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BRITISH-AMERICAN PLANNING TALKS, WASHINGTON,
10 AND 11 OCTOBER 1978

SUMMARY RECORD

US-SOVIET RELATIONS

1. Mr Kreisberg said that the fundamental problem was to find the right balance between cooperation and competition in their relations with the Soviet Union. Soviet activities in Africa presented a dilemma. In the Horn, there had been pressure from the Saudi Arabians for American arms supplies to Somalia, but they had held off because of continuing WSLF activities in the Ogaden, while encouraging other countries to press the Russians and Cubans not to cross the Somali border and not to become involved in Eritrea. Even the Libyans, Algerians and Iraqis were concerned about Soviet involvement in the area, and partly as a result the Soviet Union was now trying to reach a negotiated settlement in Eritrea with the help of the South Yemenis and the Libyans. Mr Kreisberg was less concerned that the Russians would succeed in consolidating a bastion of power in Ethiopia. They were not meeting all the wishes of the Ethiopian Government, who were in turn not paying for the $1 billion worth of arms which they had received. Mengistu was resisting Soviet pressure to set up a Marxist party and had sent Ethiopian supporters of the Soviet line out of Addis Ababa. The prospect was of the Russians becoming increasingly bogged down.

2. In Southern Africa the future extent of Soviet involvement was still an open question. In Afghanistan and South Yemen the Russians had been taking the opportunities which offered themselves: there was no linked operation such as the Iranians and Saudis imagined. Afghanistan was not yet a Soviet client state, and its present government was very insecure. The Russians would probably wish to avoid military intervention unless there was a disaster. The Indians were, however, already very concerned and had told Moscow that there could be a confrontation if Soviet troops moved

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into Afghanistan. This could restrain Soviet behaviour, since they thought of India as a major long-term goal.

3. In other parts of the world, the Russians would continue to probe opportunities while avoiding serious risks. They were not doing well in the Far East, and had handled relations with Japan badly. They were losing ground in North Korea and were being refused military facilities at Cam Ranh by the Vietnamese, who were also keen to improve their own leverage through better relations with the US. In the Middle East, the only Soviet option was to provide new weapons, eg to Syria, but the Syrians would remain independent. There were new problems with Iraq. In Eastern Europe, Soviet dominance continued, and would even be increased by the growing economic dependence of the Eastern European countries on the Soviet Union, especially for oil. This dependence would however place major strains on the relationship. In addition, the heavy industry sector of the Soviet economy was in bad straits, and there would be increasing energy constraints.

4. Human rights issues had also become easier. Between 26,000 and 30,000 Jewish and other emigrants would be allowed out of the Soviet Union this year. The problem of Mr Crawford, the American businessman arrested in Moscow, had been solved, and US-Soviet trade was up 60% this year over the comparable period last year.

5. Against this background, in which Western attitudes and Soviet interest in détente had helped to limit the achievement of Soviet objectives, the Russians evidently wished to move ahead with the cooperative side of their relationship with the US and business as usual was resuming. A SALT Agreement was likely by the end of the year, and there would be another meeting in three or four weeks' time on conventional arms transfers, where there had been much more progress than had originally been thought likely. The Indian Ocean talks might be reopened within the next couple of months in response to Soviet pressure: they had reduced their force level to what it had been before their intervention in the Horn. The only obstacle would be if there was further Cuban involvement in Africa. The Soviet Union wanted to maintain the transfer of technology and more generally might see advantages in increasing the pitch of US-Soviet relations. Provided major disputes could be avoided in future, eg over human rights, the outlook was good.

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6. Mr Shinn, Country Director for the Soviet Union, said that the American reaction to the problems of the summer over the dissident trials, the journalists accused of slander and Mr Crawford had been compartmentalised. This had had some success, and Mr Blumenthal was planning to go to Moscow in December for the next meeting of the joint US-Soviet Economic Committee and Trade Council. The chairman of the latter, Mr Verity (also chairman of ARMCO) had seen Mr Brezhnev in Moscow on 7 October; the latter had emphasised the Soviet interest in trade.

7. Nevertheless, the global reach of the Soviet Union would continue to cause problems, particularly perhaps in Southern Africa. There was a rumour that Cuban troops would be sent to Mozambique. It was also important that the West should respond adequately to the Soviet military build-up in Eastern Europe. On human rights, time tended to be a healer. There had also been great advances in the Soviet Union over the last 10 years, of which insufficient account was taken in the West. This was part of the general evolution of Russia since the emancipation of the serfs in 1861. (Mr Lake interjected that he was not sure whether to talk of evolution or rather of a cyclical process.)

