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File: Records, 1981-1985

**Folder Title:** Memorandums of Conversation –  
President Reagan (11/01/1984-12/03/1984)

**Box:** 53

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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: SUBJECT FILE

**Withdrawer**

RBW 8/31/2011

**File Folder** MEMORANDUMS OF CONVERSATION - PRESIDENT  
REAGAN (11/01/1984-12/03/1984)

**FOIA**

M10-351/M10-371

**Box Number** 53

JAUVERT/BROWER

38

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
117852	MEMCON	RE. PRESIDENT'S MEETING WITH GRAND DUKE JEAN OF LUEMBOURG <i>R 6/22/2015 M371/</i>	4	11/13/1984	B1
117853	MEMCON	RE. PRESIDENT'S MEETING WITH TARIQ AZIZ <i>R 6/22/2015 M371/</i>	3	11/26/1984	B1
117854	MEMCON	RE. PRESIDENT'S MEETING WITH PRIME MINISTER MARGARET THATCHER <i>PAR 1/25/2016 M351/1</i>	16	12/28/1984	B1

### Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose Internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed In accordance with restrictions contained in donor's deed of gift.

RECEIVED 27 NOV 84 16

TO MCFARLANE

FROM COBB

DOC DATE 25 NOV 84

KLYWORDS: LUXEMBOURG

JEAN

SUBJECT: MEMCON BTW PRES & GRAND DUKE JEAN ON 13 NOV

ACTION: FOR DECISION

DUE: 28 NOV 84 STATUS X FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

MCFARLANE

COMMENTS

RLF# LOG NSCIFID (HW C.T.)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
Cobb	NOV 28 1984	for redo		
Mcfarlane	X 11/29	For Decision		
	DEC 03 1984	Pouderter approved		
	C DEC 03 1984	Kinnutt spc Memo		RK, CO
DISPATCH	✓ C.T. 12/3		W/ATTCH	FILE PA (C) 1

National Security Council  
The White House

*ml*

System # I

Package # 8398

*OV 29 All 22 1456*

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>[initials]</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter	<u>3</u>	<u>[initials]</u>	<u>A</u>
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt	<u>4</u>	<u>K</u>	
NSC Secretariat	<u>5</u>		<u>D - DO NOT</u>
Situation Room			<u>SEND ORIGINAL</u>
			<u>of memcon; send</u>
			<u>copy only</u>

I = Information    A = Action    R = Retain    D = Dispatch    N = No further Action

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS                      Should be seen by: \_\_\_\_\_  
(Date/Time)



National Security Council  
The White House

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3

System # T  
Package # 8398

1451

	1 2 9 SEQUENCE TO	57 HAS SEEN	DISPOSITION
Paul Thompson	1	✓	
Bob Kimmitt	2	K	
John Poindexter			
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt	u		
NSC Secretariat			
Situation Room			
<u>Cobb</u>	3		<del>Correctness</del>

I = Information    **A = Action**    R = Retain    D = Dispatch    N = No further Action

cc: VP Meese Baker Deaver Other \_\_\_\_\_

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(Date/Time)



NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

UNCLASSIFIED  
W/SECRET ATTACHMENT

4

December 3, 1984

MEMORANDUM FOR CHARLES HILL  
Executive Secretary  
Department of State

SUBJECT: Memorandum of Conversation Between the  
President and the Grand Duke of Luxembourg

At Tab A is the memcon from the President's meeting with  
Grand Duke Jean of Luxembourg on November 13, 1984.

*Robert M. Kimmitt*  
Robert M. Kimmitt  
Executive Secretary

Attachments  
Tab A - Memcon from Meeting

UNCLASSIFIED  
W/SECRET ATTACHMENT

~~SECRET~~

DECLASSIFIED  
Sec. 34(b), E.O. 12958, as amended  
White House Guidelines, Sept. 11, 2006  
BY NARA *RW* DATE *8/31/11*

~~SECRET~~

117852

8398

THE WHITE HOUSE

WASHINGTON

~~SECRET~~

5

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Grand Duke Jean of Luxembourg  
(U)

PARTICIPANTS: The President  
The Vice President  
Secretary of State George P. Shultz  
Secretary of Defense Caspar Weinberger  
Robert C. McFarlane  
U.S. Ambassador John E. Dolibois  
Assistant Secretary of State Richard Burt  
Tyrus W. Cobb, NSC

The Grand Duke  
Foreign Minister Jacques F. Poos  
Luxembourg Ambassador to the U.S. Paul Peters  
Secretary General Jean Dondelinger

DATE, TIME November 13, 1984  
AND PLACE: 10:40-11:13 a.m., Oval Office

The President welcomed the Grand Duke to Washington and commented that he enjoyed their meeting at the commemoration of the D-Day landings in June at Normandy. (U)

Grand Duke Jean thanked the President for his kind invitation and congratulated him on his stunning reelection victory. He noted that Luxembourgers followed the results deep into the night because of the enormous significance of the elections for the Democratic nations of the West. The President replied that he had, on the other hand, slept very well that night. (U)

The Grand Duke indicated that he was pleased to be able to visit so much of the U.S. on this trip -- California, Chicago, and especially, Fort Carson, Colorado, where he would be with the 4th Infantry Division. Grand Duke Jean commented that he would present a special plaque to the Division Commander commemorating the liberation of Luxembourg by the 4th Division in 1944. The President replied that he knew that the Grand Duke was with the 4th Division during those heroic days forty years ago, and noted that our cooperation on the European battlefields cemented the firm ties between our two countries. The President added that he was particularly pleased with the staunch support Luxembourg provides us on foreign policy -- on Grenada, the INF deployments, and East-West relations. (C)

~~SECRET~~  
Declassify: OADR

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DECLASSIFIED  
NLRR M3711/F# 117852  
BY RW NARA DATE 6/22/15



The Grand Duke indicated that he had read the revelations of what was occurring in Grenada prior to our rescue operation there and was particularly impressed by the young people who kissed the American soil on their safe return. President Reagan replied that he was recently honored to have many of those students back in the White House, along with some of the soldiers who had participated in the operation. (C)

The President summarized for the Grand Duke the efforts we had undertaken to engage the Soviets in a serious effort to reduce armaments. He indicated that it appeared the Soviets were more willing now to enter serious negotiations; in fact, they may have no one else to talk to. The President added that the Western Alliance was currently in an excellent negotiating position to deal with the Soviets, particularly because of the cohesion shown by the Alliance in the face of Moscow's attempts to divide us. (C)

The Grand Duke replied that U.S.-Luxembourg relations were very productive today. He pointed out that his country was a major logistics and reinforcement center for NATO, and was an important storage site for pre-positioned equipment. The Grand Duke added that the airport had been extended to accommodate Reforger mobilization forces. He further pointed out that Luxembourg strongly felt that a formal civil air agreement with the U.S. needed to be concluded. Secretary Weinberger added that, indeed, Luxembourg was a key ally. He indicated that the airport lengthening was very important to NATO reinforcement success and for that reason he endorsed the signing of a formal civil air agreement. (C)

