

BILATERAL WITH PRESIDENT REAGAN

1. Sympathy for difficulties over Bitburg.
2. Welcome efforts to get down budget deficit. Assessment of prospects in Congress? Ready to reduce rate of growth of defence spending if necessary?
3. We shall give strong support on setting a date for a new GATT round. Hope US will not press idea of international monetary conference.
4. Vital importance of securing a solution to unitary tax problem this year. If California legislation doesn't pass this year, pressure for retaliation by UK could become irresistible. Hope President will put personal weight behind it.

5. Welcome Murphy's visit to Middle East. Hope you can draw the Palestinians into discussions by some acknowledgement of their rights.

6. Ask his assessment of effectiveness of likely sanctions against Nicaragua. Will negotiations for a verifiable Contadora agreement continue to be pursued in parallel? Will US continue direct contacts with Nicaragua?

7. How does he feel about prospects for Geneva at end of round one? Does US have in mind specific proposals for round two? Hope he will authorise close bilateral consultation with UK.

8. Intentions on summit with Gorbachev? [Possibility of commemorative Security Council meeting in September?]

Walt

9. Intentions on SDI at Economic Summit?
Will he be seeking any sort of statement of
support? Important to reaffirm ABM Treaty.

10. Ask for frank view on how much he would
be disappointed if you were not to attend the
IDU meeting in Washington at end-July.

They need to know your
support for a conference in
their American ally in its efforts
to achieve a more stable balance

2 strategies for the lower

Monthly They

We welcome the opening of
neg. in Geneva. We appreciate
the 70 proposals forwarded by the
U.S. We urge the USSR to respond
fully & constructively in order to
achieve a significant agreement
there.

BONN ECONOMIC SUMMIT 2-4 MAY 1985

PRIME MINISTER'S BILATERAL MEETING WITH PRESIDENT REAGAN

I UK OBJECTIVES

Arms control/SDI

- (a) To convince the President that Alliance unity will require a
? ! more visible political will on major arms control issues and
greater restraint in how SDI is handled publicly.

Arab/Israel

- (b) To urge real US involvement in support of King Hussein. Some
US acknowledgement of Palestinian rights essential.

Central America

- (c) To seek to persuade the President to put his full weight
behind efforts to achieve an effective and verifiable Contadora
agreement as the best way to meet the US objectives in
containing the Sandinista regime.
- (d) To probe the President's future intentions towards Central
America.
- (e) To avoid committing the UK in advance to unqualified support
for future and as yet unspecified US tactics.

US Economy

- (f) To emphasise the particular responsibility on the US to take
full account of international repercussions of domestic
policies. To stress need for prompt and convincing domestic
reduction package. To secure a solution to the unitary tax
problem this year, either by legislation in California, or by
Federal action.



Southern Africa

- (g) To express firm opposition to selective sanctions against South Africa and to underline need for continued Western pressure on South Africa on both internal issues and Namibia.
- (h) To impress on President need for West to continue to support for Machel in Mozambique and the Nkomati accord.

Miscellaneous

- (i) The Prime Minister may also wish to touch on ships visits to New Zealand, Mr Gandhi's visit to the United States, Ireland and drugs.

II OUR ARGUMENTS

Arms Control/SDI

- (a) Every prospect for Alliance consensus where we have clearly defined goals within politically relevant time-frame. NATO backing for US SDI research programme is good example.
- (b) Next major goal is to secure positive outcome from Geneva negotiations with reductions in offensive nuclear forces. Alliance unity on this also within reach. But need clear gameplan.
- (c) Having got Russians back to table, induce progress and put them to test by presenting concrete and specific proposals in START and INF, not just generalised formulations leaving tactical initiative to Moscow.
- (d) On Soviet linkage with strategic defence, deprive them of argument by proposing:-

- (i) re-affirmation at highest level of ABM Treaty;



- (ii) joint political understanding to clarify limits of BMD research within ABM Treaty by both sides over next ten years;
 - (iii) formal US/Soviet review in 1995 of whole offensive/defensive picture;
 - (iv) get on with first stage offensive force reductions now.
- (e) Prescription for managing Alliance debate about SDI:-
- (i) prudent hedge against Soviet activities
 - (ii) Camp David four points
 - (iii) political decisions beyond research not pre-judged. but better to say less altogether.
- (f) On CW also, maintain pressure on Russians with sound verification proposals. Next most important arms control, after nuclear/space.

Arab/Israel

- (g) encouraged by your message of 16 April. Hope Murphy mission can lead to real progress. But if not (and signs discouraging) danger of stagnation. Involvement of Shultz may be necessary soon.

