

SUBJECT cc Mans

SECRET

file

USA 7 SW
e



10 DOWNING STREET

From the Private Secretary

20 December, 1982

Dear Brian,

Prime Minister's Tete-a-Tete
with Mr. George Shultz

Before the dinner which she gave for Mr. Shultz on 17 December, the Prime Minister had a tete-a-tete conversation with him which lasted for 75 minutes. No-one else was present. The Prime Minister gave the following summary of the discussion afterwards.

US Economic Policy

Mr. Shultz gave the impression that he was searching for a means of promoting non-inflationary growth. But he took the view that it was not necessary to adopt measures specially designed to reduce the US budget deficit because this would automatically fall as growth got underway. The Prime Minister was inclined to think that this was ex post facto rationalisation. The fact was that the US Administration was constrained by Congress which was not inclined to approve the only measures which could reduce the deficit. She had obtained the impression from Mr. Shultz that President Reagan was now giving thought to the problem and might make a speech urging people not to worry about the deficit because it would fall as the economy took off.

Results of Recent Congressional Elections

Mr. Shultz confirmed the view, which had been expressed to the Prime Minister by Sir Oliver Wright and others, that the change which had taken place in Congress was much greater than the figures suggested. This was due to the personalities of the new members of Congress. The upshot was that the Administration would have a more difficult time on the Hill than the electoral figures had indicated.

INF: Dual Key

The Prime Minister explained to Mr. Shultz the political problems which were beginning to arise in this country because there was no provision for dual physical control in the arrangements relating to the deployment of Cruise missiles. She

SECRET

/expressed

expressed the view that there should be no difficulty in making special arrangements for the United Kingdom, as opposed to the rest of the Alliance, because we had particular experience of nuclear weapons. Shultz had noted her remarks without comment.

Falklands

Mrs. Thatcher explained to Mr. Shultz why it was not possible for Britain to envisage negotiations about the future of the Falklands. Resentment was caused when President Reagan and other members of the Administration urged such negotiations. She had emphasised the strategic value of the Falklands and argued that the Americans should regard British control of the Falklands as an asset. Mr. Shultz said little in reply, taking the line that there were many sovereignty disputes in Latin America and that it was traditional US policy to urge settlements of such disputes by negotiation.

Gibraltar

The Prime Minister explained our policy *

Hong Kong

Mrs. Thatcher discussed our relations with China and our attitude towards Hong Kong in some detail. *

* He had shown a full understanding of our position. With regard to his forthcoming visit to China, he said that he had agreed to go there on condition that he did not have to negotiate on Taiwan.

There had also been a brief discussion of the Middle East, with regard to which Mr. Shultz had expressed his enormous confidence in Mr. Habib, and on East/West relations.

I am copying this letter to Richard Mottram (Ministry of Defence) and John Kerr (Treasury). I should be grateful if all recipients could protect the contents carefully and copy this letter only to those who have an operational need to know about the discussion.

John Kerr

John Kerr

B. Fall, Esq.,
Foreign and Commonwealth Office

*Passages deleted and
retained under Section 3(4)
C. Wayland
25 July 2014*

file

BK/112

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

20 December 1982

Dear Roger,

VISIT OF MR. GEORGE SHULTZ

The Prime Minister gave a working dinner party for Mr. Shultz on Friday, 17 December.

I enclose a note of the conversation.

I am sending copies of this letter to John Kerr (H.M. Treasury), John Rhodes (Department of Trade), Robert Lawson (Ministry of Agriculture, Fisheries and Food), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours ever

John Major

Roger Bone, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL



THE SECRETARY OF STATE
WASHINGTON

②
Prime Minister

A.J.C.T. 6.

December 18, 1982

mf

Dear Madame Prime Minister:

Please accept my thanks for your gracious hospitality during my visit to London. It was helpful to meet with you and to benefit from your candor and sound counsel. It is reassuring that our countries continue to have a close and special relationship.