8. Another problem was the succession to Brezhnev. He had had two heart attacks and wore a pacemaker. He also had problems with his nervous system, but it was probably his cardio-vascular problems which would kill him. He was the personification of the peace programme agreed at the 24th and 25th Party Congresses, and his successor might take a harder line, following a tradition of reacting against previous leaders once they have disappeared. In any case, the period of the succession was bound to interfere with the Soviet decision-making process. It would be more important than ever during this time for Western leaders to avoid statements or actions which would play into the hands of immoderate elements in the Soviet leadership counting on gaining support through anti-Western policies.

9. Mr Crowe commented that, while he agreed with the general lines of what had been said, he would put the emphasis a little differently. He doubted whether it could be shown that the Russians

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had been constrained by Western actions - Third World feeling was another matter. What we were now seeing might be less an upturn in East-West relations following relative Soviet failures than a hiatus in those aspects of international affairs most affecting East-West relations. The situation in the Horn was quiescent because the Russians had achieved their objectives in the Ogaden and did not want in any case to become embroiled in Eritrea. Rhodesia and Namibia had not come to the boil for them; but they could in the coming months. The sting had gone out of the human rights confrontation but that was because the Belgrade Review conference had passed and the Russians had successfully asserted control over their dissident situation. The détente process - arms control, trade and other contacts - were on or coming back on course. But we still had come no nearer to finding ways of constraining Soviet behaviour where it ran counter to our interests. This particularly applied to Africa.

10. On the Western side little leverage was available. Human rights were an important instrument of policy. They put the Soviet Union on the defensive. But we should be careful not to let them take control of policy itself. The next Olympic Games were relevant in this connection. SALT was probably a significant constraint on Soviet policy. But once the SALT agreement passed the Senate, the Russians would feel less inhibited since it would be some time before SALT III reached a delicate stage. The absence of this constraint might show itself particularly in Africa over the next two or three years. In theory economic leverage would be helpful, but it was hard to bring about, and the Russians did not react well to threats even if delivered privately. But the US Administration had banned the Tass computer sale and delayed licensing for oil drilling equipment. He would be interested to know how far this was domestically motivated and how far regarded as a use of leverage. A particular difficulty was the bleak prospect of coordinating the policies of all the Western countries which would have to be involved. An effort in this direction might increase the strains between the US and Europe. These were traditional as far as the French were concerned. But care had to be exercised in not giving the Germans cause to doubt the predictability of the Americans as allies. The Germans had their own particular interests

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eg over proliferation issues, cruise missiles and emigration of ethnic Germans from Eastern Europe. But while the Soviet Union would try to exploit differences, we had no doubt about the fundamental solidity of the German position. (Mr Lake said privately that Herr Kinkel - with whom he had recently had US-German planning talks - had made a point of reassuring him on this point: the US Administration had no doubts in this regard.)

11. Mr Laporte commented that, on past form, it was profitless to speculate on what might happen after Brezhnev's departure. Mr Shinn said that, to get support for his détente policies with the US, even Brezhnev might have to make concessions to hard-liners in the Politburo, eg over support for the national liberation movements in Africa.

12. Mr Lake agreed with Mr Crowe that the Russians had not been constrained by détente considerations from doing anything which they would have wanted to do in Africa, including giving encouragement to ZAPU. They had not shown themselves to be constrained by SALT, and were keeping their present low profile in Southern Africa and Eritrea for their own reasons. It would indeed be desirable to use the present hiatus to establish a policy to help control future Soviet behaviour where it harmed Western interests. Was it possible to develop a code of conduct for détente? How could leverage be made workable? He had at first thought there was much to be said for a code of conduct but was now an agnostic if not an atheist on it, not least because the West should not impose restrictions on its own right to provide military help to friendly Third World countries. Nor could pressure of public opinion achieve a great deal. The Tass and Dresser episodes had, however, not been merely a response to domestic pressure; they were intended to signal that the US was serious. An imminent danger now was in the Horn. There had been an increase in the activities of Somali liberation forces in the Ogaden, and the Cubans remaining there were unable to cope with the resulting harrassment. An obvious response was to hit back at Somalia. How could we stop this? Mr Crowe said that the trouble was that the Somalis would be bringing retribution on themselves since they were the aggressors. They could not benefit from it and we should use the limited leverage available to us to try to persuade Siad Barré to reduce his support for the Ogaden insurgents.

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13. Mr Shinn expanded on the difficulties of economic leverage in such cases. Following the TASS computer and Dresser oil equipment episodes, the second of which had been bungled by the Washington bureaucracy, the National Security Council would henceforth be reviewing potential sales in the light of political as well as national security interests, particularly for energy related exports. Mr Lake suggested that Soviet Jewish emigration figures were going up partly because the Russians wanted the measures imposed by Senator Jackson and Congressman Vanik to be removed. Mr Shinn thought that the emigration figures showed that the US could be successful when a low profile could be kept. Where dissidents attracted public attention, however, they could force the Administration to take a high profile. Mr Crowe pointed out that the Soviet authorities had an overriding interest in keeping the dissidents under control, by means of exemplary trials if necessary. As far as pressure on the Soviet Union was concerned, the US had the advantage over other Western countries that they still had the incentive of MFN and Eximbank credits to offer; other countries had already conceded these.