Secretary Shultz noted that this was an issue he expected to take up with Foreign Minister Poos that afternoon. At present, it is not economical for U.S. carriers to service Luxembourg and the lack of reciprocal benefits prevents us from signing a formal agreement. However, the current ad hoc arrangement which allowed Luxembourg to fly cargo planes to the U.S. several times a week was a satisfactory alternative. (C)

The Vice President asked the Grand Duke for his impressions of recent movement on the part of Soviet leadership; specifically, if he thought they would be more inclined to enter serious negotiations now. The Grand Duke indicated that he strongly felt that this was the case, and thought we would see progress in the forthcoming weeks. Foreign Minister Poos agreed and added that even if it were a matter of a few months, it still appeared the Soviets would be more receptive to our initiatives. The Grand Duke concluded that the President's impressive reelection mandate could not help but influence Chernenko and Gromyko. (C)

The Vice President noted that he was encouraged by this assessment. Secretary Shultz added that when the Soviets were prepared we would be ready to proceed without preconditions. He added that Soviet backtracking after their proposal to meet in Vienna



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to discuss the "militarization of space" indicated that, in the words of British Foreign Secretary Howe, the Soviets could not take "yes" for an answer. (C)

Ambassador Dolibois told the President that his stunning vote count was interpreted in Europe as being a mandate for his approach to East-West relations. The President countered that he wasn't certain that was the case because the Soviet leadership was used to receiving 98% of the vote! He then asked the Grand Duke if he had heard about the recent break-in at the Kremlin. Grand Duke Jean replied that he had not and the President told him that someone had successfully stolen a highly classified item from the Kremlin -- next year's election results. (U)

Secretary Weinberger noted that in the recent meeting of Defense Ministers in Italy, he heard a strong endorsement of the Reagan Administration's foreign and defense policies. Foreign Minister Poos added that the stability the reelection represents is most important. Ambassador Dolibois noted that the only expression of dissent in Luxembourg against American policies was a small group of people who regularly protested our Nicaraguan policy. (C)

The President indicated that this raised a crucial problem we faced -- trying to figure out where Cap was hiding our so-called invasion force. The President noted that the Nicaraguan regime can't lose by making such absurd accusations. When we don't invade, they will simply claim that they scared us off. On the other hand, the invasion scare will serve as a rationalization for their domestic difficulties, particularly with the coffee harvest. The President added that he was concerned that the direction the Nicaraguan regime was headed was very similar to that pursued by Cuba. All we ask, he stated, is that the Sandinistas live up to the democratic ideals they professed when they took over from the Somoza regime. (S)

The Grand Duke asked specifically if we thought advance combat aircraft were heading for Nicaragua. The President replied that we knew these planes were on the docks in the Soviet Union, but we were reasonably certain that they were not unloaded in Nicaragua. Secretary Weinberger added that five more ships were waiting to unload arms. The Vice President pointed out that there was a serious risk in our divulging too much intelligence information, and that we may be denied this intelligence in the future. (S)

The President noted that we can gain a better indication of these cargoes if they go through the Panama Canal, but this last ship, the Bakuriani, went around the tip of South America. He recalled that on a previous occasion, we had charged that the Nicaraguans were importing combat helicopters. The Sandinistas denied the charge and invited the press to be present for the unloading. However, only one Cuban was actually invited. (S)

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President Reagan noted that Salvadoran President Duarte was doing a spectacular job and had made a very favorable impact on our Congress -- which is not easy to do. Secretary Shultz pointed out that Duarte has an impressive background with very good contacts with the clergy. He is a man of strong faith and little fear, as was shown when he went unarmed to the negotiations in La Palma. (C)

Secretary Shultz told the Luxembourgers that the U.S. looked forward to working with them when Luxembourg assumed the Presidency of the European Commission during the last part of 1985. Foreign Minister Poos indicated that this was an extraordinary demand on such a small country. For example, they anticipated having to chair some 2,500 meetings in that period. The Grand Duke added that Luxembourg may have to double the size of its diplomatic corps. FM Poos noted that there was a range of contentious issues facing the EC, including the question of the admission of Spain and Portugal and disputes relating to fisheries, wine and agriculture. The Grand Duke concluded that he felt that U.S.-EC relations were very productive at the present time and he looked forward to working with the President on these relations next year. (C)

The President thanked the Grand Duke again for coming to Washington and noted that it was indeed an important occasion, coming just two years after the Grand Duke's ascension to the throne. The meeting concluded at 11:13 a.m. (U)

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8398

MEMORANDUM

NATIONAL SECURITY COUNCIL

UNCLASSIFIED  
W/~~SECRET~~ ATTACHMENT

9  
1

ACTION

November 25, 1984

MEMORANDUM FOR ROBERT C. MCFARLANE

SIGNED

FROM: TYRUS W. COBB *TWC*

SUBJECT: Memorandum of Conversation Between the President  
and Grand Duke Jean of Luxembourg

At Tab A is the memcon from the President's meeting with Grand Duke Jean of Luxembourg on November 13, 1984.

RECOMMENDATION

That you have Bob Kimmitt forward the memcon at Tab I to State after your review.

Approve *[Signature]*

Disapprove \_\_\_\_\_

Attachments

- Tab I Kimmitt to Hill Memo
- Tab A - Memcon of Meeting

UNCLASSIFIED  
W/~~SECRET~~ ATTACHMENT

~~SECRET~~

DECLASSIFIED  
E.O. 12958, as amended  
White House Guidelines, Sept. 11, 2008  
BY NARA *RW*, DATE 8/31/11

National Security Council  
The White House

*und*

System # I  
Package # 8398

*1450*

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>[Signature]</u>	
Bob Kimmitt	<u>2</u>	<u>[Signature]</u>	
John Poindexter	<u>3</u>	<u>[Signature]</u>	<u>A</u>
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt	<u>4</u>	<u>K</u>	
NSC Secretariat	<u>5</u>		<u>D - DO NOT</u>
Situation Room			<u>SEND ORIGINAL</u>

*of memcon; send copy only*

I = Information    A = Action    R = Retain    D = Dispatch    N = No further Actio

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS                      Should be seen by: \_\_\_\_\_  
(Date/Time)

National Security Council  
The White House

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System # T

Package # 8398

1451

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>✓</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter			
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt	<u>4</u>		
NSC Secretariat			
Situation Room			
<u>Cobb</u>	<u>3</u>		<u><del>Corrected</del></u>

I = Information    **A = Action**    R = Retain    D = Dispatch    N = No further Action

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS                      Should be seen by: \_\_\_\_\_  
(Date/Time)

RW 8/31/11

NSC/S PROFILE

~~CONFIDENTIAL~~

ID 8408639

RECEIVED 28 NOV 84 10

TO MCFARLANE

FROM TEICHER

DOCDATE 27 NOV 84

KLYWORDS: IRAQ

AZIZ, TARIQ

SUBJECT: MEMCON BTW PRES & AZIZ OF 26 NOV

ACTION: FOR DECISION

DUE: 29 NOV 84 STATUS X FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

MCFARLANE

FORTIER

STARK

COMMENTS

REF#

LOG 8408516

NSCIFID

( HW )