The dinner at 10 Downing Street was an occasion I shall recall with pleasure. Your warm welcome made us feel very much at home.

With best wishes for the holidays,

Sincerely yours,

George P. Shultz

The Right Honorable Margaret Thatcher, M.P.,
Prime Minister,
London.

THE SECRETARY OF STATE
WASHINGTON

6 JAN 1983



6 JAN 1983

SUBJECT

cc: Mr. Pym

CONFIDENTIAL

NOTE OF A CONVERSATION BETWEEN THE PRIME MINISTER AND MR. GEORGE SHULTZ DURING DINNER AT 10 DOWNING STREET AT 2015 HOURS ON FRIDAY, 17 DECEMBER 1982

Present:

Prime Minister
Rt. Hon. Francis Pym
Sir Robert Armstrong
Sir Antony Acland
Sir Oliver Wright
Sir Kenneth Couzens
Mr. John Coles

The Hon. George Shultz
His Excellency the Ambassador of the
United States of America
Mr. Allen Wallis
Under Secretary of State
Mr. Richard Burt
Assistant Secretary of State for
European Affairs (designated)
The Hon. Edward J. Streator,
Minister, United States Embassy

US Economy

The Prime Minister asked whether recent indications of an upturn in the American economy were to be regarded as the commencement of real growth or a purely temporary phenomenon. Mr. Wallis said that he believed that we were now seeing the beginnings of real recovery but he had to add that that had been his opinion a year ago and he had been proved wrong. Mr. Shultz said that car sales were on an upward trend and sales of existing homes were also increasing. The rate of increase in money supply had been less than the rate of increase in prices for a long period. This would eventually create the conditions for growth.

GATT

The Prime Minister asked whether the United States was satisfied with the outcome of GATT. She explained that our two main problems in trade relations at present related to Japan and Spain. Mr. Wallis said that the recent GATT Conference was his first experience of that

CONFIDENTIAL

/ kind of

CONFIDENTIAL

- 2 -

kind of meeting. There would have been no agreement at all if the Chairman had not established a small committee who had spent the last day and night hammering out texts. The discussions had resolved themselves into a dispute between the European Community and the rest of the world, not just on agricultural exports but on a range of matters. However, agriculture was the key issue. The Prime Minister commented that the European Community was, in the field of agriculture, a protectionist club. But every Western country, including the United States, protected its agriculture. Mr. Wallis said that one problem was that the Americans had had to negotiate with representatives of the Commission. They would have found it easier to deal with representatives of the United Kingdom, France and Germany.

EC/US discussions on agriculture

Mr. Shultz said that he had found the talks with the Commission quite a trial. Mr. Wallis said that the Commission had argued that it was the CAP which held the Community together. Mr. Shultz said that European subsidies were encouraging an increase in agricultural exports and upsetting other people's economies. There was a danger of a subsidy war, than which nothing could be more ridiculous. The Prime Minister commented that it was not the CAP as such that was wrong but the pricing system which produced surpluses. Mr. Shultz said that in his discussion with the Commission both sides had begun to list specific actions that could be taken which could assist in solving the problem. The two sides would meet again in January to try to agree on the way forward. The Prime Minister commented that it was vital to make progress before the annual EC price fixing which was due in March. Mr. Shultz pointed out that American farmers now felt that the world market was having to absorb a greater quantity of agricultural products than it would if EC subsidies did not exist. The net result was depressed prices. The Prime Minister said that another problem arose from the fact that, despite the existence of surpluses, the price of goods in surplus was raised each year.

Mr. Burt asked whether the social argument, which was commonly heard in Europe, was important. Namely that the CAP was necessary in order to keep people on the land. The Prime Minister said that she thought that this argument was of some significance in both France and Germany.

