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Foreign and Commonwealth Office

London SW1A 2AH

21 June 1982

Dear John,

Prime Minister's Visit to Washington: 23 June

I attach briefing for the Prime Minister's visit to Washington on:

- (a) Existing Contracts (John Brown) —
- (b) US Steel Measures —
- (c) Middle East.

Briefing on the Falklands follows separately.

I am sending copies of this letter and enclosures (a) and (b) to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Trade, the Secretary of State for Industry, and Sir Robert Armstrong.

Yours ever,

A handwritten signature in dark ink, appearing to read 'Francis Richards'.

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

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SECRET
U.S. AIR FORCE



2861 RNF 1
1 JUN 1982





EXISTING CONTRACTS (JOHN BROWN)

POINTS TO MAKE

1. Your extension rather than mitigation of sanctions against the Soviet Union is a hard blow for John Brown. Several hundred jobs are now in danger.
2. I am also apprehensive about reactions in Western Europe. Will do my best to head off open argument as only the Russians would benefit from this. But I may find it difficult. Will reconciliation in Poland really be helped?
3. Result in medium term could be that European companies will withdraw from licensing arrangements with your companies and develop substitute European technologies. Is this really what you want?
4. Meanwhile, we are considering urgently what action we can take to protect the interests of John Brown. h

EXISTING CONTRACTS (JOHN BROWN)

ESSENTIAL FACTS

1. Prime Minister sought release from American licensing and relicensing requirements of General Electric rotors for John Brown's contracts for Siberian pipeline in messages of 29 January and 5 April to President Reagan (copies attached). She raised question personally with him at Versailles and in London on 9 June. John Brown due to begin turbine deliveries on 2 July.
2. President Reagan announced on 18 June that existing sanctions against Soviet Union would be extended to cover equipment produced by US subsidiaries and licensees (text of statement attached). Aim is to prevent a French licensee of General Electric (Alsthom) from supplying rotors to replace blocked American ones. John Brown is not directly affected by the extension but its contract remains blocked. US action is both retrospective and extraterritorial.
3. Announcement is bound to worsen transatlantic relations. Officials in London are studying the possibility of invoking the Protection of Trading Interests Act of 1980. John Brown told the Department of Trade on 21 June that they are not prepared to proceed with deliveries without assurances that they will not be blacklisted by the American Administration. Officials are considering the matter urgently. Discussion with other European countries affected will take place in near future.

TOP COPY

H/Planning

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John Brown UK policy
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D E D I P

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DESK BY 300100Z TO JAKARTA

FM FCO 291850 JAN 82

TO IMMEDIATE WASHINGTON (PERSONAL FOR AMBASSADOR)

TELEGRAM NUMBER 154 OF 29 JANUARY 1982.

AND TO IMMEDIATE JAKARTA (PERSONAL FOR PRIVATE SECRETARY)

M I P T

DEAR RON

1. I WAS MOST GRATEFUL TO AL HAIG FOR REARRANGING HIS PLANS AT SHORT NOTICE TO CALL HERE TODAY. IT GAVE US AN INVALUABLE OPPORTUNITY TO HEAR FROM HIM HOW HE HAD GOT ON IN GENEVA AND IN THE MIDDLE EAST: AND WE WERE ABLE TO HAVE A GOOD DISCUSSION OF THE POLISH SITUATION.
2. I KNOW THAT AL WILL GIVE YOU A FULL ACCOUNT OF OUR TALK BUT I THOUGHT NEVERTHELESS THAT I SHOULD SEND YOU THIS PERSONAL MESSAGE, TO UNDERLINE MY DEEP CONCERN AT THE DANGER THAT THE UNITY OF THE WESTERN ALLIANCE COULD BE SERIOUSLY DAMAGED BY THE CURRENT DIFFERENCES OVER HOW TO REACT TO THE REPRESSION IN POLAND.
3. WE MUST AT ALL COSTS AVOID A DEMONSTRATION OF DISUNITY IN THE ALLIANCE WHICH WOULD GIVE MOSCOW A FIRST CLASS PROPAGANDA VICTORY AND IMPAIR OUR EFFORTS TO CHECK FURTHER ADVENTURISM ON THEIR PART IN THE FUTURE. WE MUST ALSO AVOID MEASURES WHICH WOULD DO MORE HARM TO THE WEST THAN TO THE SOVIET UNION.
4. I HAVE TAKEN A CLOSE INTEREST IN THE PREPARATION OF A PACKAGE OF BRITISH MEASURES BOTH TOWARDS POLAND AND TOWARDS THE SOVIET UNION. WE HAVE ALREADY SAID IN NATO THAT WE WOULD BE WILLING TO TAKE A NUMBER OF MEASURES AS PART OF AN ALLIED REACTION TO COMPLEMENT YOUR OWN RESOLUTE STAND, PROVIDED THAT WE CAN ALL AGREE ABOUT NOT UNDERMINING EACH OTHER'S MEASURES.
5. THE MEASURES WHICH THE UNITED KINGDOM HAS TAKEN, OR WOULD IN PRINCIPLE BE WILLING TO TAKE, INCLUDE:
TOWARDS POLAND: RESTRICTIONS ON POLISH DIPLOMATIC MISSIONS:

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(INCREASED)

