

MR POWELL25 January 1985MEETING WITH PRIME MINISTER, 28 JANUARY mf

1. The Prime Minister may find it helpful to have a note as background to our talk.

EAST/WEST RELATIONS: GENEVA TALKS

2. The Russians have so far single-mindedly pursued the objective of frustrating the SDI and look likely to continue in this way. They cannot realistically hope to prevent US research; but they may well aim for an early agreement banning the deployment of any elements of SDI, calculating that with the road blocked by such an agreement research would wither away. For the same reasons, the Americans could not commit themselves in advance to such a self-denying ordinance; the most they could tolerate would probably be a ban on full scale engineering development, field testing and deployment during the lifetime of a strategic arms agreement, the ban to operate from the signature of such an agreement. The main battle is therefore likely to be fought around the issue of US freedom to explore the possibilities of SDI without prior commitments. The negotiating machinery agreed at Geneva offers the Russians considerable opportunities to make progress on long and intermediate range missiles hostage to satisfactory progress over space and to appeal to West European opinion in this sense. I assume, perhaps charitably, that they may wish to accomplish more than this and in certain circumstances would be ready to reduce offensive missiles; but, even so, they will certainly exploit to the full their propaganda openings in search of an agreement well-weighted in their favour.

3. We are therefore likely to face a testing time in the West, given the President's commitment to SDI, our own reservations and general West European antipathy. The media reaction to Geneva revealed the vulnerable state of Western opinion - its unwillingness to face the reality of continuing East/West struggle and its appetite for dramatic and simplified solutions. We must expect a series of seductive Soviet proposals on offensive missiles contingent on satisfactory resolution of the space issue. We must also expect Soviet pressure to suspend deployment of intermediate range missiles in Western Europe while negotiations proceed. This skirmishing could go for a long period. Meanwhile US and Soviet research on space will presumably go ahead. During this time we shall need to stay in very close touch with the Americans to see the way their minds are moving, to feed in our ideas on strategic and medium range weapons and, more difficult, to bridge the potential US/ European gap over space. Equally we shall have to keep close to our European allies to prevent the development of too extreme or unrealistic European positions.

4. I assume the above will be the principal objective of the Prime Minister's Washington visit. We have passed the point of simply expressing our reservations about SDI. We must now take SDI research as a fact and concentrate on how to put forward a practical scheme for negotiations of which it could be part. (The Cabinet Office will be submitting separately detailed suggestions including a possible mix of warheads and launchers for a framework START agreement, a time limited ban on further testing and deployment of ASATS, a re-commitment to the ABM Treaty, and a US/Soviet understanding of what might be done in the way of strategic defence during the lifetime of a START agreement). But above all we need to obtain the US assessment of how the Russians are likely to play the game and how the Americans propose to respond.

EAST/WEST RELATIONS: OTHER ARMS CONTROL ISSUES

5. The Prime Minister may also wish to address two other arms control issues when in Washington:

- a. Chemical weapons and
- b. Nuclear proliferation

a. On the first, we shall need to argue that Article X of the US draft (no refusal provision), is unrealistic and its end effect is likely to limit rather than enhance the deterrent effect of challenge inspection. It would be more sensible to follow the lines of the UK proposal for a graduated response. This would imply a Soviet right of refusal but it would be at considerable cost: a cumulative build-up of domestic and international support for counter measures, eg chemical warfare re-armament.

b. The Non-Proliferation Treaty renewal conference this year in September has to be a success. We have already put forward a proposal for a technical cooperation fund to benefit NPT parties from the developing world. We should also consider certain minor nuclear testing measures in order to show our regard for Article VI of the treaty, requiring parties to pursue in good faith negotiations on nuclear disarmament.

