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10 DOWNING STREET

From the Private Secretary

5 May 1986

Dear Tony,

PRIME MINISTER'S MEETING  
WITH PRESIDENT REAGAN

I enclose a record of the Prime Minister's meeting with President Reagan on 4 May.

I am copying this letter and enclosure to John Howe (Ministry of Defence) and Sir Robert Armstrong.

Yours sincerely,

CHARLES POWELL

A. C. Galsworthy, Esq., C.M.G.,  
Foreign and Commonwealth Office.



SECRET

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND PRESIDENT REAGAN  
AT THE RESIDENCE OF THE UNITED STATES AMBASSADOR IN TOKYO ON SUNDAY  
4 MAY AT 1715

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PRESENT

Prime Minister  
Mr. C. D. Powell

President Reagan  
Mr. Peter Sommer

LIBYA

President Reagan said that he wanted the Prime Minister to know how much he and all Americans appreciated the United Kingdom's support for the American action against Libya. He was sorry it had caused the Government problems. The Prime Minister said it had been the right decision and steadily more people were coming to realise that. Terrorism could not be appeased.

President Reagan said that he thought there was a reasonable prospect that the Summit Seven could agree on a programme of action against terrorism. He detected a general wish to take action. Chancellor Kohl had suggested to him that a team of high level people should be set up to study and plan courses of action against countries supporting terrorism on which the Summit Seven countries could act together. The Prime Minister commented that the draft conclusions agreed by the Sherpas were unimpressive. She had sent Mr. Nakasone a stronger text (she handed over a copy to the President). President Reagan said that he was ready to support the Prime Minister's text of which he had been informed. The important thing was to get some action. United States' oil companies would be pulling out of Libya by 30 June. The Prime Minister asked whether Germany and Italy were prepared to take action to embargo Libyan oil. President Reagan said that it would be difficult for Italy. The President continued that he would like to see all Libyan People's Bureaux closed down. He was convinced that if united action could be taken against Libya other countries would think twice about using terrorism. The Prime Minister asked what sort of group Chancellor Kohl had in mind. Would it be in the framework of the Economic Summit Seven? President Reagan said he was not quite certain.



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President Reagan said that the situation inside Libya was confused. The Americans had information that there had been fighting in the streets in Tripoli in the past few days. The Chief of the Libyan Air Force had been arrested and probably executed. The commander of the main airbase had also been arrested. There was reason to believe that Qadhaffi had lost some of his power. The Prime Minister said that she had seen the conclusions reached by experts at their meeting on 29 April. These were cautious and did not suggest that Qadhaffi was in serious trouble. There were certain courses of action which could not be discussed in the large group. She was ready to send some very senior people to talk to President Reagan's officials.

The Prime Minister continued that a lot of Americans were cancelling their holidays in the United Kingdom and Europe and even some official delegations had cancelled their plans. It would be very helpful if the President could make some sort of public statement, perhaps in one of his regular radio broadcasts, encouraging Americans not to be put off from visiting the United Kingdom. President Reagan said that there had been a dramatic downturn in American tourism to all destinations outside the United States. The reason was Qadhaffi's threat to attack American targets anywhere.

#### MIDDLE EAST

The Prime Minister said it was important not to give the impression of being pre-occupied only with terrorism in the Middle East. The United States' assessment of likely Arab reactions to its action against Libya had been shown to be accurate. But to keep the Arab world with us, we must continue to work for a solution to the Palestinian problem. She was concerned that there appeared to be no Middle East peace initiative in the field at all. She would shortly be visiting Israel. We should take advantage of Mr. Peres' remaining time as Prime Minister. King Hussein had made a fairly modest proposal for a United Nations Representative on the West Bank. But this appeared to have run into American opposition.



President Reagan said that he was intrigued by another idea, that put forward by both Israel and Egypt in slightly different forms, for the setting up of a Marshall Plan for the whole Middle East. This would be a way of drawing other countries into a greater involvement in the area, not as arbiters of peace but as contributors to development. Progress towards a peace settlement could grow out of such co-operation for development.

The Prime Minister said that money was not really the problem except in Egypt, Jordan and on the West Bank. There had to be a renewal of political initiative. She thought that Mr. Peres was promoting his plan for economic reconstruction as a diversion from difficult choices involved in moving towards negotiations. Unless the Palestinians and the Arab countries supporting them were given some hope, they would continue to argue that terrorism in support of their cause was justified.

#### SOUTH AFRICA

The Prime Minister said that all the Heads of Government attending the Summit had received letters from President Botha, in which he proposed a statement from the Economic Summit supporting a dialogue in South Africa against the background of a suspension of violence. Her own assessment was that President Botha was genuine in his desire to see a dialogue and that a statement from the Summit would help achieve this. She and the President were agreed that economic sanctions were wrong. She had found M. Chirac encouragingly robust on this point.

President Reagan confirmed his opposition to sanctions which only hurt those whom they were intended to help. The United States was anxious to support the Eminent Persons Group. His own view was that a solution in South Africa would only be found by adopting a cantonal system. The Prime Minister reiterated her hope that there could be a statement from the Summit.

The Prime Minister continued that she was very concerned at the increase in Soviet arms and advisers going to Angola. The Soviet Union looked at Southern Africa strategically. Their objective was to deny the West access to strategic raw materials.



This was a further argument in favour of support for the Eminent Persons Group's efforts to encourage an orderly solution to South Africa's problems. President Reagan recalled the maxim: "He who controls South Africa controls Europe."