INCREASED BROADCASTS, ALREADY BEGUN, TO POLAND: SUSPENSION OF COMMERCIAL CREDIT EXCEPT FOR CONTRACTS ALREADY CONCLUDED: THE PLACING IN SUSPENSE OF NEGOTIATIONS ABOUT DEBT RESCHEDULING FOR 1982: THE SUSPENSION WITH OUR PARTNERS IN THE EUROPEAN COMMUNITY OF FOOD EXPORTS AT SPECIALLY SUBSIDISED PRICES: AND INCREASED HUMANITARIAN AID TO THE POLISH PEOPLE. TOWARDS THE SOVIET UNION: SIGNIFICANT NEW RESTRICTIONS ON SOVIET DIPLOMATS: REDUCED ACTIVITY UNDER TECHNICAL COOPERATION AGREEMENTS: CLEAR EXPOSURE IN THE MADRID REVIEW CONFERENCE OF SOVIET COMPLICITY IN THE REPRESSION IN POLAND: READINESS TO MOVE WITH OUR EUROPEAN COMMUNITY PARTNERS TO INCREASE THE INTEREST RATES ON EXPORT CREDIT AND TO RESTRICT CERTAIN IMPORTS FROM THE SOVIET UNION: TERMINATION, IN CONCERT WITH OTHERS, OF OUR BILATERAL MARITIME AGREEMENT: AND NEW RESTRICTIONS ON SOVIET FACTORY SHIPS.

6. I AM SURE THAT OUR JOINT OBJECTIVE NOW SHOULD BE A CREDIBLE AND UNITED ALLIED POSITION, TO DEMONSTRATE OUR REJECTION OF MARTIAL LAW AND OF THE SOVIET HAND IN IT. WE MUST NOT ALLOW THE SOVIET CRISIS IN POLAND TO BRING ABOUT A CRISIS IN THE WESTERN ALLIANCE WHICH WOULD SUIT ONLY SOVIET PURPOSES.

7. I KNOW YOU AGREE WITH THIS AIM. THE QUESTION IS HOW TO ATTAIN IT. I CAN WELL UNDERSTAND WHY SOME OF YOUR PEOPLE MAY BE GROWING IMPATIENT AND THINKING OF A SECOND SET OF AMERICAN MEASURES AGAINST THE SOVIET UNION. MY FEAR IS THAT FURTHER MEASURES TAKEN UNILATERALLY WOULD NOT CARRY THE ALLIES WITH THEM BUT WOULD GREATLY DEEPEN AND EXPOSE THE DIVISIONS WITHIN THE ALLIANCE. THAT COULD ADVANCE SOVIET INTERESTS MORE THAN YOUR NEW MEASURES WOULD SET THEM BACK. I HOPE THEREFORE THAT YOU WILL FEEL ABLE TO HOLD BACK ON FURTHER MEASURES UNTIL WE HAVE THOROUGHLY EXPLORED THE POSSIBILITY OF A UNITED ALLIED POSITION.

8. I UNDERSTAND THAT NEW MEASURES UNDER CONSIDERATION IN WASHINGTON MAY INCLUDE STEPS SUCH AS DENUNCIATION OF THE 1981 AGREEMENT ON RESCHEDULING POLISH DEBT, WHICH WOULD LEAD TO A POLISH DEFAULT. BUT THE IMMEDIATE EFFECT OF THAT WOULD BE THAT THE POLES WOULD GIVE UP THEIR PRESENT EFFORTS TO MAKE SUCH

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PAYMENTS AS THEY CAN UNDER THE RESCHEDULING ARRANGEMENTS, EITHER TO WESTERN GOVERNMENTS OR TO WESTERN BANKS. THAT IN TURN WOULD TAKE PRESSURE OFF THE SOVIET UNION TO HELP THEM. ON THE OTHER SIDE, THE EFFECTS ON THE INTERNATIONAL BANKING SYSTEM WOULD BE UNPREDICTABLE, AND PROBABLY VERY SEVERE, PARTICULARLY IF OTHER DEFAULTS FOLLOWED. THESE EFFECTS WOULD CERTAINLY NOT BE CONFINED TO EUROPE. THE DAMAGE TO THE WEST COULD BE AT LEAST AS GREAT AS THE DAMAGE TO THE SOVIET UNION. THE HEALTH OF THE INTERNATIONAL FINANCIAL SYSTEM IS A WESTERN, NOT A SOVIET INTEREST. THEY HAVE EVERY REASON TO REJOICE IF IT IS IMPAIRED.

9. WHAT WE NEED NOW IS A REASONABLE SET OF MEASURES, JOINTLY AGREED. THIS IS THE DIRECTION IN WHICH WE SHOULD ALL BE WORKING. MY OWN VIEW IS THAT THE MOST PROMISING BASIS FOR AGREEMENT WOULD BE AN ARRANGEMENT WHEREBY THE EUROPEAN ALLIES TOOK MEASURES COMPARABLE TO YOURS, BOTH IN THEIR EFFECTS ON THE SOVIET UNION AND IN THEIR DOMESTIC IMPLICATIONS, AND TOOK POSITIVE ACTION TO MEET THEIR COMMITMENTS NOT TO UNDERMINE YOUR MEASURES WITH RESPECT TO FUTURE CONTRACTS, WHILE EXISTING EUROPEAN CONTRACTS WOULD GO AHEAD. I REALISE THAT THIS LAST CONSIDERATION IS A DIFFICULT ONE FOR YOU. BUT THE FRENCH, GERMANS AND ITALIANS CANNOT AND WILL NOT GIVE UP THE GAS PIPELINE PROJECT, WHATEVER ONE MAY THINK OF ITS MERITS. WE TOO HAVE IMPORTANT CONTRACTS AT STAKE, NOTABLY ONE HELD BY JOHN BROWN ENGINEERING, THE CANCELLATION OF WHICH WOULD CAUSE ADDITIONAL UNEMPLOYMENT. AN ACCOMMODATION ON EXISTING CONTRACTS IS THEREFORE ESSENTIAL TO ALLIED UNITY OVER POLAND.

