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Foreign and Commonwealth Office

London SW1A 2AH

CDP 2579

27 September 1985

*Dear Charles,*McFarlane: Middle East

The visit offers a most valuable occasion to explain our views and discuss how US policy towards the Arab/Israel dispute may develop. There have been some hints that the Americans may wish to abandon the "Murphy meeting" altogether and try another tack. This need not be a bad thing, if they genuinely have something constructive and helpful to offer in its place. The Prime Minister urged the President in her message of 20 September (copy enclosed) to agree to a "Murphy meeting". She might develop our thinking on the need for US action on the following lines.

The natural starting point would be the Prime Minister's own impressions of Egypt and Jordan and her decision that Sir Geoffrey Howe should see the Jordanian/Palestinian delegation. She might stress how far the moderate Arabs are our natural allies and look to the West for support, yet are becoming dangerously disillusioned by what they consider an inadequate US response. King Hussein feels strongly that he has shown flexibility which others have failed to match. He is seriously considering cutting his losses. This would be a sad defeat not only for him but for the West. It would give golden opportunities to those hostile to Western interests. The latest wave of terrorist attacks by Palestinians highlights the dangers of the situation.

King Hussein's step by step process is the only real game plan on offer. He has rallied important Palestinian support for it. He is convinced that he cannot go further without real US help. This is our view also. We must always be sceptical at PLO aims, but he has brought them along so far. It is tempting to push for the maximum before giving the King a positive response. The obstacles in Israel are great. We all appreciate Peres' delicate position. But if we hold out much longer, there will be nothing left to support; the process will collapse. Shamir is waiting in the wings.

/We



We therefore concluded in Amman that the time had come to agree to the gesture of receiving the delegation in London. This in no way cuts across Jordanian/US exchanges. It is a gesture in support of the King, not British meddling in the peace process whose fate lies solely with the parties, and the US help without which they cannot move. But we were convinced that the time was right for us to contribute what we could. This will not be without political difficulty at home, but we intend to stick with a course which is overwhelmingly in Israel's interests, whatever the less enlightened supporters of Israel may say to the contrary. So far their reaction has been within the bounds of what is tolerable. In our view this argues equally forcefully for a similar early US gesture, though we are fully aware that US domestic considerations make this still more difficulty for them.

The Prime Minister may wish to note that King Hussein's meeting with the President on 30 September may be a crucial test. If no step forward can be agreed then, it may be impossible to save the gains the King has already made. The atmosphere in the region continues slowly to deteriorate. Mr Shultz told Sir Geoffrey Howe on 26 September that he personally thought the Prime Minister's decision positive and helpful. This is welcome, but what matters is whether the Americans will now make their own contribution, for which no European gesture(s) can substitute.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

SECRET

11540 - 1

20. Sep 1985

' 'DEAR RON,

I AM JUST COMPLETING A VISIT TO EGYPT AND JORDAN AND WANTED TO LET YOU KNOW PERSONALLY STRAIGHT WAY HOW WORRIED I AM BY THE ABSENCE OF PROGRESS IN FOLLOWING UP KING HUSSEIN'S PEACE INITIATIVE. I FOUND THE KING VERY DISPIRITED ABOUT THIS. I AM SURE YOU REALISE HOW MUCH HE RISKED PERSONALLY IN PUTTING FORWARD THE PROPOSALS AND HOW MUCH STANDING HE WOULD LOSE IF HIS INITIATIVE FAILS.

ALL SEEMED TO BE ON COURSE UNTIL YOUR PEOPLE STIPULATED THAT THERE MUST BE DIRECT, VISIBLE CONTACT BETWEEN ISRAEL AND JORDAN AS A CONDITION FOR A MEETING WITH THE JOINT JORDANIAN/PALESTINIAN DELEGATION. I AM SURE YOU WILL RECALL THE CIRCUMSTANCES UNDER WHICH KING HUSSEIN'S GRANDFATHER, KING ABDULLAH, WAS ASSINATED IN 1951. IF KING HUSSEIN UNDERTAKES DIRECT VISIBLE CONTACTS WITH ISRAEL WITHOUT THE SUPPORT OF MODERATE ARAB GOVERNMENTS, IT COULD SO AGAIN PROVE FATAL FOR THIS COURAGEOUS AND STEADFAST FAMILY.

