

RECORD OF A BREAKFAST MEETING BETWEEN THE SECRETARY OF STATE AND  
MR GEORGE SHULTZ (0745-0900) AT 1 CARLTON GARDENS, FRIDAY 3 JUNE  
1988

## PRESENT

Secretary of State  
HMA Washington  
Sir John Fretwell  
Mr Galsworthy  
Mr Meyer, News Dept  
Mr Burns, NAD

Mr George Shultz  
Ambassador Price, US Embassy, London  
Ms Ridgway, State Department  
Mr Redman, State Department Spokesman  
Mr Pendleton, US Embassy

## MOSCOW SUMMIT AND FOLLOW-UP

1. Mr Shultz explained the background to the "argument" at the end of the visit. The Secretary of State had often referred to the strategy which the West needed to pursue in dealings with the Soviet Union and which he, Shultz, had encapsulated in his 1983 testimony. The Americans did not favour operating on the basis of principles, nor linkage. It was facts which had led the Soviet Union to withdraw from Afghanistan, not principles. We had to analyse each area of difficulty with the Soviet Union separately and confront them with the facts. The Americans had applied this policy in recent years and it had paid off. They were accordingly surprised when, at the first meeting with the President, Gorbachev had suggested agreeing a document with language about peaceful co-existence and peaceful international behaviour. It had taken 3 days of Ms Ridgway's time and argument to convince Soviet officials that the US was not prepared to revert to the stale language of detente and eventually "very good language" had been agreed. However, at the final session with the President, Gorbachev again tried to persuade the President to accept the original Soviet formulations. The President quietly and repeatedly refused. The Americans had noticed a stage in meetings with Gorbachev over the years where "he goes bananas over something". On this occasion, Gorbachev became enraged and continued to complain, while the President stood firm. It was clear at the departure ceremonies in St George's Hall and at Gorbachev's subsequent press conference that he was still "seething" at the President's refusal. Furthermore, Gorbachev had not yet learned that the President had "two hot buttons" - on SDI and Nicaragua - which, if pressed, evoked deeply-held views. He pressed them both and got the full treatment. Shultz hoped that Gorbachev had now finally accepted that the US was not prepared to revert to a relationship expressed in broad principles. The current stage of the US-Soviet relationship needed something more practical and sustainable. Broad principles had not stopped the Soviet Union going into Afghanistan, supplying Nicaragua and Angola with arms etc. Moreover, Shultz had noticed a pattern to Summitry. Inevitably, after a good Summit, there was a tendency for

participants to go back and demonstrate their toughness to public opinion, particularly in areas where they had failed to secure a particular objective. This is what Gorbachev was now doing. Ms Ridgway said that the interesting question was who advised Gorbachev to revert to the stale detente language in the final round of talks with the President. All the advisers with whom she had dealt had, she thought, understood the US point that such reversion would discredit everything which had been achieved by Gorbachev's policies and hark back to the Brezhnev doctrine. The acceptable language which she had finally negotiated had even been cleared with Gorbachev. Yet the old language was trotted out again at the last meeting with the President. She did not think Shevardnadze responsible, since he had not remained in the negotiations. It was reminiscent of the Gromyko approach.

2. The Secretary of State congratulated Shultz on the achievements of the Summit and the painstaking way in which he had pursued the relationship with the Soviet Union. There were bound to be peaks and troughs in the relationship and he expected some form of hiatus now after the Summit. Shultz agreed that this would indeed be the case. The Geneva negotiations would not resume until 12 July. No meetings were scheduled with Shevardnadze in July. August would be dominated by the Republican Convention and by vacations. This took the timetable to September. He thought that he would next meet Shevardnadze in Washington just in advance of the UNGA. Although US-Soviet relations would "go off track for a while", his prime objective was to create and leave a structure which the incoming US Administration could pursue. The next major stage in the relationship would be to move away from arms control to regional and human rights issues.

#### ANOTHER REAGAN-GORBACHEV SUMMIT: START, INF

3. He thought that Gorbachev would be amenable to another Summit provided there was a real reason. However, he could not see the START Treaty being completed this year. The Senate was "scared to death" of it and did not want to face up to the issues it posed. He would actually prefer it if the Senate were made to focus on a START Treaty: it would keep them out of other mischief in the pre-election period. There would only be progress if the Senate developed a sense of involvement.

