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THE WHITE HOUSE  
WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: President's Meeting with Prime Minister  
Thatcher

PARTICIPANTS: The President  
Secretary Shultz  
Donald T. Regan  
John M. Poindexter  
Larry Speakes  
Assistant Secretary Ridgway  
Peter R. Sommer, NSC (notetaker)

Prime Minister Thatcher  
Foreign Minister Howe  
Private Secretary, Charles Powell (notetaker)

DATE, TIME AND PLACE: May 4, 1986 -- 5:15-6:10 p.m., :  
Ambassador's Residence, Tokyo, Japan

[The President and Mrs. Thatcher met alone with notetakers for the first 35 minutes. (U)]

In opening, the President warmly welcomed Mrs. Thatcher, saying he greatly appreciated her recent support. He knew it had posed her certain difficulties and cost her politically. Repeating how much he appreciated her support, the President emphasized it is imperative that we continue to act decisively in the struggle against terrorism. Mrs. Thatcher agreed, saying she and the President had made the right decision. She has said time and time again publicly that appeasement will only lead to more terrorism. (C)

The President noted that earlier in the afternoon he had met with Kohl, who had a great idea about forming a special, small high level group on terrorism. Kohl will be talking to all the Summit leaders about this suggestion, which apparently would be somewhat akin to the Summit Sherpa group, only this group would focus exclusively on terrorism and would be enjoined to plan joint actions. (C)

Continuing, the President said that all U.S. oil firms would be out of Libya by June 30. We need to reduce oil imports from Libya and cut our commercial ties. Mrs. Thatcher asked

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rhetorically if others, like Craxi and Kohl were prepared to take similar steps. She opined that Craxi would be a big problem because of Italy's heavy commercial ties with Libya. Nonetheless, she had a sense that there was a certain coming together among the allies in the war against terrorism. (C)

Turning to the Summit communique on terrorism, the Prime Minister called it weak and turgid. It contains no new initiatives and is a step back from the 1984 London Summit terrorist declaration. The President observed that there is new information of internal opposition to Qadhafi. Apparently just last Friday there was fighting in the streets of Tripoli. Civilians reportedly were attacking members of the ruling Revolutionary Committee. We know the Air Force Chief of Staff has been arrested and we believe executed. The Commander of the major air base just outside Tripoli may have also been arrested. (C)

In short, said the President, it appears that Qadhafi may be losing control. Mrs. Thatcher noted that it is difficult to get precise information about what is going on inside Libya, but it is clearly in our interest to deny Qadhafi weapons and money. The President said we also need to close down the Peoples' Bureaus that provide diplomatic immunity to so-called Libyan diplomats. Mrs. Thatcher agreed, noting that Britain had closed the Peoples' Bureau some time ago. She lamented that Europe's overall response has been weak, but this is partially due to difficulties in identifying terrorists. Qadhafi often uses disgruntled Palestinians. Moreover, the terrorist network is mixed up with Syrian connections. (C)

Mrs. Thatcher then asked what kind of organization Kohl had in mind, noting that Lord Carrington had spoken to her privately about some sort of political directors group that sounded not unlike what Kohl had in mind. She noted that Lord Carrington had also publicly supported her support of U.S. military action in Libya. Continuing, she said it is especially difficult to talk about certain sensitive subjects in large groups, but she would be open to pursuing Kohl's suggestion during the Summit. (C)

The Prime Minister then returned to the communique on terrorism, emphasizing that it needed to be strengthened. The British would offer an alternative text, a copy of which she would leave for the President. She recognized, however, that an explicit call, e.g., to restrict oil imports, would be difficult for all the partners to accept. (C)

One very negative effect of the recent terrorist activities and crisis atmosphere has been the cancellation of many tourists visits to the UK and elsewhere in Europe, said Mrs. Thatcher. Indeed, the Governor of the Washington State had cancelled a

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visit to the UK saying it was unsafe to travel at this time. This is simply not true, she declared. In the UK, we are going ahead with the Queen's birthday celebration, the Spanish state visit and, of course, the royal wedding. Britain stood to lose much income from a sharp decline in tourism. She recognized that there was little the President could do directly, but wondered if he could not make a helpful public statement. The President agreed that terrorism was impacting on tourist travel. This is not surprising since Americans have been specifically identified as targets. He would, however, like to be helpful. (C)

The President and Mrs. Thatcher then marvelled at all the security arrangements in Tokyo. The whole center of the city seemed to be shut down, said the President. But this had not kept extremists from firing some missiles just a short while ago in an area near the Canadian Embassy. Mrs. Thatcher said she understood that the missiles did not explode. (C)

Mrs. Thatcher stressed the importance of keeping the moderate Arab world with us in the struggle against terrorism. With regard to the military strike against Libya, the moderate Arabs : had reacted just as the President had predicted: mild public condemnation, coupled with private support. (C)

Turning to the overall Middle East situation, Mrs. Thatcher observed that Peres will soon be leaving office and we need to find a way to stimulate the peace process. The President said that Peres is promoting a new idea that we tend to like. This is a sort of Middle East Marshall Plan that we believe has potential. It would be designed to stimulate economic growth, thereby creating political stability and a more favorable climate for negotiations. (C)

