



United States Department of State

Washington, D. C. 20520

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BRIEFING MEMORANDUM

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S/S

TO : The Secretary

THROUGH : P - Mr. Armacost

FROM : EUR - Richard Burt *by JHK*

SUBJECT : Your Meeting with British Prime Minister Margaret Thatcher, November , at

I. YOUR OBJECTIVES

1. Discuss future of Sub-continent. British have great experience and insight by virtue of their long involvement in the area. Seek Thatcher's views on how best to defuse the Indo-Pakistani rivalry and how it relates to Afghanistan.
2. Listen to British concerns on the Laker Airlines anti-trust case. (Talking points provided.)
3. Exchange views on developments in Middle East. (Talking points provided.)
4. Provide Mrs. Thatcher with your current assessment of US-Soviet relations. (Talking points provided.)
5. Discuss developments in Central America. (Talking points provided.)

II. SETTING

4. Since you last met Prime Minister Thatcher at the London Economic Summit in June, her Government has been beset from a number of sides. Thatcher's conduct in the aftermath of the Brighton bombing has served to raise her public support considerably, but her Government continues to face serious labor and economic troubles. The continuing coal miners' strike is now in its eighth month and presents the possibility of power outages this winter, but Miners' Union Chief Scargill's contacts with Libya and the USSR have, however, strengthened the Prime Minister's hand. Unemployment has risen to almost 13 per cent, and the pound has fallen to a historical low against the dollar. The opposition, however, remains in disarray. The militant left has strengthened its hold on the Labor Party and has pushed Labor into positions that alienate the majority of the electorate and guarantee that Labor remains

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The Secretary's Trip to New
Delhi, India for funeral service

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out of power. The Alliance continues to lack a real infrastructure and suffers from lack of cohesion between the SDP and the Liberals. Consequently, at the present time, no viable alternate exists to Thatcher, and the major potential threat to her continuation in power is the probability of a revolt within the Tory Party.

The Thatcher Government continues to view the international arena from a viewpoint very similar to that of the US and has been willing to work very closely with us on such issues as arms control, Central America, and the Middle East.

The major irritant in US-UK relations is the British perception that the US is applying domestic law extraterritorially to the detriment of UK legal and commercial interests. The Laker case is the most serious matter of this type at present.

III. PARTICIPANTS

U.S.

The Secretary
Assistant Secretary Burt

U.K.

Prime Minister Margaret
Thatcher

Attachments:

Tab A: Talking Points
Tab B: Grand Jury Information on Laker Case (sealed)
Tab C: Biography of PM Thatcher

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Listen to British concerns on the Laker Airlines anti-trust case.

US and UK teams met in Washington last week to discuss the tentative decision of the Department of Justice to seek indictments against British Airways and three former British Airways officials for price fixing and against British Airways and Pan American for agreeing to limit capacity on certain runs. The teams are meeting in London again this week on this and other aspects of our bilateral civil aviation relationship. We have asked Embassy London to report the results to you in New Delhi. Meanwhile, British Ambassador Wright discussed the subject with Ken Dam on October 30. (Memorandum in sealed envelope at Tab B.)

Justice Department officials informed us following the talks that the British presentation, which largely restated the U.K. position on jurisdictional conflicts and comity, had not persuaded them against seeking indictments. Political considerations and the possibilities for trade-offs were not explicitly raised by the U.K. But the U.K.'s negotiating position and style thus far seems to indicate that British officials below the political level have accepted the probability of indictments and might accept a trade-off of no pleas plus fines in exchange for an agreed approach towards resolving the issue of treble damages in any future anti-trust actions. The attitude of political leaders, however, remains to be seen, and your discussion with Mrs. Thatcher should provide a good indication of how she feels.

The U.S. team in London will cable a report to you in Delhi on developments relating to their discussions this week.

-- We are very much aware of your views

-- We will convey your views to the Department of Justice and insure they are taken into account.

NOTE: Secret Grand Jury information is contained in the attached envelope at Tab B.

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The Middle EastI. PEACE PROCESS

-- Premature to make predictions; progress depends on parties in region.

-- New Israeli coalition will give priority to economy, withdrawal from Lebanon.

-- Arabs uncertain how to proceed. Hussein lacks Arab backing; Palestinians divided; Syrian role unclear.

