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*Mr Lake (8822-24,
admitted visit already
was a problem)
Mr Layde } 820
Mr Meyer }
LW*

WBA 333/2

Sir A Duff

ANGLO-AMERICAN PLANNING TALKS

Our annual planning talks with the Americans were held in Washington on 10 and 11 October. On the American side, Tony Lake was supported by Paul Kreisberg, Jenonne Walker and other members of their Policy Planning Staff as appropriate, plus representatives of the geographical bureaux and the NSC staff. Mr Squire, Mr Weston and Mr Carrick attended for the Embassy at different times. I was accompanied by Mr Cornish and by Mr Bone of Research Department. I attach a record which - although it looks long - is something of a summary. Mr Lake emphasised that some of the comments they were making, eg on US arms transfers to North Yemen, contacts with North Korea and Iran were highly sensitive and should not be referred to in conversations with other American officials. This is in fact no more than the normal ground rules of our planning talks. As always in these talks, the Americans were pretty open with us and did not attempt to conceal contradictory views on their own side, eg on the future in Iran.

2. Because of the length of the record, it may be useful if I pick out very briefly what struck me as the salient points:

(a) The initial American line on East-West relations was optimistic. There was a feeling that things (including contacts) were going back to normal, with the view expressed that the current improvement in East-West relations was because of successes in Western policy. I questioned this and in discussion the Americans tended to admit that the United States was in no better a position to stop things going wrong again in Africa, over human rights or other areas of difficulty. Mr Lake was sceptical about economic leverage although he saw economic measures as useful signals.

(b) On South Africa, Mr Lake agreed with my thesis that we should avoid foreclosing any options for internal change. In particular we should not nail our colours to the mast of one man, one vote and should not, in the way we condemn the homelands, exclude partition solutions. Particularly in private conversation, he was extremely cautious on sanctions: he did not believe they would put effective pressure on the South Africans (whether in respect of Namibia, Rhodesia or apartheid); indeed they would make the situation in South Africa worse while damaging the West. He saw sanctions as

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inevitable but as damage limiting ways of coping with African pressures, not achieving results on the ground.

(c) On Angola, Mr Lake emphasised the political and moral objections, by normalising relations, of seeming to give Neto a free hand to finish off UNITA, even if this was the precondition for getting rid of the Cubans. He took note of counter-arguments without being evidently persuaded by them.

(d) After strong urging from Saudi Arabia, and on essentially political grounds, the Americans were launching an enormous military supply programme for North Yemen. The Saudis were paying.

(e) Although Mr Lake did not think that Soviet military intervention in Afghanistan was very likely, he was worried about the effects if it did happen.

(f) The State Department Country Director was extremely pessimistic about the Shah's prospects; Mr Lake and his colleagues less so.

(g) Mr Holbrooke shared our general approach on China. He expressed doubts about the long-term future stability of the current Chinese modernisation policy, but did not dissent from what he called the "conventional wisdom". Although given an opening, he said nothing about possible British arms sales. He emphasised the commitment of the Administration to normalisation but said that the Chinese would have to accept continuing US military assistance to Taiwan outside the renounced security treaty and a "follow-on relationship with the people of Taiwan." It was therefore for the Chinese to move, although the US would need to legislate to continue Eximbank loans and set up a trade office. He could not tell how long it would take but thought that the timing of SALT II would not be right to bring both off together.

(h) He said that the US would move closer to Vietnam. They believed that Vietnam wished to escape from total Soviet influence and the US should reciprocate this interest. They disagreed with the Chinese analysis of Vietnam as already subservient to the Soviet Union.

(i) He made a special point of emphasising the political importance of the November EEC/ASEAN Ministerial meeting. While recognising that the Community could do little substantive on the economic side, he argued that presentation and "massage" were all important. He hoped that Dr Owen would give it his personal attention and would in particular commend the success of the ASEAN countries in coordinating their responses to Vietnamese approaches. He

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also argued strongly for moves on the Common Fund as a gesture to ASEAN, for whom it was a high priority and who were moderates in the G77. Mr Vance had stressed the importance of this in his successful meeting with ASEAN Foreign Ministers in New York (Holbrooke covered the same ground with Mr Jay - Washington telno 4046).

(j) Mr Holbrooke spoke strongly against joint US-European Community approaches to Japan on economic matters: the continental Europeans did not share the American appreciation of the enormous strategic importance of Japan to the US, and the US would do nothing which might drive Japan into isolation, a danger they regarded as real.

(k) Korea. Mr Holbrooke was convinced that relations with South Korea were now restored and on an even keel after the near "catastrophe" in confidence in the early months of this year.

(l) On EMS, the American concern was not at all about probable effects on the dollar or the IMF, but entirely about the effects on Europe. If the EMS strengthened the Community they would welcome it, but they feared it would weaken it and even more so after enlargement. Their concern therefore exactly mirrored ours and they supported our efforts to see the EMS without a deflationary bias which would penalise the weaker countries. They clearly hoped we would approach the negotiations with a "yes but" attitude which they saw as having the best chance of influencing events, rather than the "no because" attitude they thought we had come close to adopting.

(m) Two additional points emerged in the margins of the meeting and are not reflected in the record.

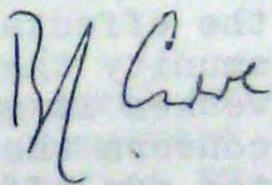
(i) US-Europe: the Americans were not seriously concerned about the state of US-European relations. They recognised as an unfortunate fact of life that President Carter's raising of a number of functional issues which cut across geographical relationships caused difficulties for partners and their relations with the US. But they regarded this as a natural and manageable process. The Germans, in their planning talks just before ours (they were in Washington before APAG, we after it) had expressed no concern about US policies and indeed had gone out of their way to impress on the Americans their reliability as an ally (Bahr and all that). The French in their planning talks had raised the subject, especially in the East-West context, but in terms which the Americans regarded as mischievous; they felt that they had "demolished" the French.

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(ii) Mexico: relations with Mexico are preoccupying the Americans much more than I had realised. They have suddenly woken up to but not digested the fact that they have as a neighbour an oil producer of potentially Saudi proportions. Aside from the rather rash talk of "leverage" which this might in the eyes of some give the US over OPEC, the State Department planners were playing with ideas involving a special deal with Mexico under which the Mexicans would receive an over-the-odds price for their oil in exchange for measures to cope with the massive illegal emigration problem - eg creation of jobs in the Mexican border areas plus a US willingness to accept the agricultural and other exports thus engendered. The problem was that the Mexican Government have hitherto shown little interest, despite inducements, in developing the North. For the Americans the problem is that, on present trends with "wetback" immigration, there will be more American chicanos than blacks by 2000 AD.



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Planning Staff

19 October 1978

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