10. YOUR MEASURES OF 29 DECEMBER SENT A CLEAR SIGNAL TO THE SOVIET UNION WITHOUT SERIOUSLY COMPROMISING YOUR OWN INTERESTS. WE SHOULD ALL BE FOLLOWING SUIT. ALTHOUGH THE NATO DISCUSSIONS HAVE SO FAR BEEN FRUSTRATINGLY SLOW, IT SHOULD SURELY BE POSSIBLE, IF YOU COULD MOVE ON EXISTING CONTRACTS, FOR THE REST OF US TO REACH AGREEMENT ON MEASURES COMPARABLE TO YOURS. WE SHOULD LOOK RESOLUTE AND UNITED: AND WE SHOULD STILL HAVE SOME SHOTS LEFT IN OUR LOCKERS.

11. I SUGGESTED TO AL HAIG THAT THE BEST APPROACH NOW WOULD BE FOR THE US TO ARRANGE SECRET CONSULTATIONS IN THE VERY NEAR

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/FUTURE

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FUTURE BETWEEN SENIOR OFFICIALS FROM THE ALLIED COUNTRIES MOST CLOSELY CONCERNED - YOU, US, THE FRENCH, THE GERMANS, AND I THINK IN THIS CASE THE ITALIANS. THIS SHOULD ENABLE US TO MAKE PROGRESS AT THE NATO MEETING ON 3 FEBRUARY. BUT I THINK THAT A FURTHER NATO MEETING MAY WELL BE NEEDED A FEW DAYS AFTER THAT.

12. IT WILL ALSO BE IMPORTANT TO CARRY THE JAPANESE AND OTHERS IN OUR PLANS. IT WOULD NOT BE TOLERABLE TO ASK OUR OWN INDUSTRIES TO FORGO OPPORTUNITIES ONLY TO SEE THEM SEIZED BY JAPAN.

13. WE HAVE THE OPPORTUNITY TO SHOW THE SOVIET UNION A FIRM UNITED FRONT. WHAT WE CAN ACHIEVE TOGETHER IN THIS CAN GIVE A LASTING BOOST TO ALLIED UNITY AND A SETBACK TO SOVIET AMBITIONS. WE HAVE EMBARKED ON THIS COURSE AND SHOULD MAKE EVERY POSSIBLE EFFORT TO CARRY IT THROUGH TO A SUCCESSFUL CONCLUSION. THE CRISIS IN POLAND LOOKS LIKE BEING A PROLONGED ONE. WE RISK LOSING THE PRIZE IF WE ACT HASTILY OR OUT OF STEP.

WITH WARM PERSONAL REGARDS
MARGARET

CARRINGTON

LIMITED

HD/PLANNING STAFF

HD/EESD

PS

PS/LPS

PS/LOR/TREFLARNE

PS/PUS

MR BULLARD

LOR/BRIDGES

MR HOODISON

MR EVANS

MR URE

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OO WASHINGTON

RR OTTAWA

GRS 419

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FM FCO 061310Z APRIL 82

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 652 OF 6 APRIL,

INFO PRIORITY BONN, ROME, PARIS, UKREP BRUSSELS, UKDEL NATO,
TOKYO, OTTAWA AND BRUSSELS.

MY TEL: 630 - BUCKLEY MISSION

1. FOLLOWING IS TEXT OF LETTER DATED 5 APRIL FROM PRIME
MINISTER TO PRESIDENT REAGAN (TOP COPY BY NEXT BAG). PLEASE
ARRANGE DELIVERY AS SOON AS POSSIBLE.

BEGINS

THANK YOU FOR YOUR MESSAGE OF 8 MARCH ABOUT THE VISIT TO
EUROPE OF UNDER-SECRETARY BUCKLEY.

AS YOU WILL HAVE HEARD, MR BUCKLEY AND HIS TEAM SPENT 17 MARCH
IN LONDON. THEY MET PETER CARRINGTON AND HAD TALKS WITH A
TEAM OF BRITISH OFFICIALS WHICH FILLED MOST OF THE DAY. I
UNDERSTAND THAT THEY GAVE A DETAILED ACCOUNT OF YOUR CONCERNS
ABOUT THE GRANTING OF WESTERN CREDIT TO THE SOVIET UNION AND
MADE A NUMBER OF SUGGESTIONS ABOUT HOW THESE MIGHT BE MET. WE
HAVE SINCE BEEN STUDYING THESE SUGGESTIONS AND PETER CARRINGTON
IS WRITING TO AL HAIG TO GIVE OUR VIEWS ABOUT SOME OF THEM.

I SHARE YOUR CONCERN ABOUT THE MANNER IN WHICH WESTERN
GOVERNMENTS AND BANKS HAVE BUILT UP INCREASING CREDIT
EXPOSURE IN THE SOVIET UNION. THERE IS A PROBLEM HERE THAT WE
MUST CONSIDER CAREFULLY. I LOOK FORWARD TO DISCUSSING IT WITH
YOU PERSONALLY DURING YOUR VISIT TO LONDON IN JUNE.
FOR FUTURE WORK ON THIS SUBJECT I THINK WE MUST FIND A
FRAMEWORK WHICH WILL ALLOW THE NECESSARY ANALYTICAL WORK TO BE
DONE AND WHICH WILL ALSO LINK ACTION WITH THE OUTSTANDING ACTION
ON EAST/WEST ECONOMIC RELATIONS WHICH WAS COMMISSIONED IN THE
NORTH/ATLANTIC COUNCIL DECLARATION OF 11 JANUARY. OPERATIONALLY,
WE MUST ENSURE THAT ALL THE COUNTRIES WHICH MATTER IN TERMS OF
GRANTING CREDIT TO THE SOVIET UNION, INCLUDING JAPAN, ARE

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John Brown
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ASSOCIATED WITH THE WORK. WE ALSO NEED TO AVOID ACTION WHICH MAY CAUSE GREATER DAMAGE TO THE WEST COLLECTIVELY THAN TO THE SOVIET UNION OR DISPROPORTIONATE DIFFICULTIES FOR PARTICULAR WESTERN COUNTRIES.