14. Summing up, Mr Lake said that the Administration continued to believe that linkage did not work well at a time of political competition. He confirmed that although the Dresser episode had been intended as a signal, no deep thought had been given in the US Administration to the use of economic leverage, but "God help us on Rhodesia".

AFRICA

15. This session was attended by Tom Thornton of the NSC staff. Mr Lake said that the three issues of Namibia, Rhodesia and South Africa needed to be faced in conjunction, but using a different approach for each. Rhodesia, for instance, was a more natural subject for oil sanctions than was Namibia, even though it might be desirable to step back on the Rhodesian issue if nothing could be worked out in the next few months. He thought oil sanctions against Namibia would be wholly inappropriate, since they would lead, when they failed, to demands for enforcement and even more extreme measures. On South Africa itself, Vice-President Mondale

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had told the South Africans that their relations with the US would deteriorate if there was no progress on apartheid. Sooner or later, the fact would have to be faced that there had been no such progress.

16. On future options for change within South Africa, Mr Lake said he was grateful for the British discussion paper (by Planning Staff) and asked to see the Annex prepared by Research Department (it has been sent to him). Mr Crowe outlined the paper, concluding that in his view it was difficult to see how a federal solution, which was bound to be extremely complex and which the whites would wish to dominate at the upper level, could work. Mr Lake agreed that it would be difficult to handle taxation, foreign policy and defence in a situation in which the necessary goodwill between the component parts would be totally lacking (a reference to Cyprus was made). Mr Crowe continued that assuming one man, one vote in a unitary state was not feasible and some kind of federal solution was equally unworkable, partition was the only logical answer. Although the present Homelands policy, as a part of apartheid, was unacceptable, a partition solution built on the consolidated Homelands in vastly extended geographical areas and with a fair share of resources was conceivable. It would however require considerable sacrifices from the whites, including either the partition of or special arrangements for the industrial area round the Rand. It would also require population transfers. It could only be a last resort. The trouble was that the white population of South Africa could see no viable alternative to their present policies, and most discussion was based on ways of trying to make them more acceptable to international and black opinion. But as the internal situation in South Africa deteriorated, with internal and international pressures, and the present policy was seen as increasingly unviable, debate could be opened up and new possibilities discussed. This was inevitably a long-term process. It was in the Western interest for the West to encourage the evolution of such discussion and, while condemning apartheid, to show sympathetic understanding for any viable solutions which might emerge. This required the West not to foreclose any options which could lead to such a conclusion, for example by stressing one man, one vote in a unitary state or condemning out of hand any kind of

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partition. Mr Thornton said that his impression was that all schemes were probably unworkable, but he agreed that we should not foreclose options by calling for one man, one vote. Mr Lake commented that Mr Mondale had acquiesced in this phrase only after persistent questioning by a journalist. Mr Crowe suggested that merely not foreclosing options was a passive policy. We should try and encourage an internal debate in South Africa as conditions made this possible. Mr Lake said that they would have to talk to the South African Government about apartheid in the next few months. It might however be more helpful to work unofficially, eg by organising conferences. The Administration's view was that the West should not specify a list of measures for the South African Government since the latter could then claim they had satisfied Western demands. Mr Crowe agreed but said that we could still try and establish trends and encourage debate. Mr Cornish suggested that it was important to address ourselves to black opinion as well as to the whites. Ms Speigel suggested that a useful course of action would be to encourage black and white leaders to talk directly to each other. The former were willing to recognise the security needs of the latter.

17. Mr Thornton suggested that, if sanctions were inevitable, it might be useful in our own interest to make the period of disruption as short as possible. This would mean trying to maximise rather than minimise their effect. Mr Crowe questioned whether sanctions would make white South Africans amenable; they would hit the blacks hardest, including in other African countries, increase unrest, violence and repression, exacerbate racial tensions and reduce willingness to negotiate on anything other than extreme terms. He doubted whether Western democratic governments could sustain policies aimed at such effects. Mr Lake pointed out that revolutions tended to happen when conditions started to deteriorate after having improved for some time. Sanctions at the right moment, it was argued, might have such an effect. His own view, however, was that although sanctions were inevitable, they would not help on the ground. As far as Congress was concerned, relations with the Administration were such that Congress would tend to do the opposite of Administration policy.

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For the moment Congressional pressure was directed at making the Administration pursue a harder policy towards South Africa, eg by cutting off Eximbank credits. Once the Administration adopted a policy of sanctions, however, the pressure might be in the other direction. His general thought was that we should try to make it clear that we could not be expected to solve the problem of South Africa. We should avoid being cast as a deus ex machina, as was the case with Rhodesia.

