MT.

TOP SECRET.

Part one

Confidential Filing.

Prime Minister's visit to Bermuda – April 1990.

BERMUDA.

April 1990.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~4.4.90.~~ ~~5.4.90~~ ~~30.4.90.~~ ~~5.6.90~~ ~~17.8.90~~		S 3004					
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PART TWO begins:-

Tel: Washington 712 13.3.91

CC PC

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

(2)

MO 6/20S

17th August 1990

Prime Minister

Dear Dominic

CDP
21/8

INCREASED RN PRESENCE IN THE CARIBBEAN

Ian Woodman wrote to Charles Powell on 10th May about the Prime Minister's suggestion, which she also mentioned at the Houston Summit, that we might increase the RN's presence in the Caribbean, particularly on anti-drugs activities. He explained that we were already considering doing this and promised to write further when Ministers had reached conclusions.

Although Fleet resources are tightly stretched to meet existing commitments, the Defence Secretary has decided that there is scope for anti-drugs work to form a larger part of the programme of the West Indies Guardship (WIGS), which is a Frigate or Destroyer permanently deployed to the Caribbean in connection with the defence of Belize. In particular, longer joint patrols with the US Coastguard will be planned. We shall also be increasing the role that other RN vessels play in the Caribbean: ships on deployments to the South Atlantic, for example, are already programmed to return through the area and in future their programme will usually include anti-drugs work and port visits during their passage home. As a result we expect that the time spent by RN ships on anti-drugs tasks in the Caribbean this year will be double the figure for 1989.

The Prime Minister will also wish to know that we are undertaking a fundamental review of the role of the Armed Forces in support of anti-drugs activities, with a view in particular to identifying whether there is scope for us to do more. At present, it is our firm policy that the Armed Forces do not themselves undertake drug interdiction tasks (which is a matter for the civil law enforcement authorities both at home and overseas) and that, generally speaking, assistance to the civil authorities should not be at the expense of primary defence tasks or capabilities. The review will consider both the scope for

Dominic Morris Esq
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doing more within these principles and whether they should be modified in any way.

We will also be looking specifically at the possibility of doing more in Belize, where British Forces already provide limited logistic support for anti drugs operations undertaken by the Belize Defence Force and police, in particular passing on information and intelligence and providing help with transport. There may be scope to extend the scope of this assistance within garrison resources while the external threat from Guatemala remains low. The Defence Secretary has in mind the misgivings which the Prime Minister expressed in 1986 about any form of direct involvement in anti-drugs operations in Belize, but feels that circumstances now warrant a fresh look at this to see whether it might be possible to extend the range of help on offer given the growth in international drugs trafficking, the limited resources available to the civil authorities in Belize and the capabilities of the British Forces on deployment there: the circumstances in Belize are unique and any change in our activities there would not need to be reflected elsewhere.

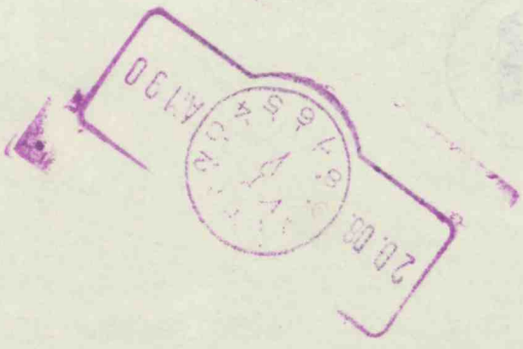
Yours sincerely,

Janet Binstead

(MISS J R BINSTEAD)
Private Secretary

Dominic Morris Esq
No 10 Downing Street

BERMUDA : Phi's visit Ap '90



Foreign and Commonwealth Office

London SW1A 2AH

5 June 1990

CDP 6/6.

Dear Charles,

Prime Minister's Visit to Bermuda: 12-14 April

I enclose a copy of a Despatch from the Governor of Bermuda about the UK/ Bermuda element of the Prime Minister's visit.

Yours ever,

(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street

Government House

Bermuda

26 April 1990

The Rt. Hon. the Secretary of State
for Foreign and Commonwealth Affairs
FCO.

Sir,

THE VISIT TO BERMUDA OF THE PRIME MINISTER
12 - 14 APRIL 1990 AND
HER MEETING WITH PRESIDENT BUSH

1. With the agreement of the Premier, the Prime Minister invited President George Bush to Bermuda for informal talks on Good Friday, 13 April 1990. Mrs. Thatcher carried out a programme of visits and calls on the afternoon of Thursday, 12 April and the morning of Saturday, 14 April.

2. The arrangements for the three days are set out in the attached document and a card showing the abbreviated programme is enclosed. Changes made subsequently were of no significance.

3. Only the weather failed to reach expectations: it was very windy and overcast with occasional rain. While forecast to improve it actually got worse though the sun made a feeble attempt to break through the cloud as the Prime Minister's aircraft took off.

4. It was inevitable that the Bermudian part of the programme was overshadowed by the meeting with the President. Coverage of the Thursday's and Saturday's events were also curtailed by the fact that the Royal Gazette, Bermuda's only daily paper, was not published on Good Friday or Easter Day. On the Saturday it carried full coverage of the talks. The whole visit was, however, reported factually in full on radio, and by television within the limits of the local capability for outside broadcasts.

continued.....

5. The Premier was delighted to escort the Prime Minister on her visit to the West End and gave a dinner in her honour. Several ministers said how impressed they were by the breadth and depth of the tour d'horizon the Prime Minister gave the Cabinet. The planned demonstration against the reduction of sanctions against South Africa by the Anti Apartheid "Coalition" was badly attended though given disproportionate newspaper coverage. Mr. Wade, the Leader of the Opposition, delivered a representation to the Prime Minister on their behalf which was received by the Prime Minister's Private Secretary. Mrs. Thatcher discussed the subject with Mr. Wade and several other PLP MPs at the Government House reception on the Thursday night and declared her reluctance to cause suffering and hardship to black South Africans by damaging their economy.

6. The Prime Minister was enthusiastically received wherever she went and Bermudians were sincerely pleased to see and welcome her. Her efforts to show an interest in Bermuda at a time when her attention was obviously focused on the primary aim of her visit to the Island was much appreciated by all who met and saw her. Relations between Bermuda and Britain were undoubtedly much enhanced and the Premier's visit to London in July will give a further opportunity to maintain and develop them.

7. Bermuda was honoured and delighted to be selected once again as the venue for a meeting between the Prime Minister of the United Kingdom and the President of the United States and the Governor was proud to act as host.

8. I am sending a copy of this despatch to Her Majesty's Ambassador in Washington whose presence and support I greatly welcomed.

I have the honour to be,

Sir,

Your obedient servant

Sir Desmond Langley

cc: HMA, Washington (less enclosures)

ARRANGEMENTS FOR THE VISIT OF THE RT. HON MARGARET THATCHER MP PRIME MINISTER OF THE UNITED KINGDOM TO BERMUDA AND HER MEETING WITH PRESIDENT BUSH THURSDAY, 12 APRIL TO SATURDAY 14 APRIL 1990

DAY 1 - THURSDAY 12 APRIL

1. By 11.40 a.m. a Guard of Honour of 50 rank and file found by the Bermuda Regiment, under the Command of Captain Edward Tucker, with the Band of the Regiment will be in position on the airport apron, having entered by the Queen's Gate. Arrangements will have been made for the spectators enclosure to be available for members of the public who wish to watch. The Band will play until the aircraft approaches.

2. By 11.45 a.m. the following will be present at the airport having entered by the Queen's Gate and parked their cars under police direction. They will subsequently be ushered into position by the Protocol Officer.

   The Minister of Delegated and Legislative Affairs and Lady Sharpe
   The Minister of Transport and Mrs. Marshall
   The Secretary to the Cabinet and Mrs. Richardson
   The Commissioner of Police and Mrs. Donald
   The Director of Civil Aviation & Mrs. Pitman
   The Commanding Officer, The Bermuda Regiment

3. At 11.47 a.m. the Premier, Sir John Swan and Lady Swan will arrive via the Queen's Gate and alight from their car where indicated by the Police. The Guard of Honour will be called to attention and the Guard Commander will salute.

4. At 11.50 a.m. His Excellency the Governor accompanied by Lady Langley and the ADC will arrive and will be received by a Royal Salute (6 bars). His Excellency will not inspect the Guard of Honour.

5. At 12 noon a VC10 of the Royal Air Force will arrive with the Prime Minister and Mr. Thatcher. Mrs. Thatcher will be accompanied by:

Mr. Charles Powell	Private Secretary
Mr. Bernard Ingham	Chief Press Secretary
Mr. Peter Bean	Assistant Press Secretary
Mrs. Crawford	Personal Assistant

13 Others

Ambassador Catto, United States Ambassador in London and Mr. Edness, Bermudian Minister of Health will also be on the aircraft. They will be met under arrangements made by the Consulate General and the Ministry of Health respectively.

6. The accompanying press party will leave the aircraft by the rear exit and take up position. The Governor will greet the Prime Minister and Mr. Thatcher and then introduce the Premier and Lady Swan and the remainder of the welcoming party. Lady Langley will introduce Mr. Thatcher.

7. The Commanding Officer will escort the Prime Minister to the saluting base and she will be received by a General Salute (Scipio). The Guard Commander will report to the Prime Minister and the Commanding Officer will invite her to inspect the Guard of Honour. At the conclusion of the inspection a bouquet of Easter Lilies will be presented to the Prime Minister by Miss Tourism (Miss Claire Jessey).

8. The Prime Minister will then drive by the North Shore to Government House (entering by the North Gate which will have been opened by 10.45 a.m.) escorted by the Bermuda Police, as follows:

1st car	Jaguar	His Excellency the Governor The Prime Minister Protection Officer
2nd car	Daimler	Lady Langley Mr. Thatcher
3rd car	Subaru	Private Secretary Chief Press Secretary
4th car	Cavalier	Mrs. Crawford Miss Waghorn
5th car	Cavalier	Miss Jelley Miss McCrossan Mr. Hart

9. The remainder of the Prime Minister's party will also drive to Government House and move later to the Hamilton Princess.

10. On arrival at Government House the following members of the Government House staff will be introduced:-

Mr. John Kelly	Deputy Governor
Mrs. Pat Haynes	Private Secretary
Mrs. Nancy Spurling	Assistant Secretary
Mrs. Pauline Watlington	Assistant Secretary
Miss Sarah Fox	Registrar
Mr. John Burran	Acting Registrar
Miss Suzanne Howell)	Personal Assistants
Mrs. Margaret Teare)	to the Deputy Governor

11. The Prime Minister, Mr. Thatcher and the Prime Minister's staff will then be offered refreshments in the drawing room (having had luncheon on board the aircraft). When the luggage has arrived they will be shown their rooms by His Excellency and Lady Langley and the Government House staff.

12. At 1.24 p.m. the Prime Minister and her staff will leave Government House, and will drive to the Cabinet Office with an escort of Bermuda Police via St. John's Road, Woodlands Road, Par-la-Ville Road, Front Street as follows:-

1st car	Jaguar	The Prime Minister Private Secretary Protection Officer
2nd car	Rover (24822)	Chief Press Secretary Deputy Governor

13. At 1.30 p.m. the Prime Minister will arrive at the Cabinet Office where she will be met by the Premier of Bermuda and by the Secretary to the Cabinet. Discussions will take place in the Premier's Office. The Private Secretary and the Secretary to the Cabinet will be present. During the meeting photographs will be taken by a restricted pool of photographers under the direction of the Director Government Information Services. An exchange of gifts will take place privately.

14. At 1.45 p.m. the Prime Minister, accompanied by the Private Secretary and the Chief Press Secretary, will be conducted by the Premier to the Cabinet Room where she will meet the following:

The Hon. Mrs. Ann Cartwright deCouto, JP, MP,
Deputy Premier and Minister of the Environment

The Hon. Sir John Sharpe, CBE, JP, MP,
Minister of Delegated and Legislative Affairs

The Hon. Quinton L. Edness, JP, MP
Minister of Health, Social Services & Housing

Senator The Hon. Charles T.M. Collis, JP,
Minister of Telecommunications

The Hon. Gerald D.E. Simons, JP, MP,
Minister of Education and Culture

Dr. The Hon. Clarence R. Terceira, JP, MP
Minister of Works and Engineering

The Hon. Sidney R. Stallard, JP, MP
Minister of Community Affairs

The Hon. Ralph O. Marshall, JP, MP
Minister of Transport

Dr. The Hon. David J. Saul, JP, MP
Minister of Finance

Senator The Hon. Michael J. Winfield, JP,
Minister of Management & Information Services

Mr. Kenneth A. Richardson, CBE, JP
Secretary to the Cabinet

Mr. Leopold Mills,
Assistant Cabinet Secretary

A discussion on matters of common interest will be preceded by photographs of the Prime Minister and the Bermudian Cabinet.

15. At 2.28 p.m. the Cabinet will leave the Cabinet Office and take up position with backs to the door. Members of the media will be present and the public will be permitted to enter the grounds.

16. At 2.30 p.m. the Prime Minister and then the Premier will make statements to the media on the steps of the Cabinet Office. No questions will be taken.

17. At 2.30 p.m. Mr. Thatcher accompanied by the ADC to the Governor will leave Government House in the Subaru and drive to Albuoys Point where they will be met by Capt. Gilbert Hallam, Director of Marine and Ports. (He will join the Prime Minister at the Cabinet Office in the event of inclement weather.)

18. At 2.42 p.m. the Prime Minister and Premier with their staffs will drive via Front Street to Albuoys Point as follows:

1st car	Jaguar	The Prime Minister The Premier Protection Officer
2nd car	Rover 24822	Deputy Governor Private Secretary Chief Press Secretary
3rd car	GP 209	Secretary to the Cabinet Assistant Cabinet Secretary

19. The Press party will move under arrangements made by Government Information Services.

20. At 2.45 p.m. the Prime Minister will be met at Albuoys Point by the Minister of Transport (the Hon. Ralph Marshall) and the Director of Marine and Ports (Captain Gilbert Hallam). Lady Swan and the Minister of Works and Engineering, Dr. The Hon. Clarence Terceira will be present. The Prime Minister and Mr. Thatcher and the Premier and Lady Swan will embark in the launch St David accompanied by:

Minister of Works and Engineering
Minister of Transport
Private Secretary to the Prime Minister
Chief Press Secretary
Deputy Governor
Secretary to the Cabinet
Assistant Cabinet Secretary
Protection Officer

If the sea in the Great Sound is too rough the Prime Minister and Mr. Thatcher with the Premier will depart from the Cabinet Office by cars at 2.40 p.m. for Dockyard

21. The launch St. David, escorted by craft of the Marine Section of the Bermuda Police, will sail to the Dockyard by way of the Islands in the Great Sound. The Press party will move in a Marine and Ports tender and will arrive first.

22. At 3.25 p.m. the launch St. David will arrive at the Clocktower Steps in the Dockyard and the Prime Minister will be met by:

Mr. J. Christopher Astwood, Chairman, West End Development Corporation (WEDCO)

Mr. Robert Tucker, Managing Director WEDCO

A detachment of Sea Cadets will be on the quayside. Families from HMS Malabar will also be present.

23. The Prime Minister's and the Premier's party conducted by the Chairman of WEDCO, will walk towards the Anchor Fountain in front of the Clocktower building. A brief oral presentation about the West End Development Corporation will be given.

24. The Prime Minister and the Premier, together with the accompanying party will then drive in cars, provided by HMS Malabar to the Craft Market past the British-built tugs "Powerful" and "Faithful".

1st car	Prime Minister Premier Protection Officer
2nd car	Lady Swan Mr. Thatcher Minister of Works & Engineering
3rd car	Private Secretary Chief Press Secretary Secretary to the Cabinet
4th car	Deputy Governor Minister of Transport

25. At 3.35 p.m. the Party will walk through the Craft Market. Lady Swan will introduce Mrs. Delight Goodfellow, Chairman of the Craft Market to the Prime Minister.

26. At 3.45 p.m. the Party will walk across the road to the entrance of the Maritime Museum and be met by Mr. Paul Leseur (Chairman of the Board), Dr. Edward Harris, (Director) and Mrs. June Harris (Curator). The Prime Minister and party will be shown around the Royal Naval historical section of the museum; stop for a photo call by a fully rigged fitted Bermuda dinghy (Mr. Mike Oakley and crew on board); and finish the tour with a short viewing of treasures recovered from Bermuda reefs. There will be an opportunity for further photographs and possibly impromptu comments.

27. At 4.15 p.m. the party will depart by helicopter from the Keep to Government House via the South Shore as far as Elbow Beach.

1st Flight	The Prime Minister
	The Premier
	Private Secretary
	Protection Officer
2nd Flight	Mr. Thatcher
	Chief Press Secretary
	Deputy Governor

The remaining persons will return to Hamilton by launch or car. If flying is not possible the whole party will return by the cars in which they arrived and the visit will be shortened accordingly.

28. At 4.35 p.m. approximately the Prime Minister's party will arrive at Government House (helicopter landing point) and be met by the Governor. Those not staying at Government House will depart by car.

29. At 5.30 p.m. a hairdresser will attend at Government House.

30. At 6.30 p.m. guests will arrive for a reception at Government House and will be received by His Excellency and Lady Langley and the Prime Minister and Mr. Thatcher.

31. At 7.30 p.m. the Prime Minister and Mr. Thatcher will leave the reception.

32. At 8.03 p.m. the following will leave Government House:

1st car	Jaguar	The Prime Minister Mr. Thatcher Police Protection Officer
2nd car	Subaru	Private Secretary Chief Press Secretary
3rd car	Daimler	The Governor Lady Langley

33. At 8.10 p.m. the Prime Minister and Mr. Thatcher, accompanied by the Governor and Lady Langley, Mr. Powell and Mr. Ingham will arrive at Camden (the Premier's official residence) for dinner and be met by Sir John and Lady Swan. Dress: Dinner jacket (black).

34. Later the Prime Minister, Mr. Thatcher, the Governor and Lady Langley, Mr. Powell and Mr. Ingham will return by car to Government House and the Hamilton Princess as appropriate.

DAY 2 - FRIDAY 13 APRIL

35. Breakfast will be served at Government House from 7.00 a.m.

36. Those wishing to attend church will leave by car (Jaguar and Daimler) at 7.53 a.m. Those walking should leave at 7.40 a.m.

37. At 8.00 a.m. Matins will be said in St John's Parish Church, Pembroke by the Rector (Father Ewan Ratteray).

38. At approximately 8.35 a.m. those attending church will return to Government House. Breakfast will be available. The hairdresser will be in attendance.

39. By 9.45 a.m. the representatives of the media will be in position on the South Side of the Centre Terrace under the direction of the Director, Government Information Services.

40. At 10.05 a.m. a Guard of Honour of 100 rank and file found by the Bermuda Regiment, under the Command of Captain Edward Tucker, with the Band of the Regiment, having debussed in the Stable area, will enter Government House and form up on the Upper Terrace facing West, with the Band on the left flank.

41. Between 10.07 and 10.15 a.m. Members of the Cabinet and their wives, the British official party and those named below will assemble in the hall at Government House. Cars will be parked in the grounds under police direction.

    The President of the Senate and Mrs. Jackson
    Leader of the Opposition and Mrs. Wade
    Mrs. Catto

42. At 10.20 a.m. the Cabinet, British officials and others invited will be conducted by the Protocol Officer to their positions in the north-west corner of the Upper Terrace.

43. At 10.18 a.m. a US helicopter, Nighthawk IV, will land at the paddock with a White House press party on board. At 10.20 a.m. Nighthawk II, with support staff on board, will land at the landing point north west of the tennis court. At 10.23 a.m. a third helicopter, Nighthawk III will arrive at the same landing point. The President's advisers and Sir Antony Acland, Her Majesty's Ambassador in Washington, will alight and be met by the Deputy Governor who will escort them to their position on the north side of the Upper Terrace.

44. At 10.26 a.m. His Excellency and Lady Langley with the Prime Minister and Mr. Thatcher and the Premier and Lady Swan and attended by the Commanding Officer of the Bermuda Regiment (Lieutenant Colonel A.G. Shorto) and the ADC will leave Government House by the front door and walk (no greetings on route) to the Saluting Base in front of the Guard of Honour. A Royal Salute will be given (6 bars of the National Anthem). Positions on and behind the Saluting Base will be:

His Excellency

Premier Prime Minister

Lady Swan Lady Langley Mr Thatcher

ADC Commanding Officer

The Guard of Honour will not be inspected.

45. At 10.28 a.m. they will move down to the Lower Terrace and take up position at the top of the steps facing West in the following order to await the arrival of the President:

His Excellency

Lady Swan Premier Lady Langley Prime Minister Mr Thatcher

ADC Commanding Officer

46. At 10.28 a.m. a US helicopter (Marine I) will arrive at the landing point north-west of the tennis court and the President will alight at 10.30 a.m. He will be attended by:

Secretary Baker
Governor Sununu
General Scowcroft

A salute of 21 guns will be fired by the Gun Troop of the Bermuda Regiment from the Ducking Stool. The President will be met by the Chief of Protocol (Ambassador Reed) and will be conducted to a point on the gravel path to which the greeting party will have moved. The Governor will greet the President, present Lady Langley, the Prime Minister and Mr. Thatcher, the Premier and Lady Swan and Lieutenant Colonel Shorto. The President's Advisers will also be introduced. They will then walk in the following order to the Upper Terrace:

His Excellency The President The Prime Minister

Lady Swan The Premier

Mr. Thatcher Lady Langley

General Scowcroft Governor Sununu Secretary Baker

The President's Military Aide US Chief of Protocol

ADC to HE Commanding Officer

The media will be assembled on the right (south side) of the path.

47. The President will mount the Saluting Base and will be received with a Royal Salute (US National Anthem). Those in attendance will not salute. The order on and behind the Saluting Base will be:

The President

The Premier His Excellency The Prime Minister

Commanding Officer	Lady Swan	Lady Langley	Mr Thatcher	Secretary Baker
ADC to HE	President's Military Aide	General Scowcroft	Governor Sununu	US Chief of Protocol

48. At the conclusion of the Salute the Guard Commander will report to the President. His Excellency will invite the President to inspect the Guard of Honour. The President will inspect the Guard of Honour accompanied by the Commanding Officer and his Military Aide (front rank right to left, rear rank left to right; Colours in the centre).