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<i>Teicher</i>	<i>S NOV 28 1984</i>	<i>for info</i>		
<i>Mcfarlane</i>	<i>X 11/29</i>	<i>for decision</i>		
	<i>C 11/30</i>	<i>Kimmitt Approved</i>		<i>HT SS RK</i>

DISPATCH

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FILE

*PA-24 (C)*



National Security Council  
The White House

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System # I

Package # 8639

V29 P3:03

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>✓</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter			
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt			
NSC Secretariat	<u>3</u>		<u>N</u>
Situation Room			

I = Information    A = Action    R = Retain    D = Dispatch    N = No further Action

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

Should be seen by: \_\_\_\_\_  
(Date/Time)

National Security Council  
The White House

1452 *cu*

System # I

Package # 8639

53

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>✓</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter			
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt	<u>4</u>		
NSC Secretariat			
Situation Room			
<u>Teicher</u>	<u>3</u>	<u>HT</u>	<u>Need para-graph marking</u>

I = Information    **A = Action**    R = Retain    D = Dispatch    N = No further Action

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS                      Should be seen by: \_\_\_\_\_  
(Date/Time)

*meese?*      good notes!

15

November 27, 1984

~~CONFIDENTIAL~~

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: HOWARD R. TEICHER *HRT*

SUBJECT: Memorandum of Conversation: The President's Meeting with Tariq Aziz, November 26, 1984

Attached at Tab I for approval and transmission to State is the subject memcon.

RECOMMENDATION

That you approve the memcon at Tab I.

Approve *RMK*

Disapprove \_\_\_\_\_

Attachment

As Stated

cc: Don Fortier  
Jim Stark

~~CONFIDENTIAL~~

Declassify on: OADR

CLASSIFIED  
1908, as amended  
since, Sept. 11, 2001  
DATE *8/31/11*

*RW*

117853

~~CONFIDENTIAL~~

8639

MEMORANDUM OF CONVERSATION  
NOVEMBER 26, 1984  
THE OVAL OFFICE  
11:40 a.m. - 12:05 p.m.

16

United States

The President  
The Vice President  
Secretary of State Shultz  
Robert C. McFarlane  
Assistant Secretary Murphy  
David Newton, Charge d'Affaires  
Howard Teicher, NSC

Iraq

Tariq Aziz, Deputy Prime Minister and Foreign Minister  
Ismet Kittani, Under Secretary  
Nizar Hamdoon, Charge d'Affaires  
Salima Bakr, Deputy Director

The President began the discussion by expressing his pleasure that the U.S. and Iraq are resuming relations. He noted that this step will help both countries cooperate to promote regional stability. (U)

Tariq Aziz conveyed a message to the President from Saddam Hussein thanking him for agreeing to establish relations. This visit represents a very good beginning. (U)

The President responded that the U.S. bases relations with Iraq on equality, mutual respect and reciprocity in all areas. Furthermore, the President hoped that commercial, cultural and educational ties will be strengthened. Turning to the Gulf war, the U.S. is interested in the earliest peaceful settlement that preserves the independence and territorial integrity of both countries. The President offered U.S. help to do all that is possible to convince Iran to accept a diplomatic settlement. However, he expressed the hope that no one will do anything to make a peaceful settlement less possible. (C)

Aziz expressed appreciation for U.S. help during the past few years to try to bring the war to an end. The U.S. effort was successful in the past year and Iraq must be optimistic.

~~CONFIDENTIAL~~

DECLASSIFIED  
NLRR M371/1 # 117853  
BY RW NARA DATE 6/22/15

However, given the nature of the regime in Tehran, Iran is not likely to make peace. Iraq needs its friends, the U.S., West Europeans and Japanese, to play a constructive role. Aziz asked for the President's personal help in trying to convince European and Japanese leaders, whom Iraq sometimes disagrees with, to be constructive. While Iraq is not desperate, the conflict's continuation hurts more than Iraq in the area, including Saudi Arabia and others. The regime in Iran is crazy, but Iraq wants to see a stable Iran in the future. Iraq cannot imagine a Middle East peace without an end to the Gulf war. (C) 17

The President agreed to do whatever he could with other leaders in this effort. (U)

Secretary Shultz explained that the President is already making this effort at Summit meetings, especially trying to stop the flow of arms to Iran. (C)

Turning to the Arab-Israel conflict, the President reiterated his firm commitment to the September 1, 1982, initiative. He hoped direct negotiations could resume, particularly when Lebanon is settled. Iraq's support of King Hussein is appreciated. The U.S. also encourages Iraq to resume ties with Egypt. Recognizing that the U.S. and Iraq disagree on aspects of the problem, the President reiterated U.S. interest in Iraqi assistance for the peace process. (C)

Aziz said that Iraq's working relations with Egypt are excellent. Iraq will continue to support King Hussein and play a realistic role. Iraq is a stabilizing, constructive regional power. The Iraqi people know and support this role. While the U.S. and Iraq might have disagreements, Iraq is always ready to exchange views and discuss problems. When Iraq is free of its conflict with Iran, it will play an even more constructive regional role. Aziz continued that Baghdad's relations with Amman have been excellent since 1978. Iraq demonstrates its interest in good neighborly relations by linking its economy, through pipelines, to its neighbors. This is indicative of Iraq's concern for the cooperation, stability and prosperity of its neighbors. Such cooperation provides the infrastructure for peace. (C)

Shultz, noting that the U.S. is following developments in the Palestinian movement, asked Aziz for his interpretation of the PNC in Amman. Aziz answered that Iraq always supported healthy relations between Jordan and the PLO. This relationship is necessary or there will be no environment for peace. Without this relationship, the Palestinians will be used as a card by

Syria, Iran and the other extremists. Iraq advised the Palestinians to attend the current PNC meeting. With respect to Arafat, Aziz expressed a personal opinion that he is a moderate, not an extremist. But Aziz would not guarantee what the Palestinians would say. There are irresponsible elements. He also felt the PNC results would be better than the previous situation. (C)

The President said the U.S. had concluded that the bulk of the Palestinians are moderate. He asked Aziz what motivates the radicals? Is it a power play? (C)

Aziz replied that the Middle East is very complicated. It is suffering from crises. Some states, such as Syria, benefit politically, financially and militarily from crises. Syria has achieved political and military gains as a result of the Arab-Israel conflict and the abnormal situation in Lebanon. Yet Iraq loses as a result of the Gulf war. There are many contradictory elements in the area. The U.S. must understand why these elements are causing trouble. The contradictory PLO elements do not represent the majority. Even when they regain their land, they will have no role in the Palestinian government. These elements are not responsible. (C)

The President and Tariq Aziz closed the meeting by congratulating each other on the establishment of diplomatic relations. (U)

The meeting ended at 12:05 p.m. (U)