18. Asked about his attitude to sanctions on the immediate Namibia problem, Mr Lake commented critically on the current proposal to cut off flights to South Africa. This would not have a major economic impact, but would drive the South African whites into the laager by diminishing their communications with the outside world. Our aim should, on the contrary, be to preserve communications. He would prefer action in the field of high technology and in the field of finance, but he thought air communications the front-runner. He thought it important not to threaten specific sanctions in the talks between the Five and the South Africans the following week (Mr Crowe agreed). Oil sanctions would not work, since South Africa had two to three years' reserves. Moreover, there would be pressure for the West to mount a blockade to implement sanctions. Mr Crowe thought that the Iranians would be cooperative - only a small proportion of their oil went to South Africa. Mr Lake said that he would nevertheless prefer action on loans to South Africa where we could keep our skirts clean. If funds continued to flow eg through Singapore there would be nothing that we could do to stop it. He made it plain that, given that sanctions were inevitable but without value on the ground, his ideal would be sanctions which looked good at the UN, did not put a burden of enforcement on the West and was relatively cost-free to both South Africa and the West.

Angola

19. Mr Lake said that the Angolans wanted to improve relations with the US for economic reasons, and had put out signals through the Portuguese. In addition to wanting more economic help than

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the Russians could provide, Neto hoped to solve his internal security and border problems, particularly as little had been done in practice to carry out his agreement with Mobutu. The American reply was that they were willing to talk about more normal relations, but that the Cuban presence in Angola was still a complicating factor. It was indeed in the American interests to see the border problems solved, but he felt a political and moral concern arising out of previous Western support for UNITA. It was important not to promote the military defeat of UNITA by Neto, yet how could political reconciliation be encouraged? Mr Thornton said that UNITA continued to receive supplies, perhaps via Zaire from Europe. There was no current evidence of support from South Africa, but this did not prove that it was not being given. Even with a Namibia settlement some supplies could come through the Caprivi Strip. Mr Lake added that the difficulty was that the Cubans would not leave until the UNITA issue was settled. So long as the Cubans were there, normalisation was difficult if only for Congressional reasons. How could we get Savimbi and Neto to reach a political solution? Mr Crowe agreed that a political solution was preferable, but willingness to negotiate had to come from Savimbi too. He suggested that it could be mistaken to attach too many conditions (Cuban withdrawal, political settlement, etc) to normalisation since otherwise the Americans would never reach a position in which they could influence the Angolan Government. It might be necessary to accept that the West - or the US - did not have the ability to determine the outcome of a struggle for power and trying to do so in Angola might only encourage Savimbi to keep going. Mr Lake said that it would be politically difficult to go very far until the Cubans had left, and maybe it would be necessary to wait for a while. In the meantime, the Angolans were trying to reopen the Benguela railway.

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SOUTH-WEST ASIA

North Yemen

20. Mr Kreisberg said that the US had started a massive $300 m military assistance programme to North Yemen, their fourth largest. F5B fighters, tanks and armoured personnel carriers were the main components, and American training would be necessary. The programme would be paid for by Saudi Arabia. This step was being taken in response to strong pressure from the Saudis resulting from their concern about South Yemen. The US Administration had agreed in order to show that they were not solely interested in the price of oil. Nevertheless the decision might bring problems. It would presumably result in an increased programme of Soviet and Cuban assistance to South Yemen, and the North Yemenis might be encouraged to build up guerrilla forces in the south of their country to raid over the border. In the longer run, it should not be forgotten that North Yemen had more people than Saudi Arabia. As part of the process, the Saudi Arabians wished to get rid of a Soviet presence in North Yemen and to bring about a more amenable government there.

Afghanistan

21. Mr Kreisberg said that it was far from clear that the present government would survive, and many of the original participants in the coup have already been ousted. The Soviet Union would probably prefer not to intervene directly, partly because of Indian concern over the integrity of Pakistan. Mr Thornton suggested that the Indians were developing a lively regional interest which was to be encouraged. Mr Lake wondered how the Soviet Union could be discouraged if it were tempted to intervene. Mr Crowe agreed that the Russians would be most reluctant to intervene. A call for help from the survivors of a coup might be difficult to resist. But much would depend on the circumstances. The Russians would think hard before being seen to attack the Afghan army, even though there could be no doubt about the outcome. If they did invade there would be little the West could do directly apart from stirring up international concern. Mr Thornton thought that one reason for Soviet intervention might be the worry that if they held back, a right-

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wing Afghanistan government might be installed, increasing American influence. Mr Crowe wondered whether any government in so small and powerless a country as Afghanistan could pose, or be thought to pose, a significant threat to Soviet security. Mr Lake said that Soviet military intervention, reflecting a development of the Brezhnev Doctrine, would have serious consequences for East-West relations.

