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TO IMMEDIATE FCO

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INFO PRIORITY: UKMIS NEW YORK, PARIS, BONN, MOSCOW, UKDEL NATO,
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HAIG'S RESIGNATION

1. YOU MAY WISH TO HAVE SOME THOUGHTS ON THE IMPLICATIONS OF HAIG'S DEPARTURE FOR THE FUNCTIONING OF THE GOVERNMENT HERE. IT IS OBVIOUSLY TOO EARLY YET TO ASSESS THE IMPACT ON POLICY. SHULTZ WILL NOT BE CONFIRMED BY THE SENATE UNTIL MID-JULY. HAIG IS STILL CONDUCTING CURRENT BUSINESS; AND THERE WILL THEREFORE BE AN UNEASY TRANSITION. THE FOLLOWING ARE MY PRELIMINARY COMMENTS.

2. THE VERY SERIOUS DIFFICULTIES INHERENT IN THE SYSTEM HERE OF ACHIEVING A PROPERLY COORDINATED FOREIGN POLICY AND A COHERENT EXPLANATION OF IT HAVE BEEN COMPOUNDED OVER THE PAST EIGHTEEN MONTHS BY THE WELL PUBLICISED CLASHES BETWEEN HAIG, WEINBERGER AND THE QUOTE TROIKA UNQUOTE IN THE WHITE HOUSE. THE DIFFERENCES BETWEEN HAIG AND WEINBERGER HAVE BEEN BOTH PERSONAL (WITH NEITHER HESITATING TO STRAY INTO THE OTHER'S DOMAIN) AND ABOUT POLICY (TECHNOLOGY TRANSFERS, THE GAS PIPELINE, ARMS CONTROL AND THE BEST WAY OF DEALING WITH THE ALLIES). THE DIFFERENCES BETWEEN HAIG AND THE WHITE HOUSE STAFF HAVE UNTIL RECENTLY BEEN MAINLY FROM CONFLICTS OF PERSONALITY: FROM HIS INSISTENCE UPON BEING THE VICAR OF US FOREIGN POLICY, FROM HIS GREAT SENSITIVITY ABOUT OTHERS ENCROACHING ON HIS TURF, FROM HIS IMPETUOUSNESS AND HIS AMOUR PROPRE; AND, ON THE SIDE OF THE WHITE HOUSE, THEIR RESENTMENT THAT HE WAS DENYING THEM THEIR PROPER ROLE IN FOREIGN POLICY, THAT HE MADE MOUNTAINOUS PERSONAL ROWS OVER WHAT SHOULD HAVE BEEN MOLEHILLS, AND THAT HIS WAY OF DOING THINGS WAS UNNECESSARILY ABRASIVE, NOT TO THE OUTSIDE WORLD BUT TO HIS OWN COLLEAGUES IN THE US GOVERNMENT. IN RECENT WEEKS, HOWEVER, DIFFERENCES OPENED UP OVER THE PIPELINE (WITH CLARK AND OTHERS CONSIDERING THAT THE PRESIDENT HAD NOT GOT ENOUGH PROGRESS AT VERSAILLES ON CREDITS FOR THE SOVIET UNION TO JUSTIFY HOLDING OFF FURTHER UNILATERAL US ACTION); AND WITH BUSH, CLARK AND OTHERS CONSIDERING THAT HAIG WAS GOING TOO FAR IN UNCONDITIONAL SUPPORT FOR ISRAELI OBJECTIVES IN THE LEBANON (AND HAD BEEN MISLED BY THE ISRAELIS AS TO WHAT THEIR REAL OBJECTIVES WERE).

3. I BELIEVE THAT SHULTZ'S ARRIVAL AND HIS PERSONALITY WILL HAVE A CALMING INFLUENCE ON THE PERSONALITY CONFLICTS WITHIN THE SYSTEM. HIS BACKGROUND AS A LONGTIME ASSOCIATE OF THE PRESIDENT IN CALIFORNIA, AND HIS CONNECTIONS WITH THE OTHER CALIFORNIANS IN THE ADMINISTRATION, INCLUDING WEINBERGER, WILL HELP. ALTHOUGH THE TWO WERE VERY CLOSELY ASSOCIATED IN BECHTEL AND HAD A GOOD WORKING RELATIONSHIP, HOWEVER, I AM NOT SURE THAT THERE IS A PARTICULARLY CLOSE PERSONAL RAPPORT BETWEEN SHULTZ AND WEINBERGER AND I WOULD EXPECT SIMILAR INSTITUTIONAL DIFFERENCES TO OPEN UP BETWEEN THEM

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ON POLICY EG OVER ARMS CONTROL. SHULTZ IS A CONSERVATIVE FIGURE WHO FAVOURS A FIRM LINE IN DEALING WITH THE SOVIET UNION BUT, AS I HAVE REPORTED, HE HAD IN THE PAST EXPRESSED DOUBTS ABOUT THE UTILITY OF TRYING TO SWITCH TRADE ON AND OFF (ALBEIT IN THE CONTEXT OF THE CARTER GRAIN EMBARGO). I SEE LITTLE PROSPECT, HOWEVER, OF HIS BEING ABLE TO SECURE, OR OF HIS SEEKING, A REVERSAL OF THE PRESIDENT'S RECENT DECISION ON THE PIPELINE.