Drafted by:  
Howard R. Teicher  
November 27, 1984



PLS 8/31/11

~~SECRET~~

NSC/S PROFILE

ID 8408768

RECEIVED 03 DEC 84 16

TO KIMMITT FROM SOMMER DOCDATE 03 DEC 84

KIMMITT 06 DEC 84

SOMMER 10 DEC 84

KEYWORDS: GREAT BRITAIN VISIT THATCHER, MARGARET

AP

SUBJECT: PM THATCHER VISIT / PARTICIPANTS LIST & SCENARIO / FACT SHEETS /  
TOAST / STATEMENT / TALKERS / Memcon

ACTION: FOR SIGNATURE DUE: 05 JAN 85 STATUS X FILES PA

FOR ACTION FOR CONCURRENCE FOR INFO

KIMMITT

COMMENTS

REF# LOG 8408638 8408782 NSCIFID ( CL CT)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<i>Kimmitt</i>	<i>X 1/2</i>	<i>Reopen/For Decision</i>	<i>1/5</i>	
	<i>1/17</i>	<i>K=-# 3yd</i>		
	<i>C 1/17</i>	<i>Kimmitt Sgd Memos</i>		<i>SO, RK</i>

DISPATCH *1/17 CT* W/ATTCH FILE *PA* (C) *C*

National Security Council  
The White House

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2

System # I

Package # 8768 A/O  
1500

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	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>J</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter			
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt	<u>4</u>	<u>K</u>	
NSC Secretariat	<u>5</u>		<u>D</u>
Situation Room			
<u>Rose / Terrence</u>	<u>3</u>	<u>Done</u>	<u>Connections.</u>

47 JAN 1985

I = Information    A = Action    R = Retain    D = Dispatch    N = No further Action

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS                      Should be seen by: \_\_\_\_\_  
(Date/Time)

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

January 17, 1985

UNCLASSIFIED  
W/SECRET ATTACHMENT

MEMORANDUM FOR MR. NICHOLAS PLATT  
Executive Secretary  
Department of State

COL R. J. AFFOURTIT  
Executive Secretary  
Department of Defense

SUBJECT: Memorandum of Conversation of British Prime  
Minister Margaret Thatcher's Visit,  
December 22, 1984 - Camp David

Attached is the Memorandum of Conversation from the  
President's meeting with British Prime Minister Thatcher on  
December 22, 1984.

  
Robert M. Kimmitt  
Executive Secretary

Attachment  
Tab A - Memorandum of Conversation

UNCLASSIFIED  
W/SECRET ATTACHMENT

RW  
8/31/11

~~SECRET~~

~~SECRET~~

117854

8768

ADD-ON #2

THE WHITE HOUSE

WASHINGTON

December 28, 1984

27

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with British Prime Minister Margaret Thatcher (U)

PARTICIPANTS: The President  
The Vice President  
Secretary Shultz  
Robert C. McFarlane  
Ambassador Price  
Assistant Secretary Burt  
Peter R. Sommer, NSC

Mrs. Thatcher  
Ambassador Wright  
Robin Butler, Principal Private Secretary to Mrs. Thatcher  
Charles Powell, Private Secretary to Mrs. Thatcher

DATE, TIME AND PLACE: December 22, 1984, Camp David  
10:40 a.m. - 11:10 a.m., Private Meeting, Aspen Lodge  
11:20 a.m. - 1:25 p.m., Expanded Meeting and Lunch, Laurel Lodge

Private Meeting: The President and Mrs. Thatcher, Plus Note-takers:

After exchanging pleasantries, Mrs. Thatcher praised the President's reelection, calling it a fantastic victory. She asked him how it felt to win by such an overwhelming margin. The President said it was an honor to win by such a margin and joked that someone had said there is only one thing he could ask for from Santa Claus -- it was Minnesota, the only state he had lost. (U)

Mrs. Thatcher emphasized that the President's victory was even more impressive given that he had so significantly changed U.S. policies. Such a wide victory was an endorsement of the President's policies and a clear call for a continuation of these policies. She was pleased the President was keeping his same foreign policy, noting it made no sense to break-up a good team. The President agreed and observed that many serve at considerable personal and financial sacrifice. (U)

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Turning to Gorbachev's visit to the UK, Mrs. Thatcher said he was an unusual Russian in that he was much less constrained, more charming, open to discussion and debate, and did not stick to prepared notes. His wife was equally charming. The Prime Minister noted that she often says to herself the more charming the adversary, the more dangerous. Over the private lunch at Chequers, she had raised a number of pointed questions. She asked Gorbachev why the Soviet Union denies its people the right to emigrate. She had underlined that the West simply cannot understand or accept the Soviet policy of refusing people the right to leave. She contrasted the Soviet policy with the situation in the West, where many countries have had to stop people from coming in. Gorbachev replied that 89 percent of those who applied for permits to leave receive them. Noting that she had no way to cross-check Gorbachev's statistics, she told the President that Gorbachev's claim clearly conflicted with information she receives from British Jewish groups. She commented that she had further suggested to Gorbachev that it was a sign of weakness to feel the need to keep one's people in. (C) 28

Mrs. Thatcher contrasted Gorbachev with Gromyko, whom she observed would have sharply replied that emigration was an internal matter and not open for discussion. Gorbachev was not willing to debate the point, but he did allow her to discuss it without cutting her off. He also avoided the usual Soviet reaction of citing lengthy positions of principle. The Prime Minister said she also questioned Gorbachev about the Soviets providing financial assistance to Britain's striking miners. Gorbachev replied "this has nothing to do with us." Mrs. Thatcher, however, observed that in a centrally controlled system like the Soviet Union there is no way funds could pass to British trade unions without government knowledge. (C)

Mrs. Thatcher then expanded on what she called the government's total control of the Soviet economy. She had the impression that Gorbachev, like Andropov, was an advocate of economic reform and was willing to slacken government control over the Soviet economy. Gorbachev was clearly worried, said the Prime Minister, about the Soviet Union's poor economic performance. She had made a point to contrast Soviet control over its economy with the free societies in the West, where a number of governments have recently been elected because of their promise to restrict government interference in domestic economic affairs. Despite Gorbachev's professions about lessening government control, in reply to her question about how does a Russian factory decide how much to produce, he said, "we tell them." (C)

Indicating she wished to reiterate what she had told the Vice President over breakfast, Mrs. Thatcher underlined that she told Gorbachev there is no point in trying to divide Britain from the United States. This ploy will never succeed.

