

THE WHITE HOUSE

WASHINGTON

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VISIT OF BRITISH PRIME MINISTER THATCHER

DATE: September 29, 1983
 LOCATION: Oval Office/State Dining Room
 TIME: 11:30 a.m. - 1:40 p.m.
 FROM: WILLIAM P. CLARK

I. PURPOSE: To continue your close consultative relationship with Mrs. Thatcher on matters of mutual interest.

II. BACKGROUND: This will be your first meeting with Mrs. Thatcher since her resounding June election victory in which she was returned to office with a 144 seat Parliamentary majority. You will be meeting privately with her and continuing discussions with a larger group over lunch. Before arriving in Washington, she will have been in Canada for a short working visit, which includes a speech to Parliament and meetings with Pierre Trudeau. She will make a brief stop at the UN on Friday, September 30.

Mrs. Thatcher remains among your strongest supporters. The U.S. is central to Britain's foreign policy, and her visit is designed to "kick-off" her second term. In a sense, the visit itself is the message; but Mrs. Thatcher will have much on her mind.

While she has been outspoken in condemning the Soviet shootdown of the Korean airliner, Mrs. Thatcher reportedly shares the desire of our European allies to keep the dialogue with the Soviets alive. She has probably won the battle with the British peace movement, but believes that long-term efforts at arms control are essential toward maintaining the political consensus on defense.

Mrs. Thatcher is feeling the heat on including British (as well as French) nuclear forces in arms control negotiations. A number of the NATO allies -- the Dutch, Italians and Germans in particular -- are urging the Thatcher and Mitterrand governments to be more explicit regarding their willingness to include their forces at some future time. We should let the allies take the lead in pressing London and Paris for a more flexible formulation, while we continue to emphasize the unacceptability of any compensation to the Soviets in START and INF.

The Thatcher government faces another budget crunch this autumn, and there will be pressures to cut defense spending. You should urge British adherence to NATO's 3 percent spending goal. You should also urge British cooperation in stemming technology transfer by strengthening COCOM.

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2

Unitary tax will be at the forefront of the economic issues. She is deeply disappointed at your recent decision to refrain from filing a motion for rehearing in the Container Corporation case, but rather to establish a working group to explore the multiple aspects, including the international implications, of unitary taxation. You should stress that this issue can only be solved by a cooperative effort of the affected parties and that the working group will give a full and complete hearing to all sides.

Mrs. Thatcher will also likely underline the fragile nature of the European economic recovery. High U.S. interest rates and "extraterritoriality" -- of which unitary tax is seen as its latest manifestation -- are of primary concern. She will urge you to limit the use of export controls for foreign policy purposes, making a specific reference to the Export Administration Act which is up for renewal. She may note that British banks will be at risk if Congress does not urgently approve the IMF funding increase.

Thatcher will also want to discuss next year's economic summit in London. You should confirm our desire for an informal meeting, building on the trade and finance aspects of the Williamsburg Declaration. She may also sound the alarm over protectionism, particularly on specialty steel and agriculture products. U.S.-EC economic relations are strained by continuing differences over agricultural trade, and effective reform of the EC's Common Agricultural Policy (CAP) is a centerpiece of her European policy.

We have pushed the British to maintain its garrison in Belize. Thatcher is expected to tell you that British forces will remain for the time being, but that for financial reasons no long term commitment is possible. You should emphasize that British presence strengthens regional stability and ask her to join in explaining our Central American policy publicly. You should seek her agreement to utilize the continuing British presence as part of our public affairs campaign.

She will also stress the need for our continued understanding of the British position in the Falklands and urge us not to sell arms to Argentina. But she probably recognizes that we will likely have to make Argentina eligible for arms purchases shortly after its return to civilian rule. We do not expect them to be large buyers.

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3

Developments in Lebanon have placed the Middle East on center stage. She will emphasize the dangers of the MNF becoming deeply involved in the fighting; indeed the British have been in the vanguard of the Europeans arguing for a visible deescalation of the off-shore (i.e., U.S. Navy) presence supporting the MNF. Ironically, Britain's diplomatic role outstrips its minor military presence -- about 90 soldiers. The Thatcher government's objective is to restrain Western involvement in what the British characterize as an internecine struggle. She will also want to hear your assessment of future peace prospects. On a related matter, Mrs. Thatcher shares our concern about the sale of French strike aircraft to Iraq, and possible Iranian reaction affecting navigation in the Gulf.

Your talking points are attached. George Shultz's briefing memo and Mrs. Thatcher's bio are at Tab A. Your departure statement is at Tab B. State prepared background papers are available at the NSC on: The British and INF, "Extraterritoriality," Unitary Taxation, U.S.-EC Agricultural Trade Dispute, 1984 London Economic Summit, Falklands, British Public Opinion on Central America, Belize, and the Middle East situation.

