

SECRET

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PERSONAL

DEDIP

FM WASHINGTON

TO IMMEDIATE FCO

TELNO 2734

OF 282200Z OCTOBER 86

MY TELNO 2703: REYKJAVIK AFTERMATH

1. AT A VERY SMALL DINNER - JUST 10 PEOPLE - GIVEN BY THE REAGANS (FOR PRINCESS ALEXANDRA) ON 27 OCTOBER, I WAS ABLE TO TALK ALONE WITH THE PRESIDENT FOR A QUARTER OF AN HOUR, MAINLY ABOUT ARMS CONTROL, AND TO MAKE SOME OF THE KEY POINTS IN YOUR TELNO 1822.

2. THE PRESIDENT SAID THAT HE UNDERSTOOD BRITISH AND EUROPEAN CONCERNS ABOUT THE IMBALANCE IN NON-NUCLEAR FORCES. AS THE LEVEL OF BALLISTIC MISSILES MOVED BELOW THE 50 PER CENT REDUCTION IT WOULD BE NECESSARY TO ENSURE THAT BALANCE WAS ALSO ACHIEVED IN CHEMICAL WEAPONS AND IN CONVENTIONAL FORCES. I SAID THAT WE SAW THE NUCLEAR SHIELD (AND ITS BALLISTIC MISSILE COMPONENT) AS ESSENTIAL FOR OUR DEFENCE, AND ASKED THE PRESIDENT WHETHER HE THOUGHT THAT THE ABANDONMENT OF IT SHOULD BE CONDITIONAL ON ACHIEVING BALANCE IN THE OTHER CATEGORIES OF ARMAMENTS, CHEMICAL AND PARTICULARLY CONVENTIONAL. FOR US IT WAS ESSENTIAL TO OUR SECURITY. THE PRESIDENT SAID THAT HE AGREED. HE THEN WENT ON TO ARGUE THE SHULTZ THESIS THAT THE BALANCE OF POPULATION AND ECONOMIC STRENGTH MEANT THAT THE NATO COUNTRIES COULD ENHANCE THEIR CONVENTIONAL EFFORT, AND THAT A CLEAR INDICATION OF DETERMINATION TO DO SO WOULD BE A POWERFUL LEVER INFORCING THE SOVIET UNION TO NEGOTIATE DOWNWARDS. THE PRESIDENT SAID THAT HE BELIEVED THAT GORBACHEV WAS UNDER SERIOUS ECONOMIC PRESSURE AND KNEW THAT HE MUST REDUCE THE RESOURCES DEVOTED TO THE MILITARY SECTOR.

3. THE PRESIDENT IS ENCOURAGED BY THE MOOD THAT HE HAS FOUND AMONG THE YOUNG ON THE CAMPUSES DURING HIS CAMPAIGNING IN THE MID-TERM ELECTION. HE SAID THAT THERE WAS A FEELING OF RESPONSIBILITY AND DEDICATION. REFEEENCES TO THE GOOD WORK OF THE US ARMED FORCES PRODUCED STANDING OVATIONS. THE YOUNGER GENERATION ALSO STRONGLY SUPPORTED SDI. THE COUNTRY WOULD BE PREPARED TO MAKE A BIGGER EFFORT IN THE CONVENTIONAL ARMAMENTS FIELD. I ARGUED THAT THE SOVIET POLITICAL SYSTEM GAVE THEM THE

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ADVANTAGE IN THIS RESPECT. EUROPEAN LEGISLATURES WOULD NOT EASILY, FOR EXAMPLE, REINTRODUCE CONSCRIPTION OR VOTE INCREASED DEFENCE BUDGETS. THE SOVIET SUPERIORITY IN TANKS, ARTILLERY, AIRCRAFT, AND MEN UNDER ARMS WAS OVERWHELMING. THE PRESIDENT SAID THAT THEY MUST COME DOWN, BUT IF NECESSARY THE NATO ALLIANCE SHOULD ALSO MOVE UP. EUROPEAN GOVERNMENTS WERE DEVOTING A VERY SMALL PROPORTION OF THEIR GDP TO DEFENCE.

4. THE PRESIDENT OBVIOUSLY FELT THAT THE PERSONAL RELATIONSHIP WHICH HE HAD ESTABLISHED WITH GORBACHEV AT GENEVA HAD NOT BEEN WHOLLY DISSIPATED AT REYKJAVIK. HE BELIEVES THAT HE CAN STILL DO BUSINESS WITH GORBACHEV.