Mrs. Thatcher replied that many places in the Arab world, like Saudi Arabia and the Emirates, had plenty of money, but the West Bank and Jordan clearly needed financial help. Money would help, but it is not a substitute for a political settlement. In the end, we need negotiations between King Hussein, the Palestinians and Israel. She concluded that the Middle East Development Plan needed further thought and emphasized that we all need to put on our thinking caps. The grievances of the Palestinians are not being dealt with through negotiations. This contributes to terrorism. (C)

Turning to South Africa, Mrs. Thatcher noted Botha had sent letters to the Summit leaders urging them to make an appeal for the end of violence and increased dialogue. She said she had originally been hesitant to include South Africa in the Summit Political Declaration, but now had changed her mind. We need to

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do all we can to suppress violence and promote a dialogue, involving all elements of South Africa's society. Continuing, she said that both she and the President agreed that sanctions were not the answer to South Africa's problems. The President agreed, saying that sanctions hurt the very people we are trying to help. He continued that the U.S. would like to support the work of the Eminent Persons Group. He also underlined that the U.S. has urged Botha to be more forthcoming. (C)

Mrs. Thatcher said the Eminent Persons Group was generally helpful, though from time to time they exert pressure for sanctions. The situation is complicated in South Africa. It requires some sort of federal structure, giving rights to the whites, the coloreds, the blacks, and the Asians. There is another dimension, said Mrs. Thatcher. The Soviets appear to be paying closer attention to the strategic value of South Africa. They are pouring arms into Angola and want to deny the West the strategic raw materials in which South Africa is so rich. (C)

The President agreed that we should not lose sight of the strategic aspects. There is an old saying: "He who controls Africa, controls Europe." Mrs. Thatcher stressed that we must prevent Gorbachev from making special in-roads in Africa, while we focus our attention on other parts of the world. (C)

Thanking the President for his personal efforts in support of the UK-US Extradition Treaty, Mrs. Thatcher said it would be a disaster if the Senate did not ratify it. She knew that certain Members of Congress had problems with the Treaty, but it would clearly send the wrong signal if it were rejected at this time. We cannot mount an active effort to fight terrorism in Libya, while ignoring it in Northern Ireland. The President promised he would continue to work for ratification. The Treaty is important, both for US-UK relations and for its wider implications in the struggle against terrorism. Moreover, we have intelligence linking Libya and the IRA. (C)

The President then asked if the protestant extremist groups were showing any signs of supporting the Anglo-Irish Agreement. He had heard reports that Paisley was stirring up trouble and may even promote violence. Mrs. Thatcher replied that the hard-liners, like Paisley, had urged her to abrogate the Anglo-Irish Agreement which, of course, she could not and would not do. It had already passed both the British and Irish Parliaments. As for Paisley, he is a hardliner, but not a terrorist; his bark is worse than his bite. (C)

The private meeting concluded at 5:50 p.m. (U)

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At the outset of the expanded session, Mrs. Thatcher said that it is important that we help Nakasone have a successful Summit. We all have our bilateral trade problems with Japan, but Nakasone has tried to be helpful, and we should not take steps that would cause him to lose political face. The President replied he is optimistic about improving the U.S. trade balance with Japan. He agreed that we must handle Nakasone's domestic political situation with great care. The Maekawa Report is a step in the right direction. We believe that Nakasone will actually take steps to implement it. Secretary Shultz added that we are making headway in the so-called MOSS talks, where we are identifying particular steps aimed at improving the trade balance. (C)

The Secretary observed that there is, in a sense, a cultural trade problem with Japan, where the rate of savings far exceeds spending. The President added that the Japanese tax structure needs to be changed to increase the incentives for consumption. Mrs. Thatcher agreed, saying that in the West the home is the center of family life--a place where most people spend large parts of their income, both in owning homes and in fixing them up. In contrast, Japan is an earthquake society, which means homes are small and not built to last. People simply do not spend great sums on their upkeep. She observed that the President had more faith than she did that Japan was ready to take steps opening its markets to Western goods. (C)

Mrs. Thatcher said she wanted to turn to East/West relations. Just before leaving London, she had met with the new Soviet Ambassador, Zamyatin, who carried a special message to her from Gorbachev. His letter contained all the customary propaganda--there is really nothing new in it, but Zamyatin emphasized, under instructions, that Gorbachev was eager to have a Washington Summit this year. The Ambassador made it clear that Gorbachev had personally asked him to convey his message about the Summit and to do it before she left for Tokyo, said the Prime Minister. (C)

Mrs. Thatcher continued that she did not really know what to make of this, but she had stressed to Zamyatin that the Soviets needed to get down to serious negotiations in Geneva and Vienna. Furthermore, the Soviets were not being forthcoming on verification; and what we have seen at Chernobyl serves to heighten our concerns about verification. It is simply unacceptable to have to find out in the manner that we did about an accident that affects so many. (C)

Secretary Shultz observed that verification is important, but it cannot be separated from compliance. This is another area in which Soviet action, or lack of movement, causes great concern. The President underscored that Soviet non-compliance is clear.

