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WBLNAN 0384 ORWBAN 7020
RESTRICTED
DD 130900Z FCOLN
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DD 130330Z PEKIN
PP BONNN
PP PARIS
PP MODAD
PP MOSCO
FM WASHI TO FCOLN
130140Z OCT
GRS 375

ADVANCE COPY
IMMEDIATE

PS/PUS 9/13

Hd/Sov D

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Hd/AECS

Hd/News D

M GOODALL

M MALLABY CABINET OFFICE

DUS (P) MOD

POWELL ~~NO. 10~~

(18)

RESTRICTED
FM WASHINGTON
TO DESKBY 130800Z FCO
TELNO 2613
OF 130140Z OCTOBER 86
AND TO DESKBY 130700Z UKDEL NATO
INFO DESKBY 130330Z PEKING
INFO PRIORITY BONN, PARIS, MODUK, MOSCOW

MODUK FOR SIC A3A
PEKING FOR PRIVATE SECRETARY TO SECRETARY OF STATE

REYKJAVIK MEETING

1. MY THREE IFTS CONTAIN:
 - A) EXTRACTS FROM PRESIDENT REAGAN'S DEPARTURE STATEMENT AT KEFLAVIK;
 - B) SHULTZ'S PRESS CONFERENCE STATEMENT IN REYKJAVIK, AND EXTRACTS FROM HIS ANSWERS TO QUESTIONS;
 - C) COMMENTS TO THE PRESS BY WHITE HOUSE CHIEF OF STAFF REGAN.
2. THE PRESIDENT, APPARENTLY RELAXED AND EBULLIENT, SPOKE FROM A PREPARED TEXT. SHULTZ, WHO LOOKED TIRED AND DESPONDENT, DID NOT, ALTHOUGH HE HAD EVIDENTLY THOUGHT CAREFULLY ABOUT HIS STATEMENT. REGAN'S REMARKS WERE IMPROMPTU.
3. THE US MEDIA ARE BAFFLED BY THE BREAKDOWN OF TALKS. INFORMAL ADMINISTRATION BRIEFING EARLIER TODAY HAD LED THEM TO BELIEVE THAT PROGRESS WAS BEING MADE; THEY HAD SEEN THE EXTRA SESSION ON 12 OCTOBER AS AN ENCOURAGING SIGN. THEY ARE UNLIKELY TO GET MUCH MORE GUIDANCE IN THE NEXT 24 HOURS; ADMINISTRATION BRIEFERS WILL NOT WANT TO PREEMPT THE PRESIDENT, WHO ADDRESSES THE NATION AT 2000 LOCAL TIME ON 13 OCTOBER.
4. NO REPORTS OF THE REYKJAVIK DISCUSSIONS HAVE AS YET BEEN RECEIVED IN STATE. THE AUTHORITATIVE US ACCOUNT WILL BE GIVEN BY SHULTZ IN HIS BRIEFING OF THE NORTH ATLANTIC COUNCIL ON 13 OCTOBER.
5. ADVANCE COPIES TO PS/PUS, GOODALL, PAKENHAM, MALLABY (CABINET OFFICE), DUS (P) (MOD), AND POWELL (NO 10).

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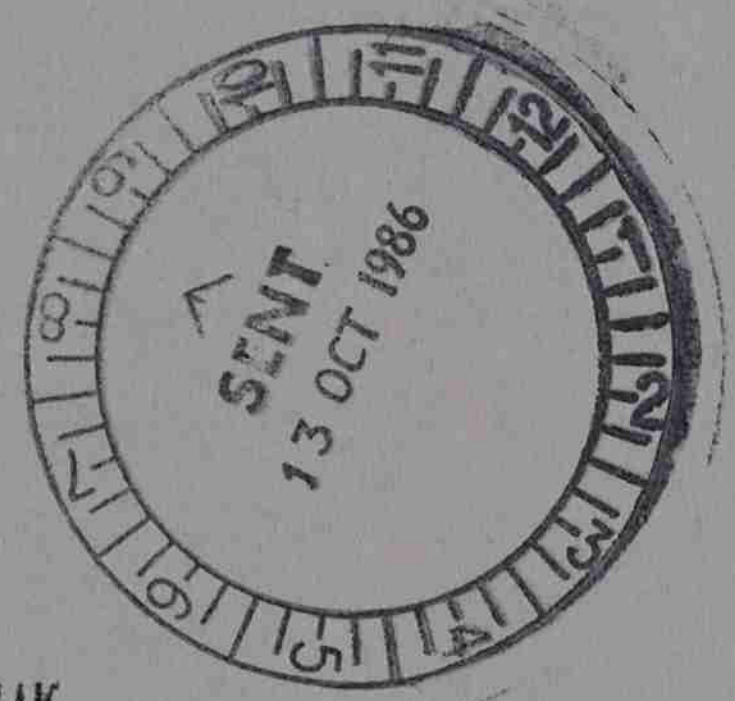
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OF 130145Z OCTOBER 86
AND TO DESKBY 130700Z UKDEL NATO
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MODUK SIC A3A
PEKING FOR PRIVATE SECRETARY TO SECRETARY OF STATE
MIPT: REYKJAVIK MEETING