KING HUSSEIN TOLD ME THAT THEY HAD ' 'COME TO THE END' '. HIS MEETING WITH YOU ON 30 SEPTEMBER WOULD BE DECISIVE. HE HAD GONE TO GREAT LENGTHS WITH ARAFAT TO PERSUADE HIM TO JOIN IN HIS INITIATIVE. HE HAD GOT ARAFAT TO ACCEPT TWO PALESTINIANS FROM THE WEST BANK AND GAZA FOR THE JOINT DELEGATION AT THE UNITED STATES INSISTENCE. HE NATURALLY FEELS NOW THAT IT IS NOT TOO MUCH TO ASK THE UNITED STATES TO ACCEPT TWO OTHERS FROM THE REMAINING FIVE. INDEED I UNDERSTAND THAT YHOU WOULD BE PREPARED TO ACCEPT THE FURTHER TWO IF YOUR NEW PRECONDITION WAS MET.

I REALLY FEEL THAT IF THIS OPPORTUNITY TO MAKE PROGRESS IS MISSED, IT WILL NOT OCCUR AGAIN. FAILURE WOULD BE A GREAT BLOW TO WESTERN DIPLOMACY, ESPECIALLY WHEN WE NEED A SUCCEES AHEAD OF YOUR NOVEMBER MEETING WITH MR. GORBACHEV. MOREOVER THE RISK OF CONTINUINTG GROWTH OF MUSLIM FUNDAMENTALISM AND SHI' ITE EXTERMISM

SECRET

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IN THE MIDDLE EAST MAKES IT MORE VITAL THAN EVER THAT WE ARE SEEN TO BE MAKING PROGRESS TOWARDS SOLVING THE (NEXT WORK UNDERLINED) PALESTINIAN PROBLEM. IT IS A QUESTION OF KEEPING HOPE ALIVE.

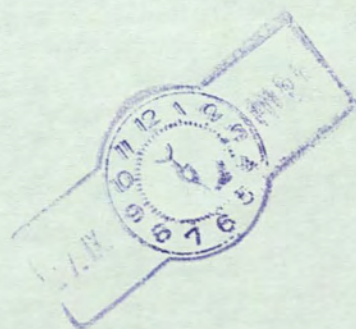
I DO NOT SEE THAT ANYTHING IS TO BE LOST BY A MEETING WITH A JOINT DELEGATION. UNDER KING HUSSEIN'S PROPOSED SEQUENCE OF EVENTS, AS I UNDERSTAND IT, RECOGNITION OF THE PLO WOULD COME ONLY IF AND AFTER THE PLO THEMSELVES HAD PUBLICLY ACCEPTED RESOLUTION 242 AND RENOUNCED VIOLENCE. DIRECT NEGOTIATIONS COULD THEN TAKE PLACE SO LONG AS WE CAN PROVIDE THE KING WITH SOME KIND OF INTERNATIONAL COVER. I KNOW THAT BOTH PRESIDENT MUBARAK AND KING HUSSEIN REMAIN ATTACHED TO A FULL SCALE INTERNATIONAL CONFERENCE BUT I THINK I MADE SOME HEADWAY IN POINTING OUT THE RISKS THAT THE SOVIET UNION WOULD PROBABLY TRY TO FRUSTRATE A CONFERENCE AND WRECK THE KING'S INITIATIVE. IT MAYH BE THAT GORBACHEV WILL RAISE THIS WITH YOU IN NOVEMBER. BOTH MUBARAK AND KING HUSSEIN ARE CERTAINLY EXPECTING THE MIDDLE EAST TO FEATURE AS ONE OF THE REGIONAL PROBLEMS YOU WILL DISCUSS WITH GORBACHEV.

I WANT TO DO ALL I CAN TO HELP KING HUSSEIN IN HIS PRESENT DIFFICULT POSITION. I HAVE THEREFORE TOLD HIM THAT WE SHALL BE READY TO SEE A JOINT JORDANIAN/PALESTINIAN DELEGATION IN LONDON. THE PALESTINIAN MEMBERS WILL BE TWO WELL-KNOWN MODERATES WHO PERSONALLY SUPPORT A PEACEFUL SETTLEMENT, ACCEPT ISRAEL'S RIGHT TO EXIST WITHIN SECURE AND RECOGNISED BORDERS AND OPPOSE VIOLENCE AND TERRORISM. THEY WILL STATE THIS PUBLICLY WHEN THEY COME TO LONDON. I SHALL PROBABLY BE ANNOUNCING THIS TOMORROW BEFORE I LEAVE JORDAN. I HAVE ALSO SENT A MESSAGE TO MR. PERES ABOUT THIS AS I FEEL SURE HE WILL WISH TO KNOW.