CONFIDENTIAL

/ Sir Kenneth Couzens

Sir Kenneth Couzens pointed out that the CAP was part of the basic bargain between France and Germany which had been made at the foundation of the Community. Mr. Shultz questioned whether the bargain involved high agricultural prices. Sir Antony Acland emphasised the political importance to France of the agricultural arrangements, given the proportion of the French population involved in agriculture. The Prime Minister observed that those who in Europe benefited from the CAP did not mind the illogicality of some of its operations.

Mr. Shultz warned that the proposition was gaining ground in the United States that if the EC insisted on subsidising production and taking over markets, the United States should compete on subsidies. And the Americans had the biggest purse with which to finance a subsidy war. The Prime Minister observed that this problem presented an opportunity of reforming the CAP price system. Mr. Shultz commented that this was the process which ought to begin in January.

Japan

The Prime Minister asked how the United States was approaching its trade problems with Japan. Mr. Shultz replied to the effect that the current American approach was to complain that Japan was keeping American goods out of its domestic market. But that was not the real problem. If Japan's market was completely open, a certain amount of citrus and beef would be sold by American exporters but not much else. The Prime Minister asked whether the United States had protective mechanisms in place, for example with regard to TV tubes. Mr. Wallis said that such arrangements existed only for Japanese cars. He believed that Japan was now very keenly aware of the pressure upon it to respond to Western demands.

The Prime Minister referred to American policy of persuading Japan to play a larger role in defence. She personally felt some concern about the prospect of Japan building up its defence potential. Mr. Shultz said that the Japanese at present spent less than 1% of their GNP on defence. The United States believed that the Japanese should do more in their part of the world, especially to protect the

/ maritime

maritime approaches. Mr. Burt added that Congress was beginning to make a link between Japan's protectionism and its failure to spend adequately on defence. The Prime Minister said that she feared that if Japan began to build up its defence industry it would then start to take export markets away from us. Sir Antony Acland expressed the view that Japan might indeed make considerable headway in this respect by the end of the century. Mr. Burt commented that if the Japanese came to doubt their security relationship with the United States, then nationalist feelings could develop. America believed that Japan must do more to defend its own homeland; the United States at present assigned a large number of troops to the area.

Sir Kenneth Couzens said it would be helpful to have American views on the recent Roderick proposals on Japan. We had also noted recent legislative proposals in Congress providing for a high domestic steel content in cars. Moves of this kind could well invite similar measures in Europe. Mr. Shultz commented that legislation of this kind had a lot of appeal to American public opinion. Similar legislation existed in many countries. The agreement between the United States and the EC on steel had been satisfactory but the problem it had solved was a transient one. What really mattered was steel imports from the newly industrialised countries.

Economic Summit

The Prime Minister said that it would be helpful to compare notes about the Williamsburg Summit. Mr. Wallis said that the various replies sent to President Reagan's letter on this matter had had much in common, that from Japan excepted which had said almost nothing. Most of the participants wanted an informal meeting which did not involve detailed negotiation. It was the American intention to aim at a brief, agreed statement at the end of the Summit rather than the traditional communiqué. If

/ that

CONFIDENTIAL

- 5 -

that aim received general assent, it would be wise to start telling the press now that there would be no communiqué. It appeared that a large number of journalists were intending to attend the Summit.

A recommendation would probably be sent to the President shortly asking him to address all Heads of Government again with the suggestion that they should instruct their Personal Representatives to make plain which topics they wished to see discussed at Williamsburg.

The Prime Minister commented that some items were fixed by tradition. There would of course be a major discussion of the international economic situation. East/West relations could not be avoided. Foreign Ministers would have to discuss specific subjects such as Poland, the Middle East and perhaps Afghanistan. And thus, inevitably, a communiqué began to build up. The Foreign and Commonwealth Secretary said that we should not lose sight of the fact that this was an Economic Summit. We ought to avoid unnecessary diversions from the main theme.