Central America

- (h) We have consistently supported US objectives in Central America and have assisted where we can - by maintaining our garrison in Belize, and by assisting President Duarte's Government despite strong domestic criticism.
- (i) A verifiable Contadora Agreement could effectively meet US objectives of containing the Sandinistas and promoting regional stability and security. But this needs firm US support.



(j) A Contadora Agreement would go far to meet the four US requirements: it would require Nicaragua to end its support for subversion and end the arms build up. By requiring the removal of foreign military advisers it would attenuate Nicaragua's links with the USSR and Cuba and would put constant pressure on Nicaragua to implement its promises of genuine pluralist democracy.

(k) Such a policy would mobilize Latin American support and cooperation in monitoring Nicaraguan implementation of its undertakings.

US Economy

(l) Concerned over recent slowdown in growth. Solid US contribution to world economic prospects remains vital.

(m) Emergence of US as net debtor underlines concern over unsustainable fiscal/external position. Unhealthy reliance on funds from abroad.

(n) Despite recent easing, threat to dollar and US interest rates undiminished.

(o) Recognise President's personal efforts on deficit reduction but need actual agreement in Congress.

(p) Failure to resolve the problem of unitary tax an increasing irritant to US/UK economic relations.

(q) California is the key state and the chances of legislation this year seem to be receding, because of competing political pressures. If legislation fails to pass this year, no real chance of it passing in 1986 (a state election year, when a perceived tax break for big business would not be a political starter).



- (r) Federal Legislation. If no solution in California this year, UK opinion will expect Administration to act on the commitment (Don Regan's) to introduce Federal legislation unless there was appreciable progress at states level by end-July 1985.
- (s) Retaliation. Parliamentary pressure to pass retaliatory legislation in Finance Bill likely to be irresistible unless there is major progress (at state or Federal level) by end-June.

Southern Africa

- (t) Selective sanctions set a dangerous precedent; would make UK position very difficult; would provoke similar and wider proposals at the UN.
- (u) Best defence is evidence that present policies are effective. Namibia settlement would be a major coup; support Dr Crocker's efforts, but need results soon.
- (v) Machel fundamentally a nationalist. His opening to the West serious setback for Soviet Union in Africa. Failure to respond could lead to collapse of Nkomati Accord, and threat to Western interests.
- (w) Machel needs arms to fight Renamo. Russians only source of supply, but hope Administration will succeed in obtaining Congressional approval for 'non-lethal' military assistance programme. We are considering what we might do, but finance a major problem. Encouraging that Mozambicans and South Africans have agreed to co-operate more closely on security.
- (x) Renamo not credible alternative Government: no comparison with UNITA in Angola.

Ships visits to New Zealand

- (y) Intend to maintain existing level of defence cooperation with New Zealand; will not undermine US withdrawal of defence and intelligence cooperation. What effect is US policy having?

India

- (z) Impressed by Rajiv Gandhi at meetings in Moscow/Delhi. Believe you should make major efforts in June to win his confidence. In particular, to reassure him about your policies on arms sales to Pakistan and on Pakistan's nuclear programme. Do not believe you should look for immediate results: sustained effort to develop relations needed.

Ireland

- (aa) The Prime Minister is well briefed on Anglo Irish relations. No further material is attached.

Drugs

- (bb) Reassure US of UK determination to tackle drug trafficking and misuse.
- (cc) Welcome close and effective cooperation between law enforcement agencies. Mr Mellor's visit to US 7-14 April extremely valuable.

III TACTICAL ARGUMENTS

(a) Arab/Israel

If moderates fail, golden opportunity for radicals and their Soviet backers. Time short.

(b) Central America

This policy would unite the Western Alliance and win back international support thus depriving the USSR of a cheap propaganda weapon.

The Nicaraguans would be constrained by the knowledge that failure to observe their Treaty commitments would generate regional and wider international pressure against them.

(c) Unitary Taxation

Recognise Administration's reluctance to impose a Federal solution. This reinforces the need for Administrative pressure in the next few weeks to secure legislation in California.

We want to avoid retaliation. Much better for US/UK for a solution to be achieved as a voluntary move by USA (ie before end-June).

(d) India

Gandhi's youthful, rather bland exterior conceals determination to press India's interests hard: he has taken tough line with us over Sikh extremists: convincing him of good intentions requires more than words.

IV PRESIDENT REAGAN'S OBJECTIVES

(a) Arms Control/SDI

To seek confirmation of HMG's support for all US arms control approach. To urge UK participation in SDI research, and support for SDI as a whole.

(b) Arab/Israel

Avoid commitment - throw any blame for lack of progress on Arab side.

(c) Central America

To seek British support for maintaining pressure on the Sandinistas eg by means of aid to the Contra insurgents or economic sanctions.

(d) US Economy

To stress gains to world economy from US growth so far and to minimise detriment of high Federal deficits.