I ALSO ATTACH GREAT IMPORTANCE TO THE SUBJECT RAISED IN MY MESSAGE OF 29 JANUARY - THAT OF EXISTING CONTRACTS BETWEEN BRITISH COMPANIES AND SOVIET IMPORTERS AFFECTED BY THE MEASURES WHICH YOU ANNOUNCED ON 29 DECEMBER. IT IS NOW MORE URGENT, AS THE COMPANIES CONCERNED WILL SOON HAVE TO MAKE DECISIONS ABOUT THEIR MANUFACTURING PROGRAMMES IN RELATION TO THESE CONTRACTS. THE MOST IMPORTANT OF THE COMPANIES CONCERNED, JOHN BROWN ENGINEERING, HAS HELD DECISIONS IN SUSPENSE FOR THREE MONTHS, BUT TIME IS NOW RUNNING SHORT FOR THEM. IT WOULD THEREFORE BE MOST HELPFUL TO KNOW WHETHER YOU CAN ACCEPT THE ARRANGEMENT ABOUT RECIPROCAL COMMITMENTS WHICH I SUGGESTED IN MY MESSAGE.

ENDS

PYM

[COPIES SENT TO LORD DOWNING ST]

NNNN

LIMITED

TRED

EESD

ERD

NAD

PLANNING STAFF

DEF DEPT

ECD(E)

WED

ESID

PS

PS/LPS

PS/MR HURD

PS/PUS

MR BULLARD

LORD BRIDGES

MR EVANS

MR GOODISON

MR HANNAY

MR GILLMORE

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PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN : 23 JUNE

US ACTION AGAINST STEEL IMPORTS FROM EUROPE

POINTS TO MAKE

1. Deeply concerned about recent US Department of Commerce decision to impose countervailing (ie anti-subsidy) duties on steel imports from EC.
2. Particularly regret treatment of BSC (40% duty), which is now effectively shut out from a large part of its traditional market in US. US action difficult to reconcile with support expressed in the past for tremendous effort being made in UK to reduce steel-making capacity and manpower, notwithstanding economic and social costs. Puts at risk objective of returning Corporation to enduring profitability.
3. UK continues to support negotiated settlement [if appropriate: understand EC Foreign Affairs Council agreed on 22 June that Commission should renew efforts to secure one]. But this is needed very urgently if trade disruption is to be minimised. And terms must be fair to both sides, otherwise real risk of trade war.
4. Not just a technical problem. Look to President Reagan personally to ensure political importance fully taken into account by US Administration.
5. (If it is argued that US investigation procedure will ensure fair outcome) Serious reservations in Europe about definitions of subsidy that have been used so far. Procedures lengthy; meanwhile duties payable so high and uncertainty so great as to pose near insuperable barrier to trade. Political requirement is for an early and mutually satisfactory settlement.

BACKGROUND

EC steel exports to US face disruption as a result of decision by US Department of Commerce on 11 June to impose provisional anti-subsidy ('countervailing') duties which range from 40% for BSC down to around 1% or less for Dutch, Luxembourg and German companies (also for UK private sector). Latter group should be able to continue to sell to US because, pending final determination of subsidy due on 24 August, they can afford to deposit the low provisional duties to which they are subject. But companies in other Member States (France, Italy, Belgium) facing duties in range 20% to 30%. As for BSC, this implies too great a financial risk to allow sales of products subject to duty to continue.

On 18 June Secretary of State for Trade handed US Ambassador aide memoire (text attached) emphasising HMG's concern at impact on BSC. In 1981 BSC exports to US of products concerned were 200,000 tonnes plus, worth over £50 million (out of total UK steel exports to US of 574,000 tonnes).

EC response to be discussed by Foreign Affairs Council on afternoon of 22 June (reporting telegram will be repeated to UKMIS New York and Washington). Agreement likely at Council on:

(a) a statement rejecting method adopted by US for calculating subsidies and underlining potentially serious consequences and

(b) a study of possible EC countermeasures.

We hope Council will also endorse at least principle of continued effort to secure negotiated settlement. A previous attempt by

Davignon at the beginning of June failed because US insisted on smaller EC market share and wider product coverage than was generally acceptable in the Community. Nonetheless US Commerce Secretary Baldrige has said that he too would prefer a negotiated arrangement to resolve the problem. But to secure terms acceptable to European producers the US Administration will need to exert greater pressure on their industry than they have been prepared to so far.

FOREIGN AND COMMONWEALTH OFFICE

21 June 1982

PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN: 23 JUNE

MIDDLE EAST

Points to Make

1. We share hope that the Israeli invasion may have created a situation in which a better future can be found for Lebanon, freed from the worst of the Syrian and Palestinian pressures. But before such a deal can be struck Lebanon must be freed from Israeli pressure too. Any arrangement negotiated while Israeli troops are there will be bitterly opposed inside and outside Lebanon and cannot last.
2. Glad your message acknowledges the importance of the Palestinian question. In this respect Israeli action is misguided, if the purpose is as Israel has stated to destroy the structure of terrorism. If they attack Beirut and destroy the PLO leadership there, the result will be despair throughout the Palestinian Diaspora, and probably the return to terrorism as their only option. Destroy Arafat and Qaddumi: what is left but Habash and Abu Nidal? Your people are concentrating on trying to make autonomy work, but even if they succeed autonomy is unfortunately irrelevant to the majority of Palestinians who remain outside the territories in which it would apply.
3. Must at all costs prevent the appalling bloodshed of an attack on Beirut. No one in the Middle East will believe that you have not got the leverage to stop it. Urge you to declare publicly before the event that, whatever the position up to now, this use of US arms could not be described as self-defence.
4. Glad you can accept that we should have official discussions on all this. Look forward to seeing your people in London as soon as possible.