4. Congressional consideration of the INF Treaty had caused the State Department major work. He had had to set up a separate organisation to handle it. There had been 70 appearances before Senate and Congressional committees, 3 by him. The State Department had also answered 1300 separate questions. The INF Treaty was a solid piece of work and had been virtually unassailable on the Hill. The process had been greatly facilitated by of the solidity of Allied support. The French Defence Minister's reference to the Treaty being another Munich had been quickly overcome.

## SOVIET INTERNAL

5. The Secretary of State asked whether Gorbachev had seemed anxious about the forthcoming Party Conference. Shultz said, on the contrary, Gorbachev appeared very confident and had used the Summit to build up his position for the Party Conference. The US team had not detected any problem as regards Ligachev's future. Gorbachev had handled that incident well. However, that did not mean that there was no Ligachev problem. The Russians were now much more prepared to talk about internal arrangements in the Soviet Union. The theses for the forthcoming Party Conference made "stunning reading". Gorbachev was confident that his proposals would go through the Party Conference. On the mood in Moscow generally, it was perhaps a sign of the times that the turnout of Soviet representatives at the US Embassy for the President's dinner was the largest and most senior at any foreign function since at least Kruschev. The Russians had been at pains to point this out. Ms Ridgway commented that one striking aspect of Moscow was the degree of debate now under way.

## AFGHANISTAN

6. Shultz saw little likelihood of the USSR changing their withdrawal plans. Withdrawal had nothing to do with the Geneva Accords but reflected the reality of the position they found themselves in. The biggest potential problem was the embarrassment of continued heavy fighting among the Afghans. The Soviet policy would probably be to push for national reconciliation and in the process highlight the magnanimity of Najib. The Secretary of State agreed that the situation looked messy for the foreseeable future. We expected the refugees to wait until they saw how things were developing in Afghanistan before returning. Shultz argued that the delay might not be as long as Westerners would expect. Already there was a return movement. Mr Whitehead (Deputy Secretary, State Department), who had spent a great deal of time in South East Asia and knew the refugee situation well, thought there was a danger of the West trying to "over-organise". Given half a chance, people who had very little would return to their original areas and try to scratch a living. The West should try to create a structure for rehabilitation and leave the returning Afghans to handle the detail. Ms Ridgway said that refugees would be greatly influenced by the traditional pattern of village leaders visiting former homelands and for the remainder of the village to be influenced by their decision whether or not to return to them. The Secretary of State and Shultz noted that this was a trend not limited to developing countries. It could be found in the US labour market and in the UK, when West Indians first began coming to Britain after the war. The Secretary of State added that this very trend among the Vietnamese was causing us an immense problem in Hong Kong.

## REFUGEE PROBLEMS: HONG KONG/SRI LANKA/EASTERN EUROPE

7. Shultz said that the refugee situation in Hong Kong was a microcosm of a broader picture. There was a tremendous struggle in the US Administration at the moment on the question of what constituted a refugee and what an economic refugee. The US quota of 165,000 for this year was under impossible pressure. The Administration had taken a deliberate decision not to open the debate widely until the Summit was over, because the US could not undertake to accept refugees who might wish to leave the USSR in large numbers. It was paradoxical that there had been a great outcry in the US when the Thais began pushing the boat people back to sea. Countries of first asylum were getting tougher, partly because the willingness of countries of settlement, like the US, was declining. He foresaw a number of problems. That in South East Asia was already upon us; the US could soon face a problem of refugees leaving the USSR and Eastern Europe; and there could be chaos in Central America as people tried to flee, eg Nicaragua. The problem was no less acute in Africa but, although the numbers were huge, African refugees tended to stay within that continent. The common factor in many of these situations was that those trying to leave their countries were not refugees but leaving for economic reasons. Referring to the experience of the US as a country of sanctuary, the Secretary of State recalled the large numbers of people leaving Sri Lanka and Vietnam. The flow of Vietnamese to Hong Kong was increasing, because the Thais were turning people away. We had also not realised until recently that many Vietnamese refugees, travelling along the China coast, stopped in China for supplies etc, but were not permitted/did not want to stay there. But the basic problem about Hong Kong was that it simply did not offer a transit point to a future. We had to get this point across. Neither Hong Kong nor Britain had the ability to absorb Vietnamese refugees. Likewise, we could not absorb Sri Lankans. As a result, we had decided that we could no longer offer them refuge in this country while their cases were being heard: we now insisted that airlines returned them to their country of origin and that any attempt to seek settlement in Britain should be conducted from their home country. The FRG showed how matters could get out of hand, with something like 700,000 "refugees" applying for citizenship actually from within FRG borders.

