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The Hon M A Pakenham  
ACDD  
FCO

*New Richard,*

SHULTZ'S SAN FRANCISCO SPEECH: 31 OCTOBER

- ...
1. I attach the full text of Shultz's speech on 31 October, from which we quoted in a recent telegram.
  2. The most important passages are of course those (pp 4/6 and 19/21) dealing with the possible elimination of all ballistic missiles, or indeed all nuclear weapons. It is distinctly worrying that Shultz should feel free to debate these issues, and expound the new US positions, in public before there has been any comparable private debate within the Alliance.
  3. You may also wish to note the precise language Shultz used about the "step-by-step programme" on nuclear testing (p17). Once again the reference to limits on testing being introduced in parallel with reductions in nuclear arsenals has crept in.
  4. There are of course some good bits in the speech - and Michael Llewellyn-Smith may be reassured to see the restatement (p12) of the need to manage crises in East/West relations without stopping the dialogue and so "sacrificing other important areas of interest to the US". But, like the Curate's egg, it's the unsatisfactory bits that predominate.

*Yours ever,  
J O Kerr*

J O Kerr

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## REYKJAVIK: A WATERSHED IN U.S.-SOVIET RELATIONS

### Reykjavik as a Watershed

This evening, I want to discuss with you the special significance of the President's recent meeting with General Secretary Gorbachev in Iceland. Over the last few weeks, there's been a good deal said -- in this country, in the Soviet Union and elsewhere -- about what really happened at Reykjavik. My own judgment is that in a few years we will look back at the meeting in Hofdi House as something of a watershed, a potential turning point in our strategy for deterring war and encouraging peace. Tonight I would like to explain why.

Before Reykjavik -- for most of the postwar era -- we have seen a steady build-up in the size and potency of nuclear forces. As a result, our negotiations with the Soviet Union have centered on two questions: how to contain this continuing growth of offensive forces; and how to reverse the gradual erosion of strategic stability.

At Reykjavik, however, there was a qualitative shift in the terms of debate. For the first time in the long history of arms control talks, a genuine possibility of substantial reductions in Soviet and American nuclear arms appeared. For the first time, we have to begin to deal seriously with the implications of a much less-nuclear, if not non-nuclear, world. We have begun to discuss with the Soviets a safer form of deterrence, one based less on the threat of mutual annihilation. And the key to all of this has been the President's research program, whose investigation into defenses against nuclear ballistic missiles is our best insurance policy for a more secure future.

At Reykjavik, the President and the General Secretary broke down the complexities of these problems into a series of basic questions.

With respect to offensive arms, the important questions are what systems to reduce and how quickly to reduce them. At Reykjavik, we worked out a formula for 50% reductions in the strategic nuclear offensive forces of both sides over a five year period. We agreed upon some numbers and counting rules -- that is, how different types of weapons would count against the reduced ceilings.

For intermediate-range nuclear missiles -- commonly known as INF -- we reached agreement on even more drastic reductions, down from a Soviet total of over 1400 to only 100 warheads on longer-range INF missiles worldwide on each side. There would be a ceiling on shorter-range INF missiles and negotiations to reduce their numbers as well.

Right there is the basis for the most significant arms control agreement ever achieved -- one that doesn't just limit the future growth of Soviet and American nuclear arsenals, but which actually makes deep and early cuts in existing force levels. These cuts, it was agreed, would reduce the numbers of heavy, accurate, multiple-warhead missiles that are the most threatening and the most destabilizing.

The President and the General Secretary went on to discuss a program for further reductions. The President proposed to eliminate over time all ballistic missiles. Mr. Gorbachev proposed to eliminate all strategic offensive forces. They discussed these and other ideas, including the eventual elimination of all nuclear weapons. This discussion proved inconclusive, but the agenda itself -- and the very word "elimination" -- marks a stunning development. It calls for us to think deeply and more creatively about future possibilities for arms control and defense.

Obviously, much more work needs to be done before implementation of these more ambitious ideas might be possible. For example, the drastic reduction and ultimate elimination of nuclear weapons will require that we also address the current East-West imbalance of conventional forces.