-- Time for quiet diplomacy by U.S. Steps must first be taken by parties in region.

II. LEBANON

-- U.S. has continued to explore means of arranging an Israeli withdrawal with key parties.

-- Israel, Lebanon and Syria would welcome a U.S. mediation effort; we are letting UN take the lead.

-- Significant that Israel has decoupled withdrawal from Syrian withdrawal, normalization of Lebanon relations -- Parties remain divided on framework for direct military talks between Lebanon and Israel.

-- We are not now involved in mediation effort; many obstacles remain.

III. IRAN-IRAQ

-- Iraq's success in preventing Iran from launching major southern offensive has heightened Iraqi confidence.

-- Iran considers recent attack in central sector to be success; could be Iran's pattern for remainder of year.

-- Iraqis may show frustration in ground war by increased attacks on Gulf shipping.

-- Neither the efforts of the Japanese or others to stimulate negotiations have generated much progress.

-- Though fighting has currently stabilized, additional escalation threatening Gulf states remains real possibility over next 3-6 months.

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Provide Mrs. Thatcher with your current assessment of US-Soviet relations.

Mrs. Thatcher will be interested in your expectations for US-Soviet relations after the election, as well as your assessment of the impact of Mrs. Gandhi's assassination and rising tension in the sub-continent on our ties with Moscow.

-- The President's five hours with Gromyko provided an intense and comprehensive review of our relations.

-- The President pulled no punches in discussing our substantial differences with the Soviets or conveying his personal views on the nature of the Soviet system.

-- He also impressed on Gromyko his personal commitment to building a more productive relationship and reducing the nuclear threat through verifiable arms control agreements.

-- We think Gromyko understood the President's message. We are encouraged that in the three weeks since the talks took place there has been a more positive tone in our contacts. We saw this in Chernenko's interview in the Washington Post.

-- Without harboring illusions that there are easy solutions to our problems, we are mildly hopeful that after the election we will be able to make progress, particularly on arms control.

-- We have been keeping in touch with the Soviets. I had a good meeting with Dobrynin last Friday and Art Hartman had a useful two hour exchange with Gromyko in Moscow on Wednesday.

-- Mrs. Gandhi's death represents a "body blow" to Soviet interests in the subcontinent. She was present at the creation of the special Soviet-Indian relationship and the Soviets cannot help but be concerned that her passing may lead to the unraveling of their close ties.

-- We have strongly protested Soviet allegations that the CIA inspired the assassination. This is irresponsible. It endangers American lives and could exacerbate political tensions.

-- We intend to stress to the Soviets the importance of a continuing dialogue on regional issues including South Asia in the months ahead.

-- We expect tensions to rise and want to minimize the fallout on our own relationship and on our respective interests in the region. We want to avoid any misunderstanding, which could further complicate our difficult relations.

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Discuss developments in Central America.El Salvador-La Palma

- Duarte meeting was significant move toward national reconciliation that we support fully.
- We have long sought such a step; it was U.S. that brokered the August/Sept. 1983 meetings between the Salvadoran Peace Commission and FMLN/FDR.
- Progress in El Salvador shows U.S. support of democracy is working; that we are on right track.

Contadora

- Much progress has been made. Acta is not an end in itself but means to achieve peace. Contadora Group now acknowledges (Madrid, 10/17 communique) it needs more work.
- Verification in mountainous, jungle terrain requires staff and budget not presently provided by Acta.
- Simultaneous implementation is second area of improvement.
- In last three weeks, we've met with Contadora Group and Central Americans to assure them of our firm support for successful outcome.
- Nicaraguan refusal to meet with other Central Americans in Honduras was disappointing but we are confident that negotiating process will go forward.

Nicaragua

- We appreciate your support on question of sending official observers to Nicaraguan elections.
- Nicaraguan elections increasingly look like a lost opportunity. but issue may not be settled yet and we still hope Sandinistas will agree to let Cruz participate.
- Nicaraguan statement it would accept revised Acta was ploy to deflect criticism of their elections and freeze negotiations at moment of advantage. It didn't work.
- Ambassador Shlaudeman held a seventh round of talks with the Nicaraguans in Tinoco, Mexico on October 29 and 30. Agreement was reached to hold further meetings after elections in both countries.

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