8. In Hong Kong, there was mounting despair at the number of Vietnamese refugees arriving. The number in camps had been declining until September 1987. Since then, the numbers had gone up seven-fold, and there could be up to 25,000 in camps by autumn 1988. This had forced us to consider a change of policy, to apply a screening process at British ports of entry. This would be designed as a signal to indicate that Hong Kong simply did not offer a step to a future elsewhere. If we were able to check the inflow, we would look to our partners to help clear those in the camps. Shultz said that he was glad the Secretary of State had used partners in the plural. The Australians and Canadians had done particularly well in helping with the offtake of refugees.

## CAMBODIA/VIETNAM

9. Shultz had tried over the years to demonstrate to Shevardnadze that it was in the Soviet self-interest to address the problem of Cambodia. The Soviet Union was experiencing the "limits of power" in Cambodia (and Ethiopia). On Vietnam/Cambodia, the pressure of diplomacy and economic isolation was working. The Soviet Union however would tread gently because it did not want to jeopardise its large naval base in Vietnam. After a visit to Bangkok and Hanoi, during which he was able to make the obvious comparisons, Shevardnadze now had a more realistic approach. The problem was the slow learning curve of the Vietnamese. The best way forward was pursuing the formula from the UN Security Council, embracing withdrawal of foreign forces and international guarantees. Applied to Cambodia, it would involve troop withdrawals and an attempt to rally a government around Prince Sihanouk. The international guarantees were very difficult, and the US had to be cautious about who was asked to guarantee what. He thought there was "room for manoeuvre" with the Soviet Union over Cambodia.

## SOUTHERN AFRICA

10. There was also prospect of movement on Angola. However, the question of venue for the talks had to be sorted out. London was fine. If there were pressure for meetings elsewhere, these should be in Africa. The Angolans and Cubans thought that, if talks took place in Paris, they would find some sympathy from the French government, which would be helpful to them. Mr Redman reported that Mr Pik Botha was quoted as saying that, if the talks were not held in Africa, they should not be held at all. The Secretary of State asked whether the Americans saw Savimbi as an obstacle. Shultz thought that Savimbi was the key. Meetings were taking place secretly. The Americans and others had been working hard to promote contacts via Kenya and Cote d'Ivoire and these had borne some fruit. Shevardnadze agreed the approach but seemed to have difficulty in pushing things forward within the Soviet system. A solution could not be rushed. Even a 10-year deadline was "a useful play". Moreover, the reconstruction of Angola after any settlement would have wide implications. It was a very rich country, currently "in a hole". Economically, it could spring back rapidly. The Benguela Railroad was a potentially important lateral link; such an alternative transportation system could place real pressure on South Africa. The Secretary of State and Shultz agreed on the need to keep up pressure.

11. The Secretary of State said that the whole situation could be overturned if South Africa did something unwise. We must keep up pressure on South Africa to pursue the right policies and eg avoid incidents like the Sharpsville Six. The result of the French election could be to tilt France towards a pro-sanctions policy. Every such tilt towards sanctions exacerbated the problems in South Africa. Yet in this country there were indications of change as eg

Church opinion became better educated in the realities of South Africa: this was beginning to diminish the ranks of the advocates of sanctions.

## PHILIPPINES

12. The Secretary of State said that, for all her posturing, Mrs Aquino wanted to see the US bases staying in the Philippines: the argument seemed to be more over money. Shultz agreed. However, he cautioned that it was dangerous for her to think that words did not matter in diplomacy. The danger was that, if Mrs Aquino drummed something up, she would not be able to control it. The Secretary of State said that Mr Manglapus had made a good impression at the EC-ASEAN meeting: he sounded like an articulate American! Shultz said that he was girding himself up for a real confrontation with Manglapus. His first question would be why was Manglapus against the Philippines? The Secretary of State cautioned that the Philippines resented the term "mini Marshall" and preferred "polysectoral aid". The UK would certainly give support to the Philippines within the EC framework. It would be modest, but the psychological impact would be important.