49. When the President has completed his inspection the Guard Commander will salute and the Commanding Officer will escort the President to the position of the Bermudian Cabinet where they will be joined by the remainder of those at the Saluting Base who will be conducted by the Governor. The Premier will then present:

The Hon. Mrs. Ann Cartwright DeCouto, JP, MP,
Deputy Premier and Minister of the Environment
and Mr. DeCouto

The Hon. Sir John Sharpe, CBE, JP, MP,
Minister of Delegated and Legislative Affairs
and Lady Sharpe

The Hon. Quinton L. Edness, JP, MP
Minister of Health, Social Services & Housing
and Mrs. Edness

Senator The Hon. Charles T.M. Collis, JP,
Minister of Telecommunications
and Mrs. Collis

The Hon. Gerald D.E. Simons, JP, MP,
Minister of Education and Culture
and Mrs. Simons

Dr. The Hon. Clarence R. Terceira, JP, MP
Minister of Works and Engineering
Mrs. Terceira

The Hon. Sidney R. Stallard, JP, MP
Minister of Community Affairs
Mrs. Stallard

The Hon. Ralph O. Marshall, JP, MP
Minister of Transport
Mrs. Marshall

Dr. The Hon. David J. Saul, JP, MP
Minister of Finance
Mrs. Saul

Senator The Hon. Michael J. Winfield, JP,
Minister of Management & Information Services
Mrs. Winfield

Leader of the Opposition and Mrs. Wade

Mr. Kenneth A. Richardson, CBE, JP
Secretary to the Cabinet
and Mrs. Richardson

Mr. Leopold Mills,
Assistant Cabinet Secretary
and Mrs. Mills

50. The Prime Minister will present the following members of her official party to the President:

Sir Antony Acland, Her Majesty's Ambassador in Washington
Mr. Charles Powell, Private Secretary
Mr. Bernard Ingham, Chief Press Secretary

51. The President will introduce to the Prime Minister and His Excellency his advisers, including:-

Ambassador and Mrs. Catto
Mr. Marlin Fitzwater
Mr. Robert Zoellick
Mr. Robert Blackwill
Consul General and Mrs. Gaines

Mr. Thatcher, Lady Langley and the Premier and Lady Swan will also greet the President's advisers.

52. At approximately 10.45 a.m. His Excellency and Lady Langley, accompanied by the Prime Minister and Mr.Thatcher will escort the President together with their staff and advisers to the front door where Sir John and Lady Swan will take leave of the President. All others disperse as desired. The Guard of Honour will be dismissed by the Commanding Officer.

THE WET WEATHER AND NON FLYING PROGRAMMES ARE GIVEN AT PAGE 20.

53. The President and the Prime Minister with their press officers will enter the Drawing Room for a photo call under the direction of the Assistant Press Secretary of the Prime Minister's Office.

54. After the photo call the other participants in the talks join the Prime Minister and the talks begin. Coffee and soft drinks will be available.

55. At 11.10 a.m. Mr. Thatcher will be collected from Government House.

56. At 12.30 p.m. there will be a break for an informal luncheon in the dining room attended by:

The Prime Minister
Sir Antony Acland
Private Secretary
(Chief Press Secretary)

The President
Secretary Baker
Ambassador Catto
Governor Sununu
General Scowcroft
(White House Press Spokesman)

57. At 1.45 p.m. the Governor will conduct the Prime Minister and President and those in attendance via the West Door to the Lower Terrace where school children will be flying kites. The Premier and the following will be present:-

Mrs. Valerie Pethen, Government Information Services
Mr. Llewellyn Smith, Principal, West End Primary School
Miss Gizella Todd, Prospect Primary School
Miss Margaret Godwin, Victor Scott Primary School

Kites made by Mr. Vincent Tuzo will be presented to the Prime Minister and the President by two children. Representatives of the media will be present under the direction of the Director, Government Information Services.

58. At 2.00 p.m. the talks will resume.

59. At 3.45 p.m. the Prime Minister and the President, conducted by the Governor will drive from the Front Door to the palm grove between the terraces and the tennis court where they will be invited to plant trees near those planted in 1961 by President Kennedy and the then Mr.MacMillan (later Earl of Stockton) and in 1971 by President Nixon and Mr. Heath. Those in attendance will walk from the West Door conducted by the Deputy Governor. The Premier will be present and the following will be presented:

    Mr. Peter Truran, Supervisor, Parks Division, Department of Agriculture
    Mr. Robert Hollis, Head Gardener, Government House

    Members of the media will be there under the direction of the Director, Government Information Services. The President and the Prime Minister, accompanied by the Governor will then return to the Front Door.

60. At 4.00 p.m. the Prime Minister and the President will walk via the West Entrance to a press conference on the Lower Terrace (north side) under the direction of the Chief Press Secretary. The Band of the Bermuda Regiment and the Royal Marines will have been playing from 3.45 p.m. on the Centre Terrace (south side). The representatives of the media will have previously assembled under the direction of Assistant Press Secretary to the Prime Minister. If the weather is wet the press conference will be held in a marquee on the tennis court and the President and Prime Minister will drive there directly from the tree planting, alighting from the car by the helicopter landing point.

61. At approximately 4.00 p.m. Mr. Thatcher returns to Government House.

62. On completion of the press conference the Deputy Governor will escort the Prime Minister and the President to the President's helicopter. After his departure the Deputy Governor will escort the Prime Minister back to the House by car.

63. Tea will be served if required in the small sitting room. Special press interviews may be arranged.

64. The hairdresser will attend at Government House.

65. At 5.55 p.m. the Prime Minister and Mr. Thatcher with those in attendance will leave Government House for Front Street via Cedar Avenue, Burnaby Street as follows:

1st Car	Jaguar	The Prime Minister Mr. Thatcher Police Protection Officer
2nd Car	Subaru	Sir Antony Acland Private Secretary Chief Press Secretary

66. At 6.00 p.m. the Prime Minister's party will arrive at HMS Arrow alongside the Flagstaff Berth on Front Street, Hamilton and will be received by the Commanding Officer (Commander Richard Davey RN) at the head of the brow. He will introduce some of the ship's company.

67. From 6.10 p.m. guests invited to a reception on board will be greeted by the Prime Minister and the Commanding Officer. The ADC to His Excellency will announce the guests.

68. At 6.25 p.m. the Premier and Lady Swan will arrive.

69. At 6.27 p.m. the Governor and Lady Langley will arrive in the Daimler.

70. At 6.30 p.m. the President and his party will arrive from Chelston.

71. The Bands of the Royal Marines and the Bermuda Regiment will perform the Sunset Ceremony on the quayside between 7.00 and 7.15 p.m.

72. At 7.16 p.m. the Governor and Lady Langley will depart for Government House.

73. At 7.18 p.m. the Premier and Lady Swan together with Senator and Mrs. Jackson will depart for Government House.

74. At 7.20 p.m. the President and his party will depart for Government House.

75. At 7.25 p.m. the Prime Minister and Mr. Thatcher will depart for Government House.

76. His Excellency and Lady Langley will meet the President on arrival and present the guests who will have assembled in the drawing room by 7.25 p.m. (cars to be parked east of stables). The Prime Minister and Mr. Thatcher will join the guests on arrival.

Dress: Dinner Jacket (black)

77. Dinner will be announced at 7.45 p.m. Guests will enter the Dining Room as follows:

Lady Langley with The President
His Excellency with The Prime Minister
The Premier and Secretary Baker
Ambassador Catto with Lady Swan
Senator Jackson with Mrs. Catto
Mr. Thatcher with Mrs. Gaines
Mr. Fitzwater with Mrs. Jackson

The remainder of those present will follow.

After the guests are seated and before the meal starts photographs will be taken under the direction of the Assistant Press Secretary to the Prime Minister.

A string orchestra of the Royal Marines will play.

78. After the meal His Excellency will propose the health of the President. The President will then propose the health of Her Majesty The Queen. The Prime Minister may speak informally. After dinner all the guests will move into the drawing room together.

79. At approximately 9.30 p.m. the President will leave Government House by car for Chelston having said goodbye to the Prime Minister and Mr Thatcher, having first been invited to sign the visitors book.

THIRD DAY - SATURDAY 14 APRIL

NOTE: The programme for the President will be notified by the US Consul General. The following will be present on the departure of the President from the US Naval Air Station, in addition to United States personnel:

His Excellency
The Premier
Sir Antony Acland (who will travel to Washington with the President)
Commissioner of Police

80. From 8.30 a.m. the Prime Minister will give press interviews in the small sitting room.

81. At 9.00 a.m. the Prime Minister and Mr. Thatcher accompanied by the Governor will drive as follows from Government House to Front Street via Cedar Avenue, Burnaby Street to visit HMS Arrow where the Prime Minister will present a Long Service and Good Conduct medal to.

1st car	Jaguar	His Excellency The Prime Minister Protection Officer
2nd car	Daimler	Mr. Thatcher Private Secretary ADC

82. At 9.26 a.m. the Prime Minister's party with the Governor will depart from HMS Arrow for City Hall via Front Street, Queen Street & Church Street.

83. At 9.30 a.m. the Prime Minister will arrive at City Hall and will be met by the Rt. Worshipful Cecil Dismont, Mayor of the City of Hamilton who will conduct the Prime Minister to the Council Chamber where he will introduce members of the Corporation and invite the Prime Minister to sign the visitors book. Gifts will be exchanged. The Premier and Lady Swan will be present.

The Prime Minister may wish to make some impromptu remarks about her visit to TV cameras on departure from City Hall.

84. At 9.50 a.m. the Prime Minister, the Governor and party will return to Government House, accompanied by the Premier and Lady Swan.

85. At 10.05 a.m. the Prime Minister will sign the visitors book and say goodbye to the following who will have previously assembled in the Hall:

Sir Antony Acland
Deputy Governor
Private Secretary to His Excellency
Assistant Secretary
Registrar
Personal Assistants to the Deputy Governor
Butler
Chef
Domestic staff

86. At 10.15 a.m. the Prime Minister and Mr. Thatcher, accompanied by the Governor and Lady Langley, the Premier and Lady Swan and the Prime Minister's staff will leave Government House by the North Gate and drive to St. George via the North Shore and Harrington Sound Road.

1st car	Jaguar	His Excellency The Prime Minister Protection Officer
2nd car	GP 1	The Premier Lady Swan
3rd car	Daimler	Lady Langley Mr. Thatcher
4th car	Subaru	Private Secretary Chief Press Secretary

87. At 10.50 a.m. the Prime Minister will arrive in King's Square and walk to the Town Hall where she will be met by the Mayor of the Town of St. George, the Worshipful Henry Hayward who will in turn introduce members of the Corporation and invite the Prime Minister to sign the book. Gifts will be exchanged.

88. At 11.00 a.m. the Prime Minister and party, escorted by the Mayor will return to King's Square, view the State House from a distance and walk to the Ducking Stool and the ship Deliverance.

89. At 11.10 a.m. the Prime Minister, the Governor and party will leave St. George and drive via the Queen's Gate to the Civil Air Terminal where the following will have assembled to say farewell:

The Premier and Lady Swan
The Commissioner of Police
The Director of Civil Aviation

90. The doors of the VC10 of the Royal Air Force will close at 11.25 a.m. and the Prime Minister and her staff will depart at 11.30 a.m. Mr. Thatcher will return to Government House with the Governor and Lady Langley where he will stay privately until Monday 16 April.

WET WEATHER AND NON-FLYING PROGRAMME FOR THE ARRIVAL OF THE PRESIDENT

91. If the weather is very wet when the President's helicopter lands, the inspection of the Guard of Honour will be omitted (if it has been raining very hard His Excellency may have given orders for the Guard to be dismissed). The presentations will be made in the drawing room of Government House.

92. If the weather precludes flying but the ceremonial does not have to be abandoned the President will arrive by car, entering at the North Gate and alighting at the bottom of the path to Government House beside the helicopter landing point. The procedure will then be as for fine weather. If it is necessary to cancel all ceremonial the President will alight near the front door and presentations will take place in the drawing room.

CONFIDENTIAL

cc PK

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 6/20J

10th May 1990

CDN 14/5

Dear Charles,

HMS ARROW

Thank you for your letter of 15th April to Simon Webb about the Royal Navy presence in the Caribbean. Defence Ministers have been looking at a number of options for increasing this presence and for enhancing the Royal Navy's anti-drugs activities in the region. I will let you know the Defence Secretary's view on this when this work is complete.

Yours sincerely

(I M WOODMAN)
Private Secretary

Charles Powell Esq
10 Downing Street

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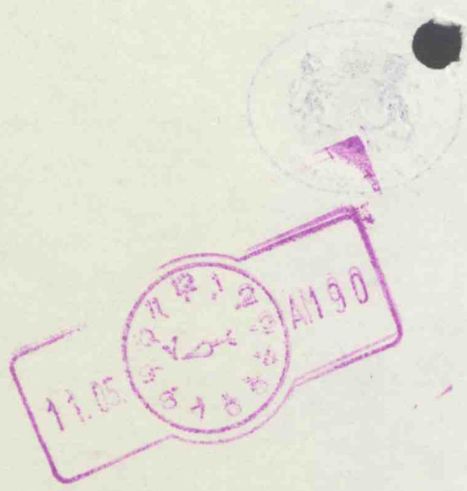

BERMUDA: Rus visit
April 1989.

A:\BUSH

19.4.90.

SPEAKING NOTE FOR CABINET: MEETING WITH PRESIDENT BUSH

THE PRESIDENT AND I HAD VERY USEFUL AND SUCCESSFUL TALKS IN AN EXCELLENT ATMOSPHERE, WITH AGREEMENT ON VIRTUALLY EVERY SUBJECT.

NATO -

THE PRESIDENT CONTINUES TO ATTACH PRE-EMINENT IMPORTANCE TO ENSURING THAT A UNIFIED GERMANY WILL BE IN NATO AND A FULL MEMBER OF ITS INTEGRATED MILITARY STRUCTURE. THIS IS THE MAIN ISSUE ON HIS MIND. HE IS CONFIDENT THAT THE OBJECTIVE WILL BE ACHIEVED.

THE PRESIDENT'S OWN COMMITMENT TO KEEP US FORCES AND NUCLEAR WEAPONS IN GERMANY IS STRONG. THERE WAS NO HINT ON THIS OCCASION OF ANY INTENTION TO MAKE FURTHER REDUCTIONS IN US FORCE LEVELS. BUT HE NONETHELESS FRETS THAT SUPPORT IN EUROPE (AND PARTICULARLY GERMANY) FOR A US PRESENCE WILL ERODE: AND THIS WILL AFFECT THE WILLINGNESS OF US OPINION TO SUSTAIN THE COMMITMENT.

HE IS DETERMINED TO PREVENT THE RUSSIANS FROM USING THE TWO PLUS FOUR MACHINERY TO DISCUSS DEFENCE ISSUES, SUCH AS GERMANY'S PLACE IN NATO AND THE PRESENCE OF US FORCES AND NUCLEAR WEAPONS IN GERMANY.

HE IS CLEARLY OUT OF SORTS WITH THE FRENCH, SAYING THAT HE FEARED THE US AND FRANCE WERE DRIFTING APART. THEY WERE NOT ON THE SAME WAVELENGTH ON NATO AND EC MATTERS.

THE PRESIDENT NOTED A GENERAL STIFFENING OF SOVIET ATTITUDES ACROSS THE BOARD, AMOUNTING IN SOME CASES TO A CLEAR STEP BACK FROM POSITIONS PREVIOUSLY AGREED IN ARMS CONTROL NEGOTIATIONS. IT WAS CLEAR THAT GORBACHEV AND SHEVARDNADZE WERE UNDER PRESSURE AND CONSTRAINED BY THE SOVIET MILITARY.

THE PRESIDENT'S CONCERN ABOUT LITHUANIA WAS EVIDENT AND WAS CONSIDERABLY HEIGHTENED BY THE NEWS - WHICH ARRIVED

TOWARDS THE END OF THE MEETING - OF THE THREATENED ECONOMIC MEASURES AGAINST LITHUANIA. THE PRESIDENT PRIVATELY SPOKE OF HIS HOPE THAT IT WOULD BE POSSIBLE TO AVOID SLIPPING BACK INTO THE DARK AGES IN US/SOVIET RELATIONS.

IT WAS CLEAR THAT THE PRESIDENT PERSONALLY REMAINS VERY RELUCTANT TO ACQUIESCE IN, LET ALONE BLESS, A CONTINUED SOVIET MILITARY PRESENCE IN EAST GERMANY OR ELSEWHERE IN EASTERN EUROPE, EVEN FOR A TRANSITIONAL PERIOD.

THE AMERICANS ARE VERY SET UPON HAVING AN EARLY NATO SUMMIT. THEY SEEM TO HAVE TWO MAIN REASONS: THE IMMINENCE OF A CONGRESSIONAL DECISION TO ABANDON FOTL, AND A WISH TO SEE BASIC NATO PRINCIPLES AND POSITIONS REAFFIRMED EARLY IN THE GERMAN ELECTION CAMPAIGN. IT WAS AGREED TO SAY NOTHING IN PUBLIC ABOUT A SUMMIT BEFORE WIDER CONSULTATION IN NATO, FOR FEAR OF ALIENATING THE FRENCH AND OTHERS.

ON SHORT-RANGE NUCLEAR WEAPONS, THE PRESIDENT WANTS TO GET SOMETHING FOR A DECISION TO CANCEL FOTL, BOTH AT HOME AND ABROAD. HE AGREED WITH THE PRIME MINISTER THAT THE KEY OBJECTIVE WAS TO SECURE AGREEMENT TO BASING TASM IN GERMANY.

THE PRESIDENT SUPPORTED THE PROPOSALS IN MY KONIGSWINTER SPEECH FOR STRENGTHENING CSCE: BUT WANTS TO DEVELOP POLITICAL CONSULTATION WITHIN NATO IN PARALLEL. THE LATTER WAS THE UNITED STATES' MAIN INSTITUTIONAL LINK WITH EUROPE, AND CSCE COULD NOT BE A SUBSTITUTE FOR IT.

I BRIEFED THE PRESIDENT ON OUR EFFORTS TO ENHANCE ANGLO-FRENCH DEFENCE AND NUCLEAR CO-OPERATION.

THE PRESIDENT ACCEPTED OUR CORE LIST APPROACH FOR COCOM.

THE PRESIDENT WAXED STRONG ON AGRICULTURE IN THE URUGUAY

ROUND. THE US SAW PROPOSALS FOR MECHANISMS AND MEASURING DEVICES AS ATTEMPTS TO EVADE THE PRESSING NEED TO TACKLE REDUCTION OF SUBSIDIES SERIOUSLY. BUT HE WAS NOT PESSIMISTIC: THE US WOULD BE PREPARED TO REACH AGREEMENT, PROVIDED THE RESULT WAS GENUINELY A FREER MARKET FOR AGRICULTURE.

A LARGE NUMBER OF OTHER SUBJECTS WERE COVERED BRIEFLY:

- CYPRUS.
- MIDDLE EAST. SERIOUS US WORRIES ABOUT IRAQ
- HOSTAGES. THE PRESIDENT DENIED ANY SECRET AGENDA OR SECRET TALKS.
- KASHMIR.
- CENTRAL AMERICA.
- SOUTH AFRICA. MEETING WITH DE KLERK ASSURED.
- CHINA.
- HONG KONG.
- VIETNAMESE BOAT PEOPLE. NO CHANGE IN US POSITION.

- AFGHANISTAN. PRESIDENT ADMITS PREVIOUS US POLICY BASED ON A MISJUDGMENT OF THE RESISTANCE'S PROSPECTS. READINESS TO MOVE A LONG WAY TOWARDS A COMPROMISE.
- ARGENTINA/FALKLANDS.
- ECONOMIC SUMMIT.
- EBRD. AMERICANS VERY RELUCTANT TO SEE ATTALI AS CHAIRMAN: BUT NO READINESS TO MOVE AWAY FROM SUPPORT FOR PRAGUE AS SITE.

15.

file DS

bc: PC

SECRET

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 April 1990

Dear Stephen,

BERMUDA MEETING

I enclose the Prime Minister' message to President Gorbachev about her meeting in Bermuda with President Bush. Subject to the Foreign Secretary's views - since it is significantly changed from the draft - I should be grateful if it could be sent to Moscow for delivery as soon as possible.

Yours ever

C. D. POWELL

Stephen Wall, Esq.
Foreign and Commonwealth Office

SECRET

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 78/90.

SECRET

14(a-b)

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SUBJECT
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MASTER

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

19 April 1990

Dear Mr. President

I would like to share with you some conclusions from my meeting last Friday in Bermuda with President Bush.

Our discussions focussed on European security and Germany. We welcomed the fact that the Two plus Four group was making useful progress, and the prospect of resolution of outstanding difficulties on the German/Polish border question. We agreed that it was important that a united Germany should be in every regard a normal sovereign state without any special limitations. Anything short of this would be a guarantee of future instability. As you would expect, President Bush and I were in complete agreement on the importance of Germany remaining in NATO. This in no way means that we discount Soviet anxiety about Germany and European security: we take it seriously. But I remain convinced that it is in all our interests that a United Germany should be firmly anchored in the NATO Alliance, and that this can be achieved while meeting your particular concerns.

The President and I agreed that it was very important to build on the achievements of recent years in East/West relations. We felt some concern at the apparent hardening of Soviet positions on arms control. And the end of our talks coincided with your demand for the Lithuanians to annul measures taken since their declaration of independence in March. Neither of us want this issue to set back the great progress which has been made in East/West relations. And I know that you have done

SECRET

everything you can to avoid the situation becoming a public trial of strength. Western public opinion, however, is bound to take a highly critical view of any escalation of economic pressure. I remain convinced that the only way to avoid putting our wider achievements at risk is to find a basis for substantive talks with the Lithuanians to begin. If you think there is anything we could do to help, I should be more than ready to consider it.

The President and I reaffirmed our determination to achieve a CFE agreement by the autumn of this year. We also agreed on the importance of reinforcing the CSCE process as an instrument for strengthening democracy throughout Europe. The President welcomed, as you have done, the proposals which I made in my Konigswinter speech. But it is hard to see how we could have a CSCE Summit unless a CFE agreement had been reached. There is also a link between these issues and the matters to be discussed in the Two plus Four. I believe a satisfactory outcome can be found, but time is short and there is a lot of work still to do.

The Foreign Secretary has told me of his talk with you in Moscow last week. I am grateful to you for giving him so much of your time. It is important that we should maintain close and frequent contacts in a period of such rapid and far-reaching change in Europe. I look forward very much to seeing you again in June, when we can continue our discussions and I can show you in Kiev the biggest event which Britain has ever organised in the Soviet Union, symbolising the growing co-operation between our countries.

Kind regards

Yours sincerely

Margaret Thatcher

His Excellency Mr. M.S. Gorbachev

SECRET 13.(a-c)PE

Foreign and Commonwealth Office

London SW1A 2AH

18 April 1990

Dear Charles,

Message to Gorbachev

You asked for a message from the Prime Minister to President Gorbachev covering the main points of the Bermuda meeting.

