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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

16 November 1988

Dear Stephen,

**PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN
AT THE WHITE HOUSE IN WASHINGTON ON 16 NOVEMBER**

The Prime Minister met President Reagan for half an hour at the White House this morning, with just notetakers present, before moving on to a wider meeting.

The Prime Minister began by thanking the President for all that had been achieved during his Presidency and for the particular attention which he had given to relations between the United States and the United Kingdom. He had set the world on a different course and had tilted the balance in democracy's favour the world over. She listed some of the President's foreign policy achievements. Vice-President Bush would, of course, bring his own particular style to the Presidency. But she believed he would wish to continue along the broad lines set by the President. She wondered what particular thoughts the President had on the way ahead.

President Reagan said that tackling the deficit would be a major task. He did not believe it could ever be dealt with successfully unless two steps were taken: a balanced budget amendment to the Constitution and a line item veto for the President. He would be campaigning for these on the 'mashed potato circuit' once he left the White House. He believed there would be wide public support for such changes. Most States already gave their Governors a line item veto and in his experience it was rarely over-ridden.

The President continued that East-West relations would continue to be a major pre-occupation. He and Vice-President Bush would be meeting President Gorbachev in New York in early December. He believed that Gorbachev represented hope. But there was no doubting the scale of the problems he faced. The Soviet Union was an economic basket case. Gorbachev was up against a formidable bureaucracy. From their conversations, he had the strong impression that Gorbachev loathed everything about the Stalin era and looked back to Lenin for guidance.

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The Prime Minister said that generally speaking she shared the President's assessment of Gorbachev. But some of the signals were contradictory. For instance he appeared to be playing a helpful role over withdrawal of Cuban troops from Angola. But he was also practising a major deceit over chemical weapons. She thought his position could still be vulnerable, particularly if his economic reforms failed to deliver results quite quickly. He also faced considerable difficulty with the nationalities. And the situation in Eastern Europe which could present him with some formidably difficult decisions. Her recent visit to Poland had underlined the dilemma of the Communist societies. They wanted the benefits of economic reform but were afraid of granting political freedom. The President commented that the Hungarians were perhaps most forward on political reform. He had been quite impressed with Mr. Grosz. He was a dedicated Communist but in the Gorbachev mould. The Prime Minister agreed with the President's assessment of Mr. Grosz, adding that he seemed ready to envisage a role for opposition parties.

The Prime Minister asked how the President saw the prospects in Latin America and Central America. She was concerned about political instability in Mexico following the recent elections. The President had done the world a great service in bringing to its attention the threat presented by Communism in the area. The President commented that he thought the overall situation in Latin America had improved. Eight years ago only 30 per cent of Latin American people were living under a democratic system. Now nearly 90 per cent were either living under democratic governments or governments which were moving towards democracy. Nicaragua remained the major exception. The Sandinistas ran an evil regime. He never ceased to be astonished at its success in spreading dis-information about its real nature and in attracting support from gullible governments in Europe and elsewhere.

The President continued that he thought that America's allies sometimes under-estimated the difficulty for a United States President and Administration of operating in a system where the opposition party had a majority in Congress. In his view, the pendulum had in any case swung too far towards Congress and the balance intended by the original drafters of the US Constitution needed to be restored.

The President said there was one final point he wished to make before moving to the wider meeting. He knew that the British Government had some concern about the implications of counting rules in the START negotiations for our choice of the twelve-station bus version of the Trident missile. He could assure the Prime Minister the US would not agree to anything in the negotiations which would in any way put at risk that choice. We could be confident of that assurance. The Prime Minister said we were very grateful to the President and the Administration for taking such careful account of our concerns in this field.

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3

- 3 -

I am copying this letter to Alex Allan (H M Treasury), Brian
Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).
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limited distribution.

your search.

Chris Jones

C. D. POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

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From the Private Secretary

16 November 1988

Dear Stephen,

**PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN
AT THE WHITE HOUSE ON WEDNESDAY 16 NOVEMBER 1988**

Following their tete-a-tete discussion at the White House this morning, which I have recorded separately, the Prime Minister and President Reagan widened their meeting to include Vice-President Bush, Secretary Shultz, Mr. Dubenstein, General Powell, Ambassador Price and Mrs. Ridgway, together with H M Ambassador, Washington.

The Prime Minister said that she wished to say an omnibus thank you to the President for everything which had been achieved during his Presidency. Much of what he had achieved would have seemed impossible back in 1980. The lesson for future generations of politicians was that if you staked out your ground and stuck to what you believed in, you could achieve anything. The President's leadership and determination had been decisive in strengthening the West and advancing the cause of democracy.

The Prime Minister continued that there were one or two items of unfinished business which she and the President might discuss briefly. She would like to start by congratulating him on the success of America's diplomacy in the discussions over Cuban troop withdrawal from Angola. The outcome of the negotiations in Geneva was very encouraging.

