

SECRET

1

cc MASTER



file

SUBJECT FILED ON:  
USA: Visit of Pres. Reagan A3 10 DOWNING STREET

From the Private Secretary

5 June 1984

Dear Sir,

Talks with the President of the United States

The Prime Minister had a tête-à-tête conversation with President Reagan this evening from 1810-1915 hours. No notetakers were present. The Prime Minister gave me a general account of the conversation afterwards.

With regard to the Economic Summit, Mrs. Thatcher said that she was determined not to countenance an attack on American economic policy. But it would clearly be necessary to consider the sustainability of recovery and the problem of the present level of interest rates - and in this context the US deficit was significant. The Prime Minister also discussed with the President the general approach which the Summit might adopt to the problem of international debt.

No mention was made in this conversation of the handling by the Summit of the question of terrorism or of the UK environment initiative.

The Prime Minister decided not to discuss with the President the US proposals for amendments to the draft Declaration on Democratic Values (Sir Robert Armstrong's minute of 5 June). But I was able to discuss this matter with various members of the President's party and I have minuted separately to Sir Robert Armstrong on this point.

The Prime Minister discussed East/West relations with the President in general terms. She emphasised that we took a global view of East/West relations and were not limited in our thinking to the problems presented for Europe by the current state of the relationship. Mrs. Thatcher's general impression was that the US Government was rather at a loss as to how to proceed in the field of East/West relations.

There was some discussion of the situation in the Gulf

/and

SECRET

and in particular of the new development today involving the shooting down of an Iranian aircraft by the Saudis over their own territorial waters. Mr. Shultz told the Prime Minister later that, contrary to some reports, it appeared that there had been no attack on a vessel in Saudi waters but that an Iranian aircraft which had entered the area had simply been shot down.

The Prime Minister told President Reagan that we had decided to maintain the British garrison in Belize for at least two years unless circumstances changed (and I rather believe that the Prime Minister conveyed the impression that the effect of this decision was that the garrison would remain indefinitely unless there was a radical change in the situation). She emphasised that we did not intend to make this decision public. It was an example of our commitment to the US policy of promoting stability in Central America. The President expressed gratitude for this decision. On Central America more generally, the Prime Minister emphasised that we appreciated the global significance of US efforts in the area.

The Middle East was also discussed. The Prime Minister said that she was anxious that, following the US elections, there should be a new American initiative in the area. President Reagan said that this was his intention - and confirmed, in answer to the Prime Minister's question that she could so inform King Hussein. The prospect of the West Bank being included in a confederation with Jordan was also discussed. President Reagan apparently said that if Arafat would recognise Israel's right to exist the situation would be much easier. The Prime Minister gave it as her view that Arafat's present situation was difficult.

With regard to the President's visit to Ireland, the Prime Minister thanked him for his public references to the evils of terrorism and the US policy of non-intervention in the problem of Northern Ireland.

There was little time to raise bilateral trade problems. However, the Prime Minister mentioned the question of luxury cars and said that we would be handing a paper to the President's party. I gave to Mr. Sommer of the National Security Council a copy of the aide memoire enclosed with Ruth Thompson's letter of 4 June to Andrew Turnbull and I attach a copy of this for ease of reference. I also discussed the problem in general terms with Mr. Sommer and Mr. Baker.

The Prime Minister also told the President, with regard to the Laker case, that we could not accept that US law should be unilaterally applied to matters which should properly be dealt with in the US/UK Bilateral Aviation

/Agreement

SECRET

-3-

Agreement and that we much hoped that officials would be able to find a workable solution soon.

I am copying this letter and enclosure to David Peretz (HM Treasury), Richard Mottram (Ministry of Defence), John Lyon (Northern Ireland Office), Callum McCarthy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office). The contents of the letter should be closely protected.

*Yours ever.*

*John Colan.*

Peter Ricketts Esq  
Foreign and Commonwealth Office.

MFJAAV

SECRET