

CONFIDENTIAL

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND MR. EDWIN MEESE, COUNSELLOR TO PRESIDENT REAGAN, AT 1615 HOURS ON WEDNESDAY  
4 MAY 1983 AT 10 DOWNING STREET

---

Present

Prime Minister  
Sir A. Parsons  
Mr. Coles

Mr. Meese  
Mr. Louis  
Mr. McCormack

\* \* \* \* \*

The Prime Minister said that it was important to damp down expectations about the Williamsburg Summit. It was not realistic to expect new ideas. The emphasis should be on the good elements in existing ideas. The main value of the Economic Summits was that the participants were encouraged to follow sensible economic policies, e.g. in combatting protectionism and in restraining inflation. This presented them with a better opportunity of sustained and steady growth.

Mr. Meese said that President Reagan felt very strongly that we should try to lower expectations. He saw the Summit as an opportunity for meetings between world leaders and not as a treaty-signing ceremony. There were two matters which could usefully be stressed. Since Versailles there had been productive studies on a number of East/West Relations (for example the IEA Report, the OECD Study on Credit, the COCOM discussions). We should be able to present these as evidence that the allies were dealing with problems in an orderly way. Secondly, we could point to increased coordination and communications between the allies on economic policies, for example with regard to exchange rates.

The Prime Minister said that we must be very careful about referring to exchange rates. Such references could be highly misleading. All that we could usefully do was try to pursue stable economic policies. That was the way to achieve stable exchange rates. The sections of the Versailles Communique dealing with economic matters had been basically

/ correct.

correct. We might draw on these again. The main reason for optimism about Williamsburg was that there was now a chance that we were on the path to economic recovery. We should give an impression of cautious optimism. For it was better that cautious optimism should be fulfilled than that inflated optimism should be confounded.

We must avoid divisions in the alliance. In any discussion of East/West relations it might be desirable to consider a reassessment of our political stance in the wake of Afghanistan and in the light of Mr. Andropov's arrival on the scene. The basic question was how, by political, commercial or defence measures, we could influence the Soviet Union to our advantage. She had noted that the Americans were prepared to renegotiate their wheat contract with the Soviet Union, because they saw this as being in their interests. But this had implications for the West's post-Afghanistan policy.

As regards arms control, the tactics for each separate arms negotiation needed to be carefully considered.

Mr. Meese said that it was difficult to explain arms control issues to public opinion. Andropov's statement of 3 May might be considered to have some plausibility but in fact it did not make sense. It was impossible to include the British and French strategic deterrents in the INF negotiations.

The Prime Minister said that in her media interviews in Washington she would be supportive of the US Administration. But she had to say that some of the protectionist measures of the United States Congress were objectionable. Mr. Meese suggested that she might make some general public references to protectionism in the United States.

The Prime Minister enquired about Mr. Shultz's progress in the Middle East. Mr. Meese replied that progress was fair.

/ The President

The President had felt that Habib and Draper had taken the negotiations as far as they could and that it was necessary for Mr. Shultz to visit the area. He would not just be trying to make progress on the Lebanon but would be letting the Israelis know that the United States would cooperate with them, e.g. over aircraft sales, if progress could be made on withdrawal from the Lebanon. The enterprise was at some political risk to the President and to Mr. Shultz.

The Prime Minister asked whether the Americans had any intention of involving Syria in the current discussions. Mr. Meese said that messages had been sent to the Syrians so that they should not feel snubbed by the present exercise. But there was no point in Mr. Shultz visiting Damascus until he had made some progress with Israel. At an earlier stage, the Syrians had been prepared to withdraw their troops from the Lebanon. But Israeli resistance had given them the opportunity to reconsider their position and had allowed time for them to become more exposed to Soviet influence. As long as the Israelis resisted withdrawal, it was very hard to persuade other Arab countries to put pressure on the Syrians.

There was considerable concern in the United States that the Lebanese situation should be stabilised and the Multinational Force withdrawn. The training programme for the Lebanese Armed Forces was going well but the political dimension remained to be solved.

On the US domestic situation, Mr. Meese said that the leading economic indicators had been up for the last seven months. This was particularly significant in the case of housing and automobiles.

The Prime Minister said that she had been most impressed by President Reagan's speech on Central America. There would be some merit in the President discussing his policy in the region with the Williamsburg participants, perhaps over a meal.

/ But the

CONFIDENTIAL

-4-

But the French held different views and she would not wish to suggest that any divisive steps should be introduced.

Mr. Meese said that the Soviet Union were now using Nicaragua as a base for their actions in El Salvador. If the latter fell, Honduras would be vulnerable and Costa Rica could follow. The situation in Mexico was also unstable.

The Prime Minister said that she had noted President Reagan's reference to the commercial and strategic importance of the Panama Canal. She drew the conclusion that if things in that area went wrong, our position in the Falkland Islands became doubly significant.

Finally, she thought that we must encourage the IMF and the commercial banks to be more prudent in their lending policies towards developing countries. Argentina was not playing the game at present. It was discriminating against repayments to our banks. If this continued, we should have to oppose further IMF lending to Argentina.

The discussion ended at 1700 hours.

A. J. C.

4 May 1983

CONFIDENTIAL

File

Sub



10 DOWNING STREET

*From the Private Secretary*

5 May 1983

CALL ON THE PRIME MINISTER BY MR. MEESE

Thank you for your letter of 29 April. Mr. Meese called on the Prime Minister yesterday. I enclose a record of the conversation.

With regard to the passage on page 2 dealing with East/West relations, the Prime Minister subsequently asked me to make it clear to the Americans that she was in no sense proposing that there should be formal discussion at Williamsburg of the West's overall strategy towards the Soviet Union. Our position remained that we do not wish the question of East/West relations to become a divisive issue at Williamsburg. But if an opportunity arose informally, perhaps over a meal, there might be value in a general exchange of views about East/West relations. I was able to make these points at the American Ambassador's dinner for Ed Meese last night.

I am sending a copy of this letter and enclosure to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

A. J. COLES

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL

NR