1. FOLLOWING IS THE SUBSTANTIVE PASSAGE FROM PRESIDENT REAGAN'S STATEMENT ON DEPARTURE FROM KEFLAVIK ON 12 OCTOBER:
"THE TALKS WE JUST CONCLUDED WERE HARD AND TOUGH, AND YET I HAVE TO SAY EXTREMELY USEFUL. WE SPOKE ABOUT ARMS CONTROL, HUMAN RIGHTS AND REGIONAL CONFLICTS. AND OF COURSE, MR GORBACHEV AND I WERE FRANK ABOUT OUR DISAGREEMENTS. WE HAD TO BE. IN SEVERAL CRITICAL AREAS WE MADE MORE PROGRESS THAN WE ANTICIPATED WHEN WE CAME TO ICELAND. WE MOVED TOWARD AGREEMENT ON DRASTICALLY REDUCED NUMBERS OF INTERMEDIATE RANGE NUCLEAR MISSILES IN BOTH EUROPE AND ASIA. WE APPROACHED AGREEMENT ON SHARPLY REDUCED STRATEGIC ARSENALS FOR BOTH OUR COUNTRIES. WE MADE PROGRESS IN THE AREA OF NUCLEAR TESTING.

BUT THERE REMAINED AT THE END OF OUR TALKS ONE AREA OF DISAGREEMENT. WHILE BOTH SIDES SEEK REDUCTION IN THE NUMBER OF

BY THERE REMAINED AT THE END OF OUR TALKS ONE AREA OF
DISAGREEMENT. WHILE BOTH SIDES SEEK REDUCTION IN THE NUMBER OF
NUCLEAR MISSILES AND WARHEADS THREATENING THE WORLD, THE SOVIET
UNION INSISTED THAT WE SIGN AN AGREEMENT THAT WOULD DENY TO ME
AND TO FUTURE PRESIDENTS FOR TEN YEARS THE RIGHT TO DEVELOP,
TEST AND DEPLOY A DEFENCE AGAINST NUCLEAR MISSILES FOR THE
PEOPLE OF THE FREE WORLD. THIS WE COULD NOT AND WILL NOT DO.

SO, LATE THIS AFTERNOON I MADE TO THE GENERAL SECRETARY
AN ENTIRELY NEW PROPOSAL: A TEN YEAR DELAY IN THE DEPLOYMENT OF
SDI IN EXCHANGE FOR THE COMPLETE ELIMINATION OF ALL BALLISTIC
MISSILES FROM THE RESPECTIVE ARSENALS OF BOTH NATIONS. SO LONG
AS BOTH THE UNITED STATES AND THE SOVIET UNION PROVE THEIR GOOD
FAITH BY DESTROYING NUCLEAR MISSILES YEAR BY YEAR, WE WOULD NOT
DEPLOY SDI. THE GENERAL SECRETARY SAID HE WOULD CONSIDER OUR
OFFER, BUT ONLY IF WE RESTRICTED ALL WORK ON SDI TO LABORATORY
RESEARCH, WHICH WOULD HAVE KILLED OUR DEFENSIVE SHIELD.

WE CAME TO ICELAND TO ADVANCE THE CAUSE OF PEACE, AND
THOUGH WE PUT ON THE TABLE THE MOST FAR-REACHING ARMS CONTROL
PROPOSAL IN HISTORY, THE GENERAL SECRETARY REJECTED IT. HOWEVER,
WE MADE GREAT STRIDES IN ICELAND IN RESOLVING MOST OF OUR
DIFFERENCES, AND WE'RE GOING TO CONTINUE THE EFFORT."