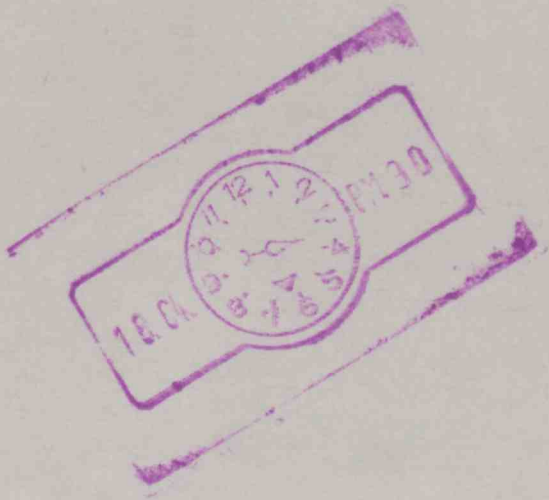
I enclose a draft which focuses on the East/West issues and on Lithuania.

Yours,
Stephen

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

SECRET



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DRAFT MESSAGE FROM THE PRIME MINISTER TO PRESIDENT GORBACHEV

I would like to share with you some conclusions from my meeting last Friday in Bermuda with President Bush.

Our discussions focussed on European security and German questions. We welcomed the fact that the Two plus Four group was making useful progress. We agreed that it was important that a united Germany should be in every regard a normal sovereign state without any special limitations. Anything short of this would, we agreed, be a guarantee of future instability. You will not be surprised to learn that President Bush and I were in complete agreement on the importance of Germany remaining in NATO. This in no way means that the West wishes to discount Soviet anxiety about Germany and European security, which we take very seriously. I believe it should be possible to act in ways which meet your concerns. I remain convinced that it is in all our interests that a united Germany should be firmly anchored in the Alliance. I hope to have a full discussion with you of European security issues and the approach to the CSCE Summit when I see you in June.

President Bush and I welcomed the prospect of resolution of outstanding difficulties on the German/Polish border question.

The President and I agreed that it was very important to build on the achievements of recent years in East/West relations. I will not conceal from you that we shared some concern at the apparent hardening of Soviet positions on arms control. And the end of our talks coincided with your demand for the Lithuanians to annul measures taken since their March declaration of independence. Neither of us want this issue to intrude on wider prospects and opportunities. And I know that you have done everything you can to avoid the situation becoming a public trial of strength. Western

public opinion, however, is bound to take a highly critical view of any escalation of economic pressure. I remain convinced that the only way to avoid wider problems is to find a basis for substantive talks to begin. If you think there is anything we could do to help, I should be more than ready to consider it. But it would be wrong of me not to tell you of my concern that the wider interests which we share could be damaged by the path which this dispute is taking.

The President and I reaffirmed our determination to achieve a CFE agreement by the autumn of this year. We also agreed on the importance of reinforcing the CSCE process as an instrument for strengthening democracy throughout Europe. The President welcomed the proposals which I made in my Konigswinter speech, as you have done. I believe that they will help to ensure a fruitful Summit. It is hard to see how we could have a CSCE Summit unless a CFE agreement had been reached. There is also a link between these issues and the matters to be discussed in the Two plus Four. I believe a satisfactory outcome can be found, but time is short and there is a lot of work still to do.

Douglas Hurd has told me of his talk with you in Moscow last week. I am grateful to you for giving him so much of your time. Our political dialogue is now very close and active. It is vital that it should remain so in a period of such rapid and significant change in Europe. I much look forward to seeing you again in June. I hope that your heavy schedule will allow you to come to Kiev, where I hope to show you something of the biggest event which Britain has ever organised in the Soviet Union, and which in many ways symbolises the increasing partnership between us.

POGAAT/2

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YOUR TELNO 263 (NOT TO ALL)

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH: MESSAGE TO CHANCELLOR KOHL

1. I DELIVERED THE PRIME MINISTER'S MESSAGE TO HARTMANN (CHANCELLERY), THIS MORNING, IN TELTSCHICK'S ABSENCE ON HOLIDAY. HARTMANN THANKED THE PRIME MINISTER ON THE CHANCELLOR'S BEHALF. IT WAS VERY HELPFUL INDEED TO HAVE THIS ACCOUNT. HE SAID HE WOULD SEND THE MAIN POINTS ON THE SECURE TELEX TO KOHL AT HIS HOTEL. HE WOULD ALSO SPEAK TO THE CHANCELLOR ABOUT THE MESSAGE TOMORROW DURING HIS DAILY 8.30 AM TELEPHONE CALL.

2. HARTMANN PICKED UP THE PROPOSAL FOR A NATO SUMMIT. HE WAS CAUTIOUS. REFERRING TO A REPORT FROM THE GERMAN DELEGATION TO NATO OF THE PREVIOUS DAY'S DISCUSSION IN BRUSSELS, HE NOTED THE CONSENSUS THAT APPEARED TO BE EMERGING THERE IN FAVOUR OF SUCH A SUMMIT IN JUNE OR JULY. HE WOULD CONSULT THE AUSWAERTIGES AMT. HE AGREED WITH THE PRIME MINISTER THAT PREPARATION WOULD NEED TO BE INTENSIVE (AND COMMENTED WITH A CERTAIN GLOOM ON THE PROLIFERATION OF SUMMITS IN THE COMING MONTHS NEEDING PREPARATION). ECHOING VON PLOETZ IN NATO (UKDEL NATO TELNO 161). HE SAID THE PURPOSE OF SUCH A MEETING WOULD NEED TO BE CAREFULLY CONSIDERED AS WELL AS ITS TIMING IN RELATION TO SUBSTANTIVE PROGRESS ON THE ISSUES THAT IT WOULD DISCUSS. TACKLING NATO'S FUTURE STRATEGY COULD BE TRICKY. ON THE OTHER HAND NATO COULD NOT GO ON FOREVER APPEARING TO BEHAVE AS IF NOTHING HAD CHANGED. HARTMANN CONCLUDED THAT THE CHANCELLOR WOULD RESPOND TO THE PRIME MINISTER ON THIS POINT SOON.

3. HARTMANN DID NOT REACT FURTHER TO THE MESSAGE EXCEPT TO SAY THAT HE AGREED ABOUT THE CONTINUING CENTRALITY OF NATO TO THE TRANSATLANTIC PARTNERSHIP. HE DID NOT THINK THAT DEVELOPING THE CSCE PROCESS WOULD CONSTITUTE ANY THREAT TO NATO. CSCE WOULD REMAIN INSUBSTANTIAL. BUT IT WOULD BE NECESSARY TO HAVE SOMETHING WITH WHICH TO FOB THE RUSSIANS OFF. IT WOULD ON THE OTHER HAND BE SERIOUS

011627
MDADAN 4085

IF THE SOVIET UNION MANAGED TO ESTABLISH ANY FALSE PARALLELISM WITH THE US PRESENCE IN EUROPE. THIS SHOULD BE GUARDED AGAINST AT ALL COSTS.

4. FCO PLEASE PASS TO NO. 10.

NEVILLE-JONES

YYYY

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NNNN

cc CDP DM For info (2)

British Embassy
3100 Massachusetts Avenue NW Washington DC 20008
Telex Domestic USA 89-2370/89-2384
Telex International 64224(WUI)/440015(ITT)
Telephone (202) 462-1340

Bernard Ingham Esq
No 10 Downing Street
London SW1

Fax

Your reference

Our reference

Date 17 April 1990

Dear Bernard,

Prime Minister

You should read the underlined passages if possible. They throw a very different light on the President's remarks as reported in the British press.

Francis Cornish
Counsellor (Information)

INTERVIEW WITH PRESIDENT BUSH

1. You will have seen Peter Stothard's article in The Times of 17 April. I attach the full transcript of this interview; it is well worth reading. You will see that the President was pushed into answering questions about the Labour Party and that he was admirably robust on the Prime Minister's reputation in the United States and on his attitudes to opinion polls. He also made it clear (which Mr Stothard does not) that the discussion in Bermuda about Trident was peripheral at most.

cc: R A Burns Esq, News Dept, FCO (Fax)

CDP 18/4.

Very good pm

THE WHITE HOUSE

Office of the Press Secretary

April 17, 1990

For Immediate Release

INTERVIEW OF THE PRESIDENT
BY
PETER STOTHARD, THE TIMES OF LONDON;
NORMA GREENAWAY, THE SOUTHAM NEWS, CANADA;
MICHAEL ELLIOTT, THE ECONOMIST, BRITAIN;
AND JEROME MARCHAND, LE POINT, FRANCE

The Oval Office

April 16, 1990

10:10 A.M. EDT

THE PRESIDENT: This is timely in one sense, because we're in the process of what appears to be organized consultations with Canada, France, and the U.K. I'm not sure that six months ago we envisioned this, but I am very pleased these meetings are taking place because I've tried hard as President to stay in close touch with our Alliance leaders, and talks, given the rapidity of change in Eastern Europe, seemed very timely.

So we've had two-thirds down and one to go, and as far as the United States goes and as far as I go, I've been very pleased with the consultations -- diplomacy, we'd say frank and full, but they are very good exchanges, and I've learned from both, and I hope both Prime Minister Mulroney and Prime Minister Thatcher have a better feel for the U.S. stance on important Alliance matters.

But with no further ado, I'd be glad to take questions.

Q Mr. President, one of the things that you've been talking to your co-leaders about is, of course, Lithuania. Your position so far has been to suggest that the Lithuanian crisis can be resolved by dialogue. I just wonder whether you think that we're approaching the moment when Western nations will have to give more direct assistance to Lithuania, particularly if there's an oil embargo.

THE PRESIDENT: I think that's a little hypothetical, because I have been in consultations -- in contact with the Soviet leaders -- indeed, had an opportunity to talk to Mr. Shevardnadze right here in that chair over there, and also have been in contact with Gorbachev. And I think -- I feel comfortable that they know the U.S. position, and I've felt that, having expressed our interest in self-determination and the peaceful evolution of all of this, that we're positioned about right. I don't think there's any question as to where I feel; and indeed, after consultation with our allies, where they feel.

But I think it's a little premature to -- or perhaps a little hypothetical to suggest escalation of what we might do. I want to be sure anything we do is productive. There's been dramatic change in the world, and I don't want to inadvertently take some action that would set it back. And yet, I don't want to be seen as one who is not interested in the peaceful change and in the self-determination for Lithuania.

We're in a position of never having recognized the incorporation of Lithuania, and indeed Estonia and Latvia into the Soviet Union. So that gives us a little bit of a standing that others might not have in terms of how we view this problem. But I

MORE

just don't want to go into what we might do. I can understand the great interests in other countries, and certainly in this country. But right now, I'd like to, having expressed our concerns to the Soviets, watch the evolution here.

Q Mr. President, you are going to meet Mr. Mitterrand next Thursday in Key Largo. And there has been, in the French press, a report about some misunderstanding in France and the U.S. about the NATO future role. Do you share any of those views, and it is true that your administration is pushing for France to get more involved in the Alliance?

THE PRESIDENT: Look, the main thing is that France and the United States be in total synchronization on Alliance problems. France has a special historical position regarding the NATO Alliance. But one of the reasons for having this meeting is to narrow any differences that might exist. I go down to Key Largo not feeling there are big differences with Mr. Mitterrand in this question. But I want to get his views, I want to tell him ours, and if there are differences, see if we can narrow them.

But it is my conviction that NATO will have a perhaps even more important role to play in the stability of Europe -- East and West -- projecting stability for East and Western Europe. And I would think that that might be shared by President Mitterrand, but I'll be talking to him about this question. Because there have been reports that there was a little drift and a little separation. And the best way to find that out is simply to sit and talk as we will do there.

I can say this, that I've found my direct talks with him extraordinarily helpful in the past, and I expect this will be the same way. But I don't -- one of the key subjects will be security and arrangements for Europe after the unification of Germany. And that obviously will entail discussing our view for an expanded role for NATO.

His view -- it doesn't exclude that, but has a keen interest in a role for CSCE. And we see that. We've also talked about expanded participation in the EC, and I will try to elaborate on that with Mr. Mitterrand. So I don't think we're -- I know we're not egregiously apart at all. But if there are these differences, get them out on the table and talk about them.

Q Mr. President, you say you're concerned about what might happen in Lithuania. There is also a strong independence movement in Quebec. And recently declassified State Department documents show that during the last peak of separatist sentiment in Quebec about a dozen years ago, the U.S. was indeed very concerned about the prospect of a separate Quebec.

Can you tell me what your concerns are about that prospect and what it could mean for U.S.-Canada relations and Quebec-U.S. relations?

THE PRESIDENT: My experience is to stay out of a matter that's bubbling around up there in Canada right now, courageously sit on the sidelines, and say this -- that we have always enjoyed the most cordial relations with a unified Canada. And that came up at a press conference we had up in Canada the other day there at the ball park. And I took the same view -- that this is not a point at which the United States ought to involve itself in the internal affairs of Canada.

Q Mr. President, the British Labour Party, the opposition Labour Party, is very, very far ahead in the opinion polls in Britain at the moment. It's had an avowedly unilateralist past, and your predecessor seemed to treat it with a great deal of suspicion. I wonder if you now think that these people are people you can do business with and people you can talk to, and whether you

have any sort of -- this sort of special relationship that you would like to have with the British government?

THE PRESIDENT: May I say this -- that I haven't given any thought to it all, because Margaret Thatcher is the head of the government and the Prime Minister, and we are in close consultation and negotiation with her.

So I really would leave it there, because without suggesting any hostility toward opposition parties or towards -- in this sense, since you asked about Labour -- but I just again think it would be inappropriate to publicly speculate on what the U.S. might do. But if -- we do have a special relationship, and it'll continue, I'm sure. And these talks just reinforce that, these talks that I had with Prime Minister Thatcher. So excuse me if I don't want to get into the bubbling caldron of domestic politics inside the U.K. right now.

Q Mr. President, you seem to have had very substantial success in your relationship with Japan in the last couple of months. The SII seems to have been moving along quite happily. I wonder whether that's a vindication of three years' worth of pressure from the Hill for a tough stance on trade issues.

THE PRESIDENT: There is no question that the Hill, and indeed a lot of America, have wanted to see action taken by the Japanese. I would like to give credit to our negotiators who are in the administrative Executive Branch of the government, and also to Prime Minister Kaifu, who has taken the position that I think some of his critics here and abroad felt he wouldn't take -- a position that we view quite forthcoming on SII and on specific categories of trade.

So the jury is still out in terms of how the Hill will look at what has happened, but I've been very pleased so far that most of the leaders on Capitol Hill seem to feel that under Kaifu's leadership, Japan has really moved on these important items.

But I guess the answer is, the proof of the pudding is in the eating. What results -- also, there are certain undertakings that we make under SII. And Congress ought not to simply criticize Japan, even though I will readily concede there's been room for criticism there -- and so stated. But I think we, the Executive Branch and the Legislative Branch ought to work together now to fulfill our undertakings on investment, savings, education, budget deficits. It's a two-way street. But so far I've been quite pleased, and back to your question -- I don't know whether it's Hill pressure, because for years Japanese leaders would come here and hear the message from the Hill, "go back." And we didn't have demonstrable progress. So I think, in fairness, the Hill pressure has been relatively constant.

We ought to take a look at what's different. And what's different is the way in which Prime Minister Kaifu, and indeed some of the other leaders there, have approached this problem.

Q Mr. President, just to go back to the NATO issue, could you envision now the French being commander of the -- supreme commander of NATO?

THE PRESIDENT: We're very happy with the present arrangements. You see, I think it's true in France and I know it's true in other countries, people view the U.S. presence as stabilizing, as having played a significant role in preserving a peace that, in terms of European history, is a long one. And I don't want to have this coming out in a chauvinistic sense, but I think the American people have to feel, one, the American presence is wanted. And part of the command structure, I think, contributes to the view that we have an important role to play and the Europeans want us to have an important role to play.

So, I've given no thought to any substantive changes in all of this. But if anybody has a different view, I'd be willing to hear it. But this is why I'm happy with the existing structure.

Q Mr. President, your officials and Mexican officials have said they are ready to pursue or at least consider the idea of a free trade agreement. When you were in Toronto last week, you did say that you thought Canada should continue to show interest in trade with Mexico. Do you think it's a good idea for Canada to pursue a separate deal with Mexico, or should Canada, Mexico and the United States sit down together and pursue a three-way deal just as the European Community is working together?

THE PRESIDENT: Are you talking about a free-trade agreement?

Q A free-trade agreement.

THE PRESIDENT: I think it's premature for a three-way free trade agreement. I expect Mexico feels that way, I know that -- I believe that Canada feels that way. I talked in the campaign about a North American accord and doing more together. But the sensitivities on this question in Mexico are such that we ought to let President Salinas set the pace here. And so it is a sensitive subject there, just as some fallout from the free trade agreement with Canada and the U.S. is sensitive.

So I think it's better to crawl before you walk, walk before you run. And the next step is to sit and talk with the President of Mexico, if this is still on his agenda, when he comes up here. And I say that because I don't want to be out saying what our meeting is going to be about. But you're right -- that there has been public speculation on this; indeed, different officials in our administration and Mexico have talked about it. But because of its sensitivity, I prefer to let Mexico speak for itself and simply say I think we need to move forward in a bilateral sense, and Canada might want to move forward in a bilateral sense -- that's up to them, though -- before we talk about a North American accord meeting, a three-way free trade agreement.

Q Mr. President, when you were in Bermuda, did you discuss with Mrs. Thatcher the status of the Trident, which as you know the Labour Party would like to include very quickly in arms control negotiations? Do you expect to discuss the French independent deterrent with Mr. Mitterrand?

THE PRESIDENT: We touched only peripherally on that. Prime Minister Thatcher knows that I don't -- she doesn't have to sell me on the French and British deterrence and the way in which they view their own nuclear capability. So it wasn't what I would call a significant agenda item because I don't think we have any differences.

Brent, you were in those. Is that my -- is that about the way it was? I don't think it was -- unless there were some other discussions that went on not in our group.

GENERAL SCOWCROFT: No, there wasn't an extended discussion because there aren't really any points at issue --

THE PRESIDENT: Yes, we didn't have it as a formal agenda item.

Q Mr. President, did you like the phrase, "first among equals" as a description of your vision of America's place in the network of democratic alliances?

THE PRESIDENT: Well, I think many of our allies look to us as the first among equals, given the blessing of our -- the size of our Gross National Product and given our historic commitment to

the security of others. But I don't know that when you approach an -- when I go sit down at a NATO meeting, I don't go there seeking a kind of recognition on that point. But I think the realities of the world are such that many look to us as essential -- in this instance, the security of Europe. Certainly, we've got to be dealt with on trade matters.

And I am one who does not believe some of these elitist theories about the decline of America. I don't believe it; I don't think the American people believe it; I don't believe our allies believe it.

Q Mr. President, do you think that the new Germany we've seen to come out in -- one day is going to make and to cause any major problems -- we being the EEC?

THE PRESIDENT: No. Within these what?

Q The EEC -- the European Economic Community. There are some worries, you know.

THE PRESIDENT: Yes, there are some concerns there about it, but I expect they can be sorted out. But I don't -- it doesn't -- the concept of a unified Germany does not cause me worries. I know there are perhaps nuances of difference on this one, but Germany has been a strong democracy here for a long time now -- a long time -- and we've all had the position -- the NATO position has been unification is okay. We don't worry about that at all.

But we want to stay involved as the United States. We want to be there as one who can -- who enthusiastically would deal with a unified Germany. And there will be -- after this unity, there will be problems that we probably haven't even considered. But we're not opposed to it and we don't worry about it.

MR. FITZWATER: We're going to have to break. If you've got a final question or two.

Q Well, I --

THE PRESIDENT: In the name of egalite, fraternite.

Q -- stay on the sidelines just on a follow-up.

THE PRESIDENT: Go ahead. Try.

Q You have made clear your --

THE PRESIDENT: You'll find I'm immovable --

Q -- preference for a unified Canada -- a strong, unified Canada. Why? What difference does it make whether the United States is dealing with Quebec -- a separate Quebec.

THE PRESIDENT: It makes the difference that this is the internal affair of Canada. And I learned something long ago: Do not intervene in the internal affairs of another country. That's pretty hard sometimes. In this one, it's easy.

You get another question because that was so cinchy. Go ahead.

Q Oh, I do have another question?

THE PRESIDENT: Yes. That's because that's just a follow-on to the other one, and it's just -- look, that's a cinch, that one.

Q The question that many young Canadians sometimes ask me when I'm visiting back in Canada is, Mr. Bush has come to Ottawa

-- a quick trip to Ottawa, a quick trip to Vancouver, a quick trip to Toronto. He never seems to stay overnight. When he goes to Bermuda, he'll stay overnight or he'll do this. Is there some reason that you don't like Canada, or is it too cold for you? Is there not good sporting and fishing up there? It's worth staying for?

THE PRESIDENT: It's fantastic, but I have mean schedulers. I have invidious people there that do not let me do that which I'd like to do. And besides that, I have such a good relationship -- feeling about Canada that frankly it never entered my mind; if some might feel this way. But someday, I will have the joy of doing that which I like best -- recreating in Canada. Because I've been to Banff, I've been to the West. I know the country reasonably well. And I'd like to think that I would have a scheduler around here who would be a little more considerate and permit me to do that.

Frankly, I think it's a good thing, the baseball recreation there. Because the Blue Jays drew more, I am told, than any other team last year. They've got a fantastic stadium. And it sends a good hands-across-the-border signal. So even though I get sheer pleasure out of going there, and the little annoyance about Canada's defeat of the Texas Rangers, I think it was worthwhile for our national pastime -- a game that I really enjoy.

So I got some recreation there in that fantastic baseball stadium. But not near enough. So if any of your readers feel there is any slight, tell them to call a man named Joe Hagin. (Laughter.) His number is 456-1414. (Laughter.)

Q Could I just ask, Mr. President, do you think that after a week in which Mrs. Thatcher was very heavily criticized and virtually written off in the American press whether she has -- whether her final reputation will be affected by --

THE PRESIDENT: By what?

Q Whether her final reputation will be affected by the pasting which she has taken in the last couple of weeks here -- and the differences you've had over Europe and Germany?

THE PRESIDENT: Look, I read these polls, and I don't know what Mr. Ortega's pollster is doing now, and I don't know what the guy that said I wouldn't win because I was 17 points back in the summer of 1988 is doing now. But whether polls are right or wrong -- and I don't want to denigrate all pollsters because I think there is a science there that sometimes is quite accurate. But I've just pointed out a couple of egregious errors here.

But I don't think you deal with people -- heads of government -- based on whether they're up or down in the polls, or even speculate. So I was giving you a very honest answer about the opposition. I mean, the opposition leaders would come here, we'd seem them. I would think that's the way it ought to be. But I'm enough of a politician to know that people can be down one moment and then soaring like an eagle the next.