4. WHEN HE WAS THOUGHT OF AS A POSSIBLE CHOICE FOR REAGAN'S SECRETARY OF STATE BEFORE THE ELECTION SHULTZ COMMENTED THAT THE ONLY AREA IN WHICH HE THOUGHT THAT THERE WAS ANY DIFFERENCE OF VIEW ON POLICY BETWEEN HIM AND THE PRESIDENT WAS IN RELATION TO THE MIDDLE EAST. HE WAS CRITICAL OF VERY PRO-ISRAELI SPEECH PRESIDENT REAGAN MADE TO B'NAI B'RITH DURING THE ELECTION CAMPAIGN. SHULTZ'S ATTITUDE TO ISRAEL WILL BE RAISED BY A NUMBER OF SENATORS DURING THE CONFIRMATION HEARINGS. IN THIS AREA I WOULD EXPECT SHULTZ TO BE FAR MORE PRIVATELY CRITICAL OF BEGIN AND SCEPTICAL OF ISRAELI INTENTIONS AND CERTAINLY WITHOUT HAIG'S EMOTIONAL SUPPORT FOR ISRAEL (AND THAT MANIFESTED BY SOME OF HAIG'S ASSOCIATES LIKE WOLFOWITZ, BURT AND CO). WITH WEINBERGER ALSO PUSHING IN THAT DIRECTION, THE ISRAELIS CAN EXPECT TO HEAR A SOMEWHAT FIRMER VOICE FROM WASHINGTON. I WOULD CAUTION, HOWEVER, AGAINST EXPECTING ANY MAJOR SHIFT IN US POLICY IN THIS AREA, BECAUSE OF THE ALL IMPORTANT DOMESTIC CONSIDERATIONS. AT THE DEMOCRATIC MID-TERM MEETING WHICH HAS JUST TAKEN PLACE IN PHILADELPHIA, THERE WAS GENERAL AGREEMENT THAT THERE SHOULD BE NO CRITICISM OF ISRAEL'S ACTIONS IN LEBANON. KENNEDY AND MONDALE CONTINUE TO VIE WITH EACH OTHER IN UNCONDITIONAL SUPPORT FOR ISRAEL. ALTHOUGH MANY LEADING MEMBERS OF THE JEWISH COMMUNITY HERE ARE INCREASINGLY WORRIED ABOUT ISRAEL'S REPUTATION IN THIS COUNTRY AND THERE HAS BEEN SOME CHANGE IN THE MOOD IN CONGRESS, I REMAIN OF THE VIEW THAT THIS AND, I SUSPECT, ANY US ADMINISTRATION WILL CONTINUE TO FIND THE GREATEST DIFFICULTY IN NERVING ITSELF TO PUT REAL PRESSURE ON ISRAEL.

5. THERE IS ONE FURTHER IMPORTANT POINT. WITH HAIG'S RESIGNATION, SHULTZ WILL BE IN A STRONG POSITION. THE WHITE HOUSE ENTOURAGE WILL HAVE TO WORK WITH HIM. THE PRESIDENT IS NOT GOING TO BE ABLE TO AFFORD TO LOSE ANOTHER SECRETARY OF STATE. IF, AS I EXPECT, SHULTZ'S GENERAL LINE IS TO PURSUE HAIG'S POLICIES ON ALMOST ALL ISSUES, BUT TO MODERATE THE EXTREME PRO-ISRAELI BIAS OF HAIG AND TO DO ALL THIS IN A SOMEWHAT MORE CALMER AND MORE AUTHORITATIVE MANNER, HE COULD PROVE HIMSELF A MORE EFFECTIVE SECRETARY OF STATE THAN HIS PREDECESSOR. ALTHOUGH AS A RESULT OF THE CLOSE COLLABORATION BETWEEN US OVER ARMS CONTROL AND OTHER ISSUES WITHIN THE ALLIANCE AND, PARTICULARLY, AS A RESULT OF ALL OUR CONTACTS OVER THE FALKLANDS, HAIG HAD BEEN DRAWN INTO A PARTICULARLY CLOSE WORKING RELATIONSHIP WITH US, I HAVE A HIGH REGARD FOR SHULTZ AND DO NOT THINK THE CHANGE NEED BE REGARDED AS IN ANY WAY ONE FOR THE WORSE IN TERMS OF EUROPEAN INTERESTS GENERALLY.

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