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10 DOWNING STREET

*From the Private Secretary*

8 November 1984

I promised to let you have a note of your talk with the Prime Minister this afternoon. It's the best that my memory can do, and I hope that you find it reasonably accurate! I have deliberately omitted some of the personal references. I am giving it only a very restricted circulation here.

C.D. Powell

His Excellency The Honourable Charles H. Price II

SUBJECT  
cc Master

PRIME MINISTER'S MEETING WITH THE UNITED STATES AMBASSADOR  
AT 10 DOWNING STREET ON 8 NOVEMBER AT 3.00 P.M.

The Prime Minister saw Ambassador Price this afternoon for a general discussion.

2. The Prime Minister asked Ambassador Price to give her warmest congratulations to the President on his re-election. The scale of his triumph had been breath-taking. Ambassador Price said that his impression was that changes in the main Cabinet posts were unlikely, though there might be moves among the White House staff and a number of others such as Mrs. Kirkpatrick. He thought that the President would wish to avoid 'gerrymandering' over jobs.

3. Ambassador Price said that the President gave priority to pressing ahead with tax reform. In his judgement, the President would have to move quickly in this area before becoming bogged down in the 1986 Congressional elections. The Prime Minister remarked on the concern in Britain and elsewhere in Europe about the continuing high budget deficit in the US and the effect of this on interest rates.

4. The Prime Minister said that she saw a "historic opportunity" for the President in his second term in the field of East/West relations and arms control. He had rightly used his first term to build up US and Western strength. Now was the time to enter negotiations. Ambassador Price saw some grounds to hope that the Soviet Union would be more responsive than in the past.

5. The Prime Minister told Ambassador Price of the interesting discussion which she had held with Secretary Shultz in New Delhi on the Strategic Defence Initiative. Secretary Shultz had suggested that it might be followed up at a seminar between her and the President. The Prime

Minister said that she would be happy to do this if the President would find it useful. It would be important for a seminar to be well prepared with papers exchanged in advance. Ambassador Price welcomed the idea.

6. Ambassador Price said that he had been in touch with Washington shortly before coming to see the Prime Minister about the situation over MIGs for Nicaragua. There was no conclusive proof that MIGs had been shipped, though the ships in question and their cargo were being kept under close surveillance. MIGs would not actually be much use to the Nicaraguans. The Soviet Union was well aware that the US would not tolerate the supply of MIGs. Ambassador Price said that he was a bit disappointed to find that some observers had gone from this country to follow the Nicaraguan elections. The Prime Minister said that they were most certainly not official observers. She had refused to send any since it was quite plain that the elections would be a sham. But there was a tricky presentational problem to be overcome about the elections. The technical conduct of them appeared to have been above board and the rate of participation as high as 80%. It would be important to emphasise that the main opposition forces had not taken part, that the election meetings of others had been broken up, and that the Sandinista Government had made clear that the only acceptable outcome was their own return to power. This would deprive the elections of any spurious reputation for fairness.

7. Ambassador Price raised the question of Laker (just beating the Prime Minister to the draw). He was concerned that the issue should not get out of hand or emotions run riot. It was a dispute which needed to be managed carefully. By his own interpretation of Article 12(4) of the Bermuda Agreement the United States was on strong ground in acting as it had. The Prime Minister said that she took a very grave view of the matter. While she welcomed the

official talks which were going on and which seemed to be making some progress, it must be clear that if the Department of Justice were to bring indictments against British airlines and former British Airways' employees, we should face a very difficult situation. It would be worse, distinctly worse, than the Siberian pipeline dispute. She very much hoped that the Department of Justice would exercise its discretion not to indict.

8. Ambassador Price asked about the coal dispute. The Prime Minister said that she expected it to last for several weeks yet, though she believed that it would eventually crumble. There had been a very encouraging return to work this week, with more than 2,000 additional miners back at work. There was nothing more which the National Coal Board could offer. In any case it was quite clear that the strike was political and that Mr. Scargill was prepared to inflict great suffering on miners and their families to suit his political ends. Ambassador Price commented that Mr. Scargill's involvement with the Libyans must have turned many miners against him.

9. The Prime Minister said that she would visit Peking on 20 December to sign the Hong Kong agreement and would be in Hong Kong itself on 21 December. She had wondered whether she might call in on the President on 22 December on her way back to the United Kingdom, if he happened to be in California. She had mentioned this in a private message to him. Ambassador Price thought that the President would welcome the idea. He would find out what the reaction was. The Prime Minister mentioned that she was also hoping to pay a more extensive visit to the United States in February, preferably between 19-25 February. This might be the occasion to pursue the idea of a seminar.

10. Ambassador Price mentioned that Senator Hatch would be passing through London early next week and had asked to see

the Prime Minister. The Prime Minister said that she would be happy to see him if a convenient time could be found. (Wednesday morning looks the most promising).

11. The meeting ended at 3.40 p.m.

CDD

8 November 1984



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*From the Private Secretary*

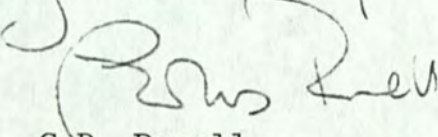
8 November 1984

*Dear Colin,*

Prime Minister's Meeting with the US Ambassador

I enclose a note recording the Prime Minister's meeting with Ambassador Price this afternoon. I am also sending him a copy.

I am copying paragraph 7 to the Department of Trade and Industry and Department of Transport.

*Yours sincerely*  
  
C.D. Powell

Colin Budd, Esq.,  
Foreign and Commonwealth Office.

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