

THE WHITE HOUSE
WASHINGTON

~~TOP SECRET~~

MEMORANDUM OF CONVERSATION

SUBJECT: Summary of Conversation Between the President and British Prime Minister Margaret Thatcher

PARTICIPANTS: The President
Peter R. Sommer (notetaker)

Margaret Thatcher
A.J. Coles (notetaker)

DATE, TIME AND PLACE: September 29, 1983, 11:30 a.m. - 12:30 p.m.
Oval Office

After exchanging warm greetings, Mrs. Thatcher opened by saying that she did not understand criticism to the effect that the President had given too much authority to local commanders in Lebanon. She clearly understood the risk that Suk-al-Gharb could have fallen if the U.S. had not taken preventive action. (S)

The President replied that he appreciated her supportive remarks and that the U.S. also appreciated the British providing the security forces for the last round of negotiations. (S)

Mrs. Thatcher commented that this was entirely appropriate since the British had been providing patrols in this area. She emphasized the importance of the four MNF countries working and consulting together. We need to act in concert and this applied as well in dealing with the media. It would pose greater difficulties if one of the participating countries pulled out. At the same time, she said Britain was leery of becoming too deeply involved. The situation in Lebanon merits our closest attention. (S)

The President agreed and noted he had won on the War Powers Act in the House yesterday and just this morning he had been personally working on obtaining a favorable vote in the Senate. (S)

Mrs. Thatcher asked about crippling amendments. (u)

The President said the Administration had defeated all of them in the House and now needed to do it again in the Senate. (u)

~~TOP SECRET~~
Declassify on: OADR

DECLASSIFIED
NLS F01-050/1 # 25602
BY MOJ, NARA, DATE 1/11/08

Before getting too deep in discussion, The President said he wanted to congratulate Mrs. Thatcher in person on her election victory. He underlined that her reelection was a shot in the arm for the West. (u)

Mrs. Thatcher graciously replied that in Britain they have the advantage of being able to pick the election date. She continued that she had the good fortune of picking the "right date." (u)

Turning to what she called the central issue of East-West relations, Mrs. Thatcher noted that she would be making a speech this evening to the Winston Churchill Foundation. She was confident that everyone in the President's Administration would agree with what she would say. She would be emphasizing that we must deal with the Soviets from strength and should not deceive ourselves about the true Soviet character. It is essential that we make an accurate assessment of the Soviets -- the KAL incident speaks for itself -- but at the same time we must live on the same planet with the Soviets. Therefore the key question is what will be our future relations. While she would not say so this evening, we must, she stressed, strive to establish normal relations. She praised the President for continuing the Geneva negotiations, the tone of his UN speech and the latest U.S. INF proposals. We must find ways to influence the Soviets. We should, for example, continue trade when it is to our mutual advantage. (u)

The President replied that he shared her views. He knew some had criticized his reaction to the KAL shootdown, but those critics failed to recognize what we have already done and are doing. We have restricted the transfer of high technology to the Soviets. We have reduced credit subsidies and European dependency on Soviet energy and perhaps most importantly, we have begun to rebuild America's defenses. Arms talks are not a favor to the Soviets. We must not cease our efforts to reduce the threat of nuclear war. (u)

Mrs. Thatcher then turned to a topic that she said is clearly attracting much attention: the inclusion of British and French nuclear forces in INF. She emphasized that this is a Soviet device to take attention away from the true facts. British and French forces do not belong in INF or START. British forces are only 2½ percent the size of Soviet nuclear forces. Britain could consider inclusion of its forces only after there had been sizable reductions by both the Soviets and the U.S. She said she had recently convened a meeting of her experts on this matter. They had concluded that Britain could never agree to including its forces until there had been deep reductions; this is a long way down the road. Britain had an irreducible minimum requirement of four submarines. To have one on station at all

times, we need four submarines. Britain likes to have two on station, but with one submarine always in refit and another often undergoing maintenance, this was difficult. She repeated that British forces could not be included in INF. British forces are minor compared to the Soviet threat. If the Soviets cut their nuclear forces to 20 or 30 percent of today's arsenals, then we could think about including British forces in negotiations. She said Senator Glenn had pushed her on this point when she met with the Senate Foreign Relations Committee this morning. She emphasized to Glenn that if you include British and French forces, you have precluded the U.S. by definition from having parity with the Soviet Union. She doubted Congress would accept less than parity. For example, under this formula, if the French decided to modernize at a later date the U.S. would have to reduce its forces by the same numbers that the French were adding. Parity is an absolutely fundamental point. She beseeched the President not to get us in a position that implied the U.S. would accept less than parity. If the Soviets moved into a new era and reduced their forces significantly, then Britain would take another look at its position. Some in Europe, however, continue to advocate the inclusion of British and French forces. Most recently, she continued, she had explained British arguments in blunt terms to Prime Minister Lubbers of the Netherlands. (TS)