EAST/WEST RELATIONS: VISITS

6. On the UK/Soviet side we are well placed at present following the Gorbachev visit and with Gromyko expected this summer. We must assume that the Russians will continue with their attempts at wedge-driving, but these contacts are useful both for serious communication and for presentational purposes. We should plan other inward visits and consider a visit by the Prime Minister to Moscow before too long. As

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regards Eastern Europe, again we have been active and a visit by Kadar would be another coup.

MIDDLE EAST

7. Despite the President's promises it is doubtful whether the Americans seriously intend to tackle the central Arab/Israel issue. The Israeli withdrawal from the Lebanon provides them with an excuse and in face of the resulting instability we shall want to show willingness to assist with UNIFIL. But this is essentially a side show, and we shall need to remind the President that on the main question time is not on our side. King Hussein's efforts need support.

THE GULF

8. The Iran/Iraq war smoulders on but at present at a tolerable level. The Iranians are planning medium offensives but now seem to recoil from all-out effort. The Iraqis, armed with new Mirages, have stepped up their attacks on shipping recently, but without notable success. Improved US/Soviet levels of communication following Geneva should help to avoid misunderstandings in this area.

CENTRAL AMERICA

9. There is little to add here. Most soundings in Washington indicate that, short of a Soviet provocative move, such as supplying Migs, there is no present US disposition to attack Nicaragua. But containment and harrassment cannot of themselves meet longer-term US objectives and will only consolidate the position of the Sandinistas. The basic issue remains the existence of a closed regime linked with Cuba and the Soviet Union on the Central American mainland. A regime likely to grow stronger and increasingly to influence its neighbours. What should the US Administration do? In the meantime in El Salvador

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Duarte looks rather less firm than we hoped: the right wing have recovered their self-confidence and are planning impeachment attempts and coups.

INDIA

10. Rajiv's succession may offer opportunities to the West to recover some of the ground lost to the Soviet Union and to push India more in our direction. The Prime Minister may wish to mention this to President Reagan. A more forthcoming US attitude on technology transfer would help. We should also consider again whether there is anything we, and particularly the Americans, can do to check the very dangerous India/Pakistan nuclear spiral. I myself would also see merit in the Prime Minister calling in on Rajiv on her way back from South East Asia in April.

CHINA

11. We are in high favour and should exploit the situation commercially. Lord Young's ten industrialists are about as many as the Chinese can take at one time. We need to do as much preparatory work as we can before they go, ensuring that the Chinese are well aware of their ambitions and that we shall not be fobbed off with generalities. I have suggested that the Prime Minister's meeting should be first with our own side, then a joint session with the Chinese Embassy.

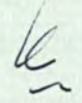
SOUTHERN AFRICA

12. I have the impression of a promising situation threatening to stagnate or slip back. We need to do all we can to maintain the momentum. In particular the security situation in Mozambique looks worse than ever, which imposes great strains on Machel.

GENERAL

13. Last year was a good one for our foreign policy: Fontainebleau; Hong Kong; Gibraltar; Gorbachev. The Prime Minister's pre-Christmas programme summed it up. We cannot expect a similar score this year. But we should be able to keep the US/UK relationship in good shape and navigate some of the shoals of SDI; maintain good East/West communications without giving away anything of substance; and, perhaps assisted by Community enlargement, keep close to France and Germany and reduce the risk of an exclusive relationship between them. On Argentina, we should continue to put forward practical but carefully circumscribed proposals for more normal relations, recognising we are unlikely to get very far. Cyprus has slipped badly, but is probably not irretrievable and this is an area where we have direct influence.

On the negative side, this year nuclear proliferation will be much on our minds. We shall have to continue to devote intense attention to terrorism, particularly the Irish variety, also possible US reactions to Shia terrorism. We remain very vulnerable to the interplay between our ethnic communities and our foreign policy, particularly in the case of India. Doubts on US ability or willingness to do much about the deficit still overhang the whole international scene. And nearer home, I am worried about the impact on our ability to conduct the sort of foreign policy we need if the Foreign Office continues to be caught by Overseas Risen Costs.


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