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MODUK SIC A3A
PRKING FOR PRIVATE SECRETARY TO SECRETARY OF STATE

MIPT: REYKJAVIK MEETING: SHULTZ'S PRESS CONFERENCE

1. FOLLOWING IS SHULTZ'S OPENING STATEMENT:
"I'VE JUST SPENT TWO FULL, INTENSIVE DAYS WATCHING THE PRESIDENT OF THE UNITED STATES ENGAGE WITH THE GENERAL SECRETARY OF THE SOVIET UNION OVER THE FULL RANGE OF ISSUES THAT WE ARE CONCERNED ABOUT TOGETHER. THE PRESIDENT'S PERFORMANCE WAS MAGNIFICENT, AND I HAVE NEVER BEEN SO PROUD OF MY PRESIDENT AS I HAVE BEEN IN THESE SESSIONS, AND PARTICULARLY THIS AFTERNOON.

DURING THE COURSE OF THESE TWO DAYS, EXTREMELY IMPORTANT POTENTIAL AGREEMENTS WERE REACHED TO REDUCE, IN THE FIRST INSTANCE, STRATEGIC ARMS IN HALF; TO DEAL EFFECTIVELY WITH INTERMEDIATE-RANGE MISSILES; ALTHOUGH WE DIDN'T FINALLY HAVE THE OPPORTUNITY TO COME TO GRIPS WITH IT, PROBABLY TO WORK OUT SOMETHING SATISFACTORY ABOUT NUCLEAR TESTING; SATISFACTORY A MANNER OF ADDRESSING REGIONAL ISSUES, HUMANITARIAN CONCERNS, AND A VARIETY OF BILATERAL MATTERS; AND A TREMENDOUS AMOUNT OF HEADWAY IN THE ISSUES IN SPACE AND DEFENSE INVOLVING THE ABM TREATY. THROUGHOUT ALL OF THIS, THE PRESIDENT WAS CONSTRUCTIVE IN REACHING OUT AND USING HIS CREATIVITY AND INGENUITY TO FIND THESE VERY SWEEPING AND SUBSTANTIAL AND IMPORTANT AGREEMENTS.

IT HAS BEEN CLEAR FOR A LONG TIME, AND IT WAS CERTAINLY CLEAR TODAY, AND PARTICULARLY THIS AFTERNOON, THE IMPORTANCE THE SOVIET LEADER ATTACHES TO THE STRATEGIC DEFENCE INITIATIVE, AND I THINK IT WAS QUITE APPARENT THAT A KEY REASON WHY IT WAS POSSIBLE TO REACH SUCH SWEEPING POTENTIAL AGREEMENTS WAS THE VERY FACT OF SDIS VIGOROUS PRESENCE.

IN SEEKING TO DEAL WITH THESE ISSUES, THE PRESIDENT WAS READY TO AGREE TO A TEN YEAR PERIOD OF NON-WITHDRAWAL FROM THE ABM TREATY, A PERIOD DURING WHICH THE UNITED STATES WOULD DO RESEARCH, DEVELOPMENT AND TESTING, WHICH IS PERMITTED BY THE ABM TREATY, AND OF COURSE AFTER WHICH WE WOULD BE PERMITTED TO DEPLOY IF WE CHOSE. HOWEVER, AS THE AGREEMENT THAT WE HAVE

DEPLOY IF WE CHOSE. HOWEVER, AS THE "AGREEMENT THAT MIGHT HAVE BEEN" SAID, DURING THIS TEN YEAR PERIOD, IN EFFECT, ALL OFFENSIVE STRATEGIC ARMS AND BALLISTIC MISSILES WOULD BE ELIMINATED SO THAT AT THE END OF THE PERIOD THE DEPLOYMENT OF STRATEGIC DEFENCE WOULD BE SUBSTANTIALLY ALTERED IN WHAT WAS NEEDED AND WOULD BE IN THE NATURE OF AN INSURANCE POLICY, INSURANCE AGAINST CHEATING, INSURANCE AGAINST SOMEBODY GETTING HOLD OF THESE WEAPONS. SO IT WOULD MAINTAIN AN EFFECTIVE SHIELD FOR THE UNITED STATES, FOR OUR ALLIES, FOR THE FREE WORLD.

