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# WHITE HOUSE SITUATION ROOM

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SIT566 AN009140

DTG: 201317Z DEC 84 PSN: 051972  
TOR: 355/1337Z

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OP IMMED  
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TO SECSTATE WASHDC IMMEDIATE 5745  
WHITEHOUSE WASHDC IMMEDIATE

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NODIS

FOR THE PRESIDENT FROM AMBASSADOR PRICE

E. O. 12356: DECL: OADR  
TAGS: PARM, IK, PTER, ECON, OVIP (THATCHER,  
MARGARET)  
SUBJECT: YOUR MEETING WITH PRIME MINISTER THATCHER

1. S - ENTIRE TEXT.

2. I EXPECT THE PRIME MINISTER TO BE UPBEAT AND  
WARMLY SUPPORTIVE WHEN SHE VISITS YOU FOR TALKS ON  
DECEMBER 22ND.

3. SHE IS RIDING THE CREST OF A WAVE OF FOREIGN  
POLICY SUCCESSES -- TOPPED OFF THIS WEEK BY HER

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DECLASSIFIED  
INER F02-074 #27458  
BY RW  
DATE 12/6/11

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MEETINGS WITH GORBACHEV, DENG XIAOPING AND WITH YOU -- "SAVING THE BEST FOR LAST" AS SHE TOLD CAP WEINBERGER. I UNDERSTAND SHE WAS GREATLY IMPRESSED BY GORBACHEV ("A MAN I CAN DEAL WITH") AND NOW WANTS TO DISCUSS THE WAY FORWARD, ESPECIALLY ON EAST/WEST RELATIONS AND ARMS CONTROL.

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4. HER BASIC SUPPORT IS BEYOND QUESTION. SHE HAS HIGH PRAISE FOR YOUR HANDLING OF THE SOVIETS; BACKS YOUR REFUSAL TO GRANT PREEMPTIVE CONCESSIONS; AND THINKS SOVIET AGREEMENT TO GENEVA TALKS PROVES THE BENEFITS OF HANGING TOGETHER AND HANGING TOUGH.

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5. THAT SAID, MR. PRESIDENT, THERE ARE DIFFERENCES ON SOME SPECIFICS. FOR EXAMPLE, SHE'D LIKE TO SEE MORE U.S. FLEXIBILITY ON CHEMICAL WEAPONS NEGOTIATIONS (SHE THINKS OUR PRESENT DEMANDS ON VERIFICATION WOULD POSE UNACCEPTABLE SECURITY RISKS EVEN FOR BRITAIN), AND ON TEST BAN. THE IDEA (WHICH I DON'T THINK IS WISE) IS THAT MOVING THESE LESSER NEGOTIATIONS ALONG WILL HELP US HOLD THE LINE PUBLICLY THROUGH THE LONG HAUL IN GENEVA.

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6. A POTENTIALLY MORE SERIOUS DIFFERENCE INVOLVES SDI. DURING MY FIRST YEAR IN LONDON, I HAVE MET WITH THE PM PERHAPS 15 TIMES. IN EVERY MEETING, SHE DOES MOST OF THE TALKING. ON SDI, IT'S TIME SHE DID SOME LISTENING.

7. SHE WILL TELL YOU THAT SHE SUPPORTS SDI R&D, WHICH SHE SEES AS AN INDUCEMENT TO THE SOVIETS TO

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NEGOTIATE. BUT SHE THINKS FULL-SCALE SDI DEVELOPMENT BOTH EXPENSIVE AND FUTILE -- HENCE, HER RECENT PUBLIC WARNINGS AGAINST A SPACE ARMS RACE. UNFORTUNATELY, THOSE WARNINGS CAME AT A TIME WHEN GORBACHEV WAS IN LONDON ARGUING THAT SDI MUST BE STOPPED OR NUCLEAR ARMS CONTROL WOULD GET NO WHERE. SOME OF THE PRESS INTERPRETED HER REMARKS AS PROVIDING HIM AT LEAST TACIT SUPPORT.

8. THATCHER IS SCHEDULED TO GIVE A DEPARTURE NEWS CONFERENCE AT ANDREWS. THAT WILL PROVIDE HER A CHANCE TO SET THE RECORD STRAIGHT. I RECOMMEND THAT YOU URGE HER TO TELL THE PRESS THAT:

-- SHE THINKS THE PRESENT SDI RESEARCH EFFORT IS PRUDENT AND NECESSARY,

-- THAT WHILE NO ONE WANTS TO SEE AN ESCALATION IN THE ARMS RACE, IT IS FAR TOO EARLY TO MAKE A JUDGMENT THAT THE US WILL PROCEED BEYOND THE RESEARCH STAGE, AND

-- THAT UNDER NO CIRCUMSTANCES SHOULD ANY UNILATERAL CONCESSIONS BE GRANTED THE SOVIETS AS A CONDITION OF THEIR WILLINGNESS TO RESUME START AND INF TALKS.