Britain is part of the Western Alliance of free nations and the Soviets should drop any illusions about severing Europe or Great Britain from the United States. She also told Gorbachev that she and the President have known each other since long before they assumed their current positions and dividing Europe from America is simply "not on." (C) 29

Gorbachev had made a special effort, said the Prime Minister, to cite Chernenko's name as a source of authority for his remarks. She then turned to what she had told Gorbachev about the Geneva talks. She emphasized that the Soviet Union and the West had entirely different ways of life and government. You don't like ours, we don't like yours. But it is in our common interest -- indeed it is our duty -- to avoid a conflict. We in the West, including the United States, accept that there can only be real security through military balance. She had underscored to Gorbachev that the Soviets must rid themselves of the belief that the U.S. is not sincere about disarmament. Gorbachev had replied that even public documents now show that the U.S. had targeted the Soviet Union with nuclear weapons in the 1950's. Mrs. Thatcher said she had replied, "of course the U.S. had targeted the Soviet Union -- who was preaching a political creed of world communism -- what else did they expect?" And she asked Gorbachev rhetorically if it wasn't true that the Soviets targeted the U.S. during that same period and continued to do so now. (C)

Mrs. Thatcher then contrasted the Soviet Union with the U.S. which had not used its great nuclear monopoly in the immediate post-war years to seek expansion. The U.S. is a former colony and knows what it is to be dominated by others. There is no other example in history of a great power using its military strength so sparingly to advance political goals. She had also emphasized to Gorbachev that the President is an honorable man who sincerely wants to improve relations with the Soviet Union. She was struck that when she mentioned that the President had sent a personal handwritten letter to Brezhnev shortly after assuming office, Gorbachev did not appear familiar with it. She made a point of telling Gorbachev that the President had put his heart and soul into his letter and after months of silence received only a pro forma typed reply. Again, Gorbachev did not react. (C)

The President said he was pleased that, without exchanging a word in advance, Mrs. Thatcher had taken the same line with Gorbachev as he had followed in his September meeting with Gromyko. He had spoken about the communist desire to dominate the world. In reply, Gromyko suggested that the Soviets had acted with constraint since they could have, but did not send a mass of men into Western Europe after World War II. The President noted that in reply he had referred to Stalin's remarks that there would have been no victory without the U.S. The President also referred Gromyko to quotations from Lenin and Stalin about world domination by communism. This time, Gromyko did not reply but quickly changed the subject. (C)



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Turning to the Geneva talks, the President said since the Soviets had fared so poorly in recent months in the propaganda battles associated with disarmament talks, he feared that they were looking at Geneva as mainly a propaganda forum. This is one of the reasons they launched such an attack against what has become commonly known as "Star Wars." He emphasized that Star Wars was not his term and was clearly not what he had in mind. He continued that there has never been a weapon for which another weapon against it had not been developed. Therefore, in view of all the advances in technology, he asked for a study of new defensive systems. Its aim would strictly be to strengthen deterrence. So far, initial research has been promising and, as he had stated many times, if it proves successful he would be willing to put this new technology into international hands. The President said we are not violating the ABM treaty and have no intention of doing so. The new Strategic Defense Initiative also had a moral context. We must search for ways to build a more stable peace. Our goal is to reduce, and eventually eliminate nuclear weapons. Chernenko now claims that this is also a Soviet goal. We have told them if they are really serious about reductions, we are ready. Gromyko had told him, said the President, that we cannot continue to sit on two mountains of weapons. The President said he replied, "let us then begin to lower and eventually eliminate these mountains." (C)

Mrs. Thatcher noted that Gorbachev had implied returning to Geneva was not an easy decision for the Soviets. He also indicated the Soviets would come to Geneva with serious proposals. The President replied, "we hope so." She continued that she had emphasized to Gorbachev that Britain supports the U.S. SDI program and told him it was not linked to a first strike strategy. (C)

The President continued that he was simply amazed how closely Mrs. Thatcher's remarks to Gorbachev had accorded with what he told Gromyko. He had made similar points, said the President, on immigration restrictions, underscoring that these restrictions make it especially difficult for the U.S. -- with its many political groups with ties to the old country -- to improve relations with the Soviets. He had made it clear to Gromyko that he could better deal with the Soviets with the support of the American people. The President then returned to his concern that the Soviets will use the Geneva talks primarily as a propaganda forum. He hoped, however, that the Soviets would treat these talks seriously; as he had told Gromyko the U.S. and the Soviet Union have a joint responsibility to see that war does not happen. (C)

Mrs. Thatcher noted that she had a special interest in learning more details about the U.S. SDI program. Gorbachev had told her "tell your friend President Reagan not to go ahead with space weapons." He suggested if you develop SDI the Russians would either develop their own, or more probably, develop new offensive

systems superior to SDI. General Keegan (former head of USAF Intelligence), whom she had seen several times, had informed her about Soviet advances and she was interested in learning more about SDI. The President noted it was time to join the others at Laurel Lodge. (C)

The private meeting ended at 11:10 a.m.

Expanded Session in Laurel Lodge

Noting that it was her first visit to Camp David, Mrs. Thatcher said it was marvelous to be here and a privilege as well. She said she and the President had discussed at some length her impressions of Gorbachev. It is clear that basic Soviet policy has not changed, but Gorbachev was both willing and able to openly discuss and debate issues. He did not cry or complain when she discussed the human rights situation within the Soviet Union. She had emphasized to Gorbachev that it would be a futile effort to try to divide Great Britain from the U.S. We have a common heritage and are part of the same Western Alliance system. (C)

The Prime Minister continued that Gorbachev had spent an inordinate amount of time on SDI. He had asked me to tell the President to stop the militarization of outer space. She had replied that Britain supports the U.S. SDI research effort and it was the Soviets who had been the first to develop an anti-satellite capability. The West was also trying to keep up with Soviet research into laser weapons. She had told Gorbachev that there must be balance in research and the U.S. SDI research program must go ahead. (C)

Saying he wished to extend Mrs. Thatcher a special Christmas welcome to Camp David, the President said he was pleased with Mrs. Thatcher's support for the oft misunderstood SDI program. He noted that currently envisioned strategic defense weapons are not nuclear systems; many people have the mistaken impression that they are. General Eisenhower had spoken about how every advance in weapons of war is offset by another technological development. We owe it to future generations to see if we cannot develop a strategic defense that would move us away from this horrible threat of destroying the world. As he had told the Prime Minister in the private meeting, the initial research is promising, but we do not have any final answers. (C)

Mrs. Thatcher again underlined that Britain backed the U.S. research program. She said she understood that we will not know for some time if a strategic defense system is truly feasible. If we reached a stage where production looked possible we would have some serious and difficult decisions to make. There are the ABM and outer space treaties. Future technological developments and possible countering strategies must also be considered. She recalled, for example, that with the advent of heat seeking missiles the general view had been that there was no defense against them, but this proved erroneous. Avoidance devices were developed. It was her impression from her talks with Gorbachev that the Soviets were following the same line of reasoning. They clearly fear U.S. technological prowess. However, Gorbachev suggested that the Soviets would either develop their own strategic defense system or add additional offensive systems. (S)

We do not want our objective of increased security, opined the Prime Minister, to result in increased Soviet nuclear weapons. Nuclear weapons have served not only to prevent a nuclear war, but they have also given us forty years of unprecedented peace in Europe. It would be unwise, she continued, to abandon a deterrence system that has prevented both nuclear and conventional war. Moreover, if we ever reach the stage of abolishing all nuclear weapons, this would make conventional, biological, or chemical war more likely. Hitler won the race for the rocket; the U.S. won the race for the nuclear bomb. The technological struggle goes on, she observed. There are all sorts of decoys, jamming systems and technological developments such as making the missile boost phase even shorter. All these advances make crisis management more and more difficult. (S)