Iran

22. Mr Henry Precht, Country Director for Iran, opened his remarks by saying that in his view recent events in Iran were the worst foreign policy disaster to hit the West for many years. He said that the current shooting by the military and growing labour difficulties were a foretaste of the chaos to come. Government reactions were tardy and inept, and there was the danger that they might come to believe that the West wanted to divide up Iranian oil supplies with the Soviet Union. More and more the Shah was being opposed by the whole country. The Army and the Police were on his side, but he could not be sure how they would behave under pressure. The Shah seemed to have given up, Sharif Emami was doing nothing to capture the public imaginiation, and martial law was brutal. It was difficult to see how the Shah could survive. Mr Crowe said that our assessment was also gloomy but less hopeless than Mr Precht's. The Shah still had the Army and the opposition, though united against him, was not united on its positive goals. The Shah had indeed been depressed and left things to his Prime Minister, but he was listening to advice, for example from Sir A Parsons. In our view it was essential to stand behind the Shah and give him our full support. We also believed it essential that the Shah should proceed with his programme of elections next June. Mr Lake agreed that liberalisation should continue. He also agreed that it was essential to maintain solidarity with the Shah: he could not imagine a successor regime which would not be worse for Western interests. Mr Precht said that one matter on which the opposition was increasingly united was the belief that the Shah must go. Even middle-class people were beginning to waver in the way they saw their interests. Muharram would produce further serious disturbances in December, current wage settlements were highly inflationary and the only effect of the Government's

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corruption campaign was to paralyse the bureaucracy. Professor Bull, whose earlier predictions on Iran had been borne out by recent events, had taken the view that the Shah would not be able to maintain power. The immediate succession would probably go to a military regime, either of the generals or of some unknown colonel, in which case the dangers would considerably increase. Nevertheless, Mr Precht concluded, it was the right policy to support the Shah and press for liberalisation and the inclusion of outsiders in the government.

23. The other Americans showed surprise at the depth of Mr Precht's gloom. Mr Kreisberg asked whether we were harming both the Shah and ourselves by trying to shore him up. Mr Precht said that the answer to both questions was yes, but we had no alternative. He expected Sharif Emami's government to fall before the end of the year. Of the opposition, only Khomeini had any stature. Matters would not be helped by the fact that Mr Precht was having to review State Department records for the years between 1952 and 1954 with a view to release under the Public Information Act, with possibly damaging consequences for the UK as well as the Shah.

24. Mr Crowe expressed the view that if that were the case, he hoped HMG would be consulted. He commented that if Mr Precht was right and the worst came to the worst, we should have to do what we could to get on terms with the Shah's successors. One major fact in our favour was that Iran under any regime would continue to have a strong interest in selling oil to the West. If the Soviet Union wanted Iranian oil they would have to pay the going rate in hard currency. Damaging to Western interests though the Shah's fall would be, it need not be cataclysmic and it was in our interest to see that it was not. Mr Precht pointed out that the US press would nevertheless take a change very badly. US public opinion, particularly in Congress, would be particularly affected by a successor government in Iran breaking present ties with Israel, as it would inevitably do. Nevertheless, he agreed that the situation should be manageable in the longer run. Mr Lake pointed out that since the successor government would continue to need American help with their military equipment they might be brought

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to see the importance of good relations with the US, but added that the Russians would nevertheless benefit. Mr Crowe asked about CENTO and the effect on Iran of Pakistan's withdrawal. Mr Lake thought that Pakistan was now drawing back from its earlier loss of interest and threat to withdraw. He had no wish to raise the question of what should be done with the organisation. Mr Crowe agreed that the Shah had other worries on his plate for now. Mr Precht reported the Iranians as having said that CENTO meant nothing to anybody, either the Soviet Union or the US.

CHINA, EASTERN AND SOUTH-EAST ASIA

25. For this session the chair on the American side was taken by Dick Holbrooke. Mr Crowe led off by referring to Western security and economic interests, and to the implications for them of the new policies associated with Teng and the Sino-Soviet dispute. His judgment was that both were here to stay, that they could give China a continuing interest in good trading and political relations with the West and in regional and perhaps wider stability. They were therefore both in the Western interest and the West should encourage them by reciprocating Chinese interests; this would also give us an ability to restrain Chinese activities in support of violent change, eg in Africa. The Chinese wanted to build up a Western and Third World coalition against the Soviet Union, but we had to take due account of the importance of our relations with the latter.

26. On the Chinese side, one question was progress in the normalisation of their relations with the US. Presumably the ending of diplomatic relations and the end of the security treaty with Taiwan could be reconciled with a trade liaison office and continuing military assistance. But no doubt the Americans would not just leave Taiwan to its fate, if only because it was important to preserve credibility with the South Koreans and Japan. Perhaps China would understand this, since she would not wish to weaken the stability of the region. Mr Crowe wondered whether Taiwan, if it lost confidence in the US, might be driven by insecurity into

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closer ties with the Soviet Union. Mr Holbrooke rejected this possibility. The Russians would certainly try to play footsie with Taiwan. But Taiwan was an island of traders. Their exports, the 12th largest in the world, were to the West, and they would have no confidence in any offers of security from the Russians. They knew that exports would suffer badly at the hands of the US Congress if they played games with the Russians. The chances of a closer alignment with the Soviet Union were therefore, in his view, zero.