The President agreed with her assessment on inclusion of forces and added we must, however, continue to seek ways to reduce the numbers of nuclear weapons. The more he examined this problem the more he saw how complicated it was. The U.S., for example, had proposed deep reductions in land-based systems -- those are the most destabilizing, the ones people most fear -- but the Soviets, it turns out, are more dependent on land-based systems than we and rely on a different weapons mix. In short, we have learned that we cannot dictate the composition of Soviet forces. (S)

It is troubling, said Mrs. Thatcher, that the Soviets are doing all their negotiating publicly, rather than at the negotiating table. This is a clear signal that they are not serious. Andropov's latest ploy saying the Soviets would liquidate its weapons -- which on examination meant launchers not missiles -- adds another shadow. (S)

The President underlined that we must remain firm if we are to achieve results in Geneva. The latest news from Bonn that the Bundestag debate will slip six days to November 21 is troubling. (S)

Mrs. Thatcher asked for clarification and The President said we had just received news that the Kohl coalition had decided for domestic political reasons that it must delay the Bundestag debate until November 21. The President added that he continued to have faith in Kohl, but he worried about some of those around him -- Genscher in particular. (TS)

Mrs. Thatcher said the recent state elections in Hesse and Bremen were a setback. Andropov's speech was clearly aimed at Germany; but she was confident in Kohl's steadfastness. (S)

The President said he welcomed her assurances. He doubted the Soviets would negotiate seriously until we actually begin deployments. He observed that he worried about Soviet paranoia over security. Until the KAL incident he had assumed the Politburo ran the show, but he had been struck that the initial Soviet reply came from the military. It was not clear what this meant. (S)

Mrs. Thatcher noted that Soviet obsession with security was not new. What is new is their military posture which goes well beyond Russia's legitimate defense requirements. The Soviets have as well demonstrated the will to use their military power. They overreacted in Afghanistan, partially because of the fear of Moslem influence extending into the Southern regions of the Soviet Union. The fact that the Soviets cling to the communist creed that world communism is inevitable is also cause for concern. They have tried to practice this philosophy in Ethiopia, Somalia, Angola, Cuba, and Central America. In a recent meeting with British Sovietologists she had asked what would happen if a member of the Politburo proposed that the USSR spend less on defense and more on the economy. She had been told that he would eventually be replaced: there is little room for latitude. She continued that the Soviet economy is also cause for concern. Andropov recognizes that you cannot run an efficient economy under a totally centralized system. But change would undermine communism. This poses a difficulty for the West: how can we influence the Soviet Union to change its policies. We need to maintain a dialogue. The U.S.-Soviet grain agreement had been a positive step. (S)

The President underscored that the Soviets are only at the negotiating table because the U.S. is rebuilding its defense posture. The Soviets are not persuaded by people being nice to them. They are afraid of the U.S. defense buildup. The Soviets recognize, continued the President, that when we mobilize our industrial base -- as we did in World War II -- that they cannot compete. He added that he was convinced that the Soviets are at the limit of their military buildup -- they can't afford another round in the arms race. He recalled a cartoon he had once seen with Brezhnev saying "I liked the arms race much better when we were the only ones in it." (S)

Mrs. Thatcher agreed that these are testing times for the West. Neither she nor Kohl will falter, she insisted. The West must deal with the Soviets from a position of mutual interest and respect. There must also be a mutual wish to agree. The Soviets have not indicated any such wish. Moreover, against the

background of the KAL incident there appears to be a tendency for the Soviets to turn inward to a world with blinders. We must continue negotiations after deployments begin, but it is difficult to know how to deal with the barrier the Soviets are creating. (S)