IRELAND

The Prime Minister said that she wished to thank President Reagan for all that he and the Administration were doing to get the Supplementary Extradition Treaty through Congress. The effect on public opinion in the United Kingdom if it did not go through would be very harmful. One could not call for action against some terrorists and give a safe haven to others. President Reagan said that he would do all he could to get the Treaty through.

The President continued that he had been concerned to learn of Libyan links to the IRA. He had also recently heard that Dr. Paisley and some of the Protestants were resorting to violence. The Prime Minister said that the violence came from extreme Protestant groups and Dr. Paisley could not be held directly responsible. The Government had offered to talk to the Unionists but were not ready to abrogate or suspend the Anglo/Irish Agreement.

JAPAN

The Prime Minister asked the President how the problem of Japan's continuing huge trade surplus might be tackled at the Summit. President Reagan said that Mr. Nakasone was sincere in his desire to solve the problem to the point where he was putting himself in considerable political danger and genuinely intended to implement the Maekawa Report. His preference, therefore, was not to be too rough on Japan at the Summit. The Prime Minister said that the President was more optimistic than she was that the Japanese <sup>would</sup> actually do anything decisive. This was the 8th Summit which she had attended. The issue had been raised at all of them but nothing had actually happened.



[ At this point the Foreign Secretary, Secretary Shultz, Mr. Regan, Admiral Poindexter and Mrs. Ridgway joined the meeting\_7. Secretary Shultz observed that the Maekawa Report recognised the source of the problem: that the rate of savings in Japan was greater than the rate of consumption. President Reagan added that Mr. Nakasone wanted to increase incentives to consume. He was the best Japanese Prime Minister we were likely to get. It was important not to endanger his political position.

#### EAST/WEST RELATIONS

The Prime Minister said that she had recently received a further message from Mr. Gorbachev (she handed the President a copy). In supplementing it, the new Soviet Ambassador to London had said that Mr. Gorbachev was very anxious to have a further summit with the President this year. Gorbachev had sought her assessment whether the President was similarly committed. She had said that she believed it important that the summit should be held, not least because public expectations had been raised. But it was essential that the Soviet Union should get down to detailed negotiations on the main issues in Geneva and Vienna. Their recent proposals had been made largely with an eye to propaganda. All the main arms control negotiations were blocked, particularly on the question of verification. She was making much in public of the argument that the way the Russians had behaved over the actions at Chernobyl underlined the importance of agreeing strict verification procedures in arms control.

President Reagan commented that the problem lay with the Soviet Union's failure to observe existing arms control agreements. There was clear evidence that they had violated the SALT II limits. He was interested to hear of Mr. Gorbachev's insistence on a US/Soviet summit this year. The Americans had themselves proposed holding it in June but the Russians had initially suggested September. The United States had pointed out that this was too close to the congressional elections. Subsequently the Russians had postponed or cancelled the meeting between Mr. Shultz and Shevardnadze.



The Prime Minister said that Mr. Gorbachev's message had made a specific reference to Shevardnadze's expected visit to the United Kingdom. There was no doubt that Mr. Gorbachev was on the defensive over the nuclear accident which had shown the Soviet system in its true colours. The United States should take full advantage of this by renewing pressure for an early summit. President Reagan said that Mr. Gorbachev's public relations technique had deserted him over the accident. If he had told the world the truth, he would have been widely hailed. The Foreign Secretary commented that the cover-up of the accident was probably a totally automatic reaction of the Soviet system. It was possible that Mr. Gorbachev would now try to recover the ground which had been lost. President Reagan said that although Mr. Gorbachev was superficially easier to deal with than say Gromyko, the fact was that he actually believed Soviet propaganda.

SOVIET NUCLEAR ACCIDENT

The Prime Minister said that she was unsure of the best way to tackle this issue at the Summit. One possibility was to call for tougher international safety standards. The most important aspect was to confirm the confidence of the Summit countries in nuclear power and in the safety of our own systems. President Reagan observed that there had never been a fatal accident in any nuclear power plant in any country of the world until this point. Admiral Poindexter recalled that the Soviet Union had accepted an obligation to report details of accidents and had 40 days in which to do so. The Prime Minister said that there had in fact been an accident with a Soviet reactor producing material for military purposes in the 1950s. She was certain that the Summit should issue a firm statement. The draft proposal circulated by Mr. Nakasone did not go far enough.

EC/US

The Prime Minister said that both Europe and the United States had supported enlargement of the Community on political grounds. There were substantial economic costs for the other members of the Community but it had been regarded as important to bring Spain and Portugal fully into the democratic fold.



She was certain that Spain's successful entry into the European Community had helped to keep her in NATO. Europe would feel aggrieved if enlargement was now used by the United States as a reason for unilateral retaliatory action against European agricultural exports. If the United States believed it had a grievance, there should be negotiations in the GATT. President Reagan said that enlargement of the Community had closed off an important market for the United States. Secretary Shultz added that the United States had always said that the Community should not be enlarged at the United States' expense. The United States contributed very substantially to helping Spain and Portugal through its aid.

The Prime Minister pointed out that the retaliatory action envisaged by the United States would hit Britain particularly hard. Secretary Shultz said that this should certainly be reviewed. The Prime Minister said there should be negotiations in the GATT. The United States should remember that it would gain from the reduction in barriers to trade in industrial products in Spain and Portugal. Secretary Shultz said that the Americans were certainly ready to negotiate. But they were convinced that they had a legitimate complaint which needed a solution.

KOREA

The Prime Minister gave President Reagan an account of her recent visit to Korea and of the outstanding role played by United States' forces particularly those which she had visited in the Demilitarised Zone.

The meeting ended at 1815.

C.D.P.

4 May 1986