I DO MOST EARNESTLY HOPE THAT YOUR TALKS WITH KING HUSSEIN WILL BE SUCCESSFUL AND WILL TAKE THE PEACE PROCESS A FURTHER STAGE FORWARDS.

YOURS SINCERELY.

MARGARET





Foreign and Commonwealth Office

London SW1A 2AH

27 September 1985

*Dear Charles,*Prime Minister's Meeting with Mr McFarlane: Iran/Iraq

There is growing concern that any further successful low level attacks by the Iraqis on Kharg Island could leave Iranian capacity to export oil at well below half the level they need to sustain the war. Our view is that the economic pressure on Iran is undoubtedly mounting, but their capacity for defending Kharg effectively or retaliating in kind is limited. The danger is that they could be forced into irrational retaliation, possibly including increased interference with shipping and direct or indirect attacks on Iraq's neighbours. Perhaps the easiest option for them is increased subversion within Kuwait.

We would welcome Mr McFarlane's views on:

- (i) how near the Iranians are to this economic trigger;
- (ii) what retaliatory measures they might adopt to halt Iraqi attacks;
- (iii) can Iran's economic weakness be exploited to press for a ceasefire, and if so how.

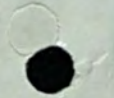
The immediate concern to the US and UK is the threat to shipping in the Gulf from a sharp escalation in the war. We are consulting the Americans closely at official level about contingency planning. A State Department party has been in London this week, and Anglo-US Pol-Mil talks will be held in London on 23/24 October.

*Yours ever,  
Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AH

27 September 1985

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27/9

Dear Charles,

Talks with Mr McFarlane: Arms Control

The Prime Minister will no doubt wish to discuss with Mr McFarlane the arms control element of the US/Soviet Summit. In doing so she could perhaps seek to influence the US approach to the Summit along the lines of her message to President Reagan of 12 September; to encourage the President to inject a new impetus into the Geneva negotiations; and to forestall any inclination on the US side to allow the future of the SDI to block progress. For his part, Mr McFarlane will no doubt wish to brief the Prime Minister on US preparations for the Summit and, perhaps, to play down the significance of the President's remarks at his press conference on 17 September.

The thrust of the Prime Minister's earlier message was to sound a note of caution, which will have been endorsed in Washington, about the effect on Western public opinion of current Soviet initiatives and the apparently more reasonable approach by Gorbachev. She urged the need for the Summit to inject a new impetus in the Geneva talks, and made a number of concrete suggestions. These included the need:

- to seek deep cuts in offensive weapons; to reaffirm and to clarify the ABM Treaty;
- to instil an element of predictability into the future strategic balance, taking account of defensive developments but not imposing definitive constraints upon them;
- to initiate a long-term dialogue on the relationship between offensive and defensive forces in order to encourage this predictability;
- and to seek progress in the chemical weapons negotiations.

The President's reply was set in a rather broader context and did not address these specific points. However, he expressed optimism that the Summit could set in motion the resolution of specific problems. He reaffirmed his determination not to endanger the SDI which he described as

/"vital





"vital to our arms control efforts and our hopes for a better, safer future"; and he agreed about the risk of the Russians exploiting any appearance of Western divisions in this and other security areas.

At his 17 September press conference (text attached), the President spoke in terms which offer some encouragement for progress at the Summit. But in his comments on the SDI he seemed less flexible than he has been in recent months. He underlined his wish to eliminate nuclear weapons as a result of SDI deployments, thus moving away from deterrence by the threat of retaliation towards deterrence by denial of the objectives of attack. He described the SDI as too important to be a bargaining chip, and claimed that not only research but development and testing (specifically banned by the ABM Treaty) were all legitimate. He also spoke of negotiations on the SDI at some later stage as acceptable, but apparently in the context of how rather than whether defensive systems should be deployed.