The Prime Minister continued that she hoped that the new Administration would be ready to address Middle East problems as a priority. The recent decisions of the Palestine National Council were a step in the right direction but did not go far enough. Their acceptance of UN Security Council Resolutions 242 and 338 was a significant move, although it was a pity they had not given explicit recognition to Israel. They had not clearly accepted the need for negotiations with Israel, and some ambivalence remained on their attitude to violence. Nonetheless, they should be given some encouragement for a modest move in the right direction. Secretary Shultz said he would counsel caution. Political statements issued by the PNC had been hedged in different ways and open to differing interpretations. Habash was already saying that the PLO was not even close to recognising Israel's right to exist. Moreover, by declaring an Independent Palestinian state they were trying to spell out what the outcome of a peace conference

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should be. The encouraging development was that all governments in the Middle East seemed now to accept that maintaining the status quo was not an option. The question remained what to change it to, and how.

The Prime Minister said that the elimination of chemical weapons was another item of unfinished business. She was very worried by the proliferation of such weapons in the Middle East. Even countries such as Libya were now acquiring them, and seemed to have little difficulty in obtaining the chemical pre-cursors from Western Europe, in particular Germany. It was also a matter for concern that Gorbachev had not come clean about Soviet activities in this field. She had not yet decided how best to tackle him about this when he visited the United Kingdom in December. She was tempted to take Soviet cheating head on.

Secretary Shultz said that the Americans had remonstrated with the German Government about the supply of chemicals to the Middle East and had given Chancellor Kohl chapter and verse for this. Kohl had promised to make immediate enquiries.

President Reagan said that the question of a human rights conference in Moscow was another item of unfinished business. He very much agreed with the Prime Minister that the Soviet Union must meet certain clear criteria before the West could agree to attend such a conference. The Prime Minister said she had been appalled by the readiness of some European Governments to agree to such a conference without demanding any guarantees. She thought the conditions which the Americans had spelled out to the Russians were good ones. She attached particular importance to a fundamental reform of Soviet law. If we settled for too little, we should simply let down all those in the Soviet Union and Eastern Europe who relied on Britain and the United States not to be hoodwinked by a few cosmetic changes. We must set down criteria and stick to them.

The Prime Minister asked whether the President was worried about the interruption in Soviet withdrawal from Afghanistan. Her own assessment was that the Russians would still meet the deadline of 15 February 1989. Otherwise, their reputation would suffer internationally. Secretary Shultz said the United States Administration shared this assessment. At a recent meeting with the Russians, Shevardnadze had held out the possibility of postponement of Soviet withdrawal but Marshal Akhromeyev had bluntly contradicted him, asserting that Soviet forces would all be withdrawn according to the timetable. Secretary Shultz added that he thought the Russians had miscalculated in escalating the military conflict in recent weeks, to attempt to persuade the Resistance to accept a coalition with members of the present regime. The United States would certainly not urge the Resistance in this direction. Actually matters had gone beyond the point where the United States could exert any significant control over the Resistance. The Prime Minister commented that it was difficult to get the Resistance leaders to agree among themselves on the shape of the new Government. Secretary Shultz said there had been a welcome change in the Pakistani attitude: they no longer gave full support to the most fundamentalist group among the Resistance.

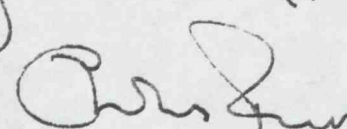
The Prime Minister said that another item on her list of unfinished business was the GATT Ministerial. It was very important to make a success of the mid-term meeting in Montreal. We faced considerable difficulties with the other Europeans on agriculture, but would continue to press for a reasonable negotiating position. The United States must be ready to show some flexibility too. President Reagan said that some of the European countries did not seem to recognise that we were all subsidising products for which there was no market. The United States was as guilty as anyone else. It was essential to get together to make agriculture subject once again to the rules of the market place.

The Prime Minister made a brief reference to debt issues. Secretary Shultz said that the Western Governments had not been tough enough on debt. They ought to say what they thought right and then stick to it. President Reagan added that he would like to see Western Governments encouraging privatisation and sale of assets by debtor countries as a means of reducing their debt.

The Prime Minister said that a major subject for the future would be environmental problems. She was not worried so much by local and regional problems such as pollution of rivers or acid rain. It was where we had interfered with the earth's life support systems that the real problems arose, and there would need to be effective international co-operation to deal with them. She had in mind in particular the greenhouse effect and damage to the ozone layer.

The Prime Minister said that although the discussions had concentrated on unfinished business, this was in reality minor in comparison with the achievements of the eight years of the President's term of office, on which she would once more wish to congratulate him.

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Yours mark.

C. D. POWELL

Stephen Wall, Esq.,
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