The Prime Minister said that it ought to be possible to limit the final statement to some 400 words. The participants should resist attempting to inject their own hobby-horses into the communiqué. Mr. Shultz commented that the need was for a sense of direction in whatever was said. In May, this perhaps might take the form of a reference to expansion in the world economy. The Prime Minister said that in that case we should avoid the implication that money would have to be printed to achieve the expansion.

Mr. Shultz said that the Americans would be looking for a statement on the East/West relationship, insofar as security was involved. President Reagan was interested in the idea and President Mitterrand was apparently content that something should be said on the matter.

Mr. Wallis said that the delicate question was the commitments which the assembled leaders would make. The Prime Minister said

CONFIDENTIAL

/ that

that these would have to be prepared in advance.

The Foreign and Commonwealth Secretary reiterated that in his view the important thing was to set some direction for the world economy. That was what public opinion wanted. There would be merit in the final statement focusing on that issue exclusively. Mr. Wallis pointed out that one effect of this could be to generate excessive expectations. Sir Anthony Acland expressed the view that it might be possible to de-couple what was said on the world economy from the statements on other matters. Perhaps the Foreign Ministers could meet just before the Summit and issue a communiqué on foreign affairs subjects.

Mr. Wallis said that M. Attali had suggested that there might be no Ministers accompanying Heads of Government. The delegations might be restricted in size to five people.

that,

Mr. Shultz said /in contemplating the contents of the Williamsburg communiqué, we should bear in mind that to the world at large the first half of 1983 meant a new leadership in the Soviet Union, German elections, INF deployment and the associated Geneva talks. It would be difficult to ignore these steps in a Summit meeting.

The Prime Minister said that, on past precedent, it would be difficult to agree on specific economic prescriptions. It might be possible to discuss the agreed mechanism for achieving growth. However, President Mitterrand would see difficulties in this. Mr. Shultz thought it might be possible to achieve agreement to the proposition that Western leaders sought a particular kind of growth, for example growth based on productive investment.

Mr. Wallis said that he hoped that some of the leaders, in response to the next letter from President Reagan, would suggest aid to developing countries as a topic. Under this heading, they could discuss the kind of aid that promoted growth. Mr. Shultz thought that there would be little identity of view between, on the one hand, President Mitterrand and Mr. Trudeau, and on the other, Mrs. Thatcher and President Reagan, on this matter. The Prime Minister said that her belief was that the best overseas aid was genuine

CONFIDENTIAL

- 7 -

infrastructure aid given through the World Bank. Mr. Shultz commented that the most important point was to get away from the idea of merely transferring wealth to the ldc's - but again President Mitterrand and Mr. Trudeau would probably not agree.

Mr. Shultz said that he believed that earlier Economic Summits had been useful both in stressing the need for productive investment and in calling for an open trading system. It might be useful to ask the Sherpas to write a paper before the Summit on economic trends. Indeed, it might be worthwhile to have a series of preparatory papers. Sir Robert Armstrong suggested that the Sherpas should not be asked to seek agreement on the text of such papers. Perhaps each country could be tasked to produce one. Various suggestions were made as to the subject matter which might be covered: for example, the way to growth and how to achieve security at lower levels of expenditure.

The Prime Minister pointed out that, simply because the Summit would take place in the United States, the economic and philosophical expectations of it would be high. The American Government needed, therefore, to consider what President Reagan desired to obtain from Williamsburg.