III. PARTICIPANTS

11:00 a.m. - 11:30 a.m. Briefing - Oval Office

The President
Secretary of State Shultz
William P. Clark
American Ambassador to Britain, John J. Louis, Jr.
Assistant Secretary for European Affairs Richard Burt
Peter Sommer, NSC
Meese, Baker, Deaver will attend at their discretion

11:30 a.m. - 12:30 p.m. - Private Meeting - Oval Office

The President
White House notetaker (if British have notetaker)
Prime Minister Margaret Thatcher
A.J. Coles, Private Secretary to the Prime Minister (if desired
by Mrs. Thatcher)

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11:30 a.m. - 12:30 p.m. - Cabinet Secretaries Meeting - Cabinet Room

U.S. Secretary Shultz
Secretary Regan
William P. Clark
Deputy Secretary of Defense Thayer
American Ambassador to Britain John J. Louis, Jr.
Charles P. Tyson
Assistant Secretary Richard Burt
Deputy Assistant Secretary John Kelly
Peter Sommer, NSC
C.K. Stocker, Office of Northern European Affairs
Meese, Baker, Deaver will attend at their discretion

U.K. Foreign Secretary Sir Geoffrey Howe
U.K. Ambassador to the United States Sir Oliver Wright
Sir Robert Armstrong, Secretary to the Cabinet
Sir Antony Acland, Permanent Undersecretary to the FCO
and Head of the Diplomatic Service
F.E.R. Butler, Principal Private Secretary to the Prime Minister
Brian Fall, Private Secretary to the Foreign Secretary
Alan Gaulty, First Secretary U.K. Embassy (notetaker)

12:30 p.m. - 1:30 p.m. Working Lunch - Dining Room

U.S. The President
Vice President
Secretary Shultz
Secretary Regan
William P. Clark
Deputy Secretary of Defense Thayer
American Ambassador to the U.K. John J. Louis, Jr.
Charles P. Tyson
Assistant Secretary Richard Burt
Peter Sommer, NSC
Meese, Baker, Deaver will attend at their discretion

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
and Head of the Diplomatic Service
F.E.R. Butler, Principal Private Secretary to the Prime Minister
A.J. Coles, Private Secretary to the Prime Minister
Brian Fall, Private Secretary to the Foreign Secretary

IV. PRESS PLAN

Photo opportunity at beginning of Oval Office meeting and Cabinet Room meeting. Full press coverage of departure statements, which will include photo opportunity next to an easel holding the Treaty of Paris.

V. SEQUENCE OF EVENTS

- 11:00 a.m. - 11:30 a.m. Briefing in Oval Office
- 11:30 a.m. - 12:30 p.m. Private meeting in Oval Office between President and Mrs. Thatcher
- 11:30 a.m. - 12:30 p.m. Cabinet Secretaries meeting in Cabinet Room
- 12:30 p.m. - 1:30 p.m. Working lunch, State Dining Room
- 1:30 p.m. - 1:40 p.m. Departure statements

Prepared by: Peter R. Sommer

TALKING POINTS FOR BRITISH PRIME MINISTER THATCHER

-- Warm welcome. Congratulations on your overwhelming election victory. Your win is a boost to the West and to me personally.

-- Recent Soviet behavior was deplorable, but we need to look ahead. Arms control remains central to our relationship. I hope our new, even more flexible INF position will produce a positive Soviet reaction. But I suspect that we will not make progress until we begin deployment. Your steadfast support is heartwarming. Chancellor Kohl makes all the right noises, but I am uneasy about the situation in Germany.

-- I understand you and the French are under increasing pressure from the NATO allies to adopt a more flexible formulation on the future inclusion of British and French nuclear forces. Any compensation to the Soviets in INF or START is unacceptable to us. We recognize the severe consequences for the Alliance. But we do need to review our public presentation and our long term approach.

-- Britain's adherence to NATO's 3 percent goal is important to us. It is a key factor in maintaining Congressional support for NATO. A cut in the present atmosphere would be especially unfortunate. We need your cooperation at COCOM in strengthening its organization and in establishing a military experts advisory committee.

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-- Unitary tax is a thorny matter. It can only be solved through a cooperative effort by the affected parties. We are seriously concerned. I will be stressing to the working group the importance and urgency of its task. The working group will give full and complete hearing to all sides. Its objective is to develop a policy conducive to harmonious international economic relations, while respecting the fiscal rights of individual states.

-- We are mindful of British concerns regarding extraterritoriality and recognize the need to communicate extensively to reduce policy differences. The legislation we are supporting protects existing contracts, but allows me to prohibit exports in cases of overriding national security interests. I need this prerogative, but we will work to avoid unnecessary conflicts.

-- I look forward to the 1984 Summit in London and hope you will stick to an informal meeting format building on the trade and finance aspects of the Williamsburg Summit.

-- I know that the EC's Common Agricultural Policy is of great concern to you. We are concerned about it as well; especially modifications that would harm our trading interests, and urge Britain to stand firm against such measures.