THAT KIND OF PUBLIC APPROACH WILL HELP DEPRIVE THE SOVIETS OF A GOLDEN OPPORTUNITY FOR WEDGE-DRIVING.

9. TWO OTHER THOUGHTS: IF GORBACHEV REPLACES CERNENKO (AND HE WAS BEHAVING HERE VERY MUCH AS THE CROWN PRINCE) WE WILL HAVE A SUIT OF A FAR DIFFERENT CLOTH ON OUR HANDS. DURING HIS LONDON

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VISIT HE HAS HANDLED HIMSELF VERY ADROITLY, AND  
BECAME SOMETHING OF A DARLING OF THE PRESS CORPS.  
HIS WIFE IS NO SLOUCH EITHER. AMONG OTHER  
THINGS, HE HAS PLAYED CLEVERLY ON THE FEAR OF A  
"STAR WARS" SPACE ESCALATION -- APPARENTLY SETTING  
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TO SECSTATE WASHDC IMMEDIATE 5746  
WHITEHOUSE WASHDC IMMEDIATE

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THE STAGE FOR SOVIET DEMANDS AT GENEVA FOR A  
MORATORIUM ON SPACE WEAPON TESTING.

10. MY READING FROM HERE IS THAT IF THE SOVIETS  
SUCCEED IN PORTRAYING OUR PLANS IN SPACE AS AN  
OBSTACLE TO NUCLEAR ARMS CONTROL, WE WILL FACE A  
SERIOUS PROBLEM. THIS ISSUE HAS THE POTENTIAL TO  
BE EVEN MORE FRAUGHT WITHIN THE ALLIANCE THAN INF.

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11. AMONG LIKELY BILATERAL ISSUES, LAKER TOPS  
THE LIST.

12. SINCE YOUR COURAGEOUS DECISION ON  
INDICTMENTS, WE HAVE BEEN GOING BACKWARD RATHER  
THAN FORWARD. THATCHER THINKS CIVIL SUITS AGAINST  
BRITISH AIRWAYS (NOT AFFECTED BY YOUR DECISION)  
WILL DELAY BA DENATIONALIZATION AND COST HMG  
650-1000 MILLION POUNDS IN REVENUES NEEDED THIS  
YEAR. SO HER OFFICIALS ARE STILL INSISTING ON  
LEGISLATION REMOVING TREBLE DAMAGES IN CIVIL  
ANTI-TRUST SUITS, AS THE PRICE FOR ACTION ON  
CIVAIR LIBERALIZATION. THEY THANKED US WHEN YOU  
QUASHED THE INDICTMENTS -- BUT SO FAR WE HAVE  
NOTHING IN HAND BUT A BAG OF AIR.

13. I THINK YOU SHOULD EMPHASIZE THREE THINGS:

-- FIRST, OUR DISAPPOINTMENT THAT YOUR DECISION  
ON INDICTMENTS HASN'T BROUGHT A POSITIVE  
RESPONSE,

-- SECOND THAT CHANGES IN ANTITRUST LEGISLATION  
ARE, AT LEAST IN THE NEAR TERM, POLITICALLY  
OUT OF THE QUESTION,

-- THIRD, AND MOST IMPORTANTLY, THAT WE LOOK  
FOR EARLY, CLEAR AND POSITIVE BRITISH STEPS ON  
CIVAIR LIBERALIZATION.

OFFICIALS HAVE BEEN PARTICULARLY UNHELPFUL ON  
THIS, SO A DIRECT WORD TO THATCHER COULD BE VERY  
USEFUL.

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14. FOR THE REST, I'M SURE THATCHER WILL PRESS FOR YOUR VIEWS ON THE U.S. ECONOMY AND THE DEFICIT. THERE IS GROWING APPRECIATION HERE THAT THE STRONG DOLLAR IS A BOON TO BRITISH EXPORTERS (EXPORTS TO THE U.S. HIT A RECORD LAST MONTH). STILL, THATCHER RETURNED CONSISTENTLY TO OUR FAILURE PRUDENTLY TO MANAGE OUR DEFICIT WHEN SHE MET RECENTLY WITH PAUL VOELKER. HER SENSE OF THE LINK BETWEEN BRITAIN'S PROSPERITY AND OURS WILL MAKE HER ALL THE MORE EAGER TO HEAR OF YOUR PLANS FOR THE YEAR AHEAD.

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15. IT MIGHT ALSO BE USEFUL TO HAVE AN EXCHANGE ON TERRORISM, WHICH WILL BE VERY MUCH ON THE PM'S MIND FOLLOWING THE BRIGHTON TRAGEDY. YOU SHOULD KNOW THAT NORMAN TEBBITT HAS BEEN DISCHARGED FROM THE HOSPITAL, BUT HIS WIFE IS STILL HOSPITALIZED AND PARTIALLY PARALYZED.

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16. I VERY MUCH LOOK FORWARD TO SEEING YOU AND NANCY.  
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