

Subject

Matters

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cc: Sir A. Parsons

dyg

## 10 DOWNING STREET

From the Private Secretary

30 May 1983

Dear Brian,

PRIME MINISTER'S DISCUSSION WITH PRESIDENT REAGAN

On 28 May the Prime Minister had two conversations with President Reagan - the first during a brief courtesy call immediately after her arrival in Williamsburg, the second during her bilateral meeting with the President at 1820 hours. Both of these conversations were tete-a-tete.

The Prime Minister told me afterwards that President Reagan had immediately launched into the question of a possible Summit statement on INF. The Prime Minister had told the President that she herself favoured a broader statement on the strength and unity of the West and its interest in pursuing genuine arms control and disarmament negotiations. She believed that the Summit should inject a new note of urgency into the relevant negotiations. The INF should of course be mentioned but the statement should not be confined to this particular negotiation. The President had responded positively to these ideas (the subject was then taken up at the dinner for Heads of State and Government in the evening).

The President had made it clear that he wanted some steps to be taken to alleviate the plight of the developing countries though he had not been specific as to the measures he envisaged.

The Prime Minister raised with the President the question of the US budget deficit. The President had replied to the effect that he was convinced that the American economic recovery was linked to his tax cuts. If these cuts were not fully implemented, the recovery would be aborted. The implication of economic recovery was that national income would rise and this process would by itself bring the deficit down substantially in 1985/86.

(The Prime Minister has reached the conclusion that there is little point, in the light of these arguments, in pressing the Americans further about the budget deficit).

Mrs. Thatcher told President Reagan that she was very concerned about the Export Administration Act which would cause immense problems in Europe. The President pointed out that there was one bill before the House of Representatives and another before the Senate. The former was better from our point of view and he did not believe that it would in the end cause us much trouble. His powers under this legislation would of course be discretionary.

/ The Prime Minister's

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The Prime Minister's general comment on her meetings with President Reagan was that his health seemed much better and he was also much better informed than on previous occasions.

I am copying this letter to John Kerr (HM Treasury), John Rhodes (Department of Trade) and Richard Mottram (Ministry of Defence).

*John Kerr*

*John Rhodes.*

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

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