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Prime Minister

MR. COLES

LAST WORDS

Sub
28/12

The Gulf War

We are faced with an old dilemma - choosing between Arabs and Persians. We last faced this in 1971 over the Gulf withdrawal. On that occasion, we chose the Persians, rightly in my view. We reaped major benefits for eight years and only lost diplomatic relations with Iraq for a few years. We can always expect to survive rows with Arabs without much damage. The Persians, whether under the Shah or Khomeini, are more implacable and dangerous. Hence, although we must fulfil our obligations to the small Arab states of the Gulf, we must avoid any military adventures directed against the Iranian mainland. Never forget that Khomeini could throw tens of thousands of British workers onto the dole overnight by throwing out Talbot UK. He would not hesitate to cut off his nose to spite our face if we mortally offended him.

Palestine

Our policy is right and we should stick to it. Our objective should be to bring as much pressure as possible on the American/Israelis to limit irrevocable change on the West Bank/Gaza against the reasonable hope that the Likud will be replaced by the Labour Alignment at the next Israeli election.

Lebanon

We should press on as hard as possible with the UN option. Meanwhile, however appalling the position of the MNF, we should not forget that the withdrawal of our contingent would create great dismay amongst the ordinary people of Beirut and the Moslem factions, particularly the Druze.

Hong Kong

Another dilemma. We need a quick agreement while Deng is still alive and kicking. But if we go too fast we risk losing EXCO. This is the only thing that is likely to stir up a major row here. In reality, we are probably already beyond the point of no return. But the EXCO unofficials may not have had quite enough time to resign themselves to this fact. It will stare them in the face when they see the papers being prepared in advance of the January meetings. The Prime Minister may have to make a monumental personal effort to ensure that they do not jump ship.

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/The Falklands

The Falklands

We need to take an initiative on normalisation before pressure becomes uncomfortable. But we should not be rushed. We have a few months grace. We should also avoid involving third parties who will wish to bandise themselves.

Belize/Caribbean

Grenada has reinforced my view that the Prime Minister's original thought was right, namely that we should get out of Belize as soon as we respectably can and that the trade-off should be that we would be more active in the Eastern Caribbean. We have no business on the Central American mainland, but we cannot avoid responsibility in the Eastern Caribbean where we will have dependent territories for the foreseeable future. I am not thinking of deploying British troops there, but we could do very much more by way of a cheap naval presence, plus an intensive effort to strengthen the internal security structures of the small islands. This would be welcome to the Americans and to the Caribbean peoples themselves.

Anglo American Relations

The Prime Minister must ensure that George Bush comes here before he becomes immersed in the Election Campaign. She should not lose sight of the "special envoy" idea which we have discussed. It might be an idea to air our worries about lack of continuing intimacy where it matters with George Bush. He would understand what we meant and would get the message back to Reagan and others in the White House.

East/West Relations

The Chequers policy is right and I hope it will be endorsed at an early OD meeting in January. In practice, the Kremlin is likely to remain immobilised for some time by its own internal problems. To my mind, the most important question to be answered is whether, in the post-Brezhnev era, power in the Soviet Union is beginning to pass from the Party to the military (as has happened in Poland). It might be an idea to ask our academic experts to focus their minds on this question.

Nuclear

Avoid taking initiatives for their own sake. In particular, avoid shooting ourselves in the foot by proposing any fresh structure which might lead to the involvement of the British and French deterrent, eg

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the merging of START and INF. In real, as opposed to public political, terms, perhaps the most important issue is how do we counter the growing Soviet CW capability.



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