The most recent development has been a message from the Americans indicating that a new Soviet proposal may be on the way, but that the seriousness of Soviet intentions still requires further concrete proof. The latest assessment from our Embassy in Washington is that the US negotiating team at Geneva have taken no new instructions with them, on the grounds that the ball is in the Soviet court and there is sufficient flexibility already in the US position. The general view in Washington is that there is little prospect of any new progress in the third round of the talks; and that success at the Summit will depend on Soviet proposals. The overall forecast is generally pessimistic about progress there, especially in the light of the President's remarks at his press conference.

Mr McFarlane himself has been more active in recent months making public his own views, notably in a well-publicised speech in California on 19 August, at the end of which he spoke of the need to do more than seek small improvements from the Soviet Union, and implied there would be much value in making major changes in the overall relationship. In other comments he has reaffirmed his personal view that the SDI has intrinsic value in the new strategic situation created by the Soviet build-up over the past decade. He believes that build-up has upset the strategic balance and that there would be very considerable problems in terms of Western domestic politics in redressing this by further increases or improvements in offensive weapons. Coupled with the advent of new technology which may make defences more feasible, the SDI therefore appears to him to offer the prospect of a way out from this increasingly uncomfortable position for the West. (In background comments to the press he recently described NATO's strategy as "surreal"). In addition, his own personal loyalty to the President is undoubtedly a factor in his support for the Research programme.

/As



As the Prime Minister knows, the fundamental difficulty at Geneva will be the task of persuading the Russians to agree to cuts in offensive forces while not conceding so much to their opposition on SDI that even the Research Programme is constrained. The President's latest public comments will make this circle even harder to square. But the fundamental argument about strategic predictability and the relationship between offensive and defensive forces is worth repeating.

SDI may or may not, at some distant point in the future, be shown to work. It may not need to work fully, in order to enhance deterrence. Clearly in the foreseeable future its only chance of working even imperfectly (as Mr Nitze has recognised) is if defensive systems face decreasing rather than increasing numbers of offensive forces. The Soviet Union however will be no more willing than would the US to accept radical cuts in offensive forces until/unless they have a much clearer idea of the shape of defensive systems over the next decade(s).

The sort of dialogue on the offence/defence relationship which the Americans are pushing at Geneva will not be sufficient for these purposes. What the Russians (and the Americans) will need is a firm, legal commitment by both sides to specified limits on defensive developments over a given period. This does not mean constraining the SDI research programme, which according to US projections is not designed to produce results requiring steps beyond research for perhaps another decade. During this period, however, sticking to the ABM Treaty carries added importance because that Treaty can provide the framework of defensive predictability which is essential to offensive cuts.

A further point which the Prime Minister may wish to bear in mind is the danger that the Summit will not, as widely expected, lead to a further meeting at which more specific agreements may prove possible. Instead, the Russians, faced with a bland but inflexible US position, may conclude that they can afford to wait until the next President is elected, and in the meantime increase the pressures on Western public opinion. Such a waiting period would not only be dangerously divisive and destabilising for the Alliance; it would also remove the opportunity which President Reagan may now have to reach an historic and forward-looking agreement with the Soviet Union.

Against that background we suggest that the Prime Minister might draw on the following points in her discussion with Mr McFarlane:

- (i) she might welcome the President's reply to her message: it demonstrates that we see the prospects and potential for the Summit in very much the same light. We noted with interest and encouragement Mr McFarlane's recent prediction that there were "very good prospects" of reaching an arms control agreement in the coming year;



- (ii) We are not suggesting that SDI research should be reduced to a bargaining chip at Geneva, in the sense that it would then be abandoned. As has been repeatedly made clear since the Camp David meeting last December, we continue to support the research programme as a counter to Soviet efforts.
- (iii) Nonetheless, we are concerned that the US should not miss the opportunity offered by the Summit to put forward and to reach agreement on bold and concrete proposals, including the place of SDI in relation to offensive forces and arms control. It is clear that the research programme will continue to play a crucial role in determining the relationship between offensive and defensive forces, and thus in dictating the extent of movement possible at Geneva.
- (iv) It therefore seems to us desirable, and probably essential, to establish with the Russians at Geneva the way in which research on both sides may continue within the limits of present treaty obligations. The key element will be to establish the essential degree of predictability in developments of defensive forces against which offensive arms reductions can be matched.
- (v) The concrete proposals put forward in my letter to the President were intended to offer the basis for a sensible way ahead, and I hope that he will feel able to act upon them. The Russians are being driven off their untenable position which denies the permissibility of research, and this in itself represents a step forward. At the same time, the extent of permissible research still requires further clarification. This must be addressed in the context of ensuring confidence in Soviet compliance.

