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THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

September 9, 1982

MEMORANDUM FOR WILLIAM P. CLARK
GEORGE P. SHULTZ .

Attached for your information is a memorandum of conversation covering my meeting with Prime Minister Thatcher last night. I am also sending a copy to Ambassador Louis, per his request.

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OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

MEMORANDUM OF CONVERSATION BETWEEN SECRETARY WEINBERGER AND
PRIME MINISTER THATCHER

PLACE: No. 10 Downing Street, London, England

TIME: September 8, 1982 - 6:40-7:30 PM

ATTENDEES:

US

UK

Secretary Weinberger
Ambassador Louis
Major General Carl Smith

Prime Minister Thatcher

1. After the initial exchange of pleasantries, Mrs. Thatcher asked the Secretary to tell her about his Middle East trip and the reaction in Lebanon, Israel and Egypt to the President's peace initiative. The Secretary responded that the reaction was good in two of the three countries: Lebanon and Egypt welcomed the initiative, but Begin was dead against it. Opinion in Israel, however, was divided, with the Labor Party having made a favorable statement about it. The Secretary believed that the initiative provided an excellent basis for negotiations and that it was well within the Camp David accords. Begin, of course, did not agree with this latter point, and he was also concerned about the notification procedure in which Jordan had been consulted before Israel was notified. The Secretary observed that Israel's Cabinet had met for only a very short time before condemning the proposal. He had also told Begin that his long association with the President had taught him that once the President makes up his mind he will not easily change it. Moreover, the President had often been underrated by others, and that had consistently proven to be a grave mistake. At the end of their discussions, Begin had stated that Israel could agree to negotiations with the Jordanians and that he could accept an accompanying Palestinian presence at those negotiations. Jerusalem, however, would have to remain an undivided city. The Prime Minister noted that King Hussein had always said that it was an Israeli objective to establish settlements on the West Bank.

2. The Secretary informed the Prime Minister that he had also been encouraged by his talks in Lebanon. President-elect Gemayel appeared sincerely to want foreign forces out of Lebanon, and

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that was an encouraging start. The Secretary had also spoken to a number of Arab leaders at Farnborough that afternoon, and those talks had been favorable. Begin would surely have to take account of the public opinion polls in Israel on this matter. The Prime Minister replied that she was not at all surprised by the voice of the ordinary people in Israel on the issue, for Israel had lost so many sons in battles over the years.

3. Secretary Weinberger then expressed our great appreciation for British support in providing the requisite shipping for evacuating Beirut. That had been a very smooth operation. He also noted that with the successful evacuation completed, our Marines would soon be leaving Beirut. He also described for the Prime Minister his impressions of the damage which had been inflicted on West Beirut, noting in particular that the crossing points had been heavily bombed, and that East Beirut had hardly been touched. He believed that Gemayel would be a good leader for the Lebanese people. The Prime Minister asked if the Secretary believed the Syrians would leave Lebanon, and the Secretary responded that he believed it possible if a simultaneous evacuation of Israeli troops could be arranged. The Prime Minister noted that there were still a large number of PLO dependents residing in Lebanon.

4. The Secretary then repeated that it was the President's main hope that peace can be restored to this very troubled region, and the Prime Minister responded that she sincerely shared this hope. In response to Mrs. Thatcher's question about what the next steps might be, the Secretary replied that we would still want to see what the outcome of the Fez Conference will be, and that we would subsequently try to arrange a simultaneous withdrawal of all foreign forces from Lebanon. There would need to be bilateral meetings between Egypt, Israel, Jordan, and representatives of the Palestinians. All of this, of course, would require Saudi help, and we were counting on the Saudis to help with Syria. There would always be the problem of the Sharon plan for annexation of the West Bank.

5. The Secretary also observed that there appeared to be a significant change in American public opinion regarding support for Israeli actions in Lebanon. Even some Jewish groups were beginning to change their view, and surely Begin would recognize this, thereby weakening his resolve to oppose the President's initiative. Finally, the Secretary indicated that the President would be devoting much of his personal attention to solving this very thorny problem.

6. Mrs. Thatcher then quipped that it was ironic that both she and the Secretary were encouraged by a position taken by a Labor Party.



The Prime Minister responded that this would be a new line of thought for the Israelis, and that there was progress within certain elements of Israeli society on this issue, but that

The Secretary observed that the United States had been tarred with the impression that we were somehow involved in the Israeli actions in Lebanon.

7. Mrs. Thatcher noted that the President's zero option speech on INF had seized the initiative, but there appeared to have been very little follow-up since that time. Now the President had again seized the initiative with his peace plan, and it was important that we follow it up immediately. The Secretary believed that King Hussein was now willing to be the next Sadat, and the Prime Minister agreed. She noted that we will also need King Fahd's backing, and that the Saudis were helping Iraq.

8. Shifting subjects, the Prime Minister indicated that the "Mexican thing is not going well." Although they had had a good IMF Meeting, there had been an attempt by the lesser developed countries for less strict conditions. The Secretary and the Prime Minister then discussed the economic situations existing in the US and UK.

9. The Secretary then complimented Mrs. Thatcher on the performance of British troops in the Falklands. Mrs. Thatcher responded that "You were absolutely marvelous" in response to UK requests for support. The Secretary observed that the Argentinians had misjudged the strength of feeling in the United Kingdom, and the Prime Minister described the feeling of agony that prevailed in the UK as their task forces set sail for the Falklands. The Secretary observed that the Falklands had once again proven the utility of the large aircraft carrier, which could provide a floating base so necessary in the absence of land bases in areas such as the Falklands. He was very complimentary of the way the British task force had been formed so quickly and efficiently, and he was full of praise for the morale, training, discipline, and leadership exhibited by the British forces. The Prime Minister responded that she could not thank us enough for our generous and prompt assistance.