27. Mr Crowe went on to suggest that our aim should be to respond to Chinese interest in the West, and to try to create a network of mutually dependent relations. The Soviet Union could be expected to react strongly, since they would like to isolate China. There was an argument that new leaders, alarmed at an ever stronger China in close relations with the West and Japan, might even go so far as to repudiate détente and become more adventurist. Mr Crowe believed that the Soviet Union's own interest in détente was so strong as to prevail, more particularly as the Western contribution to Chinese modernisation would be relatively marginal whether in the civil or the military field. If we limited arms sales to defensive weapons and handled matters unprovocatively, this would not constitute or increase a threat to the Soviet Union. In support of this it behoved us to make moves towards the Soviet Union at the same time as we did towards China. The US might have an opportunity to do this by continuing normalisation with a SALT agreement. As far as the UK was concerned, if we sold arms to China we might expect penalties from the Soviet Union in the trade field. There might also be some Soviet signals through the vehicle of current East-West negotiations, but if we handled the matter carefully the Soviet Union would see it as in its interest to go on dealing with us. It followed that there was no China card for us to play.

28. Turning to other countries in the region, Mr Crowe said that Japan was increasing in self-confidence and had a growing feeling that she had a contribution to make, eg to ASEAN, though little of the aid they promised had yet been spent. We should encourage them to do more, particularly in Africa, and to spend more on defence.

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29. As far as South Korea was concerned, Mr Crowe had been struck on his visit there in February by the depth of their concern about withdrawal of American land forces and the loss less of combat capability than of deterrence. Mr Holbrooke agreed that in February there had been a crisis in US-Korean relations, but said that President Carter's agreement in March to slow down the withdrawals had restored the situation, thus preventing a catastrophic deterioration in regional relations.

SOUTH-EAST ASIA (much of this ground is covered by Washington telno 4046 of 12 October)

30. Mr Holbrooke then turned to South-East Asia, which he said was the most interesting part of the Far East at the moment. He asked Mr Crowe to convey to Dr Owen that the ASEAN countries attached the highest importance to their forthcoming meeting with the European Community. Style and personal involvement would be vital, even if there was little that could be done on substance. He hoped Dr Owen would show his appreciation for the impressive way the ASEAN countries had coordinated their responses to the dazzling amount of attention they had received from Vietnam and China. Mr Vance had made an excellent impression on the ASEAN Foreign Ministers in New York in August. The latter had, however, referred with great emphasis to their coming talks with the European Community. Mr Holbrooke had told M. Simonet of this.

31. Mr Crowe said that the Community were considering what could be done in the trade field. It was hard to find concessions there, but we fully realised the political importance of the meeting. Mr Holbrooke said that the ASEAN countries wanted the kind of preferential arrangements for trade and commodities, eg in the form of quotas or guaranteed orders, which Japan had offered. He recognised that this was not possible. But the Common Fund was of great importance to them, and Mr Vance had made it clear to their Foreign Ministers that he attached importance to progress and a satisfactory outcome on this. The ASEAN countries were the moderates in the G77. It was strongly in our interest to show them support on this issue. (In a later discussion on the Common Fund after Mr Holbrooke had left, Mr Crowe pointed out that the UK was not behind the US on the outstanding issues (second window, voluntary contributions, direct contributions to first window). Mr Lake thought the US Administration would come out all right on

the second window but was split down the middle on the first.) They attached importance to having a Common Fund Agreement before UNCTAD V.

32. Mr Holbrooke went on to ask whether the Australians and New Zealanders would increasingly take the place of Britain over the next years in the South Sea islands, eg the Solomons and Fiji. Mr Crowe said that this was indeed the way things were going. Mr Holbrooke said that this was a logical arrangement, but needed to be made clear.

China

33. Mr Holbrooke said that the US, and President Carter personally, were absolutely committed to normalisation. But there was no time-table. He could see the attractions of tying it into the SALT II process, but the timing was not in US hands and he did not see it happening. It would be wrong to accept the Chinese line that it was soley for the Americans to decide when they wanted to go ahead. It was essential to avoid weakening Taiwan's security and economic prosperity, and certain non-official relations between the US and Taiwan needed to continue. The Japanese formula was useful, but the US could not adopt it as it stood. In particular, the Americans would have to go through certain necessary legislative steps. Congressional approval would be needed to set up a Trade Office in Taiwan and to continue Eximbank credits, which, as the law stood, could be made only to states. Taiwan was the second biggest recipient of such credits, which were also an important confidence factor for commercial loans.