In subsequent discussion the Prime Minister may wish to reaffirm her agreement with the President that "nothing could more undercut our prospects for success than for Gorbachev to sense that we are divided". We have always seen a direct link between Soviet preparedness to negotiate seriously at Geneva and allied cohesion. However, that cohesion is also directly dependent on discipline and consistency in public utterances, a point we have urged consistently in public utterances, a point we have urged consistently on other Allies. The Four Points of Camp David and the US statement of 4 June on the SDI have pointed us in very much the right direction. It is important not to undercut the basic Western position, including the need to strengthen deterrence, by reverting to more contentious language.

/It



It therefore came as something of a disappointment to us that in his 17 September press conference the President appeared to revert to the total elimination of nuclear weapons as a prime objective of the SDI. In our view it is simply unrealistic to expect the SDI to obviate the need for nuclear deterrence for the foreseeable future, although we do accept the legitimacy of trying to remove the threat of aggression in the context of general disarmament. We were also concerned at the President's description of SDI development and testing as "a legitimate part of research". As Mr McFarlane will know, development and testing are specifically banned by the ABM Treaty. All this points up the importance of public and policy utterances being wholly consistent with the President's previously expressed desire, which we fully share, to see the Treaty strengthened and its erosion prevented.

In addition, the Prime Minister may wish to underline her concern about progress in the CW negotiations. These have remained stagnant for the past year, largely because of Soviet refusal to negotiate seriously which they can reasonably justify to other parties by pointing to the unacceptable nature of the US proposals for challenge inspection (Article X, "no refusal"). We have put new ideas to Washington on this, but it will require a high-level political decision to drive the Pentagon off their attachment to the present text.

In his message of 25 September, the President has asked for the Prime Minister's views on MBFR. A substantive reply to the message will be submitted next week but there may be further inter-agency discussion, possibly involving Mr McFarlane, in the meantime. We believe that Mr Shultz broadly favours the proposal put to him by the Foreign Secretary and Herr Genscher, but the Pentagon are arguing against movement. There is evidence from the course of earlier decision-making in Washington on MBFR that the President attaches particular weight to the Prime Minister's own views, from her political perspective, on the desirability of movement in this technical negotiation. It could be helpful to the outcome of our initiative if the Prime Minister could tell Mr McFarlane that she was fully aware of, and gives her support to, the Anglo-German proposal. She might add that we believe it to be fully consistent with Western security interests but that MBFR also needs to be considered in a broader political context. She is very grateful to the President for the opportunity to contribute to the development of the US position and hopes to reply substantively early next week.

On handling the Russians, there is one point the Prime Minister might re-emphasise: the need to cover human rights questions without vitiating the atmosphere of the talks as a whole. On 22 September, McFarlane gave a TV interview to which he said that human rights issues "will remain high, in fact, the leading issue on our agenda". The phraseology was

/probably



probably accidental, but it is unfortunate. The Prime Minister might refer to her advice to Reagan to tackle the subject in a measured way, making clear that raising human rights is not an attempt to undermine the Soviet system.

If McFarlane asks about the Foreign Secretary's meeting with Shevardnadze, the Prime Minister might say that in the circumstances it went as well as it could have done, and that both sides agreed they had said "what they had to" on expulsions.

*Yours ever,  
Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street



Foreign and Commonwealth Office

London SW1A 2AH

27 September 1985

Dear Charles,

CDD  
28/9

Prime Minister's Talks with Mr MacFarlane: 28 September:  
South Africa

You asked for a letter setting out the general approach the Prime Minister might adopt. She might like to concentrate on the following points.

Britain has consistently supported American policies in Southern Africa, both as regards South Africa itself and over US efforts to achieve a regional settlement leading to Namibian independence. We share the same objectives and approach. We both want to encourage peaceful change in South Africa and to improve the stability and economic well-being of the whole region, thereby reducing the scope for Soviet meddling.

But there is in our view a serious danger that these objectives could be undermined by the international drift towards sanctions. Britain faces increasing pressure, not least because of the recent US decision to introduce a list of economic (Krugerrands, Bank loans) and non-economic measures. This action directly influenced the decision by our partners in the Ten to introduce a package of their own. Inevitably there will be calls for yet more sanctions in the months to come, particularly at CHOGM and in the Security Council, where further debates on Namibia and on apartheid are expected before Christmas.

