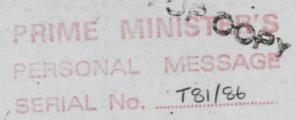
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COMPLIANCE: TELECON BUDD/KERR REFERS

1. PLEASE DELIVER THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO PRESIDENT REAGAN.

BEGINS.

DEAR RON

I WAS GRATEFUL FOR YOUR MESSAGE SETTING OUT YOUR TENTATIVE JUDGEMENTS ON HOW THE UNITED STATES SHOULD RESPOND TO THE SOVIET RECORD ON COMPLIANCE WITH ARMS CONTROL AGREEMENTS. THANK YOU ALSO FOR SENDING PAUL NITZE TO DISCUSS THIS FURTHER WITH ME. I AM SURE THAT HE WILL HAVE GIVEN YOU A FULL REPORT ON OUR TALK IN WHICH I SET OUT MY VIEWS RATHER FORTHRIGHTLY (JUDGING FROM HIS DOLEPUL EXPRESSION EXCLAM).

THERE SEEMS TO ME TWO CONTRADICTORY STRANDS RUNNING THROUGH YOUR PROPOSALS. ON THE ONE HAND YOU INTEND TO DISMANTLE TWO POSEIDON SUBMARINES. THIS IS STRICTLY IN ACCORDANCE WITH THE UNITED STATES OBLIGATIONS UNDER THE AGREED SALT LIMITS AND I APPLAUD IT. ON THE OTHER HAND AN ANNOUNCEMENT IS ENVISAGED NOW TO THE EFFECT THAT THE UNITED STATES WILL IN CERTAIN CIRCUMSTANCES BREAK THESE SAME OBLIGATIONS IN THE AUTUMN. THIS SEEMS TO ME TO RISK UNDOING ALL THE GOOD WHICH WOULD BE ACHIEVED BY THE PIRST DECISION.

I HAVE PUT TO YOU IN THE PAST MY STRONG VIEW ON THE IMPORTANCE

OF DEMOCRATIC NATIONS OBSERVING THEIR TREATIES STRICTLY. YOUR RECORD HAS BEEN UNRIVALLED ON THIS AND YOU HAVE EARNED THE WORLD'S RESPECT FOR THE UNITED STATES. BUT IF YOU NOW ANNOUNCE YOUR CONDITIONAL INTENTION TO BREAK THOSE SAME OBLIGATIONS, I AM WORRIED THAT YOU WILL HAND GORBACHEV AN ENORMOUS PROPAGANDA WEAPON WHICH HE WILL NOT HESITATE TO USE. IT WOULD BE FAR BETTER IN THE PERIOD LEADING UP TO YOUR NEXT SUMMIT FOR THE UNITED STATES TO BE IN A POSITION OF BIDING BY ITS AGREEMENTS WHILE BEING ABLE TO POINT TO A SOVIET FAILURE TO DO SO.

I AM ALSO WORRIED THAT THE EFFECT OF THE PROPOSED COURSE OF ACTION WOULD BE DIVISIVE IN THE ALLIANCE, AT THE VERY MOMENT WHEN WE NEED TO DO EVERYTHING POSSIBLE TO STRENGTHEN IT. IN THE FIRST PLACE, I AM NOT SURE THAT THE PUBLIC CASE ON SOVIET NON COMPLIANCE WHICH HAS SO FAR BEEN MADE OUT IS SUFFICIENTLY CLEAR AND CONVINCING TO CARRY CONVICTION IN EUROPE. IT IS IMPORTANT TO BE ABLE TO DEMONSTRATE CONCLUSIVELY THAT THE SOVIET UNION IS NOT COMPLYING WITH EXISTING AGREEMENTS AND THAT THE UNITED STATES HAS SPECIFICALLY AND REPEATEDLY CHALLENGED THEM ON THEIR NON-COMPLIANCE IN THE STANDING CONSULTATIVE COMMISSION AND RECEIVED NO SATISFACTORY REPLY. I HAVE TO SAY THAT OUR OWN ASSESSMENT OF THE SOVIET RECORD IS NOT AS CLEAR CUT AS YOURS. THERE SEEMS TO BE REAL AMBIGUITY IN SOME IMPORTANT AREAS.

SECONDLY, THERE WAS A GREAT FEELING OF RELIEF IN WESTERN PUBLIC OPINION AFTER YOUR FIRST SUMMIT MEETING AND A BELIEF THAT THERE WAS NOW A REAL PROSPECT OF MOVING TOWARDS REDUCTIONS IN NUCLEAR WEAPONS. A PUBLIC ANNOUNCEMENT NOW BY THE UNITED STATES THAT IT DID NOT INTEND IN FUTURE TO COMPLY WITH EXISTING AGREEMENTS WOULD HAVE AN ELECTRIC EFFECT ON PUBLIC OPINION. IT WOULD LEAD TO THE WEST BEING IN THE DOCK, INSTEAD OF THE SOVIET UNION. IT WOULD BE WIDELY FEARED THAT SUCH A DECISION WOULD LEAD TO CANCELLATION OR AT BEST POSTPONEMENT OF THE NEXT SUMMIT. EVERYTHING THAT WE GAINED BY YOUR OUTSTANDING PERFORMANCE AT GENEVA WOULD SEEM TO BE PUT AT RISK.

I AM SURE THAT YOU ARE RIGHT TO PRESS AHEAD WITH YOUR STRATEGIC MODERNISATION PROGRAMMES WHICH CAN ADD TO THE SECURITY OF THE UNITED STATES AND THE ALLIANCE. I AM ALSO SURE THAT YOU ARE RIGHT TO DEAL FIRMLY WITH THE SOVIET UNION. BUT I DO URGE YOU MOST STRONGLY NOT TO TIE YOUR HANDS PUBLICLY NOW AS TO WHAT YOU WOULD DO IN THE AUTUMN. THE UNITED STATES' POSITION WOULD BE IMMEASURABLY STRONGER IF YOU CONFIRM YOUR INTENTION TO CONTINUE TO ABIDE BY EXISTING AGREEMENTS, WHILE REPEATING THE STRONGEST POSSIBLE WARNING TO THE SOVIET UNION TO MATCH YOU IN FULFILLING THEIR OBLIGATIONS SCRUPULOUSLY.

I HAVE ONCE AGAIN PUT MY VIEWS CLEARLY, BECAUSE I BELIEVE IT IS BETTER THAT WAY. I DO NOT FOR A MOMENT UNDERESTIMATE THE DIFFICULTIES FOR YOU OF CONTINUING UNILATERAL RESTRAINT. BUT THE ISSUES GO TO THE HEART OF ALLIANCE SOLIDARITY AT THIS CRUCIAL MOMENT AND I URGE YOU TO GIVE THE FULLEST POSSIBLE WEIGHT TO THIS CONSIDERATION.

WITH WARM REGARDS.

MARGARET.

ENDS

HOWE

OCMIAN 2534

NNNN

HO/ACOD

PS

PS/MR RENTON

PS/PUS

MR GOODALL

MR DEREK THOMAS

MR DAUNT

MR HOUSTON