34. Mr Crowe asked whether it followed from this that it was the Chinese who would have to make a move. Mr Holbrooke said that the Chinese would not change their three conditions, but would have to indicate that they would be ready to accept "follow-on relations with the people of Taiwan". On security, China would not attack Taiwan as long as they had Soviet divisions on their border and Taiwan was well enough defended. His personal view was that the Chinese would in any case not want to invade. They did, however, want the US to endorse publicly the fact that the Communist Party

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of China had beaten the Kuomintang. Once this was accepted, China would be prepared to work out an arrangement under which Taiwan would be a quarantined island of export earners, very like Hong Kong, on which he was impressed with the signs from the Chinese that they did not want to make an issue out of its future.

35. Fundamentally, Mr Holbrooke continued, it was a domestic problem in the US. At present Congress did not believe that Taiwan would not be endangered. He was unable to forecast how long it would take for this view to change, given that the ending of the defence guarantee did not mean that defence supplies could not continue. This assumed that the Chinese would accept continuing American defence supplies; if they did not, the position would be a very difficult one.

36. Mr Crowe asked what would happen if at a later stage China wanted to threaten Taiwan. Mr Holbrooke said that the process of normalisation would not make the US any less ready to react strongly to what would amount to an almost total destabilisation of Asia. Such a Chinese move would be imaginable only if a new Chinese leadership thought that the Soviet Union did not matter but that Taiwan did. Such people did not exist.

37. The present Chinese leadership was conservative, much more interested in state than in Party relations. The big question was whether the current line of modernisation, the revision of the education system and the great leap outwards were merely a swing of the pendulum which might swing back towards renewed factionalism, or whether, with Mao literally coming apart at the seams, Teng's path would prevail. It was a hard question. Mr Crowe suggested that, although there would be further variations round the trend, the next Cultural Revolution would not be as drastic as the last one as more people became involved in the fruits of progress. With the experience of past disturbances and economic failures, most Chinese leaders and people had a strong interest in a more consistent policy of modernisation. Mr Holbrooke said that the CIA had pointed out that there were a number of people, like the students who had been through the universities in recent years with more ideology than training, who were being unfavourably affected by current developments. Their resentment would be building up.

/Teng

Teng, on the other hand, was in a hurry. He had told Dr Brzezinski that he had lost 12 years of his own life and had little time left. In conclusion Mr Holbrooke said that he shared the conventional wisdom but did not wish to leave the problem unexamined.

SINO-SOVIET RELATIONS

38. Mr Holbrooke said that the current level of Sino-Soviet rivalry was important to the global balance, and tied down a quarter of all Soviet troops. (Mr Crowe pointed out that the Soviet military build-up in the East had not been at the expense of the Western front. Mr Holbrooke agreed, but said that some military planners did not.) Soviet military strength on their part of the border continued to increase. On their side, the Chinese had moved from Mao's three-world view to bipolarity: the enemies of my enemy are my friends. They even wanted relations with Saudi Arabia.

VIETNAM

39. Vietnam, Mr Holbrooke said, was China's most serious recent problem. The Chinese appeared to believe that it had become a Soviet military base, an Asian Cuba. Mr Holbrooke's own view, and that of Mr Vance and Mr Lake and most of the rest of the State Department, was that the Vietnamese had fought for 30 years for their independence and would not hand it over to the Soviet Union or allow Soviet bases to be set up. In recent months the Vietnamese had dramatically changed their foreign policy in favour of ASEAN, Western Europe and the US. They wanted relations with the latter and were ready to drop their demands for US aid. The Chinese saw this as a trick by the Soviet Union and Vietnam to induce the US to make good the aid which China had previously been giving. In the American view, however, there were four reasons for the new Vietnamese line:

(i) They had come to realise that their demands for aid had only weakened their case with the US Congress;

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(ii) the Vietnamese were very unsettled over the break with China;

(iii) they had serious internal difficulties with their economy, refugees, floods and the Cambodian war;

(iv) they were extremely anxious to avoid becoming excessively dependent on the Soviet Union, and hence were turning to the European Community, France and Japan for aid.

40. It was in the strategic interest of the US, and of the countries of South-East Asia, for the Americans to establish relations with Hanoi, in order to dilute Vietnamese dependence on the Soviet Union. They would therefore move in that direction. It would be easier than the normalisation of relations with China, and they would not be unmindful of the inter-relationship between the two and of Chinese reactions. But they would not allow China to dictate American policy to the third largest Communist state, given its potential for destabilising the area.