We remain convinced that economic sanctions are utterly counter-productive to what we are both trying to achieve in Southern Africa. They can only further destabilise the South African economy and make the situation inside that country even more volatile. They would also undermine efforts to bring about a Namibia settlement.

It is essential that Western countries do not allow themselves to be played off against each other over sanctions. If we take a firm stand now we could prevent this happening. That is why we would welcome an assurance about US willingness to support us in vetoing calls for mandatory sanctions in the Security Council - both full sanctions and more limited ones modelled on US measures. Once mandatory UN sanctions are introduced, the West will not have it in its power to remove them.

/The



The pressure for sanctions would obviously be eased by early movement either over internal reforms or over the Namibia negotiations. How does Mr MacFarlane assess the prospects for this over the next few months? Might the South Africans now be prepared to make concessions over Namibia in order to buy more time for internal reform? Is there any prospect of an early resumption of US-led negotiations on Cuban withdrawal?

/ I enclose as background the report on the Foreign Secretary's discussion with Mr Shultz yesterday.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

GRS 610

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FOLLOWING FROM PRIVATE SECRETARY  
SECRETARY OF STATE'S MEETING WITH SHULTZ  
SOUTHERN AFRICA

1. THE SECRETARY OF STATE SAID HE HAD TWO POINTS WHICH HE WOULD LIKE TO MAKE. FIRST, WAS THERE MORE THAT WE COULD DO TO ENCOURAGE THE SOUTH AFRICAN GOVERNMENT TO SEIZE THE INITIATIVE IN DIRECTIONS WHICH WOULD BE HELPFUL IN THE PROMOTION OF PEACEFUL CHANGE? IT LOOKED AS THOUGH THEY KEPT CONSISTENTLY PLAYING THEIR CARDS TOO LATE. SHULTZ AGREED. IF THE SOUTH AFRICANS HAD DONE A LONG TIME AGO WHAT THEY WERE DOING NOW, THIS WOULD HAVE MADE A BIG DIFFERENCE.
2. THE SECRETARY OF STATE SAID THAT THE U S ADMINISTRATION HAD GONE FURTHER THAN WE WERE PREPARED TO DO IN THE DIRECTION OF ECONOMIC MEASURES, INCLUDING ACTION ON KRUGERRANDS AND NEW LOANS. SHULTZ SAID THAT THE PRESIDENT HAD MANAGED TO DELETE FROM THE BILL MAJOR ECONOMIC SANCTIONS. THE BILL WOULD HAVE BEEN PASSED OVER HIS VETO. SO WHAT HAD BEEN ACCEPTED BY THE PRESIDENT HAD BEEN THE MINIMUM NECESSARY TO SECURE THE AGREEMENT OF SENATOR LUGAR. THE MEASURES ON KRUGERRANDS WERE ESSENTIALLY SYMBOLIC. ALTHOUGH DOLLARS 500 MILLION KRUGERRANDS WERE BOUGHT BY THE U S, MOST OF THIS WAS GOLD, WHICH COULD BE SOLD OFF AS BULLION. THE OTHER PORTION WAS MAINLY KRUGERRANDS BOUGHT BY U S FINANCIAL HOUSES FOR SALE OVERSEAS. VERY LITTLE WAS FOR FINAL SALE IN THE U S.
3. THE SECRETARY OF STATE SAID THAT WE WERE NOW RECALLING OUR DEFENCE ATTACHES FROM PRETORIA IN LINE WITH THE REST OF THE COMMUNITY. SHULTZ COMMENTED THAT THE U S AMBASSADOR HAD NOW GONE BACK TO PRETORIA AND CREDENTIALS HAD BEEN ACCEPTED FOR A NEW SOUTH AFRICAN AMBASSADOR IN WASHINGTON. THE SECRETARY OF STATE SAID THAT WE WERE GLAD THAT THE AMERICANS HAD SENT THEIR AMBASSADOR BACK.