10. The Prime Minister said she was struggling with the tremendous cost of defense, and the Secretary responded that we too faced this problem. The Administration had been firm in its resolve to strengthen our military forces, and we were trying

hard to secure Congressional approval of our programs. The Prime Minister noted the continuing need for modernization, citing the need for new combat aircraft. The Secretary observed that we had neglected our defensive strength in the 1970's and it was therefore important that we proceed on a steady, sustained course for improving them. He expressed our firm and unshakable commitment to NATO and to the special relationship which existed between the US and the UK.

11. Noting that she would have to go to the PRC soon, the Prime Minister asked for the Secretary's assessment of relations between the US, the PRC and Taiwan. She believed that we must keep the PRC friendly to the West, and she noted that the British lease on Hong Kong, which the UK desperately needed, would expire in 1997. The Secretary responded that we were involved in a very careful balancing act. He noted that we were bound by the Taiwan Relations Act. He believed that the PRC would continue to complain publicly. The President had taken a very courageous stand in making his recent policy statement, in which we indicated we would maintain the qualitative and quantitative status of Taiwan. F-5 co-production would continue, as would normal supply actions, and we had told the PRC this. We would not intend to give Taiwan an offensive capability against the PRC, and the Secretary believed that also was understood. He noted that the PRC was entering into a period of realignment, to which the Prime Minister replied, "Yes -- like Galtieri!"

12. Finally turning to the pipeline, Mrs. Thatcher remarked that "The only fly in the ointment is the John Brown thing." She fervently hoped that what the US did would be so minimal that she could ignore it. She desperately needed some face-saving solution. She noted that she had supported the President at Versailles, and that, in fact, she was the only one who did. She also remarked that Mitterand had torpedoed it. The Secretary replied that the President was also concerned about Mitterand's press statement shortly after the Versailles summit. Mrs. Thatcher said she had a serious problem with unemployment and bankruptcies, and she didn't want her closest friend, the United States, to be blamed by her people.

13. The Secretary said we were still concerned about Poland, where there had been little progress toward a relaxation of oppressive measures. There was also concern about the large amount of hard currency that would flow to the Soviets from the completion of the pipeline. He believed that Secretary Shultz would be talking to Francis Pym about a meeting at Foreign Minister level on this subject, and he said that we are looking for some formula through which our differences could be minimized. The Prime Minister observed that the Secretary would,

of course, understand what it would be like in a town in the United States with 20 percent unemployment if their main company went out of business.

14. The Secretary then observed that there was a matter of the sanctity of contracts between the licensor and the licensee. It was also important that we not help the Soviet military, which always seemed to have first claim on Soviet financial resources. He hoped it would be possible to get some substitute orders for companies like John Brown, which might help to alleviate the problem.

15. Mrs. Thatcher noted that this could not be done in time, and she noted that six turbines were being sent the very next day. The Secretary recognized that it could not be done in time to handle this particular problem, but he hoped that it might be helpful later. Mrs. Thatcher didn't believe that the sanctions would help ease the repression in Poland. She said it is important to realize that getting rid of the military government would likely result in a return to a traditional communist government, and that, too, would not be a desirable solution. The Secretary repeated our concern about helping the Soviet military and we would therefore like to find alternative sources of energy. Mrs. Thatcher agreed on this need, and she believed that the French could get along with nuclear energy. Nevertheless, England was faced with the possibility that the US pipeline decision would result in four or five UK firms going bankrupt.

16. The Secretary then pointed out that the future transfer of technology was important and something we should try to prevent. The Prime Minister totally agreed, noting that computers in particular are a problem. The Secretary also mentioned radars and ball bearings which, although destined for civilian use, had found their way into military applications. The Prime Minister noted that these matters come under COCOM. The Secretary informed the Prime Minister that he had talked to John Nott about the possibility of creating a military subcommittee of COCOM, in order to insure that military factors received appropriate attention. Finally, the Secretary said that the President genuinely wants to help achieve a satisfactory solution, and that he doesn't want to hurt UK business. The Prime Minister hoped there would be a way out. She then expressed her great admiration for the President, whom she considered to be a humane, honest, and straightforward person.

17. The Prime Minister then asked about the status of the general economy in the United States. She had just met with the Chairman of EXXON, and she found him less than optimistic. The Secretary noted that both interest and inflation were down but that somehow we still had not achieved the confidence of the business community

for investment. The Prime Minister observed that it is very difficult to convince business to make these investments. The EXXON Chairman had pointed out that US plants were not operating at full capacity and that any additional revenues would be used to increase production rather than for plant expansion. The Secretary noted that the President's fight on the tax bill had been very courageous, and the Prime Minister agreed that he had been "extremely effective."

18. Turning to Japan, the Prime Minister asked if US markets had been seriously affected by the influx of Japanese imports, as was the case in the UK. The Secretary replied that it was, particularly in computers and the electronics and auto industries. The Japanese were very skilled, but they had been the beneficiaries of US technology, and with their cheaper labor they were able to undercut our prices. All of this, of course, was being done under the US nuclear umbrella, which permitted Japan to devote a very small proportion of its national wealth to defense. Mrs. Thatcher agreed.

19. Mrs. Thatcher appeared genuinely pleased to have seen the Secretary, having kept the discussion going on several occasions when the Secretary was prepared to depart. When the Secretary thanked her for seeing him, she stated that she wanted to see him whenever he visited in London.

Carl R. Smith
Carl R. Smith
Major General, USAF
Military Assistant to
the Secretary of Defense