The President noted that in a meeting with Ambassador Dobrynin sometime ago, he had stressed that Soviet words are not enough. If the Soviets truly want better relations, they must demonstrate it by deeds. There was the beginning of a thaw before the KAL shootdown, but now more than ever the Soviets must demonstrate through positive acts that they want to improve relations. A simple approach would be for the Soviets to say privately and quietly what has been bothering them, and see if we can't react positively. (S)

Mrs. Thatcher said the KAL incident had given us a glimpse of how Andropov reacts in a crisis. It is not encouraging. The Soviets proved exceedingly difficult to deal with, and Andropov must have been directly involved. If the Soviets had handled KAL differently, the world's reaction would have been considerably different. (S)

The President agreed that the Soviets had reacted foolishly. They had initially lied, saying the airliner simply disappeared from their radar. Then when trapped by the tapes, they called the aircraft a spy plane. If they had offered an apology and compensation, rather than diatribe, the Soviets could have been almost heroes. The world would have had to claim: "See you can reason with the Soviets." (S)

Mrs. Thatcher said she remained mystified as to why the airplane was so far off course. Even with heavy cloud, she would have thought the pilot would have seen he was over land. (S)

The President replied that he had not fully understood until he saw a TV program explaining how the computers work, and how easy it was to insert the wrong information. (S)

Mrs. Thatcher said the way the KAL tragedy happened made one worry about the Soviet command structure, Soviet rules of engagement for local commanders, and the relationship between the Soviet military and civilians. We need, she emphasized, to establish a fail-safe system for civilian airliners. (S)

The KAL tragedy, said The President, proves that we are not dealing with people who think like us. Gromyko treated George Shultz rudely in Madrid and shockingly told the Conference that the Soviets would do it again if a commercial plane crossed their border. (C)

Mrs. Thatcher noted that the Soviet system seems to preclude them from admitting they are wrong. They backed down in Cuba in the early 60's, but ever since the Soviets have been absolutely determined not to let such an event happen again. It is important in this difficult atmosphere, said Mrs. Thatcher, that you are proceeding with the modernization of U.S. chemical weapons. (C)

The President replied that the Soviets used these gruesome weapons in both Cambodia and Afghanistan. A group of Afghan refugees, five men and one young lady visited with him, he said, right in the Oval Office. One personally showed the disastrous effects of these weapons; a young man actually peeled off his shirt and showed the burns and disfiguration. (C)

Mrs. Thatcher noted that just last week she had joined the British Army on the Rhine during exercises in which they had to wear heavy protective clothing because of the chemical threat. This slowed down the soldiers movements and is especially cumbersome for pilots. (C)

The President added that Soviet deserters have confirmed to us the use of Soviet chemical weapons in Afghanistan. Another reason for desertion is that these soldiers have been ordered to kill women and children. (S)

Turning to Central America, Mrs. Thatcher stressed that her government is supporting the President's policy. His April speech to Congress on promoting democracy in Central America was a masterpiece. We need to continue to stress that 75 cents out of every dollar is going for civil aid and that the government in El Salvador is an elected government. But we are losing the propaganda battle in Europe. The Vice President saw this first hand on his summer trip. He was a great boost to our efforts to explain American policies. (C)

Belize, as you know, is of special interest to Britain, which had planned to take our garrison out by the end of the year. We know you oppose it and circumstances simply don't merit its withdrawal. We will leave the garrison there for about another 18 months. This will bring us past both the American and Belize elections. She emphasized that her decision to retain British forces in Belize should be closely held. (TS)

Saying bless you, The President interjected to thank her for maintaining the British garrison. (C)

Mrs. Thatcher complained that Premier Price is not seriously negotiating with the Guatemalans, at least in part, she believed, because of the continued presence of British forces. British forces

cannot stay in Belize indefinitely. We would like, she said, to have talks between British and American officials on how to ensure the future security of Belize after British withdrawal. We cannot, she said, delay these talks until closer to our pull-out date. We need to begin making preparations now. (S)

The President agreed to the talks and added that Price seems like a nice young man. When Rios Montt was President of Guatemala, he told me that all Guatemala wanted was access to the sea. (S)