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4. THE SECRETARY OF STATE SAID THAT OUR MAIN CONCERN WAS THAT THE U S SHOULD CONTINUE TO VETO UN MANDATORY SANCTIONS, EVEN IN AREAS WHICH WERE COVERED BY THE U S LEGISLATION. IT WAS IMPORTANT THAT WE BOTH SHOULD STAND FIRM. WE WOULD HAVE A VERY DIFFICULT HAND AT CHOGM. OUR POSITION WOULD BE VERY SEVERELY UNDERCUT IF THE AMERICAN POSITION ON UN MANDATORY SANCTIONS CHANGED. WE THOUGHT IT ESSENTIAL TO KEEP HIM TOUCH. WE COULD NOT AFFORD TO BE TAKEN BY SURPRISE.
5. SHULTZ SAID THAT THE U S ADMINISTRATION AGREED WITH OUR POSITION ON ECONOMIC SANCTIONS AND WOULD STAND FIRM IN VETOING UN MANDATORY SANCTIONS. THE OTHER DAY THERE HAD BEEN A DRAFT RESOLUTION WHICH HAD BEEN CLOSE TO THE MEASURES ALREADY AGREED BY THE PRESIDENT, BUT THIS HAD BEEN SUCCESSFULLY CIRCUMVENTED.

THOMSON

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Foreign and Commonwealth Office

London SW1A 2AH

27 September 1985

CDP27/9.

Dear Charles,

Prime Minister's meeting with Mr McFarlane: Central America

Central America was not among the topics listed in your letter of 23 September. But in case Mr McFarlane raises the subject you may like to have a copy of the brief prepared for the Foreign Secretary's meeting with Mr Shultz on 26 September.

Yours ever,

Colin Budd

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

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SECRETARY OF STATE'S BILATERAL WITH MR SHULTZ, UNGA, 26 SEPTEMBER

CENTRAL AMERICA

POINTS TO MAKE

1. Support US objectives to promote stability and democracy and prevent establishment of Soviet client state in Central America.
2. We support US policies in El Salvador and our garrison in Belize in a contribution towards stability in the area.

Luxembourg meeting of 11/12 November of EC/Central America/Contadora Foreign Ministers

3. Will bear US interests very much in mind. But Ten's objective is negotiated settlement which must include Nicaragua. Hence commitment to non-discriminatory economic cooperation between Community and Central American region as back-up to Contadora. Ten have put on record their belief that the problems of the region cannot be solved by armed force.
4. Believe effective Contadora Treaty best means of containing and controlling Nicaragua. Growing concern in Europe and Latin America that US has abandoned negotiating option.
5. Agree pressure needed on Nicaragua but trade embargo and contras tend to drive her further into dependence on the Soviet camp. Contra insurgency provides plausible justification for Nicaraguan arms build up.
6. Important for US to put more weight on the negotiating track. Assessment of prospects for a negotiated solution?
7. [If necessary] Concerned that US may contemplate surgical strike against Nicaragua as response to terrorism in Central America. We could not support action contrary to international law. Important that we maintain high moral ground when facing terrorist threats.

SECRETARY OF STATE'S BILATERAL WITH MR SHULTZ, UNGA, 26 SEPTEMBER

ESSENTIAL FACTS

Introduction

1. Tension in the area is increasing and leading to border incidents on Nicaraguan borders with Honduras and Costa Rica as Nicaragua seeks to push back or prevent infiltration of contras. Contra strength and capability growing and fighting likely to intensify. Contadora group have produced new draft Act and have gained stronger support from Latin America (Brazil, Argentina, Peru and Uruguay) but gulf between Nicaragua and El Salvador/Costa Rica/Honduras growing. In Washington emphasis is wholly on the contras and military pressures: no sign of willingness to negotiate. Nicaragua's position has also hardened: Sandinistas will not say "Uncle". Mr Shultz may ask for British help in preventing outcome at EC/Central America Foreign Ministers meeting in Luxembourg inimical to US interest. US need for help gives us limited leverage to argue for negotiated settlement and express international concern.

Contadora

2. At 12/13 September Contadora nine meeting, the 4 Contadora Ministers presented a revised final draft Act and imposed a time limit on the Central Americans to resolve outstanding issues themselves. Most of the revised draft has reportedly been accepted by consensus but the major issues of timing of implementation, verification procedures, arms levels and foreign military exercises have yet to be resolved. A meeting of Plenipotentiaries is planned for 7 October. The Contadora Four have requested the Central Americans to resolve outstanding issues within 45 days thereafter with a view to signature of the Act in November. Further US pressure on Honduras/Costa Rica/El Salvador to reject any text unacceptable to them can be expected. There seems little prospect of agreement between Nicaragua on the one hand and El Salvador, Costa Rica and Honduras.