A. J. C.

20 December 1982

CONFIDENTIAL

USA

TRANSCRIPT OF A PRESS CONFERENCE GIVEN BY MR PYM AND
MR SHULTZ AT LANCASTER HOUSE. DECEMBER 17th, 1982

Opening Statement by Mr Pym

I have had the pleasure of welcoming Secretary Shultz in London. Any visit by a United States Secretary of State is important and always welcome to Britain. It is particularly so in this case because, in six months, Mr Shultz has made a major mark upon the world and I have met him many times and he has certainly put his stamp on United States Foreign Policy. We have had a very useful and interesting talk and I am very glad that he arranged his European visit in such a way that he concluded it here in London. We have discussed this morning East/West relations, including the change of leadership in the Soviet Union; the arms control talks, ~~and~~ the CSCE talks in Madrid and also the economic aspect. We have ~~also~~ talked about the NATO Alliance and defence issues and particularly the issues that face the Alliance in 1983. We also had a discussion on the world economy. This is of course primarily a matter for Western leaders and Finance Ministers. But, as Foreign Ministers, we are inevitably involved in many discussions on the world economy which bears on how we do our business. We exchanged our views about that and looked forward to the next economic summit in May. We also exchanged views on the situation in the Middle East, where of course the US is playing a leading role and we are giving every support to the beginning of the peace-making process based on the Reagan plan which we regard as an opportunity that is absolutely vital and must not be missed. We had a brief discussion about Namibia and also about Central America. They were certainly for me, and for us, extremely useful talks and I feel that we have advanced our understanding on many matters. We are always in very close touch. The US and Britain have always been like that. Mr Shultz and I have certainly always kept in very close touch and we are certainly going to do that in the future. Thank you for coming and thank you for taking part in these discussions.

Opening Statement by Mr Shultz

Thank you. As always when you have made a statement describing something, you leave little else for me. I think your description is accurate and comprehensive. I don't have anything to add to it except to say that I am very pleased to have a chance to be here and talk with you and this evening with Mrs Thatcher and your colleagues. It is a little bit like

/.....

coming home to me because London is where I started out as Secretary of State-designate. This is where President Reagan gave me the news that my life was going to change so it is kind of fun to come back here and see London again in this perspective.

Questions

INF.

Q. Secretary Shultz. You said that you had discussed defence and NATO issues. Could I ask you about the issue of the Cruise and Pershing missiles which may be deployed in this country later on next year? Is your Government prepared to allow an element of joint control over the operation of those missiles and if not why not?

A. Mr Pym briefed me on the discussions that you have had here in this country on that issue. We agreed that the arrangements for joint decision-making that have been going on here for some 20 years and have covered US nuclear systems in the UK work well. The December 1979 decision was taken by the Alliance as a whole and so all INF issues continue to be discussed in the Alliance and we have discussed in the NATO Ministerial meeting and in bilateral discussions but nevertheless within the context of the Alliance all manner of issues. Of course Mr Pym and I will be in touch on this issue and a full range of issues and there are very many, particularly in this year 1983, and talk about them continuously. From all that I can hear and sense, the way in which this has been handled has worked well but I will leave it up to Mr Pym

Mr Pym Yes I would certainly agree with that. It has worked well for over 20 years now.

Q. Could I just follow that through? I think that there are demands being made in some quarters here and I think the Foreign Secretary himself said it would be highly desirable to have some kind of joint key arrangement or dual key arrangement, some actual decision that has to be taken by both Governments before those missiles could be fired.

A. Dual key is a kind of phrase that casts up an image. I don't think that image accurately describes any arrangements that have literally been in place in the past. But there have been a wide variety of arrangements and they vary by countries and I think that we have to look upon this as an Alliance matter and discuss it on that basis and not get into further detail about it right at this point.

/.....

LEBANON

Q. Mr Shultz. The President has given an interview that has just been published that is being portrayed as bringing new, heavy pressure on Israel in connection with withdrawal from Lebanon. Can you amplify on that aspect of the reported interview and can you tell us, after your talks with Mr Pym whether the United States can do anything beyond what it is already doing to bring about the withdrawal of all foreign forces from Lebanon?

A. That is one of our objectives, to help bring about the withdrawal of all foreign forces from Lebanon. That is not the only objective. It is also our objective to help the Government of Lebanon develop itself and take control of its country and develop its own armed forces so that they can be effective throughout the country and reconstruct Lebanon both in terms of the relationships among the confessional groups and in the physical arrangements of Lebanon into the vibrant and thriving country that it once was. As far as the steps that we are taking in Lebanon are concerned, as you know Habib and Draper are back in the Middle East. They met with Prime Minister Begin yesterday, they are in Beirut today and I think that they are in the process of conducting this renewed effort on our part and I would leave any commentary or colouration of that to them.

