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TO IMMEDIATE FCO

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INFO IMMEDIATE UKMIS NEW YORK

PRIME MINISTER'S VISIT TO WASHINGTON

1. ON THE SUBJECTS LIKELY TO COME UP WHEN THE PRIME MINISTER SEES PRESIDENT REAGAN, YOU MAY FIND IT USEFUL TO HAVE AN ACCOUNT OF CURRENT US THINKING:

(A) FALKLANDS

WITH EVIDENT SATISFACTION AT OUR MILITARY VICTORY, ON WHICH THE PRESIDENT HAS ALREADY CONGRATULATED THE PRIME MINISTER WARMLY GOES A DESIRE TO TRY TO LIMIT THE DAMAGE THOUGHT TO HAVE BEEN DONE TO US RELATIONS WITH LATIN AMERICA. THERE IS A TENDENCY TO EXAGGERATE THAT DAMAGE AND THE EXTENT OF REAL LATIN AMERICAN SYMPATHY FOR ARGENTINA. ON THE QUESTION OF THE FUTURE STATUS OF THE ISLANDS, THE AMERICANS WILL CONTINUE TO MAINTAIN A NEUTRAL POSITION AND WILL TRY TO PRESS ON US THE NEED TO HOLD OUT THE PROSPECT OF TALKS AT SOME STAGE. THE STATE DEPARTMENT APPEAR TO REALISE THAT AFTER THE EFFORTS WE HAVE MADE AND THE LOSS OF LIFE ON OUR SIDE IT IS QUITE UNREALISTIC TO EXPECT US TO MOVE IN SUCH A DIRECTION NOW. BUT THIS WILL NOT STOP THEM BELIEVING THAT EXERTING PRESSURE ON US WILL HELP THEM WITH THEIR RELATIONS WITH LATIN AMERICA: BUT I DOUBT IF THE PRESIDENT HIMSELF WILL TRY TO PRESS SUCH IDEAS AT ALL STRONGLY ON THE PRIME MINISTER ON THIS OCCASION.

(B) LEBANON

THE PRESIDENT'S REPLY TO THE PRIME MINISTER'S MESSAGE CONCENTRATES ON THE NEED TO CONSOLIDATE A CEASEFIRE AND DEFUSE THE SITUATION IN WEST BEIRUT. THERE ARE STILL DIVISIONS WITHIN THE ADMINISTRATION. WEINBERGER HAS CONDEMNED THE ISRAELI USE OF FORCE IN LEBANON AND IS NOT KEEN ON US PARTICIPATION IN A PEACEKEEPING FORCE. OTHERS, INCLUDING HAIG, SEE THE OPPORTUNITY TO GET THE SYRIANS OUT OF LEBANON AND PURSUE THE IDEA OF LEBANON FOR THE LEBANESE, WHILE BELIEVING THAT THE DESTRUCTION OF THE PLO AS A MILITARY FORCE MAY REDUCE TENSION IN THE AREA. I HAVE LITTLE DOUBT THAT HAIG'S VIEWS WILL PREVAIL. THE DIFFICULTY IS THAT OF CREATING ANY EFFECTIVE LEBANESE CENTRAL GOVERNMENT OR AUTHORITY AND THAT, WHATEVER THE DAMAGE INFLICTED ON THE PLO, THE PALESTINIAN PROBLEM WILL NOT GO AWAY.

LEBANESE GOVERNMENT SO THAT THE LEBANESE ARMY CAN BE DEPLOYED IN WEST BEIRUT. THE AMERICANS CONTINUE TO TALK OF ISRAELI WITHDRAWAL AS THE ULTIMATE OBJECTIVE. HAIG WILL BE LOOKING FOR FURTHER SYRIAN WITHDRAWAL FROM LEBANON AND THE ESTABLISHMENT IN THE CONTEXT OF ISRAELI WITHDRAWAL OF AN EXPANDED KEEPING FORCE TO WHICH HE MAY HOPE THE EUROPEANS MIGHT CONTRIBUTE.

(C) EAST/WEST RELATIONS

HAIG HAD A VERY UNPRODUCTIVE DISCUSSION WITH GROMYKO, ABOUT WHICH HE HAS SENT YOU A MESSAGE. VERY LITTLE PROGRESS WAS MADE, THOUGH HAIG PROFESSED TO DETECT SOME GLIMMER OF A SUGGESTION THAT

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THE RUSSIANS MAY BE PREPARED TO ACQUIESCE IN A NAMIBIA SETTLEMENT IF ONE CAN BE ACHIEVED. THE AMERICANS SEEM TO HOPE THAT THE SOVIETS MAY HELP IN GETTING THE CUBANS OUT OF ANGOLA.

(D) SIBERIAN PIPELINE

THE PRESIDENT WAS DISAPPOINTED WITH THE INADEQUATE RESULTS ACHIEVED AT VERSILLES ON THE QUESTION OF CREDITS FOR THE SOVIET UNION; AND AMERICAN DISAPPOINTMENT WAS COMPOUNDED BY MITTERRAND AND SCHMIDT'S REMARKS AFTERWARDS. THE RESULT HAS BEEN THAT THOSE LIKE HAIG WHO FAVOUR A POLICY OF COOPERATION WITH THE ALLIES AND THE EXEMPTION OF EXISTING CONTRACTS HAVE BEEN UNABLE TO CARRY THE DAY. THE US VIEW IS THAT WHILE THEY CANNOT PERSUADE THE EUROPEANS TO GIVE UP THE PIPELINE PROJECT, THEY WILL SEEK TO IMPEDE IT TO THE FULL EXTENT THEY CAN. THERE IS A GOOD DEAL OF SYMPATHY HERE WITH THE PREDICAMENT OF JOHN BROWN (WE ARE RECOGNISED TO HAVE BEEN MORE SUPPORTIVE OF US POLICIES OVER POLAND THAN THE OTHER EUROPEANS). BUT THE ADMINISTRATION HAS NOT SEEN HOW IT CAN MAKE AN EXCEPTION IN ONE CASE WITHOUT AFFECTING ITS GENERAL POLICY. THE STATE DEPARTMENT HAVE BEEN MADE WELL AWARE THAT THIS IS UNACCEPTABLE TO US. THE PRESIDENT WILL BE EXPECTING THE PRIME MINISTER TO RAISE THE MATTER.

(E) STEEL

THE PRIME MINISTER MAY WISH TO TAKE THIS OPPORTUNITY OF IMPRESSING ON THE PRESIDENT THE DANGER OF TRIGGERING A REALLY SERIOUS EEC/US ECONOMIC CONFRONTATION IF THINGS CONTINUE ON THEIR PRESENT COURSE.

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