AS WE CAME MORE AND MORE DOWN TO THE FINAL STAGES, IT BECAME MORE AND MORE CLEAR THAT THE SOVIET UNION'S OBJECTIVE WAS EFFECTIVELY TO KILL OFF THE SDI PROGRAMME, AND TO DO SO BY SEEKING A CHANGE, DESCRIBED BY THEM AS STRENGTHENING, BUT A CHANGE IN THE ABM TREATY THAT WOULD SO CONSTRAIN RESEARCH PERMITTED UNDER IT THAT THE PROGRAMME WOULD NOT BE ABLE TO PROCEED AT ALL FORCEFULLY.

THE PRESIDENT, HARD AS HE HAD WORKED FOR THIS EXTRAORDINARY RANGE AND IMPORTANCE OF AGREEMENTS, SIMPLY WOULD NOT TURN AWAY FROM THE BASIC SECURITY INTERESTS OF THE UNITED STATES, OUR ALLIES AND THE FREE WORLD BY ABANDONING THIS ESSENTIAL DEFENSIVE PROGRAMME. HE HAD TO BEAR IN MIND, AND DID BEAR IN MIND, THAT NOT ONLY IS THE EXISTENCE OF THE STRATEGIC DEFENCE PROGRAMME A KEY REASON WHY WE WERE ABLE POTENTIALLY TO REACH THESE AGREEMENTS, BUT UNDOUBTEDLY ITS CONTINUED EXISTENCE AND POTENTIAL WOULD BE THE KIND OF PROGRAMME YOU NEED IN THE PICTURE TO ASSURE YOURSELF THAT THE AGREEMENTS REACHED WOULD BE EFFECTIVELY CARRIED OUT.

AND SO, IN THE END, WITH GREAT RELUCTANCE, THE PRESIDENT, HAVING WORKED SO HARD, CREATIVELY AND CONSTRUCTIVELY, FOR THESE POTENTIALLY TREMENDOUS ACHIEVEMENTS, SIMPLY HAD TO REFUSE TO COMPROMISE THE SECURITY OF THE US, OF OUR ALLIES AND FREEDOM BY ABANDONING THE SHIELD THAT IS HELD IN FRONT OF FREEDOM. SO, IN THE END, WE ARE DEEPLY DISAPPOINTED AT THIS OUTCOME, ALTHOUGH I THINK IT IS IMPORTANT TO RECOGNIZE HOW EFFECTIVELY AND CONSTRUCTIVELY AND HARD THE PRESIDENT WORKED, AND HOW MUCH HE ACHIEVED POTENTIALLY, HOW READY HE WAS TO GO ABSOLUTELY THE LAST, NOT JUST THE LAST MILE, BUT AS YOU CAN SEE FROM WHAT I'VE TOLD YOU, QUITE A LONG DISTANCE TO TRY TO BRING INTO BEING THESE POTENTIALLY VERY SIGNIFICANT AGREEMENTS. BUT, HE COULD NOT ALLOW THE ESSENTIAL INGREDIENT TO BE DESTROYED IN THE PROCESS, AND HE WOULD NOT DO SO."

2. IN RESPONSE TO QUESTIONS, SHULTZ ADDED THE FOLLOWING:

A) ABM TREATY. THE CHANGE SOUGHT BY THE RUSSIANS WOULD HAVE CONFINED RESEARCH, TESTING AND DEVELOPMENT TO THE LABORATORY:

B) AGREED LANGUAGE. THE ARMS CONTROL WORKING GROUP (IE NITZE, ROWNY, PERLE, ADELMAN, KAMPELMAN, LINNARD, AND KARPOV, VELIKHOV, AKROMEYEV ETAL) HAD AGREED, DURING THE NIGHT OF 11/12 OCTOBER ON LANGUAGE FOR A JOINT STATEMENT ON START.

ON INF, NO SPECIFIC LANGUAGE HAD BEEN WORKED OUT, BUT IN THE COURSE OF DISCUSSION ON 12 OCTOBER QUOTE WE WERE ABLE TO FIND WHAT I THINK COULD BE A VERY FINE AGREEMENT UNQUOTE. AGREED LANGUAGE ON THAT "WOULD NOT HAVE BEEN TOO DIFFICULT".