Mrs. Thatcher said these comments reflect concerns. We have some real worries, especially about SDI's impact on deterrence. The wretched press has tried to make out that we have major differences. This is simply not true, but we do feel it is unwise to conclude where we will go on SDI, before the research program is completed. At the same time we need a sound research program, if we are to maintain a balanced relationship with the Soviets. (S)

Mrs. Thatcher noted that the President said earlier that initial indications are that a SDI program is feasible. Mrs. Thatcher said she must admit that personally she had some doubts. In the past, scientific genius has always developed a counter system. Even if an SDI system proved 95 percent successful -- a significant success rate -- over 60 million people would still die from those weapons that got through. She again emphasized her concern with any implication of dropping our successful nuclear deterrent strategy and stressed that it was important that we work out privately what we will say publicly about SDI. She said several points appear pertinent. We must emphasize that SDI is only a research program; and that our objective is both to maintain a military balance and to enhance, not weaken deterrence. (S)

The President said we need to address the points Mrs. Thatcher had raised and to reach agreement on SDI, a program he called worth pursuing. He noted that experts continue to tell him that research is promising and SDI may be feasible. We have obviously not made a decision on production or deployment and these questions would have to be addressed at the appropriate time. We cannot and should not, however, continued the President, have to go on living under the threat of nuclear destruction. We must eliminate the threat posed by strategic nuclear weapons. My ultimate goal is to eliminate nuclear weapons. The Soviets are now beginning to echo this same view. He said he told Gromyko that the U.S. is not seeking superiority, but we will not let the Soviets achieve superiority. He recognized that the Soviets have great respect for our technology. They also must be concerned about our economic strength. It will be especially difficult for them to keep spending such vast sums on defense. Such spending is in neither of our interests. (C)

The President continued that he also recognized the great losses the Soviets suffered in World War II -- 20 million or more -- and accepted their obsession with security. But it doesn't make sense, as my predecessor did, to propose unilateral reductions, such as cancelling the B-1 bomber. Common sense tells us that one needs negotiating tools when bargaining with the Soviets, or anyone else for that matter. We in the West have great strength -- Europe alone has four times the GNP of the Soviet Union. We must deal with the Soviets from a position of strength. But we also know that in a nuclear war there would be no winners. (S)

Mrs. Thatcher interjected that this is why she had emphasized and praised the deterrence system that has worked so well for so many years. Strength is our best deterrence. (C)

The President agreed and said he is trying to convince the Soviets that we mean them no harm. He often thought that the basic system in Russia has not changed fundamentally, i.e., that their current communist system is another form of the aristocratic system that ruled Russia under the Czar. Gandhi had once said the Soviets believe more in survival than in communism. (C)

Mrs. Thatcher replied that it is correct to emphasize military balance, not superiority. Balance gives us security. Making a specific reference to SDI, she said research contributes towards maintaining a military balance. We need to explain to our publics that SDI is only a research program, that it does not contravene any existing treaties and if we get to the development stage, many alternative factors will have to be considered at that time. For example, the ABM treaty may have to be re-negotiated. (S)

Secretary Shultz stressed our concern is that the current situation is not balanced. The Soviets have many more offensive nuclear systems than foreseen under Salt I. The defensive side

is covered under the ABM treaty, but we have essentially dropped the notion of deploying a defensive system around cities and bases. The Soviets, however, have deployed an ABM system around Moscow -- this is permitted under the treaty -- and now they are also devoting considerable resources toward the development of other defensive systems. For example, they have a large phased array radar under construction, which we believe is a treaty violation. The Soviets have positioned themselves to break out from the conditions imposed the treaties. Their emphasis on defensive systems puts us in an unequal position. Our view is that there is an imbalance; our SDI research is designed to contribute to enhancing deterrence. (S)

Saying she didn't wish to debate strategic theory, Mrs. Thatcher noted that some claim SDI would be an incentive for the Soviets to produce more offensive systems and could encourage the Soviets to launch a preemptive first strike. From our point of view, said Mrs. Thatcher, deterrence remains our fundamental objective. And like you, we are fearful of the Soviets finding an excuse to walk out of the Geneva talks. (S)

Secretary Shultz interjected that we cannot just sit back and let the Soviets build up a significant advantage in defensive systems. Mrs. Thatcher said if she were a Soviet, she would take steps to improve my already significant civil defense program. (S)

At the President's request, National Security Advisor McFarlane expanded on the U.S. SDI program. Calling Mrs. Thatcher's questions and criticisms thoughtful and well-reasoned, McFarlane underscored that her remarks are based on the assumption that offensive deterrence in its present form can and will endure. This may not be true. In recent years the character of Soviet offensive systems has changed dramatically; they are more mobile and carry increased warheads, making verification a near impossible task. The future suggests that the Soviets will rely far more on mobile systems, as well as cruise missiles. (S)

McFarlane continued that our dilemma has been what to do to restore the strategic balance. The President has underway a significant strategic modernization program but this has encountered both moral and political difficulties, as evidenced by the M-X debate in Congress. The preferred course would be to reduce offensive systems. As the President has stated, this is our goal and the President ultimately hopes to eliminate nuclear weapons. McFarlane observed that our current dilemma -- one over which the President expressed concern several years ago -- is our inability to match the Soviet offensive build up. This is why the President asked us to examine other alternatives. Emerging technologies suggest that a new defensive system may be feasible. This is a searching question: can you have an absolute defense against incoming missiles, whether they be nuclear, chemical, or biological? (C)

Mrs. Thatcher wondered if a truly impervious system were possible. She asked, "is there any such thing as a perfect defense?" Could the Soviets simply not just overwhelm any defensive system with increased numbers of offensive systems? (S)

Calling the Prime Minister's questions good ones, McFarlane replied that we are concerned about nuclear deterrence becoming unstable and our goal is to strengthen deterrence. Given technological advances -- there have been some remarkable technology developments -- it is prudent and responsible for the President to undertake the SDI research effort. (S)

Saying SDI as she understood it seemed to suggest inherent U.S. superiority, Mrs. Thatcher added she was not convinced of the need to deploy such a system, particularly if it could eventually be knocked out by other technological advances. (S)

McFarlane commented that we need to better inform the British government on the extensive Soviet strategic defense effort. They have made great strides with their SA-10 and SAX-12 systems; the potential for what is called break-out is high. The President's SDI program is designed to maintain the strategic balance and thereby enhance deterrence. Shultz stated that we may be moving from a situation where we have mutually assured destruction to mutually assured defense. (S)

Mrs. Thatcher again stressed the need to work out the arguments in support of SDI and to develop a better coordinated public affairs line. (C)

McFarlane agreed and noted that there still remain several points where there is a difference of nuance. We believe that there is a strategic imbalance and the President's SDI program can contribute to strengthening deterrence. Deterrence as we know it today may no longer meet our future needs. We are willing to negotiate and discuss strategic systems with the Soviets, but neither of us can be expected to completely restructure our nuclear forces. He reemphasized that the President's goal is to enhance deterrence by maintaining a military balance. (C)