So I missed your question just a little. What was it?

Q I asked about her long-term reputation. Perhaps you could sum up, because whatever happens, she is coming to the end of her -- a very long time in office. Could you say anything about what you think her long-term --

THE PRESIDENT: No, no. That would be a matter for --

Q Reputation --

THE PRESIDENT: Well, a reputation --

Q -- do you think --

THE PRESIDENT: Oh, excuse me. I thought you meant whether she would rebound from all of this. Well, I think at least in this country, people see her as a very courageous, principled leader who fights for her beliefs and has survived many ups and downs. So they give her great credit. And I would be, in that vein for courage and for -- and another thing that she gets credit for here is a special feeling about the United States -- a recognition that it's good for the U.K. and the U.S. to be close. I think she gets great credit from that in -- not just in conservative circles, or, say, Republican circles or IDU-affiliated circles, but across the board here in our country they see her as a tough, courageous leader who has enjoyed great success and who -- with whom presidents have enjoyed a very close, important relationship. It's about in there, I'd say.

MR. FITZWATER: Thank you all very much.

END 10:35 A.M. EDT

FILE
DA
4c

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 April 1990

BERMUDA MEETING

I enclose another short note about the Bermuda meeting which you might like to show to the Foreign Secretary.

(C.D. POWELL)

J.S. Wall, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER

BERMUDA MEETING

General Scowcroft telephoned me this afternoon just to say how very pleased the President had been with the Bermuda meeting. He had found it most worthwhile, and that view was shared by all the members of the American delegation. They were very grateful to you.

I said that I knew you had also been very appreciative of it and pleased that there was such a wide measure of agreement. Brent Scowcroft agreed that there had really been no differences of any significance between us at all.

(CHARLES POWELL)

17 April 1990

PRIME MINISTER

BERMUDA MEETING

General Scowcroft telephoned me this afternoon just to say how very pleased the President had been with the Bermuda meeting. He had found it most worthwhile, and that view was shared by all the members of the American delegation. They were very grateful to you.

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CDP.

(CHARLES POWELL)

17 April 1990

SUBJECT
CE OPS
MASTER.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 78/90.

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

17 April 1990

Dear Mr. President

Particularly in view of your own forthcoming meeting, I thought you might be interested in a brief account of my meeting with President Bush in Bermuda just before Easter.

Lithuania was obviously very much on our minds and preliminary news of President Gorbachev's letter to the Lithuanians threatening limited economic sanctions reached us during the meeting. The Soviet Government has, of course, subsequently taken measures over the supply of natural gas to Lithuania. I hope we shall all consult closely on how to react to this. The President and I agreed that we wanted to avoid putting the achievements of the last few years in East/West relations at risk, and that we should therefore do everything possible to encourage both sides to find a solution through dialogue and discussion. But we cannot just acquiesce in coercion of the Lithuanians.

More generally, we noted a stiffening of Soviet attitudes and positions on quite a number of issues, particularly arms control. There are clear indications that the Soviet Government is coming under increasing pressure from the military not to make further concessions, and this has reached the point in some cases where they are going back on previously agreed positions. At the same time, there are signs that President Gorbachev still hopes to reach agreement on the main issues in

the START negotiations at his meeting with President Bush at the end of May.

We agreed that the Two plus Four Group were making quite good progress in discussing the external consequences of German unification. We welcomed the fact that we were now all at one on the subject of Germany's border with Poland. We both considered it important - and I am sure you will agree - that the four Western Allies should co-ordinate their views carefully in advance of meetings. We further agreed that the Russians should not be allowed to use the Two plus Four machinery to discuss defence issues, such as Germany's place in NATO and the presence of US forces and nuclear weapons in Europe. These are matters which should be handled in NATO. The President laid particular stress on keeping the rest of NATO informed about discussions in the Two plus Four Group, so as to re-assure them that their interests were being taken into account.

The President remains very staunch in his commitment to NATO and to keeping US forces and nuclear weapons in Europe. We both believed that the Russians would, in the end, accept a united Germany's membership of NATO and full participation in its integrated military structure. The President and Secretary Baker are keen to see political consultation within NATO strengthened. They stress that NATO is the United States' principal institutional link with Europe, where the US and Europe can share their views on the main issues affecting Europe's security (and indeed more widely).

The President and I both saw merit in an early NATO Summit, while recognising that this was something which must first be discussed more widely with you and other NATO partners. The main purpose would be to re-affirm NATO's basic principles and positions: the desirability of a united Germany's memberhsip of NATO and the importance of a continued presence in Europe of American forces and nuclear weapons. It would also discuss the

implications for NATO's future strategy of a CFE agreement, although NATO's Comprehensive Concept remains an excellent statement of the Alliance's goals and strategy and I hope we can preserve it. If we are to have such a meeting this summer, there will need to be intensive preparation.

We discussed nuclear force levels in Europe and agreed that NATO would continue to need a mix of conventional and nuclear weapons and they must be kept up to date. The question of further reductions in the number of NATO nuclear warheads in Europe would need to be considered by NATO as a whole.

We agreed on the desirability of strengthening the CSCE as a way to entrench democracy, human rights and free market principles throughout Europe, and as a forum where the free world, the East European countries and the Soviet Union can talk over issues affecting Europe as a whole. But we were quite clear that the CSCE could not have a defence role or be in any way a substitute for NATO.

The President accepted the need for some restructuring of COCOM and considered the core list approach proposed by Britain a good one. I hope this will be a basis for resolving differences at the June meeting of COCOM.

We discussed a wide range of other issues including the Middle East, South Africa, Central America, Kashmir, Cyprus and Afghanistan. The President clearly attaches very great importance to resolving agricultural trade problems in the Uruguay Round. He made clear that the United States wanted to reach agreement, provided the result is genuinely a freer market for agriculture.

I hope you will find this brief account useful.

I send you best wishes for your own meeting with the President on 19 April.

Kind regards.

Yours sincerely

Margaret Thatcher

His Excellency Monsieur le President Mitterrand, G.C.B.

SECRET

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 April 1990

BERMUDA MEETING

Thank you for your letter of 17 April enclosing draft messages to President Mitterrand and Chancellor Kohl about the Prime Minister's meeting with President Bush in Bermuda.

I enclose a revised version which the Prime Minister has approved. For Chancellor Kohl, the first phrase and the last sentence should be deleted.

The message to President Mitterrand should be telegraphed to Paris for delivery as early as possible.

CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

SECRET

SECRET AND PERSONAL

Foreign and Commonwealth Office

London SW1A 2AH

17 April 1990

Hopkins
OBD 17/4

Dear Charles,

The Prime Minister's Meeting with President Bush: Messages to President Mitterrand and Chancellor Kohl

As requested in Hamilton telno 83, I enclose a draft telegram with near identical messages from the Prime Minister to President Mitterrand and Chancellor Kohl about the Prime Minister's meeting with President Bush on 13 April. The draft draws selectively on the record of the meeting (your letter of 15 April to Stephen Wall).

Yours ever,

R. Charles Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

SECRET AND PERSONAL

OUT TELEGRAM

	Classification	Caveat	Precedence
	SECRET	DEDIP	DESKBY

ZCZC 1 ZCZC
TC 2 SECRET
CAVEAT 3 DEDIP
FM 4 FM FCO
TO 5 TO DESKBY 17 Z PARIS
TELNO 6 TELNO
OF 7 OF 17 Z APRIL 90
AND TO 8 AND TO DESKBY 17 Z BONN
9 INFO PRIORITY MOSCOW, UKDEL NATO
10
11 PRIME MINISTER'S MEETING WITH PRESIDENT BUSH: MESSAGE TO
12 PRESIDENT MITTERRAND AND CHANCELLOR KOHL
13 1. Please arrange for the delivery of the following messages
14 from the Prime Minister to President Mitterrand and to
15 Chancellor Kohl. There will be no (no) signed originals.
16 BEGINS
17 Dear Francois (Helmut),
18 I had some four hours of talks with President Bush in Bermuda
19 on 13 April. You may be interested in an account of the main
20 points of our discussions.
21 President Bush and I both noted a stiffening of Soviet
22 attitudes which President Bush ascribed to an increased
23 influence of more reactionary forces. (Douglas Hurd has spoken
24 to Roland Dumas/Hans Dietrich Genscher about his visit to Moscow
25 on 10-11 April and his impression, from talking to Gorbachev and
/// 26 Shevardnadze, that they are under increasng pressure from the
// 27 military not to make further concessions.) The President and I
/ 28 agreed that while President Gorbachev could not see how to get
29 round the situation in the Baltic Republics, it would be

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ADDITIONAL
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		Catchword: difficult	
File number POFABD	Dept WED	Drafted by (Block capitals) H N H SYNNOTT	Telephone no 270 2397
Authorised for despatch by:	Initials	Date/time	
For COD use only	Comcen reference	Telegram number	Processed by

Classification	Caveat	Precedence
SECRET	DEDIP	DESKBY 17 Z

difficult for us to have business as usual with the Soviet Union unless he did so. On arms control, the Americans find it difficult to read the signals clearly. The Soviet position on START during Shevardnadze's visit to Washington had run counter to earlier agreed language. But President Gorbachev apparently told US Senators subsequently that agreement would be reached on substantive issues in START at the May Summit.

Preliminary news of President Gorbachev's letter to the Lithuanians about the possibility of limited economic sanctions came through to us during our meeting. President Bush and I agreed that we must seek to avoid putting the achievements of the last few years at risk as ~~will~~ would happen if force were to be used there: we should urge therefore that dialogue and discussion should be continued. We should stay in close touch on how to handle the situation, particularly if President Gorbachev intensifies the pressure.

On the question of German unification, President Bush noted that the Two plus Four group had made quite good progress and that the four Western Allies needed to coordinate their views carefully in advance of meetings. We both agreed that the group's main task should be to concentrate on how to wind up existing Four Power rights and responsibilities for Berlin and Germany as a whole. The end result should be a united Germany which was treated in every way as a normal sovereign state, without any special limitations on its sovereignty. We should stand firm on the principle that a united Germany would be in NATO. We should not allow the Russians to use the Two plus Four group to interfere with Germany's right to remain in NATO and to have a say in defence and other issues. While the Soviet Union had a right to express views about future defence arrangements for the territory of the former GDR, and this would have to be dealt with, other matters should be handled in NATO or arms control negotiations as appropriate. I mentioned the

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desirability of making clear to the Soviet Union that we did not envisage a Peace Treaty, but a peace settlement, which would comprise a number of different instruments and agreements. THe President stressed the importance of keeping the rest of NATO informed about discussions in the Two plus Four group, so as to reassure them that their interests were being taken into account.

The President and I agreed that we were all now totally together on the subject of Germany's border with Poland.

On NATO matters more generally, President Bush said that he was determined that, whatever the domestic pressures, the United States must retain a military presence in Europe. NATO was their principal institutional link with Europe and must be maintained. The Russians would in the end accept a united Germany's membership of NATO. I added that NATO's Comprehensive Concept remained an excellent statement of the Alliance's goals and strategy, and we should preserve it.

The President also suggested that there should be an early NATO Summit which would need to discuss NATO's post-CFE nuclear and conventional forces, the implications for future strategy and various arms control issues. There was also a need for more thought on how NATO would relate to CSCE. Most important, the Summit should make a strong statement on German membership of NATO and the continued presence of American nuclear and conventional forces in Germany. I entirely agreed that a Summit would be useful, but it would need intensive preparation. We agreed that the first step should be to discuss the idea of a Summit with our NATO Allies.

On the question of nuclear force levels in Europe, we agreed that NATO would continue to need a mix of conventional and nuclear weapons and that they must be kept up to date. The question of further reductions in the number of NATO nuclear warheads in Europe would need to be considered by NATO as a

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whole.

We had some discussion of my proposals for strengthening CSCE, which President Bush said he liked. Secretary Baker added that, while endorsing the idea of strengthening CSCE, the United States also wanted NATO to take on a more political role. We entirely agreed that the CSCE should not take on any sort of defence role or substitute for NATO. CSCE could be an instrument to strengthen democracy, human rights and free market principles and be a forum where the free world and the Soviet bloc could talk on general issues affecting Europe as a whole. But the most important task was to strengthen political cooperation within the Atlantic community as a whole.

On COCOM, the President accepted the need for some restructuring of COCOM and considered that the core list approach proposed by Britain seemed a good one. I thought that acceptance of this approach would provide a good basis for resolving differences at the June meeting of COCOM.

The President and I also discussed a range of regional and economic issues, including particularly the Middle East, South Africa, Central America, and the GATT Uruguay Round.

ENDS

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LIMITED
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SEC POL D
SOV D
MR WESTON
MR BROOMFIELD
MR GREENSTOCK

For distribution order see Page Catchword MR GOULDEN

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OUT TELEGRAM (CONT)

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MR GOULDEN
MR TAIT
MR KERR
PS
PS/MR WALDEGRAVE
PS/MR MAUDE
PS/PUS
PLANNERS

NNNN

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YFB7 C037C

PERSONAL AND CONFIDENTIAL

FILE
MEMO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 April 1990

BERMUDA MEETING

I enclose, for the Foreign Secretary's information, a copy of a personal note which I have done for the Prime Minister recording a telephone call from Henry Catto about the Bermuda meeting. You may also like to send a copy on a personal basis to Antony Acland in Washington.

CHARLES POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

PERSONAL AND CONFIDENTIAL

PERSONAL

PRIME MINISTER

BERMUDA MEETING

Henry Catto telephoned me this morning on his return from Bermuda to say that the President and all his entourage had been thoroughly enthusiastic about the talks, which they had found very productive and substantial. They felt the atmosphere had been very good and they had been full of praise for the very clear thinking you had brought to bear on all the issues. They in particular appreciated the feeling of informality and relaxation which had made it possible to get really deeply into the subjects. Henry Catto's personal view was that it had been a much better meeting in this respect than Camp David.

CDP

CHARLES POWELL
17 APRIL 1990

JK

No KLM objection. Do you want Lady T's office in view of early release?

RP.
5.8.10

Wonder why he did not ask for the full record?!

PERSONAL

SUBJECT
cc MASTER.

CONFIDENTIAL

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bc: PC

10 DOWNING STREET

LONDON SW1A 2AA

15 April 1990

From the Private Secretary

Dear Stephen,

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH IN BERMUDA: ECONOMIC ISSUES

I have written to you separately on the main political and military issues discussed by the Prime Minister and President Bush at their meeting in Bermuda. This letter deals with the economic and other related issues.

Economic Summit

The President identified four main issues for discussion at the Economic Summit in Houston: East/West relations, environment, Uruguay Round and agriculture, and drugs. The United States was trying to behave responsibly on environmental issues, but other countries were rushing to conclusions without adequate scientific evidence. For instance, a recent NASA study had shown that there had been no significant evidence of climate change over the last decade. We had to look at the costs of some of the measures being proposed internationally. There was a risk of damaging economic growth and affecting employment prospects on the basis of little more than scientific speculation. This would be the overall view which he would put forward at the Summit.

The Prime Minister said that she had seen an advance copy of the IPPC's report. This would say that the world's average temperatures had gone up and that carbon dioxide emissions had played a role in this. She agreed that some of the targets being proposed, for instance on CO_2 emissions, were unrealistic, as were some of the policies. For instance, she would not be prepared to consider higher taxes for environmental purposes, at least at present. We had ourselves circulated a paper on the costs of environmental policies at the last Summit. But she was clear that some action would certainly be needed. We could probably accept a commitment to stabilise CO_2 emissions at current levels by 2005.

The President said that the Summit should consider further action to deter cultivation of drugs. For instance, he wondered whether more could be done through commodity agreements to give incentives to grow alternative crops. The Prime Minister said

that she was generally sceptical about such agreements. They did not have a good track record.

The President said that he would resist attempts to institutionalise a North/South dialogue. The Prime Minister agreed.

Uruguay Round

The President said that the United States was much preoccupied with the issue of agriculture in the Uruguay Round. It was a major problem. The United States was perfectly ready to drop its own subsidies and export enhancement schemes, if this would lead to a genuine opening up of agricultural markets.

The Prime Minister said that all the major countries were guilty of subsidising agriculture. The first requirement was to establish the facts. That was why we had proposed various mechanisms to measure overall support for agriculture. It was not just a question of export subsidies: we had to take a broader approach and set ourselves realistic objectives. We were doing our best within the EC to secure a positive approach, with some success This reflected our vision of a Europe without trade barriers, open to the rest of the world. There seemed to be some tendency in the United States to criticise Britain as an obstacle to European unity. This was inaccurate. We were only an obstacle to the sort of protecionist and dirigiste policies which the United States itself found objectionable.

Secretary Baker said that the United States was able to go further than Europe on agriculture. The key was for everyone to move. The Americans were suspicious of discussion of mechanisms, which they saw as simply a diversion from the task of reducing subsidies. President Bush said that he was not too pessimistic about the prospects. American farmers were prepared to compete, provided the competition was fair. He repeated that the United States was ready to reach agreement, provided the result was genuinely a freer market for agriculture.

EBRD

The Prime Minister said that we were disappointed at the United States' failure to support London as the site of the EBRD. London was indisputably the best banking centre. The EC would not support Prague. The President said that the United States had unfortunately given a commitment to President Havel. He was not very happy about the idea that Attali should be Chairman of the Bank, particularly in the light of his recent book which had angered him greatly. He was particularly disturbed by suggestions that Attali might hope to hold the EBRD post, while continuing as an adviser to President Mitterrand. The Prime Minister said that we were committed to support for Ruding, who was generally accepted to be the best qualified candidate. But our main concern was to get the Bank to London. The French might be offered the CSCE Summit in compensation. The President commented that he had assumed the Summit would be held in Vienna.

I am copying this letter to John Gieve (HM Treasury), Martin Stanley (Department of Trade and Industry), Andy Lebrecht (Ministry of Agriculture, Fisheries and Food), Roger Bright (Department of the Environment), Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Yours sincerely,

C. D. POWELL

Stephen Wall, Esq.
Foreign and Commonwealth Office

The National Archives

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

15 April 1990

Dear Simon.

HMS ARROW

HMS Arrow played a very important part in the Prime Minister's visit to Bermuda and meeting with President Bush, and the Prime Minister is most grateful to the Secretary of State for making the ship available, as well as to the ship's company for putting on such a splendid show.

The Prime Minister received a good briefing from the Captain and other officers about the ship's tasks in the Caribbean, during which it was suggested that our small presence would be very much more effective still if we could make two ships available, at least for part of the time. This would apply both to anti-drugs work and to our general presence in the area. The Prime Minister has considerable sympathy with this view, while not under-estimating the difficulties. She would be grateful if the Defence Secretary would give it some thought, in particular whether an additional frigate might not be more valuable and effectively deployed in the Caribbean for some of the time than on NATO tasks.

Yours ever,

Charles Powell

C. D. POWELL

Simon Webb, Esq.
Ministry of Defence

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10 DOWNING STREET

LONDON SW1A 2AA

15 April 1990

From the Private Secretary

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE PRESIDENT OF THE UNITED STATES IN BERMUDA

The Prime Minister held some four hours of talks with the President of the United States at Government House in Bermuda on Friday 13 April. The President was supported by Secretary of State Baker, General Scowcroft, Governor Sununu, the US Ambassador in London and Ambassador Bob Blackwill. HM Ambassador, Washington was also present.

I have already summarised the atmosphere and main outcome of the talks in my telegram from Bermuda (Hamilton Telegram Number 83). This letter provides a fuller and more detailed record. The President in fact began by speaking for some forty-five minutes, setting out his views on all the main issues. The Prime Minister then replied, and this was followed by discussion. I have rationalised this in my note, so as to group the discussion under a number of clear headings. I am writing separately about the economic and trade issues covered in the talks.

This letter contains sensitive material and should be seen only by those with a strict need to know.

Introduction

The President said that he very much wanted to stay on the same wavelength as the Prime Minister on the main issues of the day. He attached great importance to close and regular consultation between them and to her advice. The United States and the United Kingdom must be united at the heart of the NATO Alliance. The Prime Minister warmly concurred, while commenting that the media would be doing everything possible to identify or invent divisions between her and the President.

German Unification

The President said that the Two plus Four Group was making quite good progress. The United States, Britain, France and Germany needed to co-ordinate their views carefully in advance of meetings. The main task of the group should be to concentrate on how to wind up existing Four Power rights and responsibilities for Berlin and Germany as a whole. The end result should be a united Germany which was treated in every way as a normal sovereign state, without any special limitations on its sovereignty. The Soviet Union clearly had a different concept of

the work of the Group. They wanted to use the discussions there to interfere with Germany's right to remain in NATO and have a say over defence and others issues. There was a clear contradiction between Soviet and Western interests here. Germany's membership in NATO and defence matters, including the presence of nuclear weapons in Germany, were emphatically not for the Two plus Four Group. If there were to be any limits on the size of the German armed forces or armaments, they should be negotiated multilaterally. Anything else would be a guarantee of future instability. The Soviet Union had a right to express views about future defence arrangements for the territory of the former GDR and this would have to be dealt with. But other matters should be handled in NATO or in arms control negotiations as appropriate. The President added that he attached particular importance to keeping the rest of NATO informed about discussions in the Two plus Four Group, so as to reassure them that their interests were being taken into account. He could not understand why the French opposed this.

The Prime Minister said that she very much agreed that the Two plus Four Group must not provide openings for the Soviet Union to interfere with defence issues which were a matter for NATO. She was satisfied with the President's definition of the tasks of the Group. We should make clear to the Soviet Union that we did not envisage a Peace Treaty, but only a peace settlement, which would comprise a number of different instruments and agreements. She thought that the Germans could live with this. At the same time we must stand absolutely firm on the principle that a united Germany would be in NATO. Chancellor Kohl was completely sound on this and she thought the Russians would eventually agree. There were not many options for future defence arrangements for the GDR. Articles V and VI of the NATO Treaty should extend to the territory of the GDR and there would have to be some German forces there. But there should also be a transitional period, perhaps of five years, during which Soviet forces could remain. The President said he was personally sceptical on this last point and uncomfortable with the West acquiescing in a Soviet presence in countries where they were not wanted. His gut feeling was that they ought to go. He had discussed the matter with the Polish Prime Minister, who had been prepared to contemplate a continuing Soviet presence in Poland. Nonetheless, he remained very uncomfortable on this issue.

The President asked whether we were all now on the same wavelength as Chancellor Kohl on the subject of Germany's border with Poland. The Prime Minister said that it had been necessary to bring Chancellor Kohl to do the right thing. But he had now done so, by agreeing that the Parliaments of the Federal Republic and of the GDR should make separate statements accepting the existing border, and there should then be a Treaty to guarantee it as soon as possible after unification. The President agreed that we were all now totally together on this.