Q. What about the President's interview and the way it is being portrayed as new and heavy pressure on Israel. Could you amplify on that Sir?

A. I think there is clearly pressure being felt by everybody to bring this result about. I had the privilege of talking again with the Foreign Minister of Lebanon and he certainly feels, as do others in Lebanon, that not only do we want to have this result but it is a matter of urgency to bring it about speedily so that on the one hand the foreign forces don't get unduly dug in and on the other ~~that~~ the emerging capacity of the Government of Lebanon to exert its authority can continue to be realised.

Q. Mr Shultz. To what extent do you recognise that in these talks about Lebanon the Israelis want them to be much more than just talks about withdrawal but to be real direct political negotiations leading to a new relationship between Lebanon and Israel?

A. We read and we listen, so we realise that there are broad objectives involved and there are also definite realities involved about the

importance of an atmosphere that allows these confessional groups to come together and for Lebanon to construct itself as a country. Of course beyond that you have to say ' what does it mean to have a new kind of relationship with a country until that country has been able to form itself and get some coherence and have a capacity for deciding what it wants to do?' I would say more generally that the objective of a peaceful situation between Israel and her neighbours is one that we of course are doing everything we can to help bring about. Not only with respect to Lebanon but with respect to all of her neighbours in the Middle East. Having peace with justice and reasonable conditions is the objective just as it is in the efforts that the United States and her allies are making in other parts of the world. That is what we are standing for-peace and justice.

PEACE MOVEMENT.

Q. Mr Shultz. Obviously in the weeks leading up to your coming here, peace movements have played an important part in your own country and in this country and Western Europe. How important a part did that kind of public disquiet about nuclear questions play at your talks today?

A. Everyone shares the hope that we can somehow construct a world that is at peace, that has an increasing element of justice in it and which allows people to live without an overhang of fear that is generated by awesome weapons. There is no difference of opinion about that; we all share that view. The question is what do you do about it? Unfortunately we are not the only people around the world who have awesome weapons. We are seeking to reduce the level of these weapons. We are seeking to restrict the manner of their use. We are seeking to solve problems regionally around the world - that is, arms control is not the only thing that you have to do, you have to remove the reasons why people would want armaments. Everywhere you turn, I think I am fairly stating it, the US is on the side of the solution, not on the side of the problem. That is our objective. We listen to people in our own country and elsewhere and it has been very useful for me in coming here and elsewhere in Europe and talking with not only my counterparts but many other people. I have gone out of my way to try and see people not in the government as well as people in government to get a feeling for how people view things. We understand the fears that people have but we also understand that when you are confronted with a strong aggressor the worst thing you can do is let your own defences decline and let fear lead you into appeasement. That is a key and I feel on this trip in discussions here and elsewhere without any exception a great

sense of reassurance in the depth of understanding, the subtleties of understanding and the sense of determination, unity and cohesion that I felt in our Alliance.

Q. Do you feel that the peace movements constitute a threat to United States policy, to NATO?

A. They represent a reminder of the strength of conviction behind what we all presumably want: namely the kind of peace that has justice and right in it.

LEBANON

Q. Mr Shultz. According to reports coming from Jerusalem the Israeli Defence Minister claimed yesterday to have achieved a major breakthrough in the talks with Lebanon. You met yesterday with the Lebanese Foreign Minister. Do you share this view?

A. We didn't have any information about that statement that Mr Sharon made and I do not have any comment about it except to say that any genuine breakthrough, however derived, that will bring about a withdrawal of all foreign forces from Lebanon and contribute to the reconstruction of Lebanon is something that we would welcome.