-- We attach great significance to British military presence in Belize. It enhances regional stability. There is no adequate substitute and it is certainly cheaper than having to return the forces. Please join us in explaining our Central American policies publicly. We would like to utilize your presence in Belize as part of our public presentation.

-- We are well aware of your sensitivities over the Falklands. Continuity will be the hallmark of our policy. We will consult closely prior to making any decision, but as you are aware, we will be under intense pressure to declare Argentina eligible for arms sales following a return to civilian rule.

-- We view the Lebanon crisis as a Syrian effort to undermine the legitimacy of the Gemayel government and to complicate our efforts to build a lasting peace. This is a test of western resolve as the Syrians are being supported by the USSR. Lebanon is absolutely crucial to our long-term peace efforts. We share your concern about the sale of French aircraft to Iraq and wish to stay in close touch, particularly with regard to possible Iranian reaction.

-- WELCOME. CONGRATULATIONS. WIN IS A BOOST TO THE WEST. DESPITE SOVIET MISBEHAVIOR, WE NEED TO LOOK AHEAD AT ARMS CONTROL. HOPE OUR NEW INF POSITION WILL PRODUCE POSITIVE REACTION, BUT EXPECT NO PROGRESS UNTIL DEPLOYMENT. KOHL MAKES RIGHT NOISES, BUT THE SITUATION IN GERMANY IS CAUSE FOR CONCERN.

-- UNDERSTAND YOU AND FRENCH UNDER PRESSURE TO ADOPT A MORE FLEXIBLE FORMULATION ON BRITISH AND FRENCH FORCES. ANY COMPENSATION TO THE SOVIETS IN INF OR START IS UNACCEPTABLE. WE RECOGNIZE THE SEVERE CONSEQUENCES; NEED TO REVIEW OUR PUBLIC PRESENTATION/LONG TERM APPROACH.

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2

-- BRITAIN'S ADHERENCE TO NATO'S 3% GOAL IS A KEY FACTOR IN MAINTAINING CONGRESSIONAL SUPPORT; A CUT NOW WOULD BE ESPECIALLY UNFORTUNATE. NEED YOUR COOPERATION IN STRENGTHENING COCOM.

-- THORNY UNITARY TAX QUESTION. CAN ONLY BE SOLVED THROUGH A COOPERATIVE EFFORT. SERIOUSLY CONCERNED. STRESSING TO WORKING GROUP THE IMPORTANCE AND URGENCY OF ITS TASK. GIVE FULL AND COMPLETE HEARING TO ALL SIDES. ITS OBJECTIVE IS TO DEVELOP A POLICY CONDUCTIVE TO HARMONIOUS INTERNATIONAL ECONOMIC RELATIONS, WHILE RESPECTING THE STATES' FISCAL RIGHTS.

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3

-- MINDFUL OF BRITISH EXTRATERRITORIALITY CONCERNS. THE LEGISLATION WE SUPPORT PROTECTS EXISTING CONTRACTS, BUT ALLOWS ME TO PROHIBIT EXPORTS IN CASES OF OVERRIDING NATIONAL SECURITY INTERESTS. NEED THIS PREROGATIVE.

-- LOOK FORWARD TO 84 LONDON SUMMIT AND HOPE YOU WILL STICK TO INFORMAL MEETING BUILDING ON THE TRADE AND FINANCE ASPECTS OF WILLIAMSBURG. KNOW THAT THE EC'S COMMON AGRICULTURAL POLICY IS OF GREAT CONCERN TO YOU. IT CONCERNS US AS WELL, ESPECIALLY MODIFICATIONS THAT WOULD HARM OUR TRADING INTERESTS; URGE BRITAIN TO STAND FIRM AGAINST SUCH MEASURES.

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-- ATTACH GREAT SIGNIFICANCE TO BRITISH MILITARY PRESENCE IN BELIZE. IT ENHANCES REGIONAL STABILITY. JOIN US IN EXPLAINING OUR CENTRAL AMERICAN POLICIES PUBLICLY; LIKE TO UTILIZE YOUR PRESENCE IN BELIZE AS PART OF OUR PRESENTATION.

4

-- WELL AWARE OF YOUR SENSITIVITIES OVER THE FALKLANDS. CONTINUITY WILL BE THE HALLMARK OF OUR POLICY. WILL CONSULT CLOSELY PRIOR TO MAKING ANY DECISION, BUT WILL BE UNDER INTENSE PRESSURE TO DECLARE ARGENTINA ELIGIBLE FOR ARMS SALES FOLLOWING A RETURN TO CIVILIAN RULE.

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5

-- THE LEBANON CRISIS IS A SYRIAN EFFORT TO UNDERMINE THE LEGITIMACY OF GEMAYAL GOVERNMENT AND TO COMPLICATE OUR PEACE EFFORTS. TEST OF WESTERN RESOLVE. SHARE YOUR CONCERN ABOUT THE SALE OF FRENCH AIRCRAFT TO IRAQ.