To emphasise dollar's appreciation reflects strength of US economy (especially higher rates of return) and weakness outside US.

To suggest European growth faster if structural rigidities eliminated.

(e) Drugs

- Greater UK support for Latin American programme to eradicate cocaine production and trafficking.

- UK support for increased pressure in Pakistan to tackle opium/heroin.

- Effective legislation to deprive drug traffickers of proceeds of crime and to assist in tracing laundered assets.

V OUR RESPONSE

(a) Arms Control/SDI

- You can be sure of our support for any concrete and specific START or INF proposals which build on agreed Western principles. Hope we can continue to use existing consultative machinery and bilateral channel to discuss ideas in advance.

- We are looking at Weinberger invitation to participate in SDI research. As you know, I hope our scientists will share in this.



- [If raised:] French Eureka proposal still not thought through. No clear link with SDI. Designed to promote research collaboration in Europe in new technologies - some of which are SDI-related. We shall be discussing proposal with French and Germans.

Must not undermine support for deterrence. Historically Alliance has changed strategy when existing policy defective or no longer tenable, and better alternative proven and available. Even then, shift from 'massive retaliation' to present strategy of flexible response took almost a decade. On deterrence, bird in hand worth two in bush.

(b) Arab/Israel

- Clear US support may be indispensable if Hussein is to keep the PLO in line. His efforts sincere and courageous: but cannot risk going it alone.

(c) Central America

- Appropriate pressure on the Sandinistas is needed but the Contras have a poor public image and support for them has a divisive effect on the Western Alliance. Economic sanctions do not work and can be politically counter-productive. We must not force the Sandinistas further into the Soviet camp.

- Whatever action may be taken against Nicaragua it must be consistent with Western values and international law.

(d) US Economy

- Adverse impact on world of high US interest rates and strength of dollar. Now concerned with future world prospects rather than last year's performance.



- Policy mix, especially unchecked fiscal deficits leading to high interest rates and overvalued dollar, clearly unsustainable. Link with slowdown in growth.

Shultz's Princeton speech shows understanding of our position.

- Accept argument that structural rigidities impeding European growth. But tackling problem earnestly eg last European Council.

(e) Drugs

- Already offering assistance in small way to Latin American countries, and considering ways in which this might be increased either bilaterally or through the UN.

- Already had discussion at Ministerial level with Pakistan-Mr Mellor found US briefing helpful. Now considering what more we can do.

- We are committed to legislation viz Cayman, in preparation, and taking part in UN discussion on international agreements.

VI PRESS LINE

(a) Arms Control/SDI

Continuing their discussions last December and February, the Prime Minister and the President reviewed nuclear and space issues and Alliance policy towards the US/Soviet arms control talks in Geneva. (They also agreed on the urgent need for progress towards a CW agreement.)

(b) Arab/Israel

Arab/Israel discussed. Agreed on need for early moves towards a settlement.



(c) Central America

Prime Minister expressed full support for the US objectives in Central America of promoting democracy, stability and development and reiterated our strong support for the Contadora peace process.

(If asked about US support for the Contras.) That is a matter for the President.

(If asked about US Congress vote on funds for the Contras.) That is a matter of US domestic policy.

(If asked about resumption of bilateral US/Nicaragua talks at Manzanillo or recent US or Nicaraguan peace proposals.) The Prime Minister has said that we support the Contadora peace process. Against that background we support any genuine efforts to promote a peaceful solution.

VII BACKGROUND

Arms Control/SDI

- (a) (See points made by Mr Weston at US Ambassador's lunch on 22 March 1985.) Attached below at Annex A.

Central America

- (b) The Prime Minister told Vice President Ramirez of Nicaragua on 8 February that relations with Nicaragua would depend on the establishment of genuine democracy, a reduction in armaments and an end to efforts to destabilize neighbours.
- (c) President Reagan is increasingly concerned and frustrated by his inability to worst the Sandinistas. In his unsuccessful effort to win Congressional support to fund covert assistance to the anti-Sandinista 'Contras' President Reagan has escalated his rhetoric to the point that he has effectively acknowledged that



his aim is to overthrow the Sandinistas. The Congressional rebuff is a serious reverse for the White House. The President has indicated that he will not abandon the Contras but will be casting around for other methods of maintaining pressure on the regime. He may be willing to resume bilateral negotiations with them with the aim inter alia of promoting negotiations between the Sandinistas and the Contras (to which the former have said they will never agree). Direct US military intervention is not at present on the cards; but a secret White House report to the Congress, leaked to the Press, acknowledges this cannot be ruled out as a future option.