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We have sort of a gentleman's agreement to abide by the Salt II Treaty, but the Soviets have not lived up to their part. Furthermore, Salt II involves a question of an unratified treaty--not international law. The President continued that he is coming down to the wire on a decision and noted that he knew about Mrs. Thatcher's special interests and concern. She nodded agreement. (C)

Returning to prospects for the Washington Summit, the Prime Minister asked what the President saw happening. The President emphasized that he remained ready to meet with Gorbachev; that early on we had suggested a summer meeting; then there was talk of meeting in September, but this would interfere with our elections. When Ambassador Dobrynin made his round of farewell calls in Washington, we had the impression that the Soviets were ready to undertake the serious preparatory work necessary before another meeting. Then, of course, they cancelled Shevardnadze's meeting with Secretary Shultz. The President reiterated that he remains committed to following through on the commitment he made in Geneva for another meeting in 1986.(C) :

Foreign Minister Howe noted that Gorbachev's letter to the Prime Minister had suggested that Shevardnadze would pay his scheduled visit to the UK in the not-too-distant future. Howe added that we have not, however, set a precise date. Mrs. Thatcher opined that the nuclear accident may put the Soviets even more on the defensive. Gorbachev has been a public relations star, but this accident has shown his true Soviet colors. His reaction was totally automatic and Soviet. They simply do not have the Western concept of freedom of information. She contrasted the Soviet behavior with American openness at the time of the tragic space shuttle accident, when the U.S. immediately announced it and set up a board of inquiry to find out what happened. (C)

Saying Gorbachev had lost an opportunity to take a kind of heroic stance, the President observed he could have announced to the world news of the accident, thus gaining some sympathy. Instead, the Soviet cover up of the accident has increased the world's anxieties. The President continued that he found Gorbachev far easier to talk to than Gromyko, but he had been struck that Gorbachev seemed to believe all the Soviet propaganda about the so called capitalist world. Indeed, the General Secretary claimed we had to keep the American people stirred up with anti-Soviet propaganda to keep our arms merchants in business--because without them our economy would collapse. He simply could not accept that only a relatively small percent of our GNP is spent on defense. (C)

Referring to the nuclear accident, Mrs. Thatcher said she understood the Soviets had 27 other reactors similar to the one

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at Chernobyl. Another such accident would cause immense damage to the nuclear power industry around the world. We need to get a commitment from the Soviets, through some type of international fora, for increased safety standards. Shultz said he had read that the accident occurred while loading fuel when the reactor was in full power. Under the best of circumstances, this is a tricky business. (C)

Mrs. Thatcher reiterated that we need to take steps to tighten safety standards in all countries with nuclear power. The IAEA is primarily focused on stopping civilian nuclear power from having a military application. The President agreed that we need to tighten up the international process, and noted that the IAEA apparently had recently agreed to some reporting procedures; but they apparently gave a country 40 days in which to report. This is too long. He observed that this is the first nuclear energy accident that has resulted in fatalities. The President called this a remarkable record. Mrs. Thatcher said it may be a struggle to get the Summit to go far enough in calling for increased nuclear safety, but we need to make the effort. (C) :

Mrs. Thatcher then turned to agriculture and the EC enlargement. The UK had supported Spanish and Portuguese entry for political reasons. In economic terms, their entry comes at high economic cost for the UK, but these costs had to take a backseat to the opportunity to firmly link Portugal and Spain to the democratic fold. She was sure that EC membership had also helped keep Spain in NATO. Now there is a plan for U.S. retaliation because of EC restrictions linked to Portugal's and Spain's entry into the Common Market. (C)

The President replied that we had long supported EC enlargement, but not at U.S. expense. Shultz observed that the EC measures would result in closing out a market worth over one billion to U.S. farmers. Mrs. Thatcher said that 70 percent of the U.S. retaliatory action would hit the UK. Shultz replied that of all the countries, we do not want to hit the UK. So we will take another look at our retaliatory measures. Howe commented that none of the European countries ever got exactly what they wanted or felt was their right in these EC membership questions. All settled for less money, for the greater political good. Mrs. Thatcher again pleaded for the U.S. not to take retaliatory measures that hit so heavily on Great Britain. (C)

Saying she knew both the President and she had other appointments to keep, Mrs. Thatcher commented that she wanted to praise personally U.S. troops serving on the border between South and North Korea. She had had an opportunity to visit with them at the DMZ yesterday. They are terrific soldiers, doing a first-class job. She then, with great pride, showed the

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President a baseball style hat with military scrambled eggs on the visor and imprinted with the words "Iron Lady." She proudly stated: "it was given to me by your boys serving on the front lines." In closing, she said that a young American Sergeant had said words to her that we should all remember: "Out here we are serving on the frontier of freedom." (C)

The meeting concluded at 6:15 p.m. (U)

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