Future of NATO

The President said that he had read and admired the Prime Minister's Konigswinter speech. The crucial point was that a

united Germany must remain a full member of NATO and its integrated military structure, with American forces and nuclear weapons in Germany. He was very glad that the Prime Minister had said this so plainly in the presence of Chancellor Kohl. He would be discussing these issues with President Mitterrand shortly. He expected it to be a difficult meeting. The United States and France were not on the same wavelength on NATO and EC matters: indeed, he felt they were drifting apart. He would make sure the Prime Minister was informed of the outcome of the meeting. For his part, he was determined that, whatever the domestic pressures, the United States must stay in Europe. NATO was their principal institutional link with Europe and must be maintained. He feared that, following unification, there could be mounting pressure in Germany to qualify or weaken the NATO link. That could have dangerous repercussions in the United States. The mood would be: heck with it, if the Germany and others don't want us, why should we stay? There was already some tendency in this direction because of the difficulties being created in Germany over training and low flying.

The Prime Minister said she agreed absolutely with the President on the central importance of NATO. On defence, everything should be done through NATO, which had been the outstandingly successful organisation. The only weakness was France's absence from the integrated military structure. She had floated the idea of bringing WEU closer to NATO as a way of overcoming this problem, but the French had not responded. NATO's Comprehensive Concept remained an excellent statement of the Alliance's goals and strategy, and we should preserve it. The President said he was convinced that the Russians would in the end accept a united Germany's membership of NATO.

NATO Summit

The President said that the NATO Secretary General was keen to have an early NATO Summit, and the matter had also come up in his recent talk with Prime Minister Mulroney. He himself was in favour and thought the best time would be as soon as possible after his own meeting with Gorbachev in Washington and the Prime Minister's meeting with him in Kiev. They would both be able to report to NATO on these meetings and that would make a focal point for the Summit. Although Dr Woerner would like the meeting to be in Brussels, his own preference would be to go somewhere else. Scotland would be very agreeable: but he would be happy with London. The Prime Minister might like to consider proposing this.

The President continued that a Summit would need to discuss NATO's post-CFE nuclear and conventional forces, the implications for future strategy and various arms control issues. There was a need, too, for some good solid thinking on how NATO would relate to CSCE. But, most important of all, the Summit must have a strong statement on German membership of NATO and the continued presence of American nuclear and conventional forces in Germany.

The Prime Minister agreed that a NATO Summit would be useful. It should help Chancellor Kohl in the German elections and would be an opportunity to rally opinion in Western Europe

behind the need for continuing defence. It should also settle the question of the continued presence of nuclear weapons in Germany. It was important that a Summit should be well prepared and in a position to settle matters which would arise at a subsequent CSCE Summit. This might point to a date in September or October rather than June. The President said Dr Woerner was set on June. Secretary Baker added that the Americans saw it as a German unification summit, to draw in those who were not members of the Two plus Four Group and launch some studies. Moreover, Congress was likely to take a decision fairly soon on FOTL which would have consequences for the debate on nuclear deterrence in Europe. It would be a mistake to have too long a gap between that and a Summit, during which the overall position on nuclear weapons in Europe could slip out of control. General Scowcroft added that the Americans would review the possibility of an autumn date.

The Prime Minister said that a Summit in June would need intensive preparation, particularly on the issue of SNF. She certainly did not rule it out. The President concluded that it would be better to avoid any direct reference to a NATO Summit at the press conference: he and the Prime Minister would need to talk to other NATO allies about it first, in particular to the French who might otherwise be difficult. If the Prime Minister did decide to offer London, it would be helpful if she would let him know before his meting with President Mitterrand on 19 April.

Nuclear Weapons in Europe

The President said that the SNF issue was bound to resurface and he wanted to discuss it with the Prime Minister. The political reality was that Congress was likely to withhold funds for development of FOTL, and this decision could be taken as early as the end of April. This was a sensitive matter. If a decision were to be taken to cancel FOTL, he wanted to get something for it both at home and abroad. His commitment to keeping nuclear weapons in Germany was very strong. He wanted to be out in front of Congress on this issue. He noted that the Prime Minister had referred in her Konigswinter speech to the possibility of further reductions in SNF. He wondered what she had in mind.

The Prime Minister said that she very much agreed that we should not give up FOTL or accept negotiations on SNF without securing firm assurances about future stationing of nuclear weapons in Germany, in particular TASM. We should get explicit agreement from the Germans on that. With that assurance, there might be scope for some unilateral reductions in NATO's nuclear stockpile in Europe. We could also agree to start preparations for the eventual SNF negotiations foreseen by the Comprehensive Concept. She had found Chancellor Kohl quite resolute on the question of nuclear weapons in Germany, but Genscher appeared much less so.

Secretary Baker said he was sceptical whether we could extract much of a price for cancelling FOTL: the Germans knew that it was dead. They would be looking for an earlier start to SNF negotiations, for instance agreement to link the opening of

such negotiations to conclusion of a CFE Agreement rather than implementation of it. The President said that he had only just begun to turn his mind to these issues (General Scowcroft said separately that he and Secretary Baker had only broached them with the President a few days ago) and wanted to avoid any public statement until we had worked out a position. He agreed with the Prime Minister that the essential objective was to secure German agreement to a basing of TASM in Germany, although he wondered whether the Germans would be prepared to say anything publicly about this during their election campaign. He thought that British and American views were close.

The Prime Minister said that we agreed on the objective: the only question was how to achieve it. She accepted, rather reluctantly, that there would not be a FOTL, although if there were to be a deterioration of relations with the Soviet Union over Lithuania, it would not necessarily be wise to announce cancellation. She also thought there was scope to reduce NATO's artillery. She was not convinced that now was the right moment to bring forward SNF negotiations. She preferred her earlier suggestion that we might begin preparations for them. The starting point in all discussions on this issue should be that the United States and Britain were determined to maintain effective and up-to-date weapons, including nuclear weapons, in Europe and that any reductions were subsidiary to this basic objective. She agreed that it was better not to say too much publicly at present. (At her subsequent press conference the Prime Minister said: "We both believe NATO will continue to need a mix of conventional and nuclear weapons and they must be kept up-to-date. Whether we can make further reductions in the overall number of NATO nuclear warheads in Europe is something which will need to be considered by NATO as a whole.")

Soviet Union

The President said that there had been a clear stiffening of Soviet attitudes during Secretary Baker's recent meeting with Shevardnadze. The Americans found this rather disturbing. Indeed, he was considerably more concerned than he had been on this. Gorbachev was on the horns of a real dilemma over Lithuania. More generally, there were disturbing signs that he was being captured by more conservative forces. The mood during the Shevardnadze visit had been very different to the spirit of Wyoming, and the military had played a much bigger role in the official talks. The President continued that he had tried to tackle Shevardnadze directly about this, but he had simply refused to discuss whether Gorbachev was under pressure. There was something very different here. Gorbachev obviously could not see how to get round the situation in the Baltic Republics: but it would be difficult to have business as usual with the Soviet Union unless he did. Britain and the United States should stay in close touch on how to handle the Lithuanian situation, particularly if Gorbachev intensified the pressure. What would this mean for arms control negotiations and so on? He faced political difficulties on this issue in the United States. At the same time, he was determined not to put everything which had been achieved at risk, and slide back into the dark ages in United States/Soviet relations.

Secretary Baker confirmed that the Soviet mood had changed distinctly, even compared with the Moscow meetings in February. In Washington, the Soviet side had taken positions on START which ran directly counter to the specific language which they had agreed in Moscow. The Soviets had produced new representatives at the negotiating table. Karpov had been noticeably absent and Akromeyev had been very much in charge. The Russians were backsliding on commitments which they had undertaken in full knowledge of their implications. On the other hand, Gorbachev had told American Senators only the day before that agreement would be reached on substantive issues in START at the May Summit. It was difficult to read the signals.

The Prime Minister agreed that there were changes in Soviet positions. The Foreign Secretary had found this in his own talks in Moscow. She thought that the nationalities problem was at the heart of the difficulties and that the Soviet military were increasingly concerned about the danger of the Soviet Union breaking up. They were also finding it difficult to absorb the reductions in forces and weapons to which Gorbachev had committed them. She was sure that Gorbachev still hoped to avoid use of force in Lithuania: and he had given the Foreign Secretary the impression that he would not cut off essential supplies. She agreed with the President that a great deal was at stake and that we must try to avoid seeing the achievements of the last few years in East/West relations put at risk. The only answer was to continue to urge dialogue and discussion.

Shortly before the end of the meeting, the President was handed a Reuter's piece quoting about the letter from Gorbachev and Ryzhkov to the Lithuanians, appearing to threaten limited economic sanctions. He and the Prime Minister discussed its significance and agreed that, in the absence of more detailed information and assessment, they should not be drawn at the joint press conference. They would say only that the latest development underlined the need to avoid escalation and proceed by dialogue and discussion.

CSCE

The President said he had been brief on the Prime Minister's proposals, in her Konigswinter speech, for strengthening CSCE. He liked them. The United States was ready to attend a CSCE Summit later this year but only if agreement had first been reached on an agreement to reduce conventional forces. Secretary Baker added that, while endorsing the idea of strengthening CSCE, the United States also wanted NATO to take on a more political role. NATO was the United States' main ticket as a European power and CSCE could not be a substitute.

The Prime Minister said that she certainly did not envisage CSCE as taking on any sort of defence role or as a substitute for NATO, although this did seem to figure in the thinking of Herr Genscher and others. She wanted CSCE to be an instrument to strengthen democracy, human rights and free market principles right across Europe as a whole. Moreover, CSCE was the only forum where the free world and the Soviet bloc could talk on general issues affecting Europe as a whole. But she readily

agreed that the most important task was to strengthen political co-operation within the Atlantic community as a whole.

COCOM

The President said the United States accepted the need for some restructuring of COCOM and the core list approach proposed by the United Kingdom seemed a good one. Britain and the United States should get together to work out the details. He wanted a reaffirmation by all the allies at the June meeting of COCOM of the need to protect sensitive technology, on the basis of a shorter list. He would explain to American officials the need to "lighten up" in some areas. The Prime Minister welcomed the President's acceptance of the core list approach which could provide a good basis for resolving the differences at the June meeting.

CFE

The President and the Prime Minister reaffirmed the aim of reaching a CFE Agreement by the Autumn, but noted that the Russians continued to make difficulties over stationed forces and aircraft.

Soviet Chemical and Biological Warfare Capability

The Prime Minister said that we were very concerned by evidence that the Soviet Union was still not telling us the whole truth about its stocks of chemical weapons or about its biological warfare capability. Secretary Baker said that he had raised the latter point with Shevardnadze recently but had not obtained any satisfactory response.

Anglo-French Defence Co-operation

The Prime Minister said that we were looking at possibilities for extending our defence co-operation with France, including in the nuclear area. Unfortunately, the French tended to make a decision by the United Kingdom whether to buy their air-to-ground missile the test of our intentions. Our decision on TASM would be reached on strictly military and financial grounds. But we would persist in our efforts at better co-operation. The President and Secretary Baker did not make any specific comment, although General Scowcroft and Ambassador Blackwill separately expressed satisfaction.

UK Defence Policy

The Prime Minister told the President that we were looking at various options for Britain's defence policy in the light of a CFE Agreement. We might wish to reduce our forces in Germany and give more weight to maritime and air defence, and to an out-of-area capability. She thought it unlikely that the net result would be any significant reduction in defence expenditure. As the Soviet threat in Europe reduced, new potential threats to the West's security were emerging, not least in the Middle East. We had to bear in mind that the West would be more dependent than ever on Middle Eastern oil as we went into the next century. The

President made no direct comment but General Scowcroft observed that he hoped that we did not envisage very deep cuts in British forces in Germany.

Trident

The Prime Minister said that we were, as always, very grateful for the United States' help with Trident and for the firm position which they were taking in the START negotiations on preservation of existing patterns of co-operation. Secretary Baker noted that some progress had been registered on this point recently.

Middle East

The Prime Minister gave an account of her recent discussion with Prince Bandar about Iraq. The Iraqis were professing to want better relations with the West, but their behaviour made this very difficult. We now faced the matter of an apparent attempt to export components of a massive gun, although the experts had not finally reached a view on this. The President commented that he was very suspicious of Iraq.

The Prime Minister continued that Prince Bandar had reported King Fahd as optimistic about the prospects for progress in the Middle East, assuming that Mr Peres were able to form a Government. He expected this to lead to early talks between the Israelis and the Palestinians, and had urged that the United States link this to movement towards an international conference. President Bush noted only that Peres had, of course, failed to form a Government so far: the Israelis were, in any case, deeply opposed to an international conference.

The President asked how the Prime Minister saw the problem of emigration of Jews from the Soviet Union. The Prime Minister said that we had been very active in encouraging the Soviet authorities to permit emigration but were strongly opposed to any attempt to settle Soviet Jews on the West Bank, including East Jerusalem and its suburbs. She had made clear to the Israelis that we regarded such steps as deeply unfair to those of us who had fought hard for the freedom of Soviet Jewry. President Bush said that he had also taken a firm line on this, including a reference to East Jerusalem which had got him into hot water. The United States was insisting on guarantees from Israel that loans to help with the settlement of Soviet Jews would not be used in the Occupied Territories.

The President said that he could not account for the recent euphoria about the prospects for release of the hostages in Lebanon. He wanted to assure the Prime Minister that, while the United States remained deeply concerned about all the hostages, there was no secret agenda and no secret talks, although some freelancers were active. Secretary Baker added that there had been some indirect contacts with Iran about the possibility of unofficial Government to Government talks.

Central America

The President said that he was appreciative of Britain's readiness to extend support to the new Government of Nicaragua. He was very excited about the developments there. There were several new, dynamic and democratically-elected leaders in Central and Latin America and he thought the prospects there were encouraging. The United States must itself do more for the hemisphere.

The Prime Minister said that we had been delighted by Mrs Chamorro's election and would give what help we could. We maintained our forces in Belize. We had also just announced additional assistance to President Barco of Colombia. The President said that the United States was considering what further assistance it could provide to Colombia, particularly in the field of commodity agreements and agricultural exports. Secretary Baker reported that the Colombian courts had just ruled that assets seized from drug traffickers must be returned to them. The President and the Prime Minister agreed that this was a very serious retrograde step.

China

The President said that he was very disappointed by the Chinese response to his efforts to keep open channels to them. There had simply been no give on their part. He had taken considerable flak from Congress and had expected some more positive response from the Chinese. He now faced a very difficult decision on MFN treatment for China.

Hong Kong

The Prime Minister and Sir Antony Acland asked about various proposals being discussed in Congress to enable Hong Kong people to obtain American citizenship while remaining in Hong Kong. The President indicated that he was unaware of these. The Prime Minister explained what we were doing for Hong Kong over citizenship and stressed the need to do everything possible to maintain confidence in Hong Kong.

Vietnamese Boat People

The President said that it grieved him that the United States could not be more co-operative with the United Kingdom over the Vietnamese boat people. The Prime Minister said that the situation remained just as difficult as ever. The season for new arrivals was just starting and the need for compulsory repatriation of non-refugees was no less than it had been. She wondered whether the United States could not help by establishing a camp for some of the non-refugees in the Pacific, perhaps on Guam. They could wait there until the United States judged the conditions right for them to return to Vietnam. The President seemed nonplussed by this and commented that only the Guamese would not like it.

South Africa

The President said he thought that Britain and the United States were fairly well together on South Africa. He fully understood the position taken by the Prime Minister. He had never been for sanctions, but the Administration was locked in by law. A Congressional delegation had recently visited South Africa, and had recommended no change in the position on sanctions for the time being. At the same time, he was determined to go ahead with President de Klerk's proposed visit, despite some opposition. He was not very happy with some of Mandela's public statements.

The Prime Minister said she was glad that the President would be seeing de Klerk That would be a great boost for him. The President said that he thought dates had been proposed in June. Some people were saying he ought to see Mandela first, but Mandela himself seemed to prefer to wait until the autumn. Secretary Baker said that President de Klerk had indicated he did not much mind whether he came to Washington before or after Mandela, so long as there was a reasonable interval between the two visits. No final decision on dates had yet been taken.

The Prime Minister explained our position on sanctions. We had kept on those measures which were embodied in law and taken off only the voluntary measures. We believed that de Klerk must receive some encouragement for the steps which he had taken. Mandela was evidently much more constrained than we had hoped by ANC dogma. The ANC were trying to exercise a dominating role in contacts between black South Africans and the South African Government. Talks would start in May and she hoped some progress could be made. Otherwise de Klerk would lose out. Secretary Baker said that de Klerk had told him that he was prepared to lift the state of emergency and discuss the question of political prisoners. Equally, Mandela had led him to think that the ANC would renounce armed struggle. But he agreed with the Prime Minister that negotiations were likely to be difficult. The President said that he thought the United States would probably keep its measures in place until he had talked to both de Klerk and Mandela and had established how the United States could make a constructive contribution. They might eventually be able to offer good offices, but had no plans at present to do so. Secretary Baker added that the United States' Ambassador in South Africa had predicted that the next South African President would be black.

Mozambique

The President commented that President Chissano had paid a successful visit to Washington and seemed to be doing reasonably well. The Prime Minister said that it was hard to persuade him to take decisions on negotiating with Renamo.

Kashmir

The President commented that a very dangerous situation was developing between India and Pakistan over Kashmir. The Prime Minister agreed that there was a lot of brinkmanship. She found

it hard to imagine that Pakistan would go to war. The Kashmir issued was very sensitive for India and there was little that the rest of us could do except urge both Governments to keep calm. The President agreed, adding that there was not the same good relationship between the new Indian Prime Minister and Ms Bhutto as there had been with his predecessor.

Afghanistan

Secretary Baker said that the United States was showing considerable flexibility in an attempt to reach agreement in Afghanistan. They could support a ceasefire and UN-supervised elections, provided Najibullah stepped down (although he could campaign in the elections). They could also accept a negative symmetry approach on external assistance. The Americans felt they had come a long way, although they could not, of course, deliver a ceasefire. The Russians had seemed interested in their latest approach. The Prime Minister said it would indeed be essential for Najibullah to step down. If he stayed, the Russians would in effect have won. The President said that the truth was that the United States had got it wrong over Afghanistan. They had expected Najibullah to fall following Soviet withdrawal but he had not. The Resistance were all at odds with each other. Meanwhile, there were continuing problems over drugs, fundamentalism and refugees. The face-saving mechanism proposed by Secretary Baker seemed to be the only way forward.

Cyprus

The Prime Minister said that she feared President Vassiliou was almost at the end of the road over negotiations with the Turkish Cypriots, in the light of Denktash's performance at the recent talks in New York. The truth was that partition suited Denktash and so long as the Turkish Government supported him, there would be no progress. The only way to get Denktash to negotiate was by working on President Ozal and convincing him that Turkey's own interests would best be served by a settlement. They were unlikely to ever have a better opportunity than with Vassiliou. She would speak to Ozal when they met at Gallipoli shortly. She hoped that the President would take action in support.

The President said that the United States' influence with Turkey remained at a low ebb because of the Armenian Genocide Resolution in Congress. He was sorry to sound so feeble about it. The Prime Minister said that she would go ahead anyway: we could not let Vassiliou down. Fortunately, the UN Secretary General was also determined to continue his efforts and would be putting some fresh proposals to the Security Council for endorsement.

Argentina/Falklands

The Prime Minister reported that we had succeeded in restoring diplomatic relations with Argentina. But we would be very grateful if the United States maintained restrictions on arms sales to Argentina. There were signs that the military

were again becoming a restive. Things could change rapidly for the worse. General Scowcroft said that it was sometimes argued that the best way to keep the military under control was at least to talk about possible arms sales. In practice, the Argentinian armed forces did not have the funds to buy any significant weapons. The Prime Minister said that the Argentinian performance over the Condor missile showed how duplicitous they could be. General Scowcroft said the Argentinians claim to have suspended all work on the Condor. The President said that he had noted the Prime Minister's concerns.

You will have received separately the transcripts of the Prime Minister's and the President's statements and answers to questions at their press conference.

I am copying this letter to John Gieve (HM Treasury), Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Yours ever,

C. D. POWELL

Stephen Wall, Esq.
Foreign and Commonwealth Office

7. THE PRESIDENT'S CONCERN ABOUT LITHUANIA WAS EVIDENT AND WAS CONSIDERABLY HEIGHTENED BY THE NEWS - WHICH ARRIVED TOWARDS THE END OF THE MEETING - OF THE THREATENED ECONOMIC MEASURES AGAINST LITHUANIA. THE PRESIDENT AND THE PRIME MINISTER WISELY REFUSED ANY SUBSTANTIVE COMMENT AT THEIR PRESS CONFERENCE, ON THE GROUNDS THAT THEY HAD NO DETAILS OF GORBACHEV,S LETTER TO THE LITHUANIANS. BUT THE PRESIDENT PRIVATELY SPOKE OF HIS HOPE THAT IT WOULD BE POSSIBLE TO AVOID SLIPPING BACK INTO THE DARK AGES IN US/SOVIET RELATIONS. HIS STAFF SAY THAT THE US HAVE 'GONE INTO CRISIS MANAGEMENT' TO DECIDE HOW TO RESPOND TO THE LATEST DEVELOPMENTS.

8. IT WAS CLEAR THAT THE PRESIDENT PERSONALLY REMAINS VERY RELUCTANT TO ACQUIESCE IN, LET ALONE BLESS, A CONTINUED SOVIET MILITARY PRESENCE IN EAST GERMANY OR ELSEWHERE IN EASTERN EUROPE, EVEN FOR A TRANSITIONAL PERIOD.

9. THE AMERICANS ARE VERY SET UPON HAVING AN EARLY NATO SUMMIT. THEY SEEM TO HAVE TWO MAIN REASONS: THE IMMINENCE OF A CONGRESSIONAL DECISION TO ABANDON FOTL, AND A DESIRE NOT TO LEAVE TOO LONG A GAP BETWEEN THIS AND A NATO SUMMIT, DURING WHICH THE OVERALL POSITION ON NUCLEAR WEAPONS IN EUROPE COULD SLIP: AND A WISH TO SEE BASIC NATO PRINCIPLES AND POSITIONS REAFFIRMED EARLY IN THE GERMAN ELECTION CAMPAIGN. THEY SEE A SUMMIT AS A CHANCE TO PIN DOWN THE GERMANS, BUT ALSO AS A BOOST TO HELMUT KOHL'S RE-ELECTION PROSPECTS. THEY CLAIM WOERNER'S SUPPORT FOR AN EARLY SUMMIT. THE PRESIDENT IS KEEN TO HAVE IT ELSEWHERE THAN BRUSSELS AND WOULD BE READY TO AGREE TO LONDON (WHILE PREFERRING SCOTLAND): AND FAVOURS A DATE SHORTLY AFTER THE PRIME MINISTER'S MEETING WITH GORBACHEV.