5. THE PRESI
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LEAVING AT AN EARLY HOUR TO VISIT THREE MORE STATES ON 28 OCTOBER. HE SAID THAT THE RESULT WOULD BE QUOTE NIP AND TUCK UNQUOTE, BUT TOOK COMFORT IN THE FACT THAT ONE DEMOCRAT SENATOR (ZORINSKY: NEBRASKA) HAD SAID THAT HE WOULD IF NECESSARY DEFECT TO THE REPUBLICANS, AND THAT VICE PRESIDENT BUSH WOULD HAVE A CASTING VOTE IN THE EVENT OF A TIE.

COMMENT

6. THE PRESIDENT'S PRIVATE RECOGNITION THAT THE CONVENT

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5. THE PRESIDENT WAS VERY RELAXED AND SEEMED EXTRAORDINARILY FIT AND WELL IN SPITE OF A GRUELLING CAMPAIGN PROGRAMME. HE WAS LEAVING AT AN EARLY HOUR TO VISIT THREE MORE STATES ON 28 OCTOBER. HE SAID THAT THE RESULT WOULD BE QUOTE NIP AND TUCK UNQUOTE, BUT TOOK COMFORT IN THE FACT THAT ONE DEMOCRAT SENATOR (ZORINSKY: NEBRASKA) HAD SAID THAT HE WOULD IF NECESSARY DEFECT TO THE REPUBLICANS, AND THAT VICE PRESIDENT BUSH WOULD HAVE A CASTING VOTE IN THE EVENT OF A TIE.

COMMENT

6. THE PRESIDENT'S PRIVATE RECOGNITION THAT THE CONVENTIONAL IMBALANCE IS RELEVANT TO THE ISSUE OF ABOLISHING BALLISTIC MISSILES (PARA 2 ABOVE) IS ENCOURAGING, UP TO A POINT. BUT HE HAS NOT YET SAID THIS IN PUBLIC, IN ANY OF HIS CURRENT PLETHORA OF SPEECHES AND PRESS CONFERENCES. SO THERE IS STILL MUCH WORK TO BE DONE. (I SHALL SEE POINDEXTER LATER TODAY, AND WEINBERGER ON 3 NOVEMBER.)

7. WHAT IS DISCOURAGING IS THAT HE SHOULD PRODUCE THE SHULTZ LINE THAT THE REMEDY FOR THE CONVENTIONAL IMBALANCE LIES IN NATO'S HANDS. HIS OPTIMISM ABOUT THE ACCEPTABILITY TO THE US PUBLIC OF FURTHER INCREASES IN DEFENCE EXPENDITURE (PARA

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/ 3 ABOVE)

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3 ABOVE) FLIES IN THE FACE OF ALL THE EVIDENCE OF THE 99TH CONGRESS. REBUILDING US DEFENCE FORCES WAS A KEY ACHIEVEMENT OF THE FIRST REAGAN TERM, BUT THE TIDE TURNED IN 1985, AND FUNDS VOTED FOR THE CURRENT YEAR (FY87) REPRESENT A DECLINE IN REAL TERMS. AND I SUSPECT THAT THE DIFFICULTIES WHICH ADDITIONAL EXPENDITURE WOULD POSE FOR THE EUROPEAN ALLIES ARE SEEN BY THE PRESIDENT AS A PROBLEM TO BE SOLVED, RATHER THAN A STARK POLITICAL FACT. ALL THIS IS SOMETHING TO BE DISCUSSED FURTHER AT CAMP DAVID.

8. GIVEN HIS PERENNIAL OPTIMISM, IT WAS STRIKING THAT THE PRESIDENT SHOULD HAVE BEEN RATHER DOWNBEAT ABOUT THE ELECTORAL PROSPECTS FOR 4 NOVEMBER. GEORGE BUSH WAS IF ANYTHING RATHER MORE CAUTIOUS WHEN I SAW HIM ON 26 OCTOBER. I SUSPECT THEY ARE RIGHT; SEE MY LETTER OF 23 OCTOBER TO GILLMORE. THE RISK OF THE REPUBLICANS LOSING CONTROL OF THE SENATE IS CLEARLY VERY REAL.

9. I SHOULD BE GRATEFUL IF (A) AN ADVANCE COPY OF THIS TELEGRAM COULD BE SENT TO NO 10, AND (B) ITS CIRCULATION COULD OTHERWISE BE STRICTLY LIMITED. I HOPE THAT THE PRESIDENT'S PRIVATE REMARKS TO ME CAN BE RESPECTED AND NOT (NOT) REQUESTED.

ACLAND

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ORWBAN 7382

LIMITED.

HO. RCDD.

HO. DEFENCE DEPT.

HO. SOVIET DEPT.

HO. NAD.

HO. PLANNING STAFF.

HO. NEWS DEPT.

PS.

PS|MR. RENTON.

PS|PUS.

MR. THOMAS.

MR. GODDALL.

MR. GILLMORE.

COPIES TO:

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MR. MALLABY, CABINET OFFICE.

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