Mrs. Thatcher said that Guatemala already has access to the sea but the problem is they cannot make effective use of this access. She continued that Price is indeed a good and honest man, but we need to use this interim period to get results on the Guatemala-Belize border dispute. (S)

The President then described Cuban influence in Nicaragua. There are not only military advisers, but Cuban teachers setting up schools in poor villages ostensibly to teach them to read and write. But Communist doctrine and hatred for the Yankees is imbued in these young children through this educational system. We have a hard time, continued the President, getting fair coverage on our press and TV about our true goals in Central America. Now that the government seems to be winning, El Salvador is no longer in the news. When the guerrillas had the upper hand El Salvador was a daily topic. (S)

Mrs. Thatcher agreed that the Western countries had to do a much better job of explaining their policies in the world at large. Duarte came to see me recently, she observed, and stressed that if democracy is not seen to be working in El Salvador after the next election then the democratic forces would lose out. Mrs. Thatcher added that before leaving Latin America she wanted to urge the President to think carefully before supplying arms to Argentina. (S)

The President replied that once Argentina returned to civilian rule the U.S. would be under intense pressure to make it eligible for arms purchases. (S)

Mrs. Thatcher rejoined that the last civilian government in Argentina was not a model for democracy and that it would be greatly misunderstood in Britain -- America's most loyal and ardent supporter -- if sales resumed. (S)

The President and Mrs. Thatcher broke for lunch at 12:30 p.m. (S)

Luncheon Participants

U.S. The President

Secretary Shultz
Secretary Regan
William P. Clark
Deputy Secretary Thayer
American Ambassador to the U.K. John J. Louis, Jr.
Assistant Secretary Burt
Charles P. Tyson
Peter R. Sommer

U.K. Prime Minister Thatcher

Foreign Secretary Sir Geoffrey Howe
U.K. Ambassador to the U.S. Sir Oliver Wright
Sir Robert Armstrong, Secretary to the Cabinet
Sir Antony Acland, Permanent Undersecretary to the FCO
F.E.R. Butler, Principal Private Secretary to the Prime
Minister
A.J. Coles, Private Secretary to the Prime Minister
Brian Falls, Private Secretary to the Foreign Secretary

At the outset, Mrs. Thatcher asked Foreign Minister Howe to give a run down of topics discussed during the foreign ministers session. (u)

Foreign Secretary Howe said he, Secretary Shultz, and the others had covered South Africa, Namibia, Mozambique, Belize and Central America, bilateral economic problems the Polish debt, and the EC's common agriculture policy; in particular, EC fats and oil taxes. (u)

Mrs. Thatcher then summarized her private talk with the President. We had a preliminary word, she said, on Lebanon. We stressed the necessity of the four MNF countries acting in concert. It is important that we work together to bring about reconciliation and create a climate in which the MFN countries no longer need to be in Lebanon. Our main discussion, she said, focused on East-West relations in the wake of the KAL tragedy. We need to continue dialogue with the Soviets, but not necessarily at the top levels. The key question is how in the longer term the West can influence the Soviet Union, bearing in mind the nature of its system and its leaders. We reached no conclusion on how to deal with the Soviets. We stressed as well, she continued, the importance of pursuing arms talks. She underscored that she had expressed her concern about facile statements from some countries in Europe about including British and French nuclear forces in INF. This suggestion incorrectly assumed, she was certain, that the U.S. is prepared to accept less than parity with the Soviet Union. Furthermore, deterrence is strengthened when three, rather than one finger, on the button. Inclusion of British and French forces is a Soviet tactic

designed to confuse the European publics and to avoid serious negotiations. We also addressed Belize, she added. She continued that she had underlined that the British people would not understand if the U.S. began to supply arms to Argentina. She noted that her government was supportive of U.S. policy in Central America and prepared to speak out in its defense. She continued that she had not addressed unitary tax in her meeting with the President, but had done so in depth in her earlier meeting with Secretary Regan. She was pleased to say that her views, which were well known, were supported by U.S. business. Double taxation is wrong. There are pressures for the UK to take retaliatory action. She was encouraged that the Working Group on unitary taxation had been told to get on quickly with its task, and she understood that there were other pending cases in which the Administration may file an amicus brief. She then asked Foreign Secretary Howe to review the Middle East situation. (S)