Essential Facts

1. The latest Israel/PLO ceasefire has broken down again. With help from the Christian/Phalangist forces, Israeli forces have strengthened their hold around West Beirut. They deny publicly any intention of going into the city to deal with the estimated 6-7000 PLO still holding out, but have left the Americans in no doubt that they will do so unless the Americans somehow deliver the PLO leaders.

2. A six-man National Council of Salvation representing the main Lebanese factions finally met on 21 June. Reassertion of Lebanese government authority over the PLO might provide one way out of the present impasse, but the Council has so far been unable to order the Lebanese army into West Beirut. Another proposal, put forward by the Israelis, is that the US should guarantee safe-conduct for the remaining PLO forces out of Lebanon (presumably to Syria). Habib is still in Beirut.

3. The text of the Prime Minister's message of 15 June to President Reagan and the President's reply of 18 June are attached. The reply suggests that the Americans are continuing to look at the problem in the narrow focus of the ceasefire, and are paying little attention to the wider implications, particularly the Palestinian dimension. It also makes no specific reference to the need for Israeli withdrawal in accordance with Security Council Resolution 509 (text attached).

4. The Americans claim to have put pressure on the Israelis not to enter West Beirut. But their track record in restraining the Israelis in this crisis has not been good. At each stage of their operation, the Israelis have misled all, apparently including the Americans, as to their objectives. These objectives have steadily increased. In recent days, Mr Sharon has warned the Syrians that Israeli guns are now in range of Damascus, and that the Israelis are in a position to move onto the Beirut/Damascus road, so cutting off the Syrian contingent in Beirut and endangering the rear of

/Syrian



Syrian positions in the Beqaa. There is an urgent need for the Americans to spell out that there are limits to what they can tolerate. As the Prime Minister's message to the President made clear, there is widespread bitterness in the Arab world at US failure to prevent the Lebanese tragedy. Our (admittedly limited) information on Habib's current mission suggests that the US have left the initiative entirely in Israeli hands: Habib has been conveying Israeli demands to the Arabs.

5. UNIFIL's mandate was extended by the Security Council on 18 June for two months. The Americans, Israelis and others have aired the idea of a non-UN 'multinational' force on the Sinai pattern. But the two situations are not parallel. The Syrians would be unlikely to cooperate with a force which would inevitably be seen by the Arab world (with Russian encouragement) as a US creature. It would be better to try the UN option first. If the Russians vetoed (as with Sinai), the multinational option would remain, and would be easier to defence.

Iran/Iraq

6. Saddam Hussein's announcement on 20 June of complete withdrawal of remaining Iraqi forces from Iranian territory will create position of equilibrium between Iraqi and Iranian forces. Meets one of Iran's pre-conditions for ceasefire and negotiated settlement.

7. Depending on Iranian reaction to this latest Iraqi move, moment may be ripe for regional states, rather than West, to take initiative in promoting an even-handed resolution in the UN Security Council. One which led to veto or non-compliance could exacerbate the situation. Could lead to further hardening of attitudes in Tehran among radicals. Timing and language important if end to hostilities and negotiated settlement is to be achieved.

Revised

PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN: 23 JUNE

MIDDLE EAST

Points to makeLebanon

1. We share hope that the Israeli invasion may have created a situation/ⁱⁿwhich a new consensus can be found in Lebanon, freed from the worst of the Syrian and Palestinian pressures. But before reconciliation in Lebanon can be effective, Lebanon must be freed from Israeli pressure too. Any arrangement negotiated while Israeli troops are there will be bitterly opposed inside and outside Lebanon and cannot last.

Palestine

2. Lebanon for the Lebanese is only possible if there can be at least part of Palestine for the Palestinians. Glad your message acknowledges the importance of the Palestinian question. In this respect Israeli action is misguided, if the purpose is as Israel has stated to destroy the structure of terrorism. If they attack Beirut and destroy the PLO leadership there, the result will be despair throughout the Palestinian Diaspora, and probably the return to terrorism as their only option. Destroy Arafat and Qaddumi: what is left but Habash and Abu Nidal? Your people are concentrating on trying to make autonomy work, but even if they succeed autonomy is unfortunately irrelevant to the majority of Palestinians who remain outside the territories in which it would apply.

Threat to Beirut

3. Must at all costs prevent the appalling bloodshed of an attack on Beirut. No one in the Middle East will believe that you have not got the leverage to stop it. Urge you to declare publicly before the event that, whatever the position up to now, this use of US arms could not be described as

/self-

self-defence.

Peacekeeping

4. The international force which will no doubt be needed will face political difficulties, and we must keep closely in touch. We supported your move to extend UNIFIL's mandate. We believe the best approach is to start from the existing UN force, UNIFIL, and if possible stay within the UN framework. A non-UN force (Sinai style) would risk being damned as doing the Israelis' work in Lebanon for them.

Humanitarian Aid

5. The British Government has pledged almost £250,000 of humanitarian aid to the victims of the conflict in Lebanon. This is being channelled through the International Committee of the Red Cross (ICRC), the Lebanese Red Cross and other agencies. We are also contributing through the European Community to an ICRC appeal.