Noting we can say in public that we support the SDI research program and the need for military balance to maintain an effective deterrence, Mrs. Thatcher said it would be useful if someone could come to London to give her a top-level U.S. technical briefing on the U.S. and Soviet strategic defense programs. The President nodded agreement and said it was time to break for lunch. (S)

Mrs. Thatcher replied that she would appreciate briefly discussing civil aviation before lunch. She expressed her immense gratitude for the President's courageous decision on the Laker anti-trust case and noted her relief that this decision did not result in bad press for the President. She continued that civil



aviation in general and the Laker case in particular, still posed a number of problems. During the course of the fall negotiations aimed at developing a more competitive civil aviation system, the British Government was told that the U.S. would be able to introduce legislation seeking repeal of the treble damage clause. We subsequently learned that you did not plan to introduce such legislation and believed that should you do so, Congress would reject it. (C)

Mrs. Thatcher said that this put her government in great difficulty particularly with regard to plans to denationalize British Airways. Our efforts to make British Airways more efficient and profitable have been successful but this possible treble damage case is hanging over British Airways like a dark cloud. It would be very difficult to denationalize British Airways in such a climate. There is still great confusion over the pricing arrangements. We had thought that Bermuda II, which has been approved by both our governments allowed for price changes if both authorities agreed. We have now learned that Bermuda II does not override U.S. anti-trust law. All this seems very unfair because the United Kingdom faces a total monopoly in the U.S. For example, British Airways can land in Houston, but cannot take passengers on to Denver. The framework for competition is not entirely fair. Moreover, the existing regulations for lowering fares are so great and complex that the last time we undertook to lower them it took three months to work it out. She repeated that U.S. action is denying her the ability to denationalize British Airways. (C)

The President replied that we are eager to make further progress on liberalizing the current aviation regime. We do feel that Congress would reject a proposal to waive treble damages. However, there are ways to lower air fares without having to face an anti-trust suit. Increased competition is in both our interests and we do favor the denationalization of British Airways. The President said it was time to break for lunch. (C)

The expanded session concluded at 12:15 p.m.

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During the cocktail session before lunch, the President, Mrs. Thatcher, and Ambassador Price discussed civil aviation at some length. Both the President and Ambassador Price stressed that more competition would benefit both our countries and that there is no need to eliminate treble damages in order for our airlines to operate free of litigation in a more competitive environment. Mrs. Thatcher held firm, stating that the treble damage lawsuit hanging over British Airways made it very difficult for her to denationalize. Ambassador Price said there has not been one successful suit during the 15 years the current system has been

in existence. But if this is the final roadblock to privatization, why did the British Government just not set aside an indemnity fund to protect against any possible legal loss. Mrs. Thatcher replied that her budget did not have room for such funding and once it was known that government money would be behind a settlement, this would surely open the door to a large settlement in favor of the private parties. (C)

#### Working Lunch

Noting it had just been discussed, Mrs. Thatcher said she wished to return briefly to civil aviation. In her view, the British simply do not have an effective framework for lowering fares without facing antitrust suits. Bermuda II is not working, and treble damages pose major problems for British Airways. Secretary Shultz replied that our understanding is different. We believe adequate procedures are available under U.S. law and our Bermuda II agreement to provide protection against antitrust suits. The procedures will work and have worked. Ambassador Price added that British Airways chief executives have indicated to him that they can work within the framework of existing laws and regulations. He noted that the British government, in signing the Bermuda II agreement, knew it did not override or take the place of U.S. antitrust laws. Moreover, under the current system, there has not been one antitrust suit in 15 years when the airlines followed the established procedures. Not budging, Mrs. Thatcher underlined that under the current circumstances, she would face great difficulties in trying to denationalize British Airways. (C)

Turning to the Middle East, Mrs. Thatcher said she was encouraged by her recent meeting with King Hussein, and that she personally knew the new Israeli Prime Minister very well and favorably. Prime Minister Peres wants to be constructive, and if we are to get anywhere in the Middle East we should attempt to do it while he is Prime Minister. She indicated she had also told both Hussein and Peres that a new international peace conference is not feasible. The President replied that we shared Mrs. Thatcher's view about more reasonable leadership in Israel. We have had problems with Hussein because of Congressional hesitation about arms sales to Jordan. We do not intend and could not impose an American peace plan on the Middle East. We do, however, remain committed to the positions set forth in my September 1st Middle East initiative; these positions are based on UN Resolution 242, and are fully consistent with the Camp David Accord. We seek an equitable settlement and agree that it is important to get the peace process started again while Peres is in power.


Mrs. Thatcher replied it is encouraging that the moderate Arabs are demonstrating greater unity, while the split among the radicals is deepening. Shultz said that we detect the same general trends, but noted that Saudi Arabia recently delivered

another \$100 million to Assad. Furthermore, Peres faces many problems -- in particular, a bleak economic situation, and the unsettled situation in Lebanon, where the presence of Israeli troops poses domestic problems. Peres needs to make progress on these two vital issues if he is to establish himself as a strong leader. (C)

Mrs. Thatcher asked if we were waiting on progress on the economy and Lebanon before mounting a new initiative. Shultz replied no and observed that Ambassador Murphy, our Assistant Secretary for Near-Eastern Affairs -- who has long experience in the region -- has spent much of the last three months in the area. Murphy has been actively working the diplomatic track; he has been well-received and has purposely kept a low profile. The President's September 1st initiative remains the centerpiece of our approach; an essential step in moving forward would be the commencement of direct negotiations between Israel and Jordan. To facilitate this possibility, we are working with Israel on what we have called a "quality of life" program for the West Bank and the Gaza. The Arabs who live in these areas are economically inferior, and we are working with Israel on improving their economic situation; over the longer-run, we hope this will help the peace process. The President added that it was encouraging that Peres, while in opposition, did not support the West Bank settlement policy, which is a major impediment to progress. (C)

Mrs. Thatcher asked for a brief review of the U.S. economy. The President said he had just received encouraging news that the loan discount rate is at its lowest level in six years. Interest rates are coming down, but we must tackle the difficult deficit problem. He said he plans to introduce an austerity spending program in which he hopes to hold overall FY 86 government spending at our FY 85 level. His goal is to bring the overall deficit, as a percentage of GNP, down to four percent in 1985, and then lower it an additional percentage point per year. While the overall federal deficit is entirely too high, it is little known that our state and local authorities had a \$58 million surplus last year. McFarlane added that the President faced a particularly troublesome task because what we call entitlement programs, i.e. those that are fixed, make up such a large portion of the federal budget. Indeed, these programs are at an all-time record high. (C)

Praising U.S. economic performance, Mrs. Thatcher said that the strength of the dollar is a sign of weakness in Europe. She opined that the overall political situation in Europe is not especially encouraging.




None of this bodes especially well for Europe, but America's huge deficit and its need for such heavy borrowing to finance the deficit is keeping interest rates up too high.