INF

Q. Mr Shultz. You have said that the arrangements of the last 20 years have worked well over control of nuclear weapons. Surely in the 1950s there was the joint US and British control over ~~four~~^{Thor} missiles in this country. Why are you not prepared to allow a return to that system? I am talking about the firing of them.

A. As I understand it there have been a variety of arrangements and what has happened is that bilaterally (and now of course we have to consider this as an Alliance matter as well as a bilateral matter) we keep confronting new situations. ~~and~~ I think the answer that I have given may be interpreted as meaning that somehow we have been able to work these problems out and the result has worked well in everybody's eyes. We feel that the arrangements that were made in 1979, those were mutually agreed and we are proceeding on that basis. We are constantly talking, not only about this but about a wide variety of other issues as we move along in this process.

Q. Mr Pym. What conditions would you ask the United States for joint control over the firing of these weapons?

A. The arrangements to which Mr Shultz has referred are in fact

joint decision-making. That has been the basis of our arrangement for the last 20 years and those are the arrangements to which Mr Shultz is referring. I have talked to him about the views that were expressed in the House of Commons and elsewhere and he is quite right that these are matters that have been decided by the Alliance and are considered in that context as well as bilaterally.

SOVIET UNION

Q. Mr Shultz. When you were nominated you were described as a highly-educated Soviet expert. Are you going to change policy towards the Soviet Union because they are expecting you to; and will relations between the United States and the Soviet Union be better than during the Nixon Administration?

A. The policy of the United States toward the Soviet Union, and I believe that broadly speaking it is the same policy that the North Atlantic Alliance has towards the Soviet Union, as I see it consists of four parts. First, that we must be realistic in our appraisal of what is taking place. The worst thing in the world you can do is allow wishful thinking to lead you into failure to realistically appraise what is taking place; so realism is the first point. The second point is that ~~in the face of~~ the build-up and the level of Soviet strength and the demonstrated willingness to use it, as for example in the invasion of Afghanistan, tell you that to be successful you must be strong. To defend your own values and to defend peace and liberty and freedom, you must be strong. Third, in the kind of world we live in with the awesomeness of the threat, particularly that have been mentioned here earlier, we are all aware of them, we must also be willing to be ready to solve problems and to work constructively for better relationships and for solutions to problems. ~~and~~ We are and we have negotiations taking place now as is well known in Geneva, Vienna and elsewhere. So we are ready to solve problems. And fourth that we do so in the belief that, if these problems can get on their way to solution and a more constructive relationship emerges, we can all have a better world with less fear and many other better attributes. With new leadership of the Soviet Union, we and I think our allies have all sought to underline the third point so that they wouldn't miss that it is there. But we should not allow ourselves because of our interest and desire for peace and freedom and for constructive dialogue to lose sight of the importance of being realistic and being strong. Those are the keys to peace and freedom.

EAST-WEST ECONOMIC RELATIONS

Q. At the end of your tour of Europe do you now reckon that you have a clear policy umbrella governing relations with the Soviet Union and its Allies, particularly on the economic front?

A. I think we have long had, and continue to have, a very good strategy umbrella, if you want to call it that, in the form of the NATO Alliance. It is strong, unified and has cohesion and I think a lot of reassurance on that point. We have been struggling together to find a better sense of strategy, a set of objectives on the security aspects of East/West trade and financial flows. ~~and~~ I do think now we have going or propose to go forward with, ^a pretty unified view, a general unified view, the studies and the activities that we feel are the necessary ones to construct that strategy. We think that one of the great benefits of getting an overall strategy identified is that we will minimise the problems that may be caused by misunderstandings which often go under the label of lack of consultation. We all know that there is an immense amount of conversation. There's no lack of that and at least I feel what we need is some sort of overall set of objectives and strategy. ~~and~~ Then when we consult with each other we have some standards against which to talk. Our consultation can then be more purposeful and therefore more fruitful. I think we have got that identified now and will start in on constructing that study.