Anglo-US talks

6. Glad you can accept that we should have official discussions on all this. Look forward to seeing your people in London as soon as possible.

PRIME MINISTER'S VISIT TO NEW YORK: 15/16 JUNE

POINTS TO MAKE

Middle East

Lebanon

1. Must achieve Israeli withdrawal from Lebanon in accordance with SCR 509. Lebanon's sovereignty and territorial integrity must be respected. UN important role to play in any future arrangements to restore peace in the area. Perhaps some lessons to be learned for future operations of UNIFIL. But we have to be realistic about what UN forces can do.

2. Do not understand Israeli claim to be acting in accordance with Article 51 of UN Charter and parallels she is drawing with our action in the Falklands. Differences are plain. Argentinians invaded British territory and then refused to obey Security Council's call for withdrawal. So we had to act. Israel has invaded Lebanon in disregard of Lebanon's sovereignty. Of course Israel has security concerns. But this is not the way to protect her citizens. Palestinian problem has to be tackled at its roots, and peacefully.

Arab/Israel

3. Lebanon tragedy underlines importance of reaching comprehensive settlement protecting both Palestinian right to self-determination, and Israel's right to security. Ten will continue to work actively towards this goal. Will remain closely in touch with US who have crucial role to play.

/Background

BACKGROUND

Lebanon (map attached) (Updating will be provided as necessary)

1. As of 9 June Israeli activity had widened considerably to include attacks on Tripoli (over 40 miles north of Beirut), a landing near a PLO naval base 10 miles north of there, and on the outskirts of Beirut, and massive air attacks on Syrian missile bases in the Beka'a valley. Israel has therefore gone far beyond her stated objectives of establishing a 40 kms buffer zone. Some members of the Israeli government undoubtedly see an opportunity to restructure the Lebanon in such a way as to exclude the Syrians and PLO forces. We see such an objective as unrealistic and attempts to achieve it highly dangerous.
2. UNIFIL is still in Southern Lebanon although some troop contributors (Norwegian, Irish) want to pull out. The UN Secretariat is threatening to remove the force altogether. It is not yet clear what future role the Israelis or Americans have in mind for UN forces once a ceasefire has been established. But extension of UNIFIL northwards eg to north of Sidon (the 40 kms line) would need many more troops, and, more important, USSR approval. This seems unlikely to be forthcoming, especially as the Israelis seem to envisage an enhanced role for Major Haddad who has hitherto controlled, with Israeli support, an enclave north of the Israel/Lebanon border. Negotiations will therefore be extremely difficult. A further complicating factor is that UNIFIL's present mandate will expire on 19 June.
3. Copies of SCR's 508 and 509 and Sir A Parson's explanation of vote are attached, together with the statement issued in Versailles on 6 June.

Arab/Israel

4. The Lebanese Crisis is dominating Middle East diplomacy both in the region and at the UN. But when the fighting has died down, the Palestinian problem will remain. The Arab world will expect the Europeans to redouble their efforts with the Americans in the face of the latest Israeli onslaught. It is too early to say how the military defeat of the PLO in Lebanon will affect attitudes among the Arabs to a negotiated settlement. But continuing activity by the Europeans to promote a settlement offering real security to all the parties will be essential if there is to be any hope of drawing the Moderate Arabs and the Americans closer together in the medium term. Preparations are in hand for a statement to be issued by the European Council (28-29 June) reaffirming the Ten's commitment to diplomacy based on the Venice principles.


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PRIME MINISTER'S VISIT TO NEW YORK - 15-16 JUNE

IRAN/IRAQ WAR

Points to Make

OBJECTIVES

- 1 Any action at UN should work towards just and honourable settlement acceptable to both sides.
- 2 Arab or Islamic states, not the West, should take lead in making realistic proposals. We understand that there was considerable activity by the Iraqis and Iranians at the NAM meeting at Havana. The Islamic Conference is also embarked on a new initiative.

FURTHER ACTION

- 3 What role does the Secretary General see for the UN at this stage?
- 4 Did Mr Cordovez find anything during his trip to Havana to suggest possibility of constructive UN role or concensus among NAM states on basis for a settlement?

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PRIME MINISTER'S VISIT TO NEW YORK - 15-16 JUNE

IRAN/IRAQ WAR

Background

ACTION IN UN

1 Iranians will be enraged by anything short of an even-handed resolution. A purely Western initiative would be unacceptable to them. A Security Council Resolution leading to a veto or non-compliance would complicate possible UN role in future mediation. We must beware of language in the Security Council that would conflict with our position over the Falklands.

UK ROLE

2 We can best help by working in the margins with the Ten to support constructive efforts by regional states and encouraging existing mediation attempts (Islamic Conference, UN Secretary General's Special Representatives and Non-Aligned Movement). The real need is for the Arabs themselves to take the initiative. The Ten adopted a statement on 24 May (attached) which pleased the Iraqis but was received coolly by Iran.

JORDANIAN INITIATIVE

3 Jordan sought UK support for its request for a Special Security Council meeting on 31 May. The request was ill considered: neither Iraq nor Iran were then ready to discuss the issue.

/US INITIATIVE

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US INITIATIVE

4 Mr Haig's recent remarks indicate US desire to undertake initiative to bring about the end of the war, using certain states eg Spain, Morocco, Oman, to act as intermediaries . (US have approached Ten to be associated with the initiative). Unlikely to bring a settlement nearer.

IRAQI APPROACH TO JAPAN

5 Iraq has asked Japan to sponsor a Security Council resolution. Japan have told us confidentially that they intend to suggest unilateral Iraqi withdrawal from occupied territory to make room for mediation. Japanese will be looking for Western advice and support.