Luxembourg Ministerial Meeting 11/12 November

3. In three public statements in support of Contadora, the Ten have stated that the problems of region cannot be solved by armed force but only by a political solution springing from the region itself. Before the 1984 San Jose meeting the US asked that EC would ensure that Nicaragua would not benefit from the meeting or be given EC aid. The San Jose meeting decided that EC aid should be non discriminatory to promote regional cooperation and support the Contadora initiative.

The Contra War/Border Incidents

5. A large scale attack by contra forces which penetrated deep into Nicaragua at the end of July represented a significant increase in contra operations in the north. It presumably reflected the unblocking of US aid to the contras as well as a need to show that the contras were still a credible force after earlier reverses. Honduras reacted with unprecedented sharpness to an incident on 13 September on her border with Nicaragua in which one Honduran soldier was killed by attacking targets inside Nicaragua.

US/Nicaragua

6. The Americans have made it clear to us that they have placed their reliance on the contras effecting change in Nicaragua, rather than the negotiating option. They have no intention of resuming the Manzanillo talks. They do not expect a major qualitative change in the fighting soon. Mr Renton told Mr Abrams on 6 August in La Paz that "retaliatory surgical strikes" against Nicaraguan targets would cause great concern in the UK and strain the Alliance. Mr Abrams replied that such strikes were improbable but not impossible.

7. The International Court of Justice has started hearing evidence on the Nicaraguan complaint against the US. The US having refused to participate in the proceedings have published a new booklet accusing Nicaragua of terrorism.

El Salvador

8. In El Salvador the army is showing its improved capability against the FMLN guerrillas although the latter's economic warfare policy is exacerbating the major economic problems which President Duarte is currently facing. Neither side appears anxious to resume the dialogue as long as it considers it holds military advantage over the other.

9. President Duarte's daughter Ines Guadalupe was kidnapped on 10 September. The Prime Minister sent a message of sympathy which the US welcomed.

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Foreign and Commonwealth Office

London SW1A 2AH

26 September 1985

CDD 2071

Dear Charles,

Arms Sales to Argentina: American Approach

In your letter of 23 September you asked us to put briefing in hand for the Prime Minister's tete-a-tete conversation with Mr MacFarlane on 28 September.

Following the election of a democratic government in Argentina and certification in 1983 by President Reagan that Argentina had made significant improvements in human rights, the way for American arms sales was reopened but kept under control by President Reagan's commitment to consult about any major sale. The Americans have scrupulously observed this undertaking since, and it was repeated personally to the Secretary of State by Mr Shultz in Helsinki in July. The Americans, at the highest political level, are in no doubt of our views. However, over the past nine months or so, the pressure in and from Washington to make sales has increased considerably, and made itself felt through political, military and official channels. The Prime Minister may recall her conversation in February with President Reagan, and her conversations with Secretary Weinberger, and Chairman Volcker in July. The latest manifestation of this pressure is a proposal made earlier this month for "technical" talks between British and US officials on security relations with Argentina. The proposed American agenda would cover inter alia arms sales and military training.

The Foreign Secretary takes the view that the Americans intend this offer of dialogue as a fulfilment of their commitment to consult us. It represents our best opportunity to influence them. If we remove the opportunity to consult by turning down this meeting, there will be many in Washington who will argue that the obligation to consult has equally been removed. The Foreign Secretary has had a preliminary exchange with the Defence Secretary. Mr Heseltine feels that such talks would be inappropriate and favours a reply to this effect being sent at a political level. Sir Geoffrey Howe and Mr Heseltine propose to revert to this question on Sir Geoffrey's return from North America at the end of the week.

/The Americans

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The Americans have been told meanwhile at official level that there was never any chance of their original proposal (talks in the week beginning 23 September) being feasible on timing grounds alone, and that their proposal raised important political considerations.

Given growing American determination to do something for Argentina, Mr MacFarlane may well raise this topic. In that case, the Prime Minister might like to remind him of the reasons why we object to arms sales to Argentina, to note that Sir Geoffrey Howe and Mr Heseltine will be considering the matter on Sir Geoffrey's return, and that we shall let the Americans have a reply in due course.

I am copying this letter to Richard Mottram (MOD).

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

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