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From the Private Secretary

3 March 1988

Dear Tony,

PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN

The Prime Minister had a meeting in Brussels this afternoon with President Reagan, following the NATO Summit. The President was flanked by Mr. Howard Baker, General Powell, the American Ambassador and Mrs. Ridgway. The meeting lasted some 50 minutes.

Nato Summit

The Prime Minister said that the NATO Summit had been a great success. Britain and the United States had achieved all they had sought because they had stood together. The President's winding-up speech had been effective and moving and had won wide praise. The success of the meeting had demonstrated that NATO was a live and vigorous organisation. This would be helpful to the President as he went to the Moscow Summit.

The President expressed appreciation.

Arms Control

The Prime Minister said that she supported the goal of a START agreement, but it was more important to get the right one than to have it quickly. It would need very careful negotiation because our whole security was at stake. The President said that he was being cautious in his public comments about the prospect of signing a START agreement at the Moscow summit. He did not want people to say that the summit was a failure if no agreement was reached there. He agreed that the START negotiations were far more complex than those on INF, particularly as regards verification. He had to say that the negotiations were not moving very fast at present.

The Prime Minister said that it had not proved possible at the Summit to get the Germans to accept explicitly that negotiations to reduce shorter range nuclear weapons in Europe should only take place after conventional parity and a ban on chemical weapons had been achieved. But it was quite clear

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to her that these were the only circumstances in which NATO should negotiate on short range systems. The President said that he entirely agreed: NATO could not go any further down this road until the conditions set out by the Prime Minister were met.

Soviet Union

The Prime Minister asked how the President assessed the disturbances in Armenia and Azerbaidzhan. She understood that the Soviet government had moved significant numbers of troops in the area. The President said that there had been reports that morning that 17 demonstrators had been killed. It was unusual for the Soviet authorities to announce this sort of thing. The Prime Minister commented that it would be difficult for the Soviet authorities to use force to stop disturbances. Equally, they could not start changing boundaries or they would be vulnerable to many other demands for such changes by other nationalities in the Soviet empire.

Arms for Argentina

The Prime Minister said that she had been very worried by reports that the Administration had been thinking of selling arms to Argentina. It was still a very unstable country and continued to have designs on the Falklands. We had done our best to normalise relations and had proposed negotiations on fisheries. But the Argentine response had not been helpful. It would still take time to restore any sort of trust and confidence between Britain and Argentina. In these circumstances we would be very upset if the United States were to decide to sell arms to Argentina. There was a further consideration. The recent disturbances in Panama were a reminder that the Panama Canal could be vulnerable. In the event of its closure the Falklands would resume, at least temporarily, a considerable importance.

The President said that the United States had a problem. The Argentine government had changed and the military dominance had gone. The United States wanted to encourage democracy and ensure that there would be no return to military rule. It might be necessary to do certain things to help maintain the democratic civilian government. He was well aware of the United Kingdom's concerns and would watch out for them. But he needed a little leeway.

The Prime Minister said that if you were attacked by a lion, you did not bother to find out whether it was a civilian or a military lion. The important thing was that it was a lion with sharp claws. The President said the United States wanted to see the lion become a pussy cat. The Prime Minister repeated that we would take it very badly if the United States were to resume arms supplies. She must ask that full account be taken of our concerns.

Economic Summit

President Reagan said that Mr. Mulroney wanted to make

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the forthcoming Economic Summit more informal than in the past. That sounded a good idea to him. The Prime Minister said that she had also discussed the matter with Mr. Mulroney. He did not want discussion at the Summit to be dominated by the demands of a lengthy communiqué. In her view, the Summit would need to produce two statements which should be brief but substantial: one setting the direction of the world economy and including strong commitments to resist protectionism and to deal with agricultural surpluses and their distorting effect on world trade; and the other dealing with current international issues. The most important role for the forthcoming Summit would be to ensure the continuity of the successful economic policies pursued by the West.

Protectionism

The Prime Minister expressed concern about the protectionist views being expressed by some of the candidates in the United States Presidential election. Mr. Baker said that the President would be prepared to veto an unsatisfactory Trade Bill. There was a fair chance that he could sustain the veto.

US Economy

The President spoke optimistically about the US economy. It was now in the 64th month of growth, inflation was flat and the leading indicators were a little down as they should be at this stage. There was no sign of the recession which some forecasters were predicting.

Middle East

The Prime Minister said that we very much welcomed Secretary Shultz' efforts to re-engage the parties to the Arab-Israel dispute in the process of negotiation. She had discussed this with King Hussein. His main concern was with the interlock between the negotiations on transitional arrangements and those of final status. This was not strong enough in the current American proposals, which risked creating a permanent transitional stage. This might suit Mr. Shamir but would be the end of King Hussein. Nor would it suit Western interests since it might sow the seeds of an eventual independent Palestinian state. It was absolutely vital to give King Hussein the clear interlock between the two stages which he required, so that he had the assurance that he would get back land in return for peace. In any case, there could only be a genuine transition if there was certainty in advance about the final outcome.

Possible Visit by the President to the United Kingdom

The Prime Minister said that we very much hoped that the President would visit the United Kingdom on his way back from the Moscow Summit. We were also looking forward to the visit by Mrs. Reagan in connection with the private sector initiative conference in early May (this seemed to be news to

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the President) . The Prime Minister added how pleased we had been to honour Secretary Weinberger.

Conclusion

The Prime Minister again thanked the President for his great contribution to the success of the NATO Summit. More generally the issues on which he was engaged were not just putting the seal on his Presidency but setting the agenda for the future.

I am writing separately on a sensitive matter.

I am copying this letter to Alex Allan (HM Treasury), Brian Hawtin (Ministry of Defence) and to Sir Robin Butler.

*Yours sincerely,
Charles Powell*

(C. D. POWELL)

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

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