NON-ALIGNED MOVEMENT

6 Iraqi and Iranian Foreign Ministers and the Secretary General's Special Representative, Mr Cordovez, attended NAM Committee meeting in Havana to prepare for September Summit in Baghdad. Both will be looking for allies. Outcome will affect the decision to go to the Security Council.

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DESKBY 241900Z

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TO IMMEDIATE F C O

TELEGRAM NUMBER 2073 OF 24 MAY 1982

INFO IMMEDIATE BAGHDAD TEHRAN PRIORITY BRUSSELS COPENHAGEN

THE HAGUE ROME DUBLIN PARIS BONN LUXEMBOURG ATHENS UKMIS NEW YORK

WASHINGTON UKDEL NATO

INFO SAVING STRASBOURG

M I P T: DECLARATION OF THE TEN ON THE CONFLICT BETWEEN IRAQ AND IRAN

1) THE TEN EXPRESS THEIR CONCERN AT THE CONTINUATION OF CONFLICT BETWEEN IRAQ AND IRAN WHICH HAS NOW LASTED TWO YEARS AND CLAIMED VERY NUMEROUS VICTIMS, LED TO CONSIDERABLE MATERIAL DESTRUCTION, CREATED GRAVE SUFFERING FOR THE CIVILIAN POPULATIONS, AND HAS DIVERTED SIGNIFICANT RESOURCES WHICH THE TWO COUNTRIES HAD WISHED TO DEVOTE TO ECONOMIC AND SOCIAL PROGRESS.

2) WHILE REAFFIRMING THEIR COMMITMENT TO THE PRINCIPLES OF RESPECT FOR THE INDEPENDENCE AND THE SOVEREIGNTY OF STATES AND OF NON INTERFERENCE IN THEIR INTERNAL AFFAIRS, THE TEN EXPRESS THE GRAVE CONCERN WHICH THE CONTINUATION OF THE FIGHTING CAUSES THEM. THEY DEPLORE THIS THE MORE BECAUSE THEY HAVE LONG STANDING AND CLOSE LINKS WITH EACH OF THE TWO BELLIGERENTS AS WELL AS WITH THE OTHER COUNTRIES IN THE REGION. THEY RECALL THAT SINCE 23 SEPTEMBER 1980 THEY HAVE TAKEN A POSITION IN SUPPORT OF AN END TO THE FIGHTING AND OF A NEGOTIATED SETTLEMENT.

3) THE TEN PAY TRIBUTE TO THE PERSISTENT EFFORTS MADE BY THE REPRESENTATIVES OF THE SECRETARY GENERAL OF THE UNITED NATIONS, OF THE NONALIGNED MOVEMENT, AND OF THE ISLAMIC CONFERENCE.

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4) THE TEN, FOR THEIR OWN PART, EARNESTLY DESIRE A PEACEFUL SOLUTION IN ACCORDANCE WITH THE PRINCIPLES RECOGNISED BY THE INTERNATIONAL COMMUNITY, SUCH AS THOSE DEFINED BY THE UNITED NATIONS SECURITY COUNCIL IN ITS RESOLUTION NO 479 OF THE 28 OF SEPTEMBER 1980. THEY FIRMLY BELIEVE THAT A JUST AND LASTING POLITICAL SETTLEMENT ASSURING THE SECURITY OF THE TWO STATES IN RESPECT FOR THEIR SOVEREIGNTY, THEIR TERRITORIAL INTEGRITY AND THEIR POLITICAL AND CULTURAL IDENTITY, IS MORE THAN EVER URGENT AND NECESSARY, IN ORDER TO PERMIT THE ECONOMIC AND SOCIAL DEVELOPMENT TO WHICH THE PEOPLES OF THE REGION ASPIRE.

5) THE TEN ARE WILLING TO PARTICIPATE IN EVERY EFFORT DIRECTED TOWARDS PEACE, TO THE EXTENT THAT EACH OF THE TWO PARTIES REQUEST THEM TO DO SO, AS WELL AS TO CONSIDER, WHEN HOSTILITIES HAVE CEASED, THE POSSIBILITY OF COOPERATING IN THE RECONSTRUCTION OF THE TWO COUNTRIES.

FCO ADVANCE TO:-

FCO - MOBERLY, MIERS, PS/PUS

FCO PASS SAVING STRASBOURG

BUTLER

(REPEATED AS REQUESTED)

(ADVANCED AS REQUESTED)

STANDARD

MED
NENAD
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EESD
ECD
WED
MAED

ES & SD
TEED
RID
ERD
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CONS DEPT
CONS EM UNIT
CABINET OFFICE

ADDITIONAL DISTRIBUTION
IRAQ/IRAN

PRIME MINISTER'S VISIT TO NEW YORK AND WASHINGTON
FALKLAND ISLANDS

1. The Secretary-General and President Reagan are likely to be concerned about:
 - i. our immediate intentions with regard to the remaining prisoners of war and economic sanctions, the total exclusion zone and the 12-mile limit;
 - ii. our longer term intentions for the future of the Islands;
 - iii. relations with Latin America.

Immediate Intentions

2. Our aim since the fall of Port Stanley has been to secure an assurance from the Argentines that they regard hostilities in the South Atlantic as at an end. None has been forthcoming. The Argentine Note of 18 June to the UN Secretary-General, which talks of a 'de facto cessation of hostilities', is not at all the same thing. In these circumstances we must put first the safety of the Islanders and of our forces, and it would be wrong at this stage to lift the TEZ or the 12-mile limit. At the same time we shall not be maintaining our full strength on the Islands. About 4,000 troops are expected to return home shortly. We shall also be sending out sappers to help get the Islands running properly again.