In close cooperation with our Allies, we will have to pursue both negotiated reductions in the Warsaw Pact's massive and growing conventional forces, and increased efforts to strengthen our own conventional defenses. We must also seek an effective global ban on chemical and biological weapons. And, of course, such substantial nuclear reductions by the U.S. and Soviet Union would require discussions with other nations armed with ballistic missiles, who have their own security requirements.

On the defense side of the strategic equation, the two leaders again went directly to the basics. In this case, there were two primary questions.

First, for what period of time are the two countries prepared to commit themselves not to withdraw from the ABM Treaty? The President agreed to Gorbachev's proposal for 10 years, but in the context of steady reductions toward zero ballistic missiles during this period and on the understanding

that either side would then have the right to deploy advanced defenses unless the parties should agree otherwise.

Second, what would be the constraints on defensive programs during this period? The President proposed that both sides strictly observe the ABM Treaty, and carry out research, development, and testing permitted by the Treaty. Mr. Gorbachev proposed, in effect, to amend the ABM Treaty. He sought a prohibition on all testing outside laboratories -- except testing of the sort of ABM system the Soviets now have around Moscow.

The President could not agree to confine the SDI program to the laboratory for ten years. We need a vigorous SDI program as permitted by the ABM Treaty. We need it to give the Soviets an incentive to agree now to deep cuts in offensive forces, and to honor those agreements over the coming years. We need SDI to ensure the Soviet Union's own compliance with current ABM Treaty restrictions on defenses.

So what did we accomplish at Reykjavik? We got agreement on the outlines of a 50% reduction in strategic offensive nuclear weapons, and reductions to equal ceilings of 100 warheads on intermediate-range missiles. The latter figure would mean that more than 90% of the SS-20's now targetted on our friends and allies in Europe and Asia would be eliminated.

On defense and space, there was considerable movement on both sides. Important differences were clarified. But there was no closure. The proposal the President made in Reykjavik, however, is now on the negotiating table in Geneva, and is being discussed by our delegation there,

Alas,  
yes.

On nuclear testing, both sides proposed to begin negotiations. We discussed an agenda that would meet both sides' concerns.

Obviously, there is still a long way to go. But at Reykjavik we reached agreement on what might be the first steps towards a more secure world at lower levels of nuclear arms. We went on to discuss the possible next steps.

Not bad for two days' work! But of course those two productive days drew on the immense amount of preparatory effort that preceded them.

#### The Need for a Foundation of Strength

And that wasn't all. Arms control was only one topic of discussion at Reykjavik. The President brought up the full breadth of our concerns. He cited chapter and verse on the

question of Soviet human rights violations. The two leaders reviewed regional conflicts -- and the President stated our firm opposition to aggression and subversion by the Soviet Union or its proxies in Afghanistan, Angola, Central America and Indochina.

At the same time, the two sides also explored an expansion of bilateral U.S.-Soviet programs, involving greater people-to-people contact and cooperation in such areas of concrete interest to the U.S. as search and rescue and cooperation in space.

As you can see, we have entered a new stage in our dialogue with the Soviet Union. It has the potential to be exceptionally productive. But it's also a period in which conventional wisdom is being questioned. As we advance on old problems, we will face new issues and new challenges.

So this evening is a fitting moment to review the lessons of how we got to Reykjavik, what happened there, and how we should next proceed.

I would divide those lessons into three parts. The first lesson is that the negotiating progress we achieved at Reykjavik was built upon a broad base of American and Allied strength and resolve. It was the result of literally years of effort.



This President entered office with his eyes open about the Soviet Union and the reality of its system. He saw the clear need to establish a bilateral U.S.-Soviet relationship that would advance U.S. interests. He was determined to stop a growing tendency of the Soviet Union and its clients to pursue their regional objectives through subversion and armed intervention. He was committed to reverse destabilizing trends in the military balance. And -- most significantly -- he was also willing to question whether our capacity to deter Soviet aggression must be solely based upon the threat of mutual assured destruction with strategic nuclear weapons.

The first few years of this Administration were a period of rebuilding, so that we could be in a stronger position to go forward. That meant reinvigorating our economy, restoring our military strength, and repairing our alliance ties with our friends in Europe, Asia and elsewhere. It involved a lot of unspectacular but vital spadework.

That general approach is now in place and working. Here at home, we have re-established the American spirit of self-confidence. Our economy has rid itself of the corrosive inflation of the recent past. We are embarked on sound growth. And I have no doubt that as the marginal rates of taxation on

income go down, we will see an improvement in the quality of that growth.

We have strengthened and modernized America's conventional and strategic military forces. Together with our Allies, we have made progress in rebuilding NATO's defenses. In the face of intense Soviet pressure and domestic controversy, the Atlantic Alliance has stood firm in support of its decision to redress a dangerous INF imbalance with the Soviet Union, both through negotiations and by deploying such forces of our own.

And the President has set out to protect us and our Allies against ballistic missiles -- by negotiation to the extent possible, but in any case, by learning how to construct a strategic defense against those missiles.

It was the sum of these policies, based on strength and realism, that enabled the President to propose in January, 1984, a more intensive dialogue with Moscow. The Soviets were faced with an America confident in its renewed strength and an Alliance united in its support of common objectives. They slowly came to drop their earlier policies of walk-outs and stonewalling. They returned to the negotiating table. The resulting process of high-level dialogue led to last year's Geneva summit and the Reykjavik meeting earlier this month.

The Importance of Human Rights

Which leads me to the second lesson -- that of the central importance of human rights in the U.S.-Soviet relationship. I spoke at length on this subject earlier in the day in Los Angeles, and I hope that you will read what I said there. I will be talking about human rights again next week, when I meet with European Foreign Ministers in Vienna for a conference reviewing the Helsinki Final Act.

Arms control agreements cannot be truly successful in guaranteeing a more secure peace when one of the signatories continues to violate human rights. When justice is violated and when freedom is denied, then the potential for distrust and conflict inevitably grows between nations. One of the Soviet Union's most distinguished citizens, Andrei Sakharov, put it this way:

"As long as a country has no civil liberty, no freedom of information, and no independent press, there exists no effective body of opinion to control the conduct of the government and its functionaries. Such a situation is not just a misfortune for its citizens unprotected against tyranny and lawlessness; it is a menace to international security."

In preparing for Iceland, the President and I had exceptionally close consultations with concerned private American organizations, including the National Council on Soviet Jewry. As noted earlier, the President made clear to the General Secretary that the American people seek more than token gestures. We want genuine evidence -- deeds, not words -- of a serious commitment by the Soviet authorities to allow the exercise of basic human rights by all their citizens. We succeeded at Reykjavik in obtaining Soviet acknowledgement of the rightful place of human rights issues on the agenda of official Soviet-American discussions.

But now it's up to all of us to follow-up vigorously. It's important that we continue to press Soviet authorities on specific human rights problems on every appropriate occasion. The Soviet leadership needs to hear the message from Americans that continuing Soviet abuses can only jeopardize efforts to make progress in all areas of U.S.-Soviet relations.

#### Firmness in Managing Unacceptable Soviet Behavior

The third lesson goes back to a presentation I made two years ago to the just-established RAND/UCLA Center for the Study of Soviet International Behavior. Back then, I noted the special

problems that we face in managing a sustained and productive relationship with the Soviet Union when we are likely to be confronted periodically with outrages and threatening behavior.

Given the totalitarian and expansionist nature of the Soviet system, we aren't surprised -- although we are always distressed -- when events arise like the the invasion of Afghanistan, the KAL shoot-down, or Nick Daniloff's frame-up. We have to deal firmly with each instance of unacceptable Soviet behavior. The challenge for the policy maker is to confront and manage such crises on their own terms, without sacrificing other important areas of interest to the United States.

Let me stop here to tell you a spy story. It illustrates the need for determination and firmness in resisting Soviet actions against our interests.

We have known for a long time that the Soviets use their diplomatic missions here and elsewhere as a cover for espionage. As this activity grew increasingly blatant and harmful to U.S. interests, it became clear that we could no longer tolerate this situation.

In March of this year, we announced a program to reduce the three Soviet UN Missions to a size essentially equivalent to

that of our own mission in New York. You will recall that one of the anomalies of the original UN structure was that it allowed for a USSR, a Ukrainian, and a Belorussian Mission. We told the Soviets that they would have to reduce these personnel from approximately 275 to 170 by April, 1988. The first cut of 25 in the largest of the three, the USSR Mission, was to take effect by October 1st of this year. The total at that mission would then be 218. All three of the Soviet missions would be cut in later increments.

In August, the problem of espionage at the U.N. was highlighted by the arrest of Mr. Zakharov, a Soviet citizen assigned to the UN Secretariat. In theory at least, he was an international civil servant. As such, he was not covered by diplomatic immunity. He was arrested and charged.

One week later, the Soviets set up U.S. news correspondent Nick Daniloff and arrested him on trumped-up charges of espionage. In short, they took a hostage. We made clear to the Soviets from the start that there would be no Daniloff/ Zakharov trade. We took advantage of every meeting with the Soviets at every diplomatic level to hammer that message home. We kept the discussion of other important issues alive, but made it clear to the Soviets who participated in those meetings that it was far from business as usual.

Meanwhile, as October 1st approached, the Soviets indicated publicly that they were making no plans to comply with our requirement that their UN mission be reduced. So we were forced to make sure that they met the deadline we had established. We expelled 25 of their Soviet Mission personnel by name. And we chose individuals who we had reason to suspect were not, shall we say, overly burdened with legitimate UN business.

After several weeks of stand-off, our firm refusal to swap Nick Daniloff bore fruit. On September 29th, he was released free and clear, without being tried. Mr. Zakharov's case was handled on our side in full accordance with U.S. law, as we had said it would be from the beginning. The day he departed the United States, September 30th, we were able to announce the imminent release from the Soviet Union of Yuri Orlov. That giant of the Soviet human rights movement arrived in this country a week later.

Despite our warnings to the Soviets that we would tolerate no retaliation against our personnel in Moscow for the steps we had taken to end spying from their UN Mission, the Soviets proved unwilling to show the necessary restraint. They declared five members of the staffs of our Moscow Embassy and Leningrad Consulate General persona non grata -- that is, expelled.

Again, our response was firm, and focused on the problem at hand. We put the Soviets on notice that, henceforth, all matters involving our respective missions in each others' countries would be handled on the basis of strict reciprocity. We then expelled 55 Soviet Embassy and Consulate General officials, bringing their numbers into line with the number of U.S. diplomats in the Soviet Union.

The Soviets responded by declaring another five of our diplomats persona non grata. They also withdrew over 200 Soviet citizens performing service functions for our posts. These people did useful work for us -- while undoubtedly also performing tasks for Soviet intelligence. But the Soviet government accepted both the common ceiling we had established and the principle of reciprocity upon which we had insisted.

So what does the balance sheet show?

By responding firmly, by showing consistency, we have established much better control over Soviet activities in the United States than we have had for many years. We have brought to the attention of the highest levels of the Soviet government the costs of their intelligence service's unfettered abuse of Soviet diplomatic establishments in this country. We have



established once and for all the principle of reciprocity in the operations of our respective diplomatic missions.

What price did we pay for these achievements? There was a cost. Ten talented American diplomats have been removed from the Soviet Union and will be unable to return to use the specialized skills they have developed. There is now reciprocity in numbers -- but at a lower level than had been our original goal. This means that a higher percentage of our personnel in Moscow and Leningrad will be supporting a significantly smaller substantive staff. But in deciding how to respond to the problem of Soviet espionage in this country, we concluded that these were costs we had to be prepared to pay.

But our willingness to pay this price, and our determination to take the steps we did to rein in Soviet espionage, did not prevent us from continuing our vital substantive dialogue with Moscow. Indeed, even as this spy story was playing itself out, we were setting the stage for the progress the President was able to make with General Secretary Gorbachev in Reykjavik.

#### Next Steps

Where do we go from here? For our part, we are

energetically pursuing the promise of Reykjavik. Our negotiators in Geneva are picking up where the two leaders left off on nuclear and space issues. We are also ready to begin negotiations on verification improvements to existing nuclear testing agreements, and eventually, on further limits on nuclear testing in step-by-step fashion in parallel with further reductions in nuclear forces.

We will be talking about these and other problems with Soviet Ambassador Dubinin in Washington, and through our ambassador in Moscow, Art Hartman. I will be meeting with Foreign Minister Shevardnadze in Vienna next week to continue our own exchanges -- not just on arms control, but on Soviet activities in the Third World, human rights, and other problems in our bilateral relationship.

Whether we can achieve concrete results and early agreements now depends on the Soviets. Some of their public statements have been modestly encouraging. General Secretary Gorbachev seems to agree with us that the Reykjavik meeting was useful, and that it is important that both sides use this opportunity to work to improve relations. As he has said, they're full of energy to follow up on the "new situation" created by Reykjavik. Well, so are we. And we'll be looking to them to give concrete substance to their words at the negotiating table.

Not surprisingly, however, the Soviets are also trying to cast the details of the Reykjavik discussions along lines most favorable to them. Their efforts to link a possible INF agreement with our acceptance of their position on SDI are a good example. We've seen differing Soviet statements on this question. We don't see any reason why these issues should be linked, and we're going to proceed on that basis. In the past, we haven't accepted the proposition that negotiating progress on intermediate-range or strategic offensive systems should be held hostage to agreement with the Soviet position in another area. We won't now.

So all of this may take some time to work out -- but that's to be expected in negotiating with the Soviets. Firmness, patience and determination are necessary ingredients for success.

But we should also continue to look forward -- with imagination and creativity. The President believes strongly that we need to go beyond half-measures; we shouldn't always be tied to traditional solutions that don't really get to the heart of a particular problem. Several years ago he proposed that we seek the global elimination of Soviet and American intermediate-range nuclear missiles. Not a freeze, not token reductions, but zero-zero. He got a good deal of criticism at the time for

supposedly being unrealistic and overly ambitious.

Now -- five years later -- General Secretary Gorbachev has agreed to reduce intermediate-range nuclear missiles on both sides to 100 warheads globally. As I noted before, that is a reduction of more than 90 percent in SS-20 warheads. And there will be follow-on negotiations on eliminating those 100 warheads as well. Make no mistake about it. It has been tough getting this far. Long negotiations were required; and great effort on the part of our allies was needed in getting us through some difficult times. We still have to nail down a formal agreement and put it into force. But I hope you will think about this experience the next time you hear one of this President's proposals called "unrealistic."

So were our discussions at Reykjavik ambitious? Yes. Unrealistic? No. We think that substantial Soviet and American nuclear reductions are possible, and that they can be achieved in a phased and stabilizing way. Reykjavik laid the groundwork for that process to begin.

Now we need to think hard about where we want to go next, about what kind of situation we want to create in the future. We need to look at a world with far fewer nuclear weapons. We may even need to begin thinking seriously about a world with no nuclear weapons.

One fact seems apparent. Even after the possible elimination of all ballistic missiles, we will need an insurance policy to hedge against cheating, against third countries, against a madman. We don't know now what form this insurance policy will take. The retention of a small nuclear deterrent force could be part of that insurance policy. What we do know is that the President's program for defenses against nuclear ballistic missiles can be a key part of that insurance policy. Such defenses for the U.S. and its allies will give us the options needed to approach a world with far fewer nuclear weapons.

None of this came up suddenly in Reykjavik. The President has made clear for many years his goal of eliminating ballistic missiles, and -- in proper circumstances -- all nuclear weapons. He has made speeches on this subject; he campaigned on this issue; he addressed it in the debates; and he launched the SDI program with this goal in mind. The President hasn't changed. What has changed is that his goal is now being taken seriously. I heard someone say that all this was fine as long as it was only campaign talk. Well, they weren't listening carefully. Now it is being discussed for real.

Obviously, we are taking on a difficult task as we move to create the conditions in which we can assure the freedom and

security of our country and our allies without the constant threat of nuclear catastrophe. Progress -- whether in science or foreign affairs -- often has to do with the reinterpretation of fundamental ideas.

Times of reinterpretation are difficult. Hard thinking can hurt your head. But we cannot shirk the challenge. As Albert Einstein warned after the dawn of the nuclear age: "Everything has changed but our way of thinking." That's a sage observation -- particularly as we continue to look at the problem of managing our long-term relations with the Soviet Union in a time of dramatic technological and strategic change.

So it just may be that nuclear weapons, and the strategy of mutual assured destruction that has shaped our defense policy for decades, are part of the old way of thinking. We have to start to wrap our minds around new interpretations and to build new realities. If we do, perhaps we can shape a more secure world for everybody.

Thank you.