Foreign Secretary Howe noted that he had been in close touch with Secretary Shultz over the last few days at the UN meetings in New York. They had met privately and with other MNF countries. There is an ongoing effort to put together an observers group to monitor the cease-fire. Syria recognizes the need for observers, but thus far has not agreed to UN observers. It is not clear that this is their final position. (C)

Mrs. Thatcher interjected that we must also look further ahead, to the overall peace process. History speaks for itself. When Britain had responsibility for Palestine, it had set a firm withdrawal date and stuck with it. Fighting erupted the day the British departed and Israel ended up with an area far beyond the original Palestine partition plan. Israel got "the whole lot." This obviously continues to concern the Arabs. We also must, she continued, consider what she called the Jordan factor. Jordan feels under pressure. Shamir is continuing Begin's West Bank settlements policy, thereby pushing Arabs from the West Bank into Jordan. Syria may push the PLO inside Syria into Jordan. There are Palestinians from the Gulf area who may move to Jordan. King Hussein feels under immense pressure. Should the Hashemite Kingdom fall -- especially following the demise of the Shah -- it would be a major blow to the West. Our reliability would be seriously questioned. (S)

Secretary Shultz said the broader considerations that Mrs. Thatcher raised had been addressed by the President's initiative of last September. Lack of progress on the President's initiative was in part Israel's fault; the Arabs also shared the blame. The Palestinians could not agree on a delegation. Hussein had been prepared to sit down at the table with the Israelis, and even Arafat had been ready to strike a deal, but Syria had shot it down. Syria, the Secretary continued, was determined that the peace process not go forward unless it was controlled in Damascus. Now Syria is acting in a most unhelpful

manner in Lebanon. They have flamboyantly moved the PLO back into Lebanon. This has made Israel even more difficult to deal with. The current problem is Syria. The Syrians have gained much, given up little; the Syrians need to be cut down to size.

(S)

In asking that her comments be held closely, Mrs. Thatcher said Assad has a vanity problem. She then returned to the Jordan factor, stressing that Jordan has long been a good friend of the West and Hussein has long worked in a constructive and quiet manner. The international community opposes Israeli settlements on the West Bank. Jordan is not and never was Palestine. Hussein cannot move forward on negotiations with Israel, without Israeli concessions on settlements. We must not, she underlined, let Hussein down. He is shrewd and courageous. Before the Reagan Administration, Jordan did not get a good hearing in the U.S. (TS)

Secretary Shultz replied that it is hard to persuade the Israelis to negotiate when the Arabs cannot produce an interlocutor. The violence in Lebanon has commanded our immediate attention, but we have not lost sight of the overall peace process and its relationship to Jordan. (S)

The President added that we share the Prime Minister's favorable assessment of Hussein. We seek a negotiated solution in the Middle East. Israel must be prepared to give up territory in return for a security guarantee. There is a link between peace and Israel's willingness to exchange territory for security. (S)

Mrs. Thatcher intervened that the willingness of Israel's current government is in doubt. And Israel's continuing settlement policy greatly complicates the peace task. The President's initiative was sound, but progress has been disappointing. (S)

The President commented that if we are to move Israel away from its intransigent positions, there must be a reward for Israel. One such reward could be wider Arab recognition of Israel's right to exist. Israel cannot go on indefinitely maintaining a military force disproportionate to its size. Israel may go bankrupt; and it presently is obligated to raise money all over the world, outside of Israel. Jordan, we agree, must be preserved. He often wondered what would happen, added the President, if other Palestinians besides the PLO stood up. Based on experience to date, they would be killed. But we cannot give up our hope and resolve for a Middle East settlement. (S)

Turning to the economy, Mrs. Thatcher said she knew she would not convert the U.S. to British views on deficits and ask if the President would have Secretary Regan expand on U.S. views. (S)

Secretary Regan emphasized that both he and the President decried deficits, but talk of a \$200 billion U.S. deficit was exaggerated. The government and industry will not be competing to borrow funds to finance the deficit over the next twelve months. The U.S. recovery has produced enough capital so industry will not have to compete with the government. We anticipate real GNP growth of 4½ to 5 percent. Congress is hewing reasonably close to the President's budget request -- there will be no runaway government spending. We are talking about a budget deficit of \$160 billion, about 5 percent of our GNP. Our growth in money supply also appears to be under reasonable control, he continued, and we should be able to sustain 5 percent real growth. This is not to suggest that we do not need to come to grips with our deficit problems; it cannot go on indefinitely. We may eventually have to consider increasing taxes or further reducing spending. (C)