- (d) The US are aware that the Contras cannot overthrow the Sandinistas. A major drawback has been the image of the Contras who have committed well documented atrocities and whose principal military leaders were members of Somoza's hated National Guard. Major European partners have publicly expressed dislike for US support of the Contras. UK support would contradict the European Council's statements in favour of Contadora and against the use of force and undermine the EC/Central American dialogue on which UK policy is based.
- (e) The Contadora countries met on 11/12 April to discuss verification procedures for a Contadora Agreement. Some progress was made and adequate verification is now clearly the aim.
- (f) To demonstrate support for US policy and at President Reagan's request, HMG decided to keep our garrison in Belize and support President Duarte. An aid programme to El Salvador was resumed and places at military college offered to one or two Salvadorean officers. The human rights situation has vastly improved but horrendous incidents still occur. Partly for this reason there has been strong and extensive domestic criticism (11 PQs and 136 MPs letters - the majority Conservatives passing on constituents' complaints).

Mozambique

- (g) [Not for use:] State Department have told us in confidence that some members of White House staff trying to persuade President that US should support Renamo 'freedom-fighters' rather than Marxist Machel.
- (h) Prime Minister saw Machel in Moscow on 14 March. She subsequently relayed his concern about security in Mozambique to President Botha.
- (i) Mozambicans have agreed that South African 'civilians' should be deployed in Mozambique on certain security duties.

Ship Visits to New Zealand

- (j) US pleased with firm line Prime Minister took at meeting with Mr Lange on 4 March when we made it clear that he must find appropriate formula if RN visits to take place.
- (k) Mr Lange met Mr Hawke on 17 April when he gave impression he would not change his position.
- (l) Defence Secretary has written to Foreign Secretary proposing we maintain existing bilateral defence programme while not going out of our way to do New Zealand any favours.

India

- (m) Gandhi to visit US in June (after Soviet Union in May). Will express strong concerns about US arms supplies to Pakistan (F-16 aircraft, air-to-air missiles and, possibly, AWACS-type aircraft), and Pakistan's nuclear programme.

Foreign and Commonwealth Office

26 April 1985



BONN ECONOMIC SUMMIT 2 -4 MAY 1983

PRIME MINISTERS BILATERAL MEETING WITH PRESIDENT REAGAN

ADDENDUM ON CENTRAL AMERICA

OUR ARGUMENTS

Add after II(K)

US Economic Sanctions Against Nicaragua

Economic sanctions have limited effect in our experience. A consequence will be to increase Nicaragua dependence on USSR.

Note that US not asking allies to join in sanctions. Understand reasons why US have felt it necessary to keep up pressure but believe this should be linked to solid support for a Contadora agreement.

VI PRESS LINE

Addition to VI(C)

(If asked about US economic sanctions against Nicaragua). Matter discussed, but essentially a matter for the US.

VII BACKGROUND

Add after f)

US Trade Sanctions Against Nicaragua

President Reagan is reported to be about to introduce trade sanctions against Nicaragua to include:



- (a) a ban on direct trade (US buys around 20% of Nicaraguan exports, equal to \$68.9 million in 1984);
- (b) notification to terminate US/Nicaragua treaty of commerce and navigation;
- (c) suspension of landing rights and port facilities for Nicaraguan aircraft and ships.

We understand that the US will not be asking its allies to follow suit but will be looking for 'supportive' comments and 'understanding' of why they have taken the action. Congress will shortly resume discussion of a proposal for \$28 million aid to the Contras for FY 1986. President Ortega has gone to Moscow and other Eastern European capitals, in search of economic aid. US economic sanctions risk driving the Sandinistas further into the Soviet camp.

UK trade with Nicaragua is small. British exports for 1984 were £4.8 million and imports were £2.1 million.



ANNEX A

SDI/GENEVA : POINTS MADE BY MR WESTON AT US AMBASSADOR'S LUNCH
22 MARCH 1985

(a) There was every prospect of securing an Alliance consensus around clearly defined goals that were operationally relevant to the time frame within which elected Governments and their political leaders had to think. Thus we already had needed to ensure a corresponding degree of solidarity over efforts to secure a positive outcome from the Geneva process. This was well within reach.

(b) The best way to ensure that the SDI is not mischievously portrayed by the Russians or others as an unstoppable lunge toward a new spiral of military competition in space is to demonstrate clearly to public opinion that since its inception the SDI has been and will remain firmly subject to the process of political control and management by those who hold the responsibility for taking political decisions, in the light of all the factors involved.

(c) Past Alliance experience suggests that a major shift in strategy occurs when:

(i) Allied Governments feel existing policy to be defective or no longer tenable; and

(ii) When the means for moving to a better alternative are proven and available. Even then it was worth recalling that the move from massive retaliation to flexible response took eight years to accomplish before MC14/3 was adopted by NATO as the highest common factor of the Allied interests involved.

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