Q. Mr Shultz. If you have one overriding objective for 1983 what would that be?

A. If you want to speak about it in broad terms I think we are looking for peace with justice and prosperity. We haven't had any commentary here about the economic situation but I think we want to see the world economy expand and see progress in that sense. Those are our main objectives.

ISRAEL.

Q. Mr Shultz. Could you possibly be trying to help Prime Minister Begin with your recent attacks on Israel? If not, what is the public pressure in aid of?

A. I have made no attacks on Israel and I have made no comments designed to help or hinder or in any way be a part of the internal political flow of events and opinion in Israel. That is strictly for Israel to determine. I have not hesitated to say when I think that something is wrong or that something is right. Now when ~~it appeared to me that~~ the requiring of University professors to sign special oaths ^{or} otherwise be dismissed came to my attention, I said I thought that was wrong and I do

think it is wrong. I have also commented on the dismissal of Mayors from the West Bank. It also is the case, when moves were made to deny Israel credentials to the United Nations, that in the US (and I was pleased to speak for the President on this) we said that if the UN votes to do that we will withdraw - we support Israel. I think that we support Israel, the security of Israel, purposefulness, the idea and the ideal of Israel. I have been there and know many people there. But that doesn't mean that, no matter what Israel does or says, we are going to applaud her. We have to say if they do something we think isn't right. Maybe we are good enough friends to be able to say so.

INF

Q. Mr Pym. As a result of these talks this morning, has the situation in regard to control of the cruise missiles changed from what it was two nights ago when you were questioned about it in Parliament; and, if not, is it likely to change in the future as a result of these conversations?

A. No it hasn't changed. As Secretary Shultz said, we discussed this point and I told him the views that were expressed in our debate the day before yesterday. ~~and~~ The fact of the matter is that the decision we took in 1979 was taken by the Alliance and included these joint decision arrangements with the US that had existed before. We discussed that aspect but also many other aspects of INF and so there is no change in the situation.

Q. Is it likely to change?

A. There is no particular likelihood of any change. We exchanged views about it but the position remained as it was.

LEBANON

Q. Mr Shultz. If I understood correctly the read out of the meeting yesterday with the Lebanese Foreign Minister he expressed concern that continued Israeli presence in Lebanon in effect was leading to annexation of part of Lebanon. Do you share that concern? Is that a real possibility?

A. I didn't make that comment so I don't know where your read-out comes from. I only made a comment about the sense of urgency. But I do think that it must be a matter of concern, and I am not referring to the meeting I had with the Foreign Minister, that you have foreign troops in your country and they stay there longer and longer and they get embedded and they develop an infrastructure and so on. ~~and~~ ^{that is} So / one of the reasons why I think there is an urgency to getting the foreign

forces out - not just the Israeli forces, the Israeli forces are the most recent entrants. The PLO have been there for quite a long time, established a state within a state and was very disruptive of the ability of Lebanon to operate as a country. The Syrians have also been there a long time so its all foreign forces that we are seeking to get out of the country.

LIST OF GUESTS ATTENDING THE DINNER TO BE GIVEN BY THE PRIME MINISTER
IN HONOUR OF THE HON. GEORGE SHULTZ, SECRETARY OF STATE OF THE UNITED STATES
OF AMERICA ON FRIDAY, 17 DECEMBER 1982 AT 8.00 PM FOR 8.15 PM
INFORMAL

The Prime Minister

The Hon. George Shultz

His Excellency the Ambassador of the United States of America

B. Mr. Allen Wallis

Under Secretary of State

Mr. Richard Burt

Assistant Secretary of State
for European Affairs (designated)

The Hon. Edward J. Streator

Minister, United States Embassy

Rt. Hon. Francis Pym, MP

Sir Robert Armstrong

Sir Antony Acland

A. Sir Oliver Wright

Sir Kenneth Couzens

Mr. John Coles