## MIDDLE EAST

13. On the Middle East generally, Shultz said the USSR were pursuing the usual tactic of using speeches in different places to suggest flexibility but then reneging when the US accosted them directly. However, he thought the Soviet Union was genuinely concerned about the situation in the Middle East. They wanted to be sure that they would be part of any peace process that showed any hope of success but the Soviet proposals themselves had no chance of working. Overall, the USSR was now more sophisticated about its Middle East policy.

14. The Soviet Union showed extreme sensitivity about the interplay of Middle Eastern diplomacy with the nationality issue and in particular their Muslim population. (Sometimes Shevardnadze was explicit in their private conversations!) On Iran-Iraq, we needed to keep pushing. Iran's position was changing. It had suffered setbacks in the Gulf and on the battlefield. It had been humiliated in its two confrontations with the US. Syria was giving it a lot of trouble in Lebanon. Iran probably saw itself as being squeezed out of the picture there. Apart from the tension between Iran and Syria, there was the problem of Iran's relations with Hizbullah. The latter saw Iran increasingly as a "potential drag" in Lebanon. Shultz's policy would be to keep the process in being, to keep pushing and to be willing to talk to Iran if they had anything sensible to say (the US continued to receive messages through emissaries).

15. The Secretary of State had said he at been struck by Peres' forlorn posture in Brussels 2 weeks ago. He was not optimistic about the outcome of elections in Israel. If Shamir were to achieve a real majority, this would be a prescription for an explosion. He asked Shultz if there were anything more that we could do in the circumstances ?

16. Shultz said that his mind was still on the Moscow trip and he had not really focussed on what he should do during his forthcoming trip to the Middle East. It was certainly right that he should confront the Israelis with the realities but he needed also to demonstrate that the peace process existed. President Assad was absolutely no help. King Hussein wanted to help but was not able to do more: his main concern was that Shultz should pressure Shamir. Egypt on the other hand had been wonderfully helpful throughout. He would fly to Jordan on 4 June, to Israel on 5 June, to Syria on 6 June and then hold talks in Madrid on 7 June. He could not anticipate the outcome of the Arab Summit. He had it on good authority that the Algerians did not want Shultz to wind up the peace process. The Arabs could not endorse the peace process but did not want to destroy what was there. All in all, he was not looking forward to his forthcoming Middle East round. The Secretary of State commiserated.

#### EASTERN EUROPE

17. The Secretary of State spoke of the ferment in Eastern Europe. Shultz said that the Russians had not wanted to talk about Eastern Europe: their interest was Western Europe.

#### BERLIN AIR SERVICES

18. The Secretary of State recalled that UK-French proposals were on the table for sharing the Berlin routes: yet we were now faced with a US deadline of 9 June to agree a provisional US proposal envisaging a 30% increase in traffic on a route growing at only 2% a year. He pressed the US side to withdraw their deadline. Ms Ridgway foresaw a tremendous fight on this. The US had accepted an earlier British request for provisional arrangements. When they came to seek a return of the favour, they were "being stiffed". 5,000 Pan Am passengers were currently waiting to know whether or not they would be able to fly to Berlin. The Secretary of State said there was no comparison between the 2 cases. The UK had sought US agreement to a "mini arrangement". What the US was now seeking was agreement to a huge change. There was a difference in scale. Time was needed to sort out the issue and he hoped that the deadline would be withdrawn. 6 days notice was unreasonable. He proposed (with no dissent from the US side) that Messrs Braithwaite and Wallis should try to find a way forward when they met on 4 June in Toronto. Ambassador Price recalled that there was also a significant UK-US problem over charges at Heathrow.



## TORONTO ECONOMIC SUMMIT

19. The Secretary of State strongly believed there should be some action on terrorism. He had nothing grandiose in mind but recalled our 4-point plan. Shultz thought it would be unforgivable if terrorism were not given suitable mention.

20. The Secretary of State argued that constant progress needed to be made on agriculture. The important thing was to keep up the momentum of gradual improvement. The US zero/2000 option militated against this. Shultz agreed on the need for continued momentum. There was a tendency for backsliding and it was good also to have an objective such as zero/2000. He quoted the Prime Minister in support of his arguments for having such objectives and sticking to them. Sir J Fretwell and HMA Washington recalled the tremendous progress made in virtually wiping out Europe's butter and milk powder mountains. The Secretary of State said it was important to find ways of encouraging momentum generally and in particular to keep hammering away at the FRG.

21. The meeting finished at 0905.

North America Department  
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