been agitated by Gorbachev's statement that Soviet Union would like to withdraw from Afghanistan.
4. Compliance issues: Part I of US Department of Defence's report on possible US responses to Soviet violations of arms control agreements submitted to White House just before the Summit. Covered only Soviet record on Compliance. Part II on possible responses is still incomplete. DOD advocate programmatic responses.
5. US officials outside Pentagon maintain that no new decision on observing SALT II interim restraints is necessary: 31 December (the date on which SALT II Treaty would, if ratified, have expired) is not regarded as significant. They claim President decided on 10 June that US interim restraints should be maintained subject to comparable Soviet restraints and serious negotiations at Geneva. We understand Russians were told this at Geneva when they pressed for



formal 12 months extension of SALT II constraints. But further decisions will be needed on whether to abide by the constraints to allow the next Ohio class SSBN to begin sea trials in June 1986, and for ALCM-carrying B1 bombers to be deployed at about the same time. Such decisions may have to be reached as early as January/February.

Northern Ireland

6. President Reagan and Speaker O'Neill both issued warm statements of support for the Agreement immediately following signature on 15 November. The Congressional Friends of Ireland also spoke up in support of it.

7. Discussion took place with the Irish at official level on 20 November and 2 December about the text of a draft Agreement on an International Fund. Where agreement has been reached at official level both sides will seek Ministerial approval with a view to putting detailed proposals to the US Administration in January.

UK/US Supplementary Extradition Treaty

8. The Supplementary Treaty is intended to prevent fugitive terrorists from avoiding extradition by claiming that their offences were political. (Four terrorists have avoided extradition in this way.) It provides that certain serious offences (eg murder) should not be regarded as political. Its provisions are broadly modelled on those of the European Convention on the Suppression of Terrorism (ECST).

9. The Supplementary Treaty was signed 25 June 1985. It was sent to Senate for advice and consent and referred to Foreign Relations Committee (FRC). FRC hearings have taken place in front of hostile Irish Americans, some of whom have given evidence. Some Liberal Democrats have also expressed reservations about the Treaty. Most serious press comment has been favourable. Further hearings are expected after Christmas.



10. Assuming the FRC votes in favour of the Treaty, the next step is for it to be reported to the Senate floor, where a two-thirds majority will be necessary to secure approval (amendments, etc, require only simple majorities). The size of the majority in the FRC will be crucial in determining the Senate vote.

PRESS LINE

The Prime Minister and Mr Shultz had a wide-ranging discussion concentrating on East-West relations and arms control after the Geneva Summit. The Prime Minister reaffirmed her support for the US negotiating position in Geneva. They also reviewed developments in the Middle East, and reaffirmed support for the Jordanian initiatives. They agreed on the urgent need for further progress.