10. IT WAS AGREED TO SAY NOTHING IN PUBLIC ABOUT A SUMMIT BEFORE WIDER CONSULTATION IN NATO, FOR FEAR OF ALIENTATING THE FRENCH AND OTHERS. THE AMERICANS WILL REVIEW THE POSSIBILITY OF AN AUTUMN DATE, FOR WHICH THE PRIME MINISTER ARGUED. BUT THEIR STRONG PREFERENCE CLEARLY REMAINS FOR JUNE. THEY URGED US TO LET THEM KNOW BEFORE THE PRESIDENT'S MEETING WITH MITTERRAND ON 19 APRIL WHETHER WE WISHED TO PROPOSE LONDON. I THINK THE PRIME MINISTER WOULD BE READY TO DO SO, AND WOULD WELCOME VERY EARLY ADVICE.

11. THE PRESIDENT APPEARED CONSIDERABLY MORE CAUTIOUS THAN HIS OFFICIALS ON THE SCOPE FOR REDUCING SNF IN EUROPE. THE UNCERTAINTY ABOUT THE FUTURE PROSPECTS IN THE SOVIET UNION WAS CLEARLY A FACTOR IN THIS. HE IS ANXIOUS NOT TO REVEAL THE US HAND PREMATURELY AND WANTS TO GET SOMETHING FOR A DECISION TO CANCEL FOTL, BOTH AT HOME AND ABROAD. HE AGREED WITH THE PRIME MINISTER THAT THE KEY OBJECTIVE WAS TO SECURE AGREEMENT TO BASING TASM IN GERMANY. BUT BAKER ARGUED THAT THIS COULD NOT BE TRADED FOR AGREEMENT TO DROP FOTL, SINCE THE GERMANS KNEW FOTL WAS ALREADY AS GOOD AS DEAD. THEY WOULD INSIST ON SOMETING ON SNF NEGOTIATIONS, PERHAPS AGREEMENT TO LINK SUCH NEGOTIATIONS TO CONCLUSION OF A CFE AGREEMENT RATHER THAN IMPLEMENTATION OF IT AS IN THE COMPREHENSIVE CONCEPT. AFTER FURTHER DISCUSSION, IT WAS AGREED THAT BRITISH AND AMERICAN VIEWS WERE VERY CLOSE, BUT THAT IT WOULD BE BETTER NOT TO SAY TOO MUCH ON THIS ISSUE AT THE PRESS CONFERENCE. (YOU WILL SEE THE FORMULATION WHICH THE PRIME MINISTER USED).

12. THE PRESIDENT SUPPORTED THE PROPOSALS IN THE PRIME MINISTER'S KONIGSWINTER SPEECH FOR STRENGTHENING CSCE: BUT WANTS TO DEVELOP POLITICAL CONSULTATION WITHIN NATO IN PARALLEL THE LATTER WAS THE UNITED STATES' MAIN INSTITUTIONAL LINK WITH EUROPE, AND CSCE COULD NOT BE A SUBSTITUTE FOR IT.

13. THE PRIME MINISTER BRIEFED THE PRESIDENT ON OUR EFFORTS TO ENHANCE ANGLO-FRENCH DEFENCE AND NUCLEAR CO-OPERATION.

14. THE PRESIDENT ACCEPTED OUR CORE LIST APPROACH FOR COCOM.

15. THE PRESIDENT WAXED STRONG ON AGRICULTURE IN THE URUGUAY ROUND. THE US SAW PROPOSALS FOR MECHANISMS AND MEASURING DEVICES AS ATTEMPTS TO EVADE THE PRESSING NEED TO TACKLE REDUCTION OF SUBSIDIES SERIOUSLY. BUT HE WAS NOT PESSIMISTIC: THE US WOULD BE PREPARED TO REACH AGREEMENT, PROVIDED THE RESULT WAS GENUINELY A FREER MARKET FOR AGRICULTURE.

8(a-c)
cc BS
Mr A. Adams

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AND TO DESKBY 140800Z MODAD, CABINET OFFICE
AND TO DESKBY 141300Z WASHINGTON

MOD AND CABINET OFFICE FOR PRIVATE SECRETARIES
WASHINGTON FOR AMBASSADOR

FOLLOWING FOR PRIVATE SECRETARY FROM CHARLES POWELL IN BERMUDA

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH

THE PRIME MINISTER HAD VERY USEFUL AND SUCCESSFUL TALKS WITH PRESIDENT BUSH IN BERMUDA TODAY, IN AN EXCELLENT ATMOSPHERE, WITH AGREEMENT ON VIRTUALLY EVERY SUBJECT. I WILL DO A FULL RECORD ON RETURN TO LONDON. BUT YOU MAY FIND IT HELPFUL TO HAVE THE FOLLOWING SUMMARY OF THE MAIN POINTS WHICH THEY COVERED.

2. THE PRESIDENT CONTINUES TO ATTACH PRE-EMINENT IMPORTANCE TO ENSURING THAT A UNIFIED GERMANY WILL BE IN NATO AND A FULL MEMBER OF ITS INTEGRATED MILITARY STRUCTURE. THIS IS THE MAIN ISSUE ON HIS MIND. HE PROFESSES CONFIDENCE THAT THE OBJECTIVE WILL BE ACHIEVED

3. THE PRESIDENT'S OWN COMMITMENT TO KEEP US FORCES AND NUCLEAR WEAPONS IN GERMANY IS STRONG. THERE WAS NO HINT ON THIS OCCASION OF ANY INTENTION TO MAKE FURTHER REDUCTIONS IN US FORCE LEVELS. BUT HE NONETHELESS FRETS THAT SUPPORT IN EUROPE (AND PARTICULARLY GERMANY) FOR A US PRESENCE WILL ERODE: AND THIS WILL AFFECT THE WILLINGNESS OF US OPINION TO SUSTAIN THE COMMITMENT.

4. HE IS DETERMINED TO PREVENT THE RUSSIANS FROM USING THE TWO PLUS FOUR MACHINERY TO DISCUSS DEFENCE ISSUES, SUCH AS GERMANY'S PLACE IN NATO AND THE PRESENCE OF US FORCES AND NUCLEAR WEAPONS IN GERMANY. EQUALLY, HE IS INSISTENT THAT NATO SHOULD BE FULLY AND REGULARLY BRIEFED ON THE PROCEEDINGS OF THE TWO PLUS FOUR GROUP, AND IS IRRITATED BY FRENCH RESISTANCE TO THIS.

5. INDEED, HE IS CLEARLY OUT OF SORTS WITHTHE FRENCH ALTOGETHER, SAYING AT ONE POINT THAT HE FEARED THE US AND FRANCE WERE DRIFTING APART. THEY WERE NOT ON THE SAME WAVELENGTH ON NATO AND EC MATTERS. HE IS PERSONALLY IRRITATED OVER ATTALI'S BOOK. HE EXPECTS NEXT WEEK'S SUMMIT WITH MITTERRAND TO BE DIFFICULT

6. THE PRESIDENT NOTED A GENERAL STIFFENING OF SOVIET ATTITUDES ACROSS THE BOARD, AMOUNTING IN SOME CASES TO A CLEAR STEP BACK FROM POSITIONS PREVIOUSLY AGREED IN ARMS CONTROL NEGOTIATIONS. THE MOOD DURING SHEVARDNADZE'S RECENT VISIT TO WASHINGTON HAD BEEN VERY DIFFERENT TO THE SPIRIT OF WYOMING. IT WAS CLEAR THAT GORBACHEV AND SHEVARNADZE WERE UNDER PRESSURE AND CONSTRAINED BY THE SOVIET MILITARY.

16. A LARGE NUMBER OF OTHER SUBJECTS WERE COVERED BRIEFLY:

- CYPRUS. THE AMERICANS STILL CLAIM TO BE DEVIOD OF INFLUENCE WITH TURKEY BECAUSE OF THE ARMENIA GENOCIDE RESOLUTION

- MIDDLE EAST. SERIOUS US WORRIES ABOUT IRAQ AND EXASPERATION AT THE POLITICAL PROCESS IN ISRAEL. DISMISSAL OF PROSPECTS FOR AN INTERNATIONAL CONFERENCE

- HOSTAGES. THE PRESIDENT DENIED ANY SECRET AGENDA OR SECRET TALKS, ALTHOUGH VARIOUS FREELANCE EMISSARIES WERE ACTIVE

- KASHMIR

- CENTRAL AMERICA

- SOUTH AFRICA. MEETING WITH DE KLERK ASSURED

- CHINA

- HONG KONG. NOTHING SPECIFIC ON IMMIGRATION, INDEED THE PRESIDENT APPEARED TO BE UNINFORMED ON THIS

- VIETNAMESE BOAT PEOPLE. NO CHANGE IN US POSITION. POLITE INCREDULITY AT SUGGESTION OF NON-REFUGEE HOLDING CENTRE ON GUAM

- AFGHANISTAN. PRESIDENT ADMITS PREVIOUS US POLICY BASED ON A MISJUDGMENT OF THE RESISTANCE'S PROSPECTS. READINESS TO MOVE A LONG WAY TOWARDS A COMPROMISE

- ARGENTINA/FALKLANDS

- ECONOMIC SUMMIT. SUNUNU'S SCEPTICISM ON ENVIRONMENT CLEARLY LOOMED LARGE

- EBRD. AMERICANS VERY RELUCTANT TO SEE ATTALI AS CHAIRMAN: BUT NO READINESS TO MOVE AWAY FROM SUPPORT FOR PRAGUE AS SITE

17. THE PRIME MINISTER WANTS TO SEND MESSAGES TO MITTERRAND (BEFORE THURSDAY) AND KOHL ABOUT THE MEETING, AND POSSIBLY A SHORTER ACCOUNT TO GORBACHEV. I SHOULD BE GRATEFUL FOR DRAFTS. MY OWN RECORD SHOULD BE AVAILABLE BY THE EVENING OF 15 APRIL

YYYY

HDLNAN 2617

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Original with PM 7(a-f)

OUTWARD TELEGRAM

YFB 4

Classification	Caveat	Precedence
SECRET		IMMEDIATE

TC — SECURITY CLASSIFICATION: SECRET

CAVEAT — PRIVACY MARKING/RESTRICTIVE PREFIX:

FM — FM (post):

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NOTHING TO BE WRITTEN IN THIS MARGIN

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Following for Private Secretary from Charles Powell in Bermuda

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH

The Prime Minister had very useful and successful talks with President Bush in Bermuda today, in an excellent atmosphere, with agreement on virtually every subject. I will do a full record on return to London. But you may find it helpful to have the following summary of the main points which they covered.

2. The President continues to attach pre-eminent importance to ensuring that a unified Germany will be in NATO and a full member of its integrated military structure. This is the main issue on his mind. He professes confidence that the objective will be achieved.

3. The President's own commitment to keep US forces and nuclear weapons in Germany is strong. There was no hint on this occasion of any intention to make further reductions in US force levels. But he nonetheless frets that support in Europe (and particularly Germany) for a US presence will erode: and this will affect the willingness of US opinion to sustain the commitment.

4. He is determined to prevent the Russians from using the Two plus Four machinery to discuss defence issues, such as Germany's place in NATO and the presence of US forces and nuclear weapons in Germany. Equally, he is insistent that NATO should be fully and regularly briefed on the proceedings of the Two plus Four group, and is irritated by French resistance to this.

5. Indeed, he is clearly out of sorts with the French altogether, saying at one point that he feared the US and France were drifting apart. They were not on the same wavelength on

NATO and EC matters. He is personally irritated over Attali's book. He expects next week's summit with Mitterrand to be difficult.

6. The President noted a general stiffening of Soviet attitudes across the board, amounting in some cases to a clear step back from positions previously agreed in arms control negotiations. The mood during Shevardnadze's recent visit to Washington had been very different to the spirit of Wyoming. It was clear that Gorbachev and Shevarnadze were under pressure and constrained by the Soviet military.

7. The President's concern about Lithuania was evident and was considerably heightened by the news - which arrived towards the end of the meeting - of the threatened economic measures against Lithuania. The President and the Prime Minister wisely refused any substantive comment at their press conference, on the grounds that they had no details of Gorbachev's letter to the Lithuanians. But the President privately spoke of his hope that it would be possible to avoid slipping back into the dark ages in US/Soviet relations. His staff say that the US have 'gone into crisis management' to decide how to respond to the latest developments.

8. It was clear that the President personally remains very reluctant to acquiesce in, let alone bless, a continued Soviet military presence in East Germany or elsewhere in Eastern Europe, even for a transitional period.

9. The Americans are very set upon having an early NATO Summit. They seem to have two main reasons: the imminence of a Congressional decision to abandon FOTL, and a desire not to leave too long a gap between this and a NATO Summit, during which the overall position on nuclear weapons in Europe could slip: and a wish to see basic NATO principles and positions reaffirmed early in the German election campaign. They see a Summit as a chance to pin down the Germans, but also as a boost to Helmut Kohl's re-election prospects. They claim Woerner's support for an early Summit. The President is keen to have it elsewhere than

Brussels and would be ready to agree to London (while preferring Scotland): and favours a date shortly after the Prime Minister's meeting with Gorbachev.

10. It was agreed to say nothing in public about a Summit before wider consultation in NATO, for fear of alienating the French and others. The Americans will review the possibility of an autumn date, for which the Prime Minister argued. But their strong preference clearly remains for June. They urged us to let them know before the President's meeting with Mitterrand on 19 April whether we wished to propose London. I think the Prime Minister would be ready to do so, and would welcome very early advice.

11. The President appeared considerably more cautious than his officials on the scope for reducing SNF in Europe. The uncertainty about the future prospects in the Soviet Union was clearly a factor in this. He is anxious not to reveal the US hand prematurely and wants to get something for a decision to cancel FOTL, both at home and abroad. He agreed with the Prime Minister that the key objective was to secure agreement to basing TASM in Germany. But Baker argued that this could not be traded for agreement to drop FOTL, since the Germans knew FOTL was already as good as dead. They would insist on something on SNF negotiations, perhaps agreement to link such negotiations to conclusion of a CFE agreement rather than implementation of it as in the Comprehensive Concept. After further discussion, it was agreed that British and American views were very close, but that it would be better not to say too much on this issue at the press conference. (You will see the formulation which the Prime Minister used.)

12. The President supported the proposals in the Prime Minister's Konigswinter speech for strengthening CSCE: but wants to develop political consultation within NATO in parallel. The latter was the United States' main institutional link with Europe, and CSCE could not be a substitute for it.

13. The Prime Minister briefed the President on our efforts to enhance Anglo-French defence and nuclear co-operation.

14. The President accepted our core list approach for COCOM.

15. The President waxed strong on agriculture in the Uruguay Round. The US saw proposals for mechanisms and measuring devices as attempts to evade the pressing need to tackle reduction of subsidies seriously. But he was not pessimistic: the US would be prepared to reach agreement, provided the result was genuinely a freer market for agriculture.

16. A large number of other subjects were covered briefly:

- Cyprus. The Americans still claim to be devoid of influence with Turkey because of the Armenia Genocide resolution;

- Middle East. Serious US worries about Iraq and exasperation at the political process in Israel. Dismissal of prospects for an international conference;

- Hostages. The President denied any secret agenda or secret talks, although various freelance emissaries were active;

- Kashmir;

- Central America;
- South Africa. Meeting with de Klerk assured;

- China;

- Hong Kong. Nothing specific on immigration, indeed the President appeared to be uninformed on this;

- Vietnamese Boat People. No change in US position. Polite incredulity at suggestion of non-refugee holding centre on Guam;

- Afghanistan. President admits previous US policy based

f

on a misjudgment of the Resistance's prospects. Readiness to move a long way towards a compromise;

- Argentina/Falklands;

- Economic Summit. Sununu's scepticism on environment clearly loomed large;

- EBRD. Americans very reluctant to see Attali as Chairman: but no readiness to move away from support for Prague as site;

17. The Prime Minister wants to send messages to Mitterrand (before Thursday) and Kohl about the meeting, and possibly a shorter account to Gorbachev. I should be grateful for drafts. My own record should be available by the evening of 15 April.

CDR

14/4.

CM

Anne - Copy to CDP file
Return with some.

7:00 PM FRIDAY 13 ~~MARCH~~ APRIL

WREATH LAYING IN HARBOR NEAR HMS ARROW IN MEMORY OF THE 270 PEOPLE MURDERED ON PAN AM FLIGHT 103.

The Victims of Pan Am Flight 103 CONTACTS

George Williams, father of Geordie Killed in crash
William Marek, brother of Elizabet
236-1301 x 7327
(LV. Message)

April 13, 1990
Bermuda

President George Bush
Prime Minister Margaret Thatcher

The mid-air sabotage bombing of Pan Am Flight 103 was a premeditated crime; it was not an accident nor was it a natural disaster. There is an instinctive desire in the public ethos to demand justice, and rightly so. If we neglect this effort, then, we are eroding that international order that protects the rights of all responsible governments.

As the leaders of the two greatest powers in the free world, it is incumbent upon you to form the nucleus of a concentrated effort to mobilize an effective global strategy to combat terrorism. Upon the conclusion of your talks in Bermuda, a joint communique publicly condemning the terrorist attack on Pan Am Flight 103 and a renewed joint avowal to bring the perpetrators and their sponsoring nations to justice would put the world's terrorists on notice that responsible democratic governments will no longer tolerate such crimes against society.

If The United States and The United Kingdom do not stand firm on combating terrorism; but, rather, acquiesce to politically expedient solutions, we will have compromised our nations' ethics. We remind you of the precept that:

Nothing is politically right,
which is morally wrong.

Bert Ammerman Bert Ammerman Dr. Jim Swire Jim Swire

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J. Gray
10/2/2017
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cc: MASTER.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 April 1990

Dear Bob,

PRIME MINISTER'S VISIT TO BERMUDA

I should record that the Prime Minister had a short talk with Premier Swan in his office on the first afternoon of her visit to Bermuda.

Premier Swan gave her a brief account of the Bermudian economy and prospects, but made no particular requests of the United Kingdom. Subsequently, the Prime Minister met with the Bermudian Cabinet for some forty minutes, during which she gave her views on East/West relations, Europe, South Africa and Hong Kong, and answered a number of questions. Both the Prime Minister and Premier Swan made statements to the press after the meeting: you will receive these in the verbatim series.

That must be just about one of the easiest records I have ever had to dictate in my years at No 10!

Yours ever,

CHARLES POWELL

R N Peirce Esq
Foreign and Commonwealth Office

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This Transmission consists of a Leader plus 1 Pages.

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MODUK FOR DUS(P), ACDS (POL/NUC)

WASHINGTON TELNO 850 AND UKDEL NATO TELNO 157: PRIME MINISTER'S TALKS WITH PRESIDENT BUSH: SNF.

SUMMARY

1. KOHL WILL NOT WISH TO TAKE A POSITION ON TASM BEFORE THE ELECTIONS IN DECEMBER. GENSCHER'S POSITION NOT CLEAR. BUT HE NOW SEEMS WILLING TO STICK TO THE COMPREHENSIVE CONCEPT TIMETABLE FOR SNF NEGOTIATIONS, POSSIBLY CALCULATING THAT THOSE NEGOTIATIONS WILL COVER AIR-LAUNCHED SYSTEMS TOO.

DETAIL

2. I AGREE (PARA 5 OF FIRST TUR) THAT KOHL WILL NOT WISH TO BE DRAWN ON THE QUESTION OF AIR-DELIVERED NUCLEAR SYSTEMS BEFORE THE ELECTION IN DECEMBER. ALTHOUGH STOLTENBERG SUPPORTS DEPLOYMENT OF TASM, KOHL HAS NOT APPARENTLY TAKEN A POSITION. GENSCHER IS BEING ENIGMATIC. HE WAS REPORTED RECENTLY AS AGREEING WITH STOLTENBERG IN BEING IN SUPPORT OF TASM (UKDEL NATO TELNO 114). BUT MORE RECENTLY STILL, HIS REMARK TO THE SUEDDEUTSCHE ZEITUNG (BONN TELNO 432) COULD BE READ AS A WISH TO NEGOTIATE AWAY AIR-BASED SYSTEMS. HE PROBABLY HAS NOT FINALLY DECIDED. HOFSTETTER (AUSWAERTIGES AMT) WAS ALMOST CERTAINLY RIGHT WHEN HE SAID TO A MEMBER OF THE EMBASSY RECENTLY THAT IF ANYONE TRIED TO MAKE DEPLOYMENT OF TASM A PUBLIC THEME THIS YEAR, NO GERMAN POLITICIAN WOULD SUPPORT IT.

3. ON THE FACE OF IT, THE SENSITIVITY OF ANY NUCLEAR DEBATE IN THE FRG (WHICH MAY BE COMPOUNDED BY ATTITUDES IN THE GDR) ARGUES FOR NATO PURSUING THE SIMPLEST COURSE OVER SNF VIZ UNILATERAL REDUCTIONS, RATHER THAN EMBARKING ON A CHANGE OF TIMETABLE FOR NEGOTIATIONS WITH THE RISK OF BRINGING THE MERITS OF TASM TO THE FOREFRONT. THE DIFFICULTY WITH THIS LINE OF REASONING HERE IS THAT THERE IS A CONSENSUS, WHICH INCLUDES THOSE SUPPORTING THE RETENTION

OF NUCLEAR WEAPONS BASED IN GERMANY, THAT SNF NEGOTIATIONS ARE NECESSARY TO FORCE REDUCTIONS ON THE SOVIET SIDE. THE PRO-NUCLEAR CAMP ALSO SEES EARLY SNF NEGOTIATIONS AS THE BEST WAY OF

(A) KEEPING THE OPPONENTS OF NUCLEAR FORCES AT BAY BY BEING ABLE TO POINT TO ACTIVE NEGOTIATION:

(B) PROVIDING A FRAMEWORK FOR RESOLVING NUCLEAR ISSUES WHICH THE RUSSIANS MAY RAISE IN THE 4 PLUS 2 TALKS:

(C) PRE-EMPTING A SITUATION IN WHICH A SOVIET PROPOSAL MADE IN THE 4 PLUS 2 IS THE ONLY OFFER ON THE TABLE, AS THE RESULT OF WHICH THE SOVIETS WIN BECAUSE OF THE DOMESTIC PRESSURE IN GERMANY NOT TO LET ANYTHING STAND IN THE WAY OF UNIFICATION.