(S)

Suggesting that his major deficit problem is partially inherited, the President observed that the U.S. is paying the consequences of 50 years of deficit spending. In all but four of those years, the Democrats controlled Congress. President Eisenhower tried to balance the budget, but we have a structural deficit. From 1965 to 1980, the federal budget became 4½ times larger; during the same period, the deficit became 38 times larger. As a famous U.S. economist, Milton Friedman said, "if you start paying people to be poor, there is going to be a lot of poor people." He has begun implementing his goal, said the President, of reforming the welfare system. There is also much talk of unemployment, but based on what he sees in our Sunday papers there are many jobs available. Saying he had developed a habit of looking at the classified ads whenever he is in a major metropolis, he commented that the help-wanted ads in a recent Sunday Washington Post went on for 43 pages; in the Los Angeles Times, there were 69 pages of help-wanted ads. He recognized that some of the jobs offered were in the new technical fields which demanded special qualifications. However, the sheer number of want-ads suggested jobs could be found. (U)

Secretary Shultz said he wished to return briefly to the Middle East. He noted that Israel was showing some flexibility about leaving Lebanon, where the situation is compounded because the



Furthermore, there is a great fear that if the Israelis leave, the Lebanese will kill each other, and some Lebanese factions have urged the Israelis not to leave. Peace-keeping and security are legitimate concerns. Mrs. Thatcher replied that UNIFIL is not fulfilling its purpose. These units do not provide protection and just sit there and get shot at. She added that she questioned the UN's ability to provide an effective peace-keeping force. The President said that part of the problem is that the Soviets pose so many restrictions on how the UN force can be utilized. (C)

The President thanked Mrs. Thatcher for Britain's overall cooperation in combatting terrorism and their recent help with regard to the hijacking which ended in Iran. Mrs. Thatcher said we must all heighten our anti-terrorist efforts and hoped that U.S.-UK cooperation may have had an impact on Syria. The President added that we are particularly disappointed in the lack of Syrian cooperation concerning the three U.S. citizens that have been kidnapped and are likely held in Syrian-controlled territory in Lebanon. We believe the Syrians could be much more helpful than they have been. Shultz underscored the need for further progress as called for in the London Summit Declaration, and hoped ongoing work would lay the groundwork for further progress at the Bonn Summit. (S)



Returning to SDI, Shultz said he wished to reiterate that the goal of our initiative is to maintain and strengthen deterrence. We are trying to enhance survivability, and any system that would be developed would be used to defend the U.S. and its Allies. SDI is not a departure from deterrence. Mrs. Thatcher asked if it would be operative against cruise missiles. McFarlane said the short answer is yes. Part of the new technological developments are vastly improved radars which would enhance our ability to detect and attack cruise missiles. (S)

Mrs. Thatcher then circulated a brief statement she planned to make at the outset of her press conference following the lunch. She indicated that it had been worked out by our respective staffs during the course of the lunch, and wished to draw the President's attention to four specific points. They are: (1) the U.S. and Western aim is to maintain balance, i.e., not achieve superiority, while taking account of Soviet developments; (2) SDI-related deployment, in view of treaty obligations, would be a matter for negotiations; (3) the overall aim is to enhance, not undercut, deterrence; and (4) East-West negotiations should aim to achieve security at reduced levels of offensive systems. The President replied that we agree with these points and said he hoped they would quell reports of disagreement between us. (C)

Mrs. Thatcher said she wished to say a word about the situation in Ethiopia, where Britain has tried to be of some help, mostly in providing internal air-lift. The President said he is proud of the U.S. effort, which had both a public and private component. One U.S. Congressman in particular had played a key role in helping meet the Ethiopian needs. He gave me, said the President, a graphic description of the dire results of the famine. We are determined to continue our efforts despite a clear lack of willingness by the Ethiopian authorities to give us credit for our assistance. (U)

Turning to Central America, Mrs. Thatcher said the British intended to remain in Belize; if we left, the Guatemalans would probably feel a need to express their political virility by invading Belize. The result of the Belizean elections had come as a great surprise, but we see the outcome as being positive. The President commented that we appreciate the continued British military presence in Belize. He then turned to Nicaragua which he said a former Sandinista leader described as a militarily occupied country. If the U.S. had the same percent of its population under arms as the Nicaraguans, we would have an armed forces of 25 million strong. Mrs. Thatcher observed that the Soviets now seemed to be sending additional ships with arms. The President replied that this was true and, referring to our concern that one of these ships had contained MIG aircraft, noted the problems we encounter -- partially because of periods of lost visibility -- in detecting what precise cargoes these ships carry. Mrs. Thatcher called the situation "very worrying." (C)

Mrs. Thatcher said she wished to address the situation in Northern Ireland. Despite reports to the contrary, she and Garrett FitzGerald were on good terms and we are working toward making progress on this difficult question. The President said making progress is important, and observed that there is great Congressional interest in this matter. Indeed, Tip O'Neill has sent him a personal letter, asking him to appeal to Mrs. Thatcher to be reasonable and forthcoming. (U)

The President noted it was time to close the discussions, which he had highly valued. He added that he looked forward to seeing Mrs. Thatcher in February and understood that our staffs are arranging a date. Mrs. Thatcher thanked the President for the warm pre-Christmas reception, and said she looked forward to an early reunion. Looking at Mr. McFarlane, she reiterated her desire for a technical briefing in London on SDI. McFarlane replied that he was interested in personally giving her the briefing. (C)

The Working Lunch concluded at 1:25 p.m. (U)

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The Working Lunch concluded at 1:25 p.m.



~~SECRET~~

MEMORANDUM

8768  
ADD-ON #2

NATIONAL SECURITY COUNCIL

~~SECRET~~

ACTION

December 28, 1984

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: PETER R. SOMMER *PS*

SUBJECT: Memorandum of Conversation of the President's  
Meeting with Prime Minister Thatcher,  
December 22, 1984 - Camp David

Attached for your review and approval is the Memorandum of Conversation of the President's meeting with Prime Minister Margaret Thatcher on December 22, 1984 (Tab A). Given the lengthy discussion of SDI, I suggest we also provide Defense a copy of the Memcon.

RECOMMENDATION:

Following your review of the Memorandum of Conversation, that you authorize Bob Kimmitt to forward it to State and Defense.

Approve *RMK* Disapprove \_\_\_\_\_

Attachments:

Tab I Memorandum to State and Defense  
Tab A Memorandum of Conversation

CC: Jack Matlock  
Ron Lehman

~~SECRET~~

Declassify: OADR

~~SECRET~~

DECLASSIFIED  
Exec 12858, E.O. 12958, as amended  
White House Guidelines, Sept. 11, 2006  
BY NARA *RW*, DATE *8/31/11*

National Security Council  
The White House

lml

System # I  
Package # 8768 A/O  
1500

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>J</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter			
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt	<u>4</u>	<u>K</u>	
NSC Secretariat	<u>5</u>		<u>D</u>
Situation Room			
<u>Rose / Jenne</u>	<u>3</u>	<u>done</u>	<u>Connections.</u>

7 JAN 1985

I = Information    A = Action    R = Retain    D = Dispatch    N = No further Action

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

Should be seen by: \_\_\_\_\_  
(Date/Time)