

THE SECRETARY OF STATE  
WASHINGTON

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November 12, 1986

MEMORANDUM FOR: THE PRESIDENT  
FROM: George P. Shultz *GPS*  
SUBJECT: Visit of UK Prime Minister Thatcher  
November 15, 1986

I.

- o [REDACTED]
- o The UK is now in a pre-election phase in anticipation that Mrs. Thatcher will call elections sometime in 1987, although her mandate runs to June 1988.

- o Labor had been leading in public opinion polls, but last week two polls showed the Conservatives had regained a small lead.

- o On the economic front, [REDACTED] high level of unemployment, 11.6%. However, a small drop in September may indicate the start of a downward trend.
- o Overall the economy is behaving rather well. Growth this year will be in the two percent range, with many predicting brighter prospects next year. Inflation is at its lowest rate in 20 years - three percent.

Arms Control/East-West Relations

o [REDACTED]

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- o We hope to announce a set of our own measures before Mrs. Thatcher arrives. We will want to consult with her on the 15th about further steps.

Middle East

- o We do not foresee any breakthroughs in the Middle East peace process in the coming months.
  - o King Hussein, however, has announced a \$750 million development plan for the West Bank and Gaza. We asked the UK on November 4 to consider funding the program.
  - o Plan would give Palestinians a greater economic stake in a peace settlement and strengthen King's hand in the West Bank and Gaza
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Southern Africa

- o UK, US, and FRG Africa experts (Assistant Secretary Crocker for the U.S.) met in London October 30 to consult on Western policy toward South Africa.
- o In Mozambique, Foreign Minister Chissano was chosen to succeed Machel as President.
- o We have heard that Zimbabwe and Zambia may be planning to implement sanctions against South Africa agreed to by Commonwealth. Would lead to certain SAG retaliation.

Argentina/Falklands

- o The Falklands may be raised because of the strong Argentine reaction to the UK's unilateral declaration on October 29 of a 150-mile Falklands fishing zone.

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