4. THE DIFFICULTY FOR THE PROPONENTS OF THIS SCHOOL OF THOUGHT IS TIMING: HOW TO BRING A NEGOTIATION INTO EARLY PROSPECT WITHOUT THIS BEING PREMATURE DOMESTICALLY. IN MID MARCH, NAUMANN (FMOD) SEEMS TO HAVE PLUMPED FOR ENTRY INTO SNF NEGOTIATION AS SOON AS CFE I WAS CONCLUDED (UKDEL NATO TELNO 114) PRESUMABLY CALCULATIONS THAT THIS WOULD BE TOO NEAR THE DECEMBER FEDERAL ELECTIONS FOR THE POLITICAL IMPACT TO BE OTHER THAN NEUTRAL (OR POSSIBLY EVEN FAVOURABLE). WE DO NOT KNOW IF HIS POSITION ON TIMING HAS CHANGED SUBSEQUENTLY.

5. WE TOO HAVE PICKED UP RECENT INDICATIONS (PARA 3 OF UKDEL TEL UNDER REF) THAT THE AUSWAERTIGES AMT MAY BE WILLING TO STICK TO SOMETHING LIKE THE COMPREHENSIVE CONCEPT TIMETABLE FOR SNF NEGOTIATIONS. SEIBERT, HEAD OF THE NUCLEAR ARMS CONTROL DEPARTMENT UNDER HOLIK, HAS TOLD FIRST SECRETARY (POL-MIL) THAT NATO SHOULD START PREPARING ITS NEGOTIATING POSITION THIS AUTUMN, WITH A VIEW TO THE NEGOTIATIONS STARTING IN SUMMER/AUTUMN 1991, AFTER RATIFICATION OF CFE. SEIBERT ADDED THAT THE NPG WOULD NOT (NOT) BE THE APPROPRIATE FORUM FOR ANY MOVE ON SNF ARMS CONTROL. (BECAUSE, OF COURSE, IT IS A MEETING OF DEFENCE MINISTERS RATHER THAN FOREIGN MINISTERS.)

6. WHY HAS GENSCHER APPARENTLY DECIDED NOT TO PUSH FOR EARLIER SNF NEGOTIATIONS? I CAN THINK OF TWO POSSIBLE EXPLANATIONS, DEPENDING UPON DIFFERENT ASSUMPTIONS ABOUT GENSCHER'S AIMS. HE MAY SIMPLY THINK THAT THE EVOLUTION OF EVENTS MEANS THAT TIME IS ON HIS SIDE AND THAT, ON A SLOWER TIMESCALE, HE WILL GET A THIRD ZERO (ON LAND-BASED SYSTEMS) WITHOUT HAVING TO BE OUT FRONT ARGUING FOR IT. MORE WORRYINGLY, HE MAY ALSO WANT TO INCLUDE AIR-LAUNCED SYSTEMS IN NEGOTIATION. THIS CONSIDERATION IS GIVEN SOME COLOUR BY THE VIEW

ADVANCED TO US RECENTLY ON A ''PERSONAL'' BASIS BY BOTH HOFSTETTER AND DREHER (HEAD OF THE NATO DEPARTMENT). THEY ARGUED FOR THE INCLUSION OF AIR-LAUNCHED SYSTEMS IN SNF NEGOTIATIONS ON THE GROUND THAT THE ACCEPTABILITY TO GERMAN PUBLIC OPINION OF THE STATIONING OF SUCH WEAPONS IN GERMANY WOULD BE VASTLY INCREASED BY THIS HAVING BEEN AGREED BETWEEN EAST AND WEST. LEAVING THEM OUT OF NEGOTIATION WOULD HAVE THE OPPOSITE EFFECT. THIS SECOND POSSIBLE EXPLANATION OF GENSCHER'S POSITION IMPLIES MORE RESPECTABLE MOTIVES ON HIS PART BUT DEPENDS, OF COURSE, ON SOVIET ACCEPTANCE OF NUCLEAR DETERRENCE IN EUROPE.

NEVILLE-JONES

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MAIN 131

.ARMS CONTROL: NUCLEAR
LIMITED
SECPOL D
ACDD
DEFENCE D
SOVIET D
KIEV UNIT
CSCE UNIT
EED
JAU/EED
NAD
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PLANNERS
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PUSD
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MR BROOMFIELD
MR GOULDEN
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ADDITIONAL 20

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TELNO 96
OF 121059Z APR 90
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FOR PRIME MINISTER'S PARTY

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH: BRIEFING ON TRADE POLICY

1. WE HAVE CONSIDERED SUGGESTED ADDITIONS FROM WASHINGTON (WHO RECEIVED THE FINAL VERSION OF THE BRIEFING ONLY YESTERDAY) AND RECOMMEND ONLY THE FOLLOWING:

US/JAPAN (ANNEX C)
2. THE PRIME MINISTER MIGHT ASK THE PRESIDENT IF HE THINKS THE JAPANESE WILL OFFER FURTHER CONCESSIONS GIVEN THAT KAIFU IS REPORTED TO HAVE SAID HE CAN GO NO FURTHER: HOW HE SEES CONGRESSIONAL REACTION TO THE INTERIM REPORT: AND WHETHER, IN THE LIGHT OF THAT REPORT, JAPAN WILL BE ON THE NEXT SUPER 301 LIST DUE AT THE END OF THIS MONTH.

GTT AGRICULTURE (ANNEX C)
3. THE PRIME MINISTER MIGHT LIKE BACKGROUND ON MR GUMMER'S VISIT TO WASHINGTON THIS WEEK AND ON THE EC'S POSITION ON AGRICULTURE. WE THINK THAT THE COMMUNITY'S PROPOSALS ON AGRICULTURE PROVIDE A SOLID BASIS FOR NEGOTIATION. AS THE BRIEF MAKES CLEAR, WE RECOGNISE THAT WE HAVE TO BUILD ON THESE PROPOSALS. THE UK IS ENCOURAGING THE EC TO DO SO IN A CONSTRUCTIVE WAY, AND TO MAKE SOME SPECIFIC POLICY COMMITMENTS ALONGSIDE REDUCTION IN AN AGGREGATE MEASURE OF SUPPORT. WE UNDERSTAND THAT MR GUMMER MADE SOME HEADWAY IN CONVINCING THE US THAT AN APPROACH BASED SOLELEY ON ABOLISHING EXPORT SUBSIDIES (STILL FAVOURED BY MRS HILLS, THE USTR) WOULD NOT WORK, AND THAT ACTION ON ALL THREE ELEMENTS - INTERNAL SUPPORT, EXPORT SUBSIDIES AND IMPORT CHARGES - IS NEEDED. HE GAINED THE IMPRESSION THAT THE US WERE MORE READY TO ACKNOWLEDGE THE MERITS OF THE EC APPROACH. THERE HAVE ALSO BEEN ENCOURAGING SIGNS THAT THE US NOW RECOGNISE THAT THE EC IS SERIOUS ABOUT NEGOTIATING ON AGRICULTURAL REFORM.
4. MR GUMMER UNDERSTOOD THAT PRESIDENT BUSH PLANNED TO RAISE THE ISSUE IN THE CONTEXT OF THE HOUSTON SUMMIT. WE AGREE THAT WE SHOULD USE THE HOUSTON SUMMIT TO PAVE THE WAY TO AGREEMENT IN THE URUGUAY ROUND. THE PM MIGHT SAY (AS AN EXPANSION OF THE FINAL POINT UNDER GATT AGRICULTURE IN ANNEX C):

QUOTE DETAILED DISCUSSION OF AGRICULTURE, OR AN ATTEMPT TO ENGINEER A CRISIS, WOULD NOT BE HELPFUL. BUT IF MORE SPECIFIC REFERENCES TO AGRICULTURE ARE TO BE INCLUDED IN THE HOUSTON COMMUNIQUE, THEY MUST COVER ALL THREE AREAS OF AGRICULTURAL SUPPORT AND PROTECTION. UNQUOTE

EC/US (ANNEX D)

5. HMA WASHINGTON RECOMMENDS THAT THE PRIME MINISTER BE BRIEFED ON THE LATEST US PREOCCUPATIONS, NAMELY PUBLIC PROCUREMENT, FORCED INVESTMENT AND THE POST - 1992 REGIME FOR JAPANESE CARS:

(A) UNDER TITLE VII OF THE US TRADE ACT, THE ADMINISTRATION IS REQUIRED TO REPORT (ON 30 APRIL 1990) FOREIGN COUNTRIES WHOSE PUBLIC PROCUREMENT DISCRIMINATES AGAINST THE US. IF, AFTER A YEAR, DISPUTE SETTLEMENT PROCEDURES HAVE NOT REMOVED THE ALLEGED DISCRIMINATION, THE PRESIDENT HAS ONLY LIMITED DISCRETION NOT TO DENY THE OFFENDING COUNTRY ACCESS TO US PROCUREMENT. AS THE US ALLEGE THAT THE EC'S QUOTE BUY NATIONAL UNQUOTE PROCUREMENT POLICIES ARE DISCRIMINATORY, THE EC MAY BE LISTED. THIS IS DESPITE THE LIBERALISING DIRECTION OF A PROPOSED DIRECTIVE UNDER THE 1992 PROGRAMME, WHICH EXTENDS CROSS-BORDER COMPETITIVE TENDERING TO FOUR SECTORS (WATER, ENERGY, TRANSPORT AND TELECOMMUNICATIONS) PRESENTLY EXCLUDED FROM THE INTERNATIONAL RULES OF THE GATT PROCUREMENT CODE. THE DIRECTIVE DOES MORE FOR INTERNAL EC LIBERALISATION THAN EXTERNAL: BUT NEGOTIATIONS IN THE URUGUAY ROUND TO BRING THE EXCLUDED SECTORS UNDER THE GATT PROCUREMENT CODE ARE THE BEST WAY OF LIBERALISING BOTH EC AND US PROCUREMENT. WE ARE USING BILATERAL MEETINGS TO WARN THE US OFF A PROVOCATIVE LISTING WHICH WOULD ENDANGER THESE NEGOTIATIONS.

(B) THE US CLAIM THAT SOME EC PRACTICES FORCE US COMPANIES TO INVEST IN THE EC BECAUSE THEY THINK, POST 1992, A CERTAIN LEVEL OF EC CONTENT WILL HELP ACCESS OF THEIR PRODUCTS TO EC MARKETS. THE US ARGUE THAT UNCLEAR EC RULES OF ORIGIN AFFECT THE INVESTMENT DECISIONS OF US COMPUTER CHIP MANUFACTURERS. GATT RULES ON ORIGIN SHOULD HELP THE PROBLEM AND WE ARE ENCOURAGING A COOPERATIVE EC APPROACH TO GATT DISCUSSIONS.

(C) WE ARE ARGUING FOR A LIBERAL POST-1992 REGIME FOR JAPANESE CAR IMPORTS. THE US ARE RIGHTLY CONCERNED THAT EC IMPORTS OF CARS MANUFACTURED BY JAPANESE OWNED FIRMS IN THE US COULD BE RESTRICTED IF PROTECTIONIST FRENCH AND ITALIAN PRESSURES PREVAIL. WE SHOULD ENCOURAGE THE US TO HELP OUR CAUSE BY LOBBYING IN TOKYO, BRUSSELS AND WITH THE MEMBER STATES.

HURD

OCMIAN 3173

NNNN

cc PS
PM

Foreign and Commonwealth Office

London SW1A 2AH

11 April 1990

CDP 11/4

Dear Charles

United States: Crime Statistics

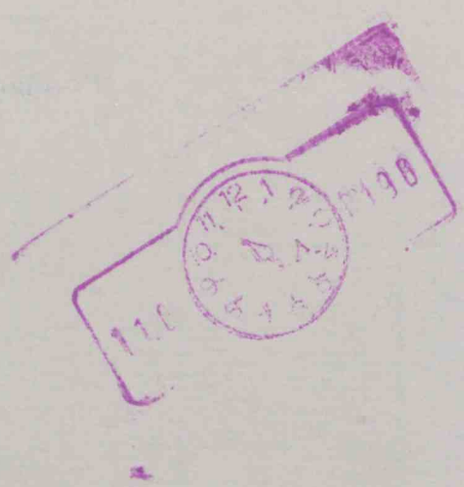
/ As requested I enclose some crime statistics for the United States together with details of prison population and recent prison disturbances. All figures are the latest available. You may also be interested to / see the attachment showing figures on levels of drug use among people arrested in certain major US cities.

Yours ever

Bob

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street



UNITED STATES: CRIME STATISTICS

Some crime statistics which you wanted CBB 11/4

ESTIMATED ARRESTS (1988)	13,812,300
(for serious crimes)	(1,464,062)
HOUSEHOLDS TOUCHED BY CRIME (1987)	22,254,000 (24.4%)

VIOLENT CRIME

Cases of (1987)	4,190,000 (4.6% of population)
Murders (1988)	18,269
Law enforcement officers killed (1987)	147

CRIME RATES IN CERTAIN CITIES PER 100,000 OF POPULATION

	Total	Violent	Property
Washington, DC	8444	1610	6833
New York	9013	2036	6977
Los Angeles	8634	1910	6723
San Francisco	7532	1211	6321
Dallas	16283	1989	14294

PRISON POPULATION

673,565 (1989)

RECENT PRISON RIOTS

i) Norton Prison, Nr Washington.
Riots against overcrowding in 1986 and [redacted] in January 1989, on the latter occasion, one inmate killed.

ii) Banning Road, Nr Los Angeles.
Riots against overcrowding in July 1989

iii) Camp Hill, Pennsylvania
2 nights of rioting against overcrowding in October 1989. 123 people hurt.

CBlAKQ

Drug Use by All Arrestees*

City	% POSITIVE ANY DRUG (0 20 40 60 80 100)	RANGE OF % POSITIVE LOW	LOW DATE	HIGH	HIGH DATE	% POSITIVE 2+ DRUGS	COCAINE	MARIJUANA	AMPHETAMINES	OPIATES	PCP
Males											
Philadelphia	84	79	8/88	84	4/89	42	76	35	1	10	4
San Diego	80	66	6/87	85	1/89	52	42	43	36	22	5
Chicago	77	73	11/87	85	7/88	51	64	36	0	28	11
New York	76	76	4/89	90	6/88	35	67	23	0	13	5
New Orleans	76	58	1/88	76	4/89	35	63	42	**	6	2
Miami	70	Data not available				29	65	29	**	2	0
Wash., D.C.	70	70	6/89	72	2/89	31	62	15	0	13	15
Birmingham	70	70	4/89	75	7/88	26	56	30	0	5	0
St. Louis	69	56	10/88	69	4/89	36	55	40	0	10	4
Cleveland	67	66	2/89	68	11/88	22	56	22	0	2	4
Dallas	67	57	12/88	72	6/88	26	51	30	6	8	**
Portland	67	54	1/89	76	8/88	29	42	36	9	18	0
Kansas City	64	54	11/88	64	5/89	27	49	32	1	3	5
Houston	64	61	1/88	69	4/88	22	47	28	2	5	0
Detroit	62	62	4/89	69	10/88	38	48	22	**	11	0
Phoenix	56	53	10/87	67	1/88	18	26	33	8	8	0
Females											
Wash., D.C.	88	70	2/89	88	6/89	44	76	17	0	23	18
New York	81	76	10/88	83	2/88	33	72	8	0	21	1
Philadelphia	79	77	1/89	82	8/88	38	64	18	1	18	1
Birmingham	77	65	12/88	77	4/89	39	58	36	2	6	0
St. Louis	75	45	11/88	75	4/89	33	50	40	0	10	9
Portland	75	69	1/89	82	8/88	41	54	27	14	26	0
San Diego	74	78	8/88	87	12/87	41	41	18	29	26	2
Kansas City	73	70	11/88	73	2/89	23	64	13	2	7	5
New Orleans	65	46	11/87	65	1/89	32	51	27	0	6	4
Phoenix	65	54	7/88	78	3/89	36	49	28	12	17	0
Houston	64	Data not available				27	49	23	2	6	0
Dallas	58	44	3/89	71	6/88	29	42	22	8	8	3

Source: National Institute of Justice/Drug Use Forecasting Program

* Positive urinalysis, April through June 1989
** Less than 1%

PRIME MINISTER

MEETING WITH PREMIER SWAN

Your first formal engagement in Bermuda tomorrow is a meeting with the Premier, Sir John Swan, followed by a session with all the members of his Cabinet. Exactly an hour is set aside for both meetings together, and it will be important to keep to the time-table. At the end of the meeting, you will be expected to make a short statement to the media.

The purpose of the meeting is to give reassurance to the Bermudians that the United Kingdom will continue to be supportive of their interests in the world. Most of the subjects for discussion will probably concern Bermuda itself, and I have put together some short notes on these. But Premier Swan also wants you to explain our policy on South Africa, and in particular on sanctions, to the Cabinet. You may encounter some criticism on this.

You will recall that Premier Swan was not very happy about the choice of Sir Desmond Langley as Governor. I understand that relations are now rather good, and the Governor is a popular figure. But if you were to say a few commendatory words about him to the whole Cabinet, it would be appreciated.

ISSUES FOR DISCUSSION

The following issues might come up:

Bermuda's Constitutional Position

There is no current pressure for independence and no need for you to raise the subject. If it is mentioned, our line is:

- if Bermudians demonstrated a clear wish for independence, we would respond positively.

- meanwhile we propose to discharge our responsibility for

good government.

- there is not much scope for future delegation of powers short of independence.

- (if the question of Parliamentary boundaries is raised) this is a matter for the Boundary Commission.

Capital Punishment

Bermuda has capital punishment at present, but there is a referendum due in August, which could be close. You regard it as a matter for Bermuda and for individual conscience. You might explain your own views in relation to the issue in the UK.

Nationality

There are some tricky and technical problems here, which I very much hope will not be raised, in relation to BDTC status. One particular problem is that Bermudians with right of abode can pass freely through the EC channel on arrival in the UK: others like Sir John Swan who are BDTCs have to go through the 'others' channel.

Visa Abolition Agreements

Several European countries demand visas from BDTCs. We delegated authority to Bermuda to negotiate Visa Abolition Agreements, but they have not been able to make much headway. Any offer to lobby on their behalf will go down well.

Drugs

The Bermudians are working hard against drugs, and their Minister of Health was at the London Meeting. The problem hits them more from the US than from Latin America. They intend to set up a maritime unit - and we are giving advice on this. But they really need to look to the US for help with offshore interdiction. It will go down well if you commend Bermuda's anti-drug effort and promise technical support and advice.

1992

The Bermudians are concerned about their access to the EC market after 1992. Our aim is to remove barriers round the EC, and our Mission in Brussels is ready to give advice to Bermuda on specific issues.

Shipping

The Bermudians are unhappy that shipping companies are deterred from using the Bermuda register by the requirement that the three senior officers on each vessel have to be British (this relates to our defence interest). We are considering whether this requirement could be relaxed, to help Bermuda.

Fuller briefing together with background on Bermuda, personalities and the tradition of flying kites on Good Friday is attached.

CDP

CDP

11 April 1990

jd c:swan

6A(a-b) cc KC9 DL

SECRET

From: P J Weston
Date: 11 April 1990
c.c.: as in attached list

Private Secretary

US APPROACH TO THE BERMUDA SUMMIT

1. Following the meeting of the four Western Political Directors in Brussels yesterday I had a short bilateral with Bob Zoellick. He made it clear that the Administration had noted with approval that Anglo-German relations had come through the recent choppy waters successfully.

CSCE

2. Zoellick said the Americans welcomed the Prime Minister's ideas on CSCE set out in her Königswinter speech. There were those in the Administration (particularly in the Pentagon) who opposed expanding anything to do with the security dimension of the CSCE (because the CSCE had got a bad name in the 1970s and because they feared President Havel's ideas for a new League of Nations). It would be useful if the Prime Minister could explain her ideas more fully to the President.

3. The FRG's thinking on a unified Germany in NATO appeared to be evolving in the right direction. The Americans had two main concerns:

a. Genscher might insist that Articles 5 and 6 should only apply to the ex-GDR after a transitional period. If there was such an arrangement they might never apply.

b. There was a danger that the Soviet Union would agree to a united Germany in NATO, but demand the denuclearisation of Germany as a quid pro quo. German politicians would find this hard to resist.

4. The Soviet Union had not so far shown much of its hand on unification. The Americans could envisage a final package solution whereby the Russians accepted a unified Germany in NATO in return for limits on the Bundeswehr agreed in the CFE, transitional arrangements for Soviet forces to remain in the GDR, agreement that during the transition no NATO forces would be based in the ex-GDR, reassurance that Germany would not possess nuclear, biological or chemical weapons, an evolution of the CSCE and some economic inducements from the FRG.

SNF

5. The President would want to discuss SNF with the Prime Minister and with President Mitterrand. Congress would take a decision on FOTL by the end of the month. There were two choices: we could either let sleeping dogs lie and avoid the

b

danger of creating a political issue in Germany, or we could get ahead of the curve by working out a more advanced NATO position. The Administration tended to think the second alternative was better. If we could get discussion of SNF going in NATO we could put off decisions on TASM until after the German elections.

NATO

6. The President would also want to discuss NATO's strategic posture. We should start considering how NATO could provide adequate defence once the Russians were back in the Soviet Union and special arrangements had been made for the GDR.

Lithuania

7. The Americans were concerned that Lithuania could go wrong with serious implications for US/Soviet relations. They were anxious to get home to the Europeans (particularly the Germans) that everybody concerned had a real interest in avoiding trouble in Lithuania.

GATT

8. The President would raise the Uruguay round with the Prime Minister. He was concerned at the EC's inflexibility, especially over agriculture.

P J Weston

EWGABQ

SECRET

chex.kf/jg/32 **CONFIDENTIAL**

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

11 April 1990

Charles Powell Esq
PS/Prime Minister
10 Downing Street
LONDON
SW1

Dear Charles

IMF RANKING AND THE SITE OF THE EBRD

At the G7 meeting in Paris last weekend, Nicholas Brady, the UK Treasury Secretary, approached the Chancellor with a proposition to settle the outstanding issues on the EBRD and on IMF quotas as part of a package. He said he had yet to clear his lines with the President or the State Department but suggested that:

(i) the UK should agree to move to fourth equal position with France in the IMF rankings, by giving up some of our quota share;

(ii) London should become the site of the EBRD;

(iii) the French would agree not to nominate anyone to succeed Camdessus as managing director of the IMF when his term expires at the beginning of 1992, and he would not seek reappointment.

Implicit in this deal is that Attali would become the president of the EBRD - there is very widespread support among the participants that the French should get either the presidency or the site, in recognition of the large amount of work they have put in so far. The Chancellor made it clear that we were committed to supporting Ruding and would have to vote for him. But it is pretty clear that the option of getting Ruding as the president in London is not achievable.

Prime Minister

Agree that we should explore the proposed package with the US? It has risks: but so does standing pat.

CD?
12/4.