C) HUMAN RIGHTS. THE SECOND WORKING GROUP (IE RIDGWAY, HARTMAN, MATLOCK AND BESSMERTNYK, ARBATOV ETC) HAD ALSO AGREED LANGUAGE. THE RUSSIANS ACCEPTED SIGNIFICANT MATERIAL SETTING OUT US VIEWS, INCLUDING LISTS OF PEOPLE WHO HAD INDICATED THEY WISHED TO LEAVE THE SOVIET UNION "PERHAPS AT SOME POINT THERE IS A PROSPECT OF SETTING UP SOME KIND OF SYSTEMATIC BASIS" FOR DISCUSSING HUMAN RIGHTS MATTERS.

D) SUMMIT. NO AGREEMENT ON A DATE FOR A SUMMIT IN THE US, AND NO PROSPECT OF ONE TAKING PLACE IN THE NEXT FEW MONTHS.

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MODUK SIC A3A
PEKING FOR PRIVATE SECRETARY TO SECRETARY OF STATE.

MIPT: REYKJAVIK MEETING: REGAN'S COMMENTS TO THE PRESS
1. FOLLOWING ARE EXTRACTS FROM WHITE HOUSE CHIEF OF STAFF
REGAN'S COMMENTS TO THE PRESS ON DEPARTURE FROM REYKJAVIK:
A) "THE PRESIDENT HAD PROMISED THE AMERICAN PEOPLE THAT HE
WOULD NOT GIVE AWAY SDI, NOR TRADE IT AWAY. HE DID NOT TRADE IT
AWAY. THE PRESIDENT STOOD FIRM. SDI IS ONE OF THE MAIN REASONS
THAT WE'RE HERE. IT'S QUITE OBVIOUS THIS IS ONE OF THE THINGS
THAT THE SOVIETS FEAR, OUR GETTING SDI. THAT IS OUR STRONG CARD.
WE SHOULDN'T GIVE IT AWAY".
B) "THERE'S STILL A CHANCE TO GET OTHER AGREEMENTS. BUT IN
THE MEANTIME, SUPPOSE THERE HAD BEEN CHEATING, OR SUPPOSE SOME
OTHER COUNTRY DEVELOPED THESE WEAPONS. SDI IS A SHIELD
AGAINST ALL OF THESE WEAPONS THAT MIGHT COME IN THE HANDS OF
OTHER PEOPLE".

OTHER PEOPLE .

C) PRESIDENT REAGAN WAS THE ONE THAT VOLUNTEERED THAT WE WOULD GIVE UP ALL OF THESE WEAPONS. WE MADE THE PROPOSITION, NOT THE SOVIETS. WE SAID TO THE SOVIETS, WE WILL DO AWAY WITH ALL NUCLEAR WEAPONS-NUCLEAR BOMBS, NUCLEAR SHELLS FOR FIELD ACTIVITY. EVERYTHING WAS ON THE TABLE.

WE'LL GIVE IT AWAY IF YOU WILL AGREE TO LET US CONTINUE OUR SEARCH FOR THIS DEFENSE. AND FOR 10 YEARS WE WON'T DEPLOY THAT SYSTEM. AND YET THEY REFUSED TO DO IT''.

D) ''THERE WILL NOT BE ANOTHER SUMMIT IN THE NEAR FUTURE THAT I CAN SEE AT THIS TIME. THE SOVIETS ARE THE ONES WHO REFUSE TO MAKE THE DEAL. IT SHOWS THEM UP FOR WHAT THEY ARE. THE SOVIETS FINALLY SHOWED THEIR HAND''.

E) ''THE PRESIDENT DIDN'T REFUSE TO TRADE. THE SOVIETS REFUSED THE PRESIDENT'S OFFER TO DO AWAY WITH NUCLEAR WEAPONS. THEY INSISTED UPON GETTING EVERYTHING. THEY WOULDN'T GIVE UP ANYTHING''.

F) (IN RESPONSE TO GORBACHEV'S COMMENT THAT THE SITUATION IS DETERIORATING) ''NATURALLY THAT'S WHAT HE'S GOING TO SAY. ALL HE HAD TO DO TO GET THIS ENTIRE AGREEMENT AND PUT THE WORLD AT PEACE WAS TO SAY, YES, YOU CAN CONTINUE YOUR RESEARCH, AS LONG AS YOU DON'T DEPLOY FOR 10 YEARS. AND IN THE MEANTIME WE'LL TALK ABOUT IT. AND HE ABSOLUTELY REFUSED TO DO THAT''.

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