3. Our European partners have decided that their economic measures against Argentina should be lifted since 'it is possible to hope that hostilities are now definitely at an end', but the Ten stressed that if this expectation was not fulfilled, a new situation would arise to which the Ten would have to react immediately. The Ten also agreed that

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decisions to stop arms supplies to Argentina would remain in force. We for our part will maintain for the time being economic measures against Argentina. We hope that the non-EC countries which have undertaken sanctions will do the same. It is especially important that an arms embargo be maintained.

4. As for prisoners of war, the Geneva Convention obliges us to return POWs after the cessation of active hostilities. We are not satisfied that this stage has yet been reached. We shall need to see what happens once the political situation in Buenos Aires has become clearer. But we have continued our humanitarian policy of returning POWs quickly, and nearly 11,000 have been taken back to Argentina in the last few days - for the most part in better condition than when they surrendered.

The Future of the Islands

5. Our first tasks have been humanitarian: to return as soon as possible the great majority of the prisoners of war, including all the wounded, and to clear up the mess on the Islands so that the Islanders can resume their way of life. This latter task is more difficult than we had expected and will consume much of our energies in the near future. Indiscriminately laid mines have to be cleared, and much of the Islands' infrastructure must be repaired.

6. We are not wedded to the exact status quo on the Islands. As life returns to normal we shall be able to give attention to the future, in consultation with the Islanders. In accordance with the principle of self-determination one way forward would be for the Islanders' elected representatives to have an expanded role in the government of the Islands. Our aim will be to allow them to live secure and prosperous lives on the basis of friendly relations with neighbouring countries. But we cannot rush into decisions on how this can best be done. It is in any

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case totally unrealistic to expect that after all the traumas the Islanders have been through, and the British lives lost, we should now sit down and negotiate with Argentina on her sovereignty claim.

Relations with Latin America

7. We recognise the need to restore relations of confidence with the region. While damage done to Western/Latin American relations should not be exaggerated, we will be moving to mend fences with tact and urgency, both bilaterally and with our European partners. We should like the Falkland Islands to be able to live in peace and harmony with the region.

8. We recognise also the difficulties which US support for us had caused for their relations with Latin America and we understand that they will wish to move quickly to repair the damage. In the longer term, we see advantage in involving countries of the region in the Falklands' security and economic development. We also wish to build relations of friendship and confidence with the countries of Latin America.

The Role of the UN

9. The Secretary-General may ask the Prime Minister what role we see for the UN and perhaps for the Secretary-General himself in the future. Perez de Cuellar has told Sir Anthony Parsons that he will have to tell the Prime Minister that he cannot ignore his 'mandate', and that he will ask her how long she thinks it will be before we can contemplate any kind of negotiation. (The Secretary-General presumably has in mind SCR 505 which requested him to undertake a renewed mission of good offices, and urged Britain and Argentina to cooperate with him 'with a view to ending the present hostilities in and around the Falkland Islands').

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10. We are grateful to the Secretary-General for his tremendous efforts to find a diplomatic solution to the crisis - which failed through Argentine intransigence and not through any fault of his - but we do not want him to launch any new initiatives. What is needed now is a pause for rehabilitation and reflection. In these changed circumstances we do not see a role at present for the UN.

The Role of the US

11. We are grateful to President Reagan for his message of congratulations as well as for US support, especially military supplies, during the crisis. We agree that a just war requires a just peace; but it is the Islanders who have suffered injustice. President Reagan may wish to expand the three elements relating to the future of his message:

- i. enhancement of the long-term security of the South Atlantic. We agree with the need for this. We would welcome American ideas on, and participation in, arrangements which could guarantee the security of the Falkland Islands. (If President Reagan asks about the implications of maintaining forces in the South Atlantic for our defence commitment to NATO, the Prime Minister might say that there will need to be adjustments in our defence posture but that these will be within the framework of last year's defence policy review.)
- ii. mitigation of Argentine hostility. We too want this, and have not ourselves sought a quarrel. But the initiative must surely be with Argentina.
- iii. improvement in the relations of both UK and US with Argentina. We too are keen to achieve this. Have the Americans any plans for a programme of

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economic assistance to Argentina as a
stabilising and confidence-building measure?
Any other American ideas?

Foreign and Commonwealth Office
21 June 1982

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stabilising and confidence-building measure?
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Foreign and Commonwealth Office

21 June 1982

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PRIME MINISTER'S VISIT TO NEW YORK: 15-16 JUNE

GLOBAL NEGOTIATIONS

Points to Make

1. We are committed to an early launch of Global Negotiations on conditions which all can accept.
2. Vital however that independence of existing specialised bodies, notably the IMF, World Bank and GATT, should not be prejudiced by GNs.
3. As confirmed by participants at Versailles Summit, the latest (Bedjaoui) text serves as an acceptable basis for further consultations; hope these can be finished quickly.
4. Meanwhile, important that other urgent North/South issues should not be obscured.
5. In the interests of all to maintain and strengthen existing international arrangements for co-operation for trade and finance issues.



Background

1. In March the Algerians produced a text for launching GNs which they claimed to have the backing of the G77. With the exception of the Americans all countries regarded the text as an acceptable basis for negotiation. Within the Community all but ourselves and the Germans were prepared to accept it unchanged. We however wanted changes to remove the ambiguity over the link between the GNs and the Specialised Agencies.
2. At the Versailles Summit American officials seemed ready to accept the Bedjaoui text with small amendments; but these were not considered at Ministerial level. President Reagan agreed to positive language on Global Negotiations to the effect that the latest text was helpful and would serve as a basis for consultations with the countries concerned.

Economic Relations Department

9 June 1982