On the other points, all he said to Brady was that he would consider this package, without any commitment. Having now thought further about it, he believes we should accept it in principle, but subject to three important conditions:

(i) there must be a clear international consensus on London as the site of the EBRD before we concede anything on IMF quotas;

(ii) the agreement to share fourth place in the IMF must continue for a long period; officials think the best way of achieving this would be a form of 'loan' of quota share to the French, which we could demand back if necessary in future quota reviews; and

(iii) there should be a G5 agreement that if there is a danger of one of us losing our automatic seat on the IMF board (for example if the Soviet Union were to join), then the number of automatic seats would be expanded to prevent this.

The arguments for and against accepting the package are finely balanced. If we do not accept the deal we can probably hold the position on IMF quotas, remaining in fourth place above the French, but are unlikely to get the EBRD in London - partly because the US are likely to campaign vigorously to stop Attali getting the presidency and to offer to support Paris as a quid pro quo. Securing what we want on quotas would involve holding out against considerable French pressure. They have already said that they see it as an issue of national pride. Beregevoy made plain to the Chancellor on Saturday that it would damage Anglo-French relations. We would also have to resist attempts to get us to 'compromise', for example from the Canadians who now hold the chair in the IMF's Interim Committee; and we would not be able to rely on US goodwill if we reject Brady's offer.

Letting our IMF quota share slide further and dropping to fourth equal with the French in the rankings could diminish our standing in the international financial institutions. But while we have won the technical arguments in the IMF over our proposed solution, we have not persuaded the G7 why we should retain a larger IMF quota than France when the French economy is slightly larger than the UK's nor why it really matters to us. One particular way in which it does matter, of course, is the danger of losing our automatic seat on the IMF board, which the top five in the rankings get; that is why we must impose the additional conditions if we do go down the US route.

Securing the EBRD for London would be a much more visible prize, particularly over the next few years when events in Eastern Europe and the USSR will inevitably continue to dominate the international scene. How significant it would be in the longer

term is hard to judge now. Having Attali as the president is not ideal - Ruding would be much better - but another aspect of the US package is that one of the World Bank's Senior Vice Presidents, Ernie Stern, would move across to the number two job in the EBRD.

Getting rid of Camdessus is the element in the package of particular interest to the US. The Administration - particularly Secretary Baker - have increasingly come to feel that Camdessus is opposed to US interests. From our point of view, Camdessus does an adequate job, and does on some issues rightly need to stand up to the US. But we do not hold any brief to support him, and if Attali gets the EBRD presidency the French stranglehold on top international jobs would be increased. If Camdessus went at the end of next year, that would open the way for us either to push a British candidate or to support Ruding if he wanted the job.

The safer route, in many ways, is to hold onto our quota, at the cost of damaging Anglo French relations, and to continue to press separately for the EBRD to come to London - albeit without any great expectations of success. It is not certain yet that Brady can deliver his deal so there are risks in indicating that we might move on quotas. At worst we could end up without the EBRD and with a lower quota.

However, on balance, the Chancellor feels we should say to the US that we are in principle willing to explore this package, subject to the conditions I have set out. He would be glad to know if the Prime Minister agrees.

In any event he thinks it would be very useful if (without discussing the quota issue) she could raise the site of the EBRD when she meets President Bush. She could say that she understands that the US's first choice has been Prague but that it is now clear that it will be sited within the Community and she hopes very much that the US will make plain that their second choice is London.

I am copying this letter to Stephen Wall (FCO) and to Paul Tucker (Bank of England).

Yours,

JG.

JOHN GIEVE

cc PC

Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL

11 April 1990

Prime Minister

The FCO would prefer a NATO Summit in the autumn

Dear Charles

Prime Minister's Meeting with President Bush, Bermuda
NATO Summit

OBD 12/4

As recorded in our main briefing letter for Bermuda, there have been some hints that the Americans are hoping to organise another NATO Summit this year. A member of the National Security Council staff has now told Len Appleyard that they are looking at early or mid June. They envisage that the Summit's aim would be to reaffirm the fundamental principles of the Alliance in a declaration; and to indicate how the Alliance needed to review its structure and role in the light of the changed situation in Eastern Europe. It would commission further work on aspects of such a review.

A Summit at this time would almost certainly replace the North Atlantic Council (NAC) Ministerial meeting in Scotland on 7-8 June. This would be a shame: a lot of money and preparation have gone into the latter. Our plans to hold last year's NAC were disrupted by the May 1989 Summit. Moreover, this proposed timing for a summit would not necessarily suit our - or NATO's - wider interests.

If, as seems likely, the President has not yet taken a decision on the timing, the Bermuda meeting would give the Prime Minister a chance to influence his thinking. She might:-

- Remind the President that our plans to hold last year's NAC were abandoned when the US proposed a Summit instead. It would be disappointing if this were to happen again.

/- Commend

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- Commend the idea of a NATO Summit this year given the current pace of change; but stress the importance of timing and preparation.

- Suggest that a Summit in early June would not be ideal in either respect. It would be after the President's meeting with Gorbachev, and therefore too late to allow other allies to feed in their views to the President about that meeting; but too soon to allow serious preparatory work on NATO's longer term structure and policies. A later date (e.g. early autumn) would allow more time for hard work - including at the June NAC, which we see value in maintaining - on what should be said at the Summit about the future of NATO. It would provide a chance for more up-to-date co-ordination of NATO views on the CSCE Summit if one is held at the end of the year.

Yours ever

Bob

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

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CABINET OFFICE PLEASE PASS TO NO 10 DOWNING ST
FOLLOWING FOR PS/NO 10 FROM PS/FCO

1. THE SECRETARY OF STATE WOULD BE GRATEFUL IF YOU COULD PASS THE FOLLOWING MESSAGE FROM HIM TO THE PRIME MINISTER:

BEGINS
YOU WILL WANT TO KNOW THE MOOD HERE BEFORE YOU SEE PRESIDENT BUSH IN BERMUDA. EVERY DAY BRINGS MORE EXAMPLES OF OPENNESS. HALF THE COUNTRY IS GLUED TO LENINGRAD TELEVISION WHERE A BANNED PROGRAMME ON CORRUPTION IS BEING BROADCAST AT THE INSISTENCE OF LOCAL DEPUTIES WHO HAVE EFFECTIVELY TAKEN OVER HTE TELEVISION STATION. THERE IS NO DOUBT ABOUT THE TRANSFORMAITON AND GORBACHEV TOLD ME THAT IN HIS JOB YOU COULD NO LONGER KEEP CONTROL BY BANGING THE TABLE. YOU HAD TO BE ABLE TO COPE WITH A WHOLE VARIETY OF CONFLICTING PRESSURES. HE MAKES GREAT PLAY OF THESE PRESSURES, PARTICULARLY ON LITHUANIA, WHERE HE CLAIMS THAT THERE ARE DEMANDS FROM OTHER REPUBLICS TO CUT OFF SUPPLIES AND BRING THE LITHUANIANS TO HEEL. THOUGH HIS ACCOUNT OF EVENTS IS HEAVILY SLANTED, QUITE A LOT OF HIS ANGER AT THE LITHUANIAN LEADERS, WHOM HE REGARDS AS ADVENTURISTS, IS REAL AND THERE IS NO DOUBT ABOUT HIS ANXIETY, WHICH IS SHARED BY SHEVARDNADZE. SHEVARDNADZE IS ONE OF THE NEW 15-MEMBER PRESIDENT'S COUNCIL AND LITHUANIA HAS BEEN THE DOMINANT ISSUE ON THEIR AGENDA THIS WEEK. THEY FEAR THAT, IF LITHUANIA GOES OTHER REPUBLIC WILL FOLLOW. BUT GORBACHEV ALSO KNOWS HOW MUCH HE WOULD LOSE IF HE USED FORCE. HE REFUSES TO RULE IT OUT, AS MUCH FOR TACTICAL REASONS AS BECAUSE HE HAS TO KEEP THE OPTION OPEN. THE IMPRESSION I GOT IS THAT HE WANTS TO PLAY THE ISSUE AS LONG AS HE CAN. I URGED HIM TO KEEP ON TALKING AND TOLD HIM THAT BANNING JOURNALISTS WOULD PROBABLY MAKE THE ISSUE MORE, RATHER THAN LESS, DIFFICULT TO HANDLE.

BILATERALLY, WE ARE IN GOOD SHAPE AND YOUR CONVERSATION WITH ZAMYATIN LAST WEEK HAD HELPED STOP THEM IN THEIR TRACKS ON THE ISSUE OF GORDIEVSKY/LYNE. SHEVARDNADZE HAS NOW AGREED THAT LYNE CAN STAY UNTIL THE SUMMER HOLIDAYS AND WE MAY BE ABLE TO STRETCH IT A BIT LONGER.

GERMANY IS STILL THE MAIN INTERNATIONAL PREOCCUPATION AND THE RUSSIANS CONTINUE TO DIG THEMSELVES IN OVER GERMAN MEMBERSHIP OF NATO. GORBAHCEV SAID HE WAS COMING UNDER QUITE A LOT OF PRESSURE FROM THE MILITARY TO SLOW DOWN THE CFE NEGOTIATIONS IN VIENNA UNTIL THIS ISSUE WAS RESOLVED. THEY TALK UNREALISTICALLY AS THOUGHT THEIR 4-POWER RIGHTS CAN GIVE THEM A VETO ON UNIFICATION. THEY FEEL THAT, ONCE THIS LEVER HAS GONE FROM THEIR GRASP, THEY WILL BE OBLIGED TO ACCEPT GERMANY IN NATO. BENEATH IT ALL LIES THE REALISATION THAT THE WARSAW PACT NOW EXISTS ONLY IN NAME. WHAT THEY HANKER AFTER IS A NEW PAN-EUROPEAN SECURITY ARRANGEMENT WHICH WOULD COME OUT OF A CSCE SUMMIT SO THAT A UNITED GERMANY WOULD BE PART OF THAT NEW ARRANGEMENT AND NOT A MEMBER OF NATO. THEY EVEN TALK HALF SERIOUSLY ABOUT A UNITED GERMANY BEING A MEMBER OF BOTH NATO AND THE WARSAW PACT. I TOLD THEM THAT THEIR INTERESTS LAY IN GERMANY BEING PART OF NATO, WITH ITS INTEGRATED COMMAND AND WITH AMERICAN TROOPS IN EUROPE. THAT WAS THE BEST WAY TO TIE GERMANY DOWN. I DO NOT AT THE MOMENT SEE ANY ALTERNATIVE TO GOING ON MAKING THIS ARGUMENT. THE MORE WE CAN BUILD UP THE CSCE, AS WE ARE DOING, THE BETTER THE PROSPECT THAT IN DUE COURSE THE RUSSIANS WILL ACCEPT, AS THEY MUST, THAT A UNITED GERMANY IS GOING TO STAY IN NATO.

ECONOMIC REFORM IS ALSO HIGH ON GORBACHEV'S AGENDA. THERE IS A BIG MEETING TO DISCUSS IT AT THE END OF THIS WEEK AND GORBACHEV IMPLIED THAT THE SOVIET UNION HAD BEEN IN A HALF WAY HOUSE BETWEEN STATE CONTROL AND FREE MARKET FOR LONG ENOUGH. THE NEXT 18 MONTHS WOULD BE DECISIVE

ENDS

BRAITHWAITE

YYYY

MXHPAN 3862

MVLNBN 3053

NNNN

6(a-d.)

PRIME MINISTER

MEETING WITH PRESIDENT BUSH

You have a plethora of briefing for your meeting with President Bush, which you will find in the folder. I have tried to condense it to a series of points in the attached note.

I would add only the following general points:

- the media will be in Bermuda in force and looking for trouble and opportunties to disparage. They will be trying to write 'end of the special relationship' stories. Failing that - or more likely as well as that - they will be looking for 'Thatcher grasps at foreign glories in desperate attempt to stave off domestic difficulties' stories. I doubt that any evidence will shake them. But what will most unsettle them is (a) constant reiteration that at this time of exceptional flux in the world, nothing could be more natural or indeed important than that a British Prime Minister and an American President should meet; (b) a clear move forward on some major policy issue in agreement with the Americans, to give them a real story to get their teeth into. I am sure that nuclear weapons in Europe offers the best scope for this (see below); and (c) that you project the utter self-confidence and forthrightness for which you are renowned and which has not flagged despite current difficulties;

- there is no doubt that there is briefing against the UK coming out of the State Department. It is a mixture of spite: a feeling that the Brits. had it too good under President Reagan: that your experience and prestige threatened to put Bush in the shade: and an almost hysterical obsession with getting Germany 'right', in other words with getting Kohl re-elected and keeping a united Germany in NATO. We have deliberately refrained from retaliating against these briefings and must continue to do

6

so. But everything which underlines the ease and normality of the Anglo-US relationship during the Bermuda meeting will be a great help;

- on substance, the President is likely to be very pre-occupied over relations with the Soviet Union and in particular the issue of Lithuania. So far as possible, you should be seen to be together on this.

- he - and even more, some of his entourage - will react badly to anything which they regard as anti-German, or any suggestion that Britain and France should draw in the Soviet Union to 'balance' Germany. There is no need to go down this road, since you have actually succeeded in getting the German unification process on the rails, and relations with Kohl are better. This should be regarded as an area of success. You have to calculate that any comments perceived as anti-German will be leaked and used against you.

- the President will also be sensitive on two other points: to any suggestion that CSCE can somehow substitute for NATO: and to the notion that we actively want to retain Soviet troops in Eastern Europe and keep the Warsaw Pact in being. On the first, there should be no difficulty since we don't see the CSCE as an alternative to NATO - but you should make this clear. Preserving NATO is the President's first concern and greatest worry. The stronger you can be at the press conference on the need for NATO and for US forces in Europe the better. Best of all, you might publicly support the President's idea of a NATO Summit this summer.

- on the second, he is under some domestic pressure to get the Russians out of Eastern Europe double-quick. You can legitimately point out the need to manage this carefully if we are not to undermine Gorbachev. The one argument to avoid is that we should keep Soviet troops in order to 'sit' on Germany;

- the opportunity for a step forward comes over nuclear weapons in Europe. If you and the President can clearly reach agreement on further reductions in nuclear warheads, an indication of readiness to begin preparing for negotiations on SNF, and a signal that FOTL will probably not be needed BUT that we must keep adequate weapons in Europe, then we have a policy initiative which is desirable in its own right and newsworthy. Where we may differ is over the President's apparent wish to commit us to SNF negotiations early next year: and your preference to agree to preparations this year, but to stick to the comprehensive concept formulation on when negotiations should start. What is essential is that it should be seen as a joint Anglo/US initiative, even with us slightly in the lead, and not something into which you were dragged by the President. Remember the Americans will be briefing the other way, and trying to claim the credit. We shall not want to be too specific in public. But you may want to give a curtain-raiser on this (or authorise Bernard Ingham to do so) on the aircraft on the way to Bermuda;

THIS IS A COPY. THE ORIGINAL IS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT.

Temporarily retained J. Gray 10/2/2017

- when all is said and done, our relationship with the US remains the pivot for our foreign policy, and we should never let this be obscured by passing fashions. Theirs is the sort of society which is closest to what you believe in. They are, in the end, the only ones with real stomach for defence and robust rejection of socialism in any of its forms. They hold the key to our ability to preserve nuclear

defence and remain a top player in the world league. Even if we have to swallow hard sometimes, nothing is more important to us that the US: and this meeting must reinforce the relationship.

The folder contains:

- telegrams from Antony Acland
- the note for your discussion of the visit with Percy Cradock and me
- full FCO briefing
- the note on nuclear deterrence in Europe
- the record of your last meeting.

Still to come are an account of the Foreign Secretary's meetings in Moscow: a note from John Gummer on agriculture and the GATT: and a note from the Treasury on Double Taxation.

C.D.P.

(CHARLES POWELL)

10 April 1990

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SECRET

PRIME MINISTER

MEETING WITH PRESIDENT BUSH

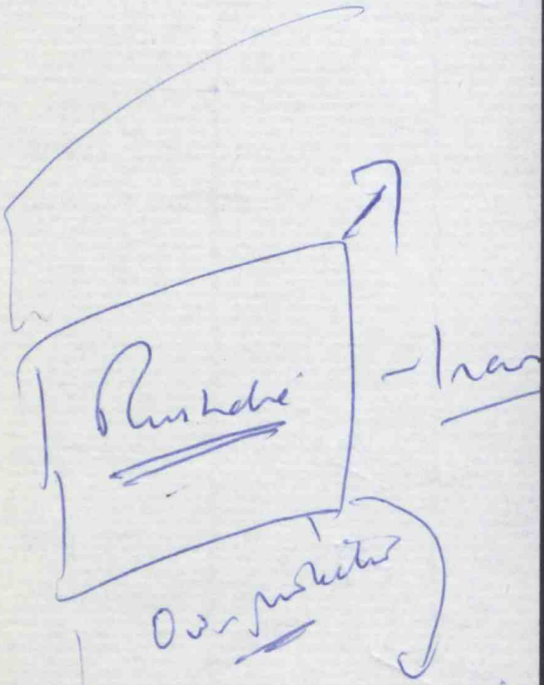
1. GERMAN UNIFICATION

- your successful meeting with Kohl
- we now have the framework to deal with the consequences of unification
- key is to keep Germany in NATO and get Helmut re-elected
- means steady persistence with the Russians
- we must also get the Germans to agree quite specifically that a united Germany should be in NATO: that the NATO Treaty should cover the whole of Germany: that Allied stationed forces should remain in Germany: and that they should have a sensible mix of conventional and nuclear weapons
- but still unresolved issues
- future military arrangements for East Germany
- transitional period for Soviet forces to remain
- defence arrangements for Berlin
- nature of a peace settlement
- no desire to 'singularize' Germany
- EC aspects
- must not give Russians leverage in 2+4 Group over issues which are for us to decide, eg. defence
- this whole process is going our way. Must not let the Russians get the feeling they can stop it
- but equally we must not let the Germans think there are any soft options over NATO membership, nuclear weapons etc.
- say at press conference that we are both well satisfied with progress and believe that we will secure an outcome which anchors a united Germany in NATO.

Nicaragua

Congress (repeat or tempter)

Schism



S Africa

Labuda

China - MFN

Dissidents

Pressure

Reform

World Bank

De Klerk

Mandela

b

2. RELATIONS WITH THE SOVIET UNION

- assessment of the problems facing Gorbachev and his prospects
- conclusions from Baker/Shevardnadze meeting (and from Hurd/Shevardnadze)
- role of the Soviet military and KGB. Soviet sensitivity to our contacts with Mrs. Gordievsky
- Lithuania: how to promote dialogue: how to react in the event the Soviets use force: US and UK to co-ordinate
- how to respond to requests from the Soviet Union for economic help
- prospects for US/Soviet Summit
- need to articulate outcome of that with your meeting with Gorbachev the following week.

3. COCOM/MARATHON

- our preferred core list approach for COCOM. Risk of leakage from American differentiated approach
- cannot agree to deletion of GDR from COCOM list
- acknowledgement of security risks from Project Marathon. But if US and UK turn it down, can we stop Japan or Germany simply snapping it up?

4. DEFENCE AND ARMS CONTROL

- grateful as always for US help with Trident and determination to ensure that START agreement will not constrain our future nuclear co-operation
- looking at possibilities for extending Anglo-French nuclear co-operation, as part of effort to bring France closer to NATO. But not in any way a substitute for Anglo/US co-operation
- we are studying future defence options against the day when we can make some reductions in forces in Germany (but not before CFE agreement). Intend to preserve - even strengthen - out of area capability
- Share US determination to preserve NATO. This is the absolutely essential basis of our defence. (If he proposes it) Ready to contemplate further NATO Summit this year. Should be seen as part of preparation for CSCE Summit in the autumn
- key issue would be future nuclear options in Europe. Propose UK/US initiative - to be referred to in broad terms at joint press conference - to reduce unilaterally nuclear stockpile, begin preparations for SNF negotiations and acknowledge FOTL unlikely to be necessary, while reaffirming need to keep adequate nuclear weapons (particularly airborne) in Germany
- keep up momentum for CFE agreement this year. Not allow Russians to try to take some issues e.g. aircraft off the table
- need to consider what lies beyond CFE. Mistake to rush into further negotiations, given current uncertainty/instability in the Soviet Union
- prospects for SALT Agreement
- our concerns about Soviet chemical weapons remain. But welcome progress in US/Soviet negotiations
- particular concern about evidence of Soviet biological weapons production (and general Soviet record of lying on these matters: chemical, biological, SS23s).

5. FUTURE ARCHITECTURE OF EUROPE

- your ideas for strengthening CSCE have nothing to do with defence but with entrenching democracy, free elections, and free market principles right across Europe. Not a substitue for NATO
- also a way to involve the Soviet Union and East Europeans more fully in Europe's affairs, in a forum which also includes the United States
- we welcome the strengthening of links between the EC and the US. But we still feel that the US need to be careful about appearing to encourage federalism in Europe. Our vision of a free-market, open Europe based on co-operation between sovereign states is much nearer to the ideal which they should espouse. We are not an obstacle to European unity: we are engaged in struggle for Europe's soul. Our sort of Europe would offer a haven for the East Europeans as well
- the Americans should remember that, without our efforts, EC agriculture prices would be much higher: there would be no concessions on agriculture in the Uruguay Round: and the Banking Directive, the Mergers Directive and the Broadcasting Directive would all be far less satisfactory to US interests. Far from being an obstacle, we are the Americans' salvation
- no differences between us on attitude to Eastern Europe. Accept need to proceed cautiously over GATT membership for Soviet Union, so that we don't weaken GATT. But can start preparations, to give them hope
- our strong desire to have the European Bank for Reconstruction and Development in London.

6. ECONOMIC SUMMIT

- key issues likely to be East/West, GATT, environment
- crucial importance of successful outcome to Uruguay round. Share US wish to see progress on agriculture and working for this within the EC. But US should not set sights unrealistically high. Aim at Economic Summit should be to agree specific political commitment to resolve the main issues
- welcome President's White House Conference on Global Change
- agree on need to avoid setting targets for greenhouse gas emissions before scientific realities are clear
- hope drugs will also be discussed at Summit. Need to rationalise UN's work. We support US idea for a group of major consumer countries to co-ordinate drugs policy.

7. MIDDLE EAST

- the growing dangers in the Middle East from proliferation of nuclear and chemical weapons and ballistic missiles. How do Americans assess the risk of pre-emptive action by Israel? Is there more we can do to stop dissemination of technology and raw materials? Should we be thinking of pre-emptive action?
- particular problems with Iraq (which the US now share). Prince Bandar's approach
- prospects for progress on wider Arab-Israel with Peres back in the driving seat. Risks to King Hussein
- King Fahd's request that we revive International Conference option
- we also have to find a way to defuse the problem of settlement of Soviet Jews in the Occupied Territories
- prospects for securing release of hostages in Lebanon. Do the Americans see signs of movement on the part of the