KOREA

41. The US had barely weathered two very difficult years. The three major problems were Koreagate, now in its death throes; human rights, a continuing problem but one of lesser intensity; and troop withdrawals. Prime Minister Fukuda had asked President Carter in March 1977 to say he would reduce, not withdraw, American forces. The President's refusal to renege on his electoral commitment had much upset the Japanese. Since March, however, the timetable for the withdrawals had been extended, Congress had agreed compensation, and the pot had been kept from boiling over. Accordingly, Harold Brown would be going to Korea in November in order to be present at the creation of a new defence command. Next year, Mr Holbrooke was optimistic that the relationship could be built up, and it might be possible to encourage North and South Koreans to talk to each other. It was helpful that North Korea was swinging towards Peking; Moscow in turn was playing footsie with South Korea and would have to be watched. Mr Holbrooke gave the history of various approaches to the US Administration from the North Koreans through a Canadian

/academic

academic, the Pakistanis, to the President-elect in Plains, Georgia, and via Tito and Ceausescu (Mr Lake subsequently referred to these contacts as sensitive and not to be quoted back to other Americans). The proposals had been for direct North Korean-US talks, and each time the American response had been to say that the South Koreans must also be involved. On one occasion, however, Mr Holbrooke had been falsely reported in the South Korean press.

JAPAN

42. Mr Holbrooke said that US-Japanese strategic relations had so far not been weakened by the growing trade problems. The Soviet-Japanese breach was a help with both US and Japanese public opinion. Nevertheless, anti-Japanese protectionism within the US was very alarming indeed. Mr Strauss, who in fact walked softly despite brandishing his big stick, was now being attacked in Congress for not being hard enough on Japan. Unfortunately, the Japanese surplus had risen to $18b this year, even though in volume terms it had at last started to go down. The question was what further action we could take. The Europeans, for example Mr Cortazzi, had suggested a joint US-European Community attack on the problem. But this was not the way to approach the Japanese, who were far more important to the US than the Europeans imagined and who would be driven into isolation. Mr Crowe pointed out that the gentle approach appeared not to be showing results. The Europeans fully appreciated Japan's strategic importance but they appreciated also the importance of vast Japanese surpluses which, if continued, would themselves produce consequences which could properly be called strategic. The Europeans did not want a ganging-up on Japan but they did think coordination was necessary so that we all said consistent things. Mr Lake underlined the dangers of driving the Japanese psychologically back into themselves. Their tendency, if they thought they were being picked on, would be to build up their military strength, including perhaps nuclear weapons, and behave even more aggressively in the economic field. Mr Crowe said that we could point out to the Japanese that we were treating them similarly to the way in which we treated the Germans when they had large surpluses - through pressure to reduce them.

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The most important point was that we should all be saying the same thing to Japan, even if we said it at different times. Mr Holbrooke continued to argue against forming up against the Japanese, but he agreed that the Tokyo Summit would produce a good deal of pressure on Mr Fukuda and said that President Carter was conducting an exchange of messages pressing the importance of the Japanese keeping the commitments they had made at Bonn. He repeated that continental Europeans did not share the American assessment of the strategic importance of Japan. He stressed that the US did not wish to isolate Japan which was central to the foreign policy of the United States.

EUROPEAN MONETARY SYSTEM

43. Mr Lake said that the French and German planners, who had recently also visited Washington, had given the impression that the European currencies would be able to slither about within the snake. He had made it clear that from the American point of view there were political as well as economic dangers in a two-tier system. Mr Crowe gave an account of the advantages and disadvantages of the current proposals, emphasising the importance of a solution which would be durable, would impose symmetry of obligations and which would not impose a deflationary bias to the disadvantage of the weaker economies. The UK would not wish to see a system which weakened the dollar or undermined the IMF. Ms Walker could see that some kind of EMS would be a useful contribution to the construction of Europe. But she shared British doubts about the dangers of a deflationary bias to the scheme. She also feared that the UK, by remaining aloof, might weaken its ability to influence the details. Mr Blumenthal as well as Mr Vance understood the political importance of the EMS. The main American concern was not the effect on the dollar or the IMF, but the effect on Europe: would it strengthen or weaken Europe? If the former, the US would support, if not, they would have reservations. Mr Lake thought that if the result were a two-tier European Community, with the top tier consisting of members of the EMS, this could be very damaging politically. Mr Crowe said that it was the British purpose in the negotiations to get the details settled in ways which did not weaken the weaker economies which, we agreed, would be bad for Europe as well as the UK. We had perhaps not handled the issue well

/publicly

publicly, but we were participating fully and constructively in the negotiations, not staying aloof. As regards a two-tier Europe, he hoped the Americans would not in the future regard a top tier which included at least the FRG, France and the UK as the leading countries as automatically a bad thing. After enlargement it might be the only way to keep the stronger countries, and especially the FRG, fully involved in making the Community a success if they were able to move ahead faster than the smaller and more backward countries. The process was bound to be an evolutionary and delicate one and would need the acquiescence - perhaps through major resource transfers - of the second tier countries. But it need not be bad for Europe or, therefore, for the US. Mr Lake found the thesis an interesting one - his concern seemed to centre on whether the UK would be in the top tier.