Mrs. Thatcher replied that if the Secretary's analysis is correct and the private sector is not in competition with the government on borrowing, then interest rates should come down. (C)

Secretary Regan agreed and added that people should not be misled by the prime rate, which is only a benchmark against which small businesses and consumers borrow. Big business obtains better rates, and indeed if one goes to the commercial paper market today, the rates are below 10 percent. (C)

Mrs. Thatcher said it is extremely important for Europe to sustain its recovery. Without it, political pressures against defense spending will become enormous. Against the background of slow growth, defense spending -- even without significant increases -- becomes a higher portion of GNP. Thus a sustained recovery is necessary both to improve the standard of living and to increase defense spending. To the U.K., high interest rates are the worst aspect of the current situation. The international debt is hurting exports; and with a slow recovery in the Third World demand had dropped. (C)

Secretary Regan commented that we are also concerned by the international situation. Escalation in the Iran-Iraq war could interrupt oil supplies. This fear has prompted a large increase in oil imports, and while prices are down, these large increases have upset the trade balance. (C)

Mrs. Thatcher said some oil executives had also expressed a fear that, when the war ends, the oil market would be flooded and further unsettle the overall economic situation. Britain, nonetheless, wants the war to end, but doubted it would happen soon. She then asked what were reasonable interest rates to expect in a recovered economy. She thought 3 to 4 percent in real terms sounded about right. (C)

The President said there have been some recent positive signs on U.S. interest rates. A Milwaukee bank is offering home mortgages at 9.9 percent. General Motors is offering cars at 8.8 percent financing with up to three years to pay. Overall interest rates, however, remain entirely too high. He attributed this to more than the deficit. Many people are pessimistic. Since World War II, the U.S. has had seven severe recessions, each one followed by an artificial cure. We are attacking the core problems. Inflation is down to 2.6 percent, the lowest in the last twenty-three years. (S)

Mrs. Thatcher replied that it sounded as if there might be hope. (S)

Noting that he had promised himself that the ex-Chancellor of the Exchequer should stay out of this discussion, Foreign Secretary Howe underlined that the size of the U.S. deficit causes Britain great anxiety. The longer term repercussions could be severe. (S)

The President interjected that it was time to meet with the press, and thanked Mrs. Thatcher for the useful discussion. (U)

Mrs. Thatcher expressed great appreciation for the President's his warm hospitality and the valuable discussions. In concluding, she said that the opportunity to discuss the issues first hand is enormously helpful. (S)

The lunch concluded at 1:35 p.m. (U)

MEMORANDUM

NATIONAL SECURITY COUNCIL

TOP SECRETACTION

September 30, 1983

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PETER R. SOMMER *PRS*SUBJECT: Summary of Conversation between the President and
British Prime Minister Thatcher, September 29

Attached for your approval is a memcon from Mrs. Thatcher's meeting with the President on September 29. It covers both their private discussion and the luncheon. While there are no controversial items in the minutes, they do contain a number of sensitive comments about world leaders. ~~(TS)~~

RECOMMENDATION

That you approve the memcon at Tab I.

Approve *10/12/* Disapprove

That you authorize Bob Kimmitt to forward the memcon to State.

Approve *w/ Bob Kimmitt 10/* Disapprove

Tab I Memcon
Tab A Kimmitt to Hill

DECLASSIFIED

White House Guidelines, August 23, 1997

By *dlj* NARA, Date 10/3/05~~TOP SECRET~~

Declassify on: OADR

TOP SECRET

MEMORANDUM FOR CHARLES HILL
Executive Secretary
Department of State

SUBJECT: Memorandum of Conversation between the President
and British Prime Minister Thatcher

Attached is the memorandum of conversation from the President's
meeting with Prime Minister Margaret Thatcher on September 29.
It should be handled on a particularly restricted basis. (TS)

Robert M. Kimmitt
Executive Secretary

Tab A Memcon

DECLASSIFIED

White House Guidelines, August 23, 1997

By dlb NARA, Date 9/30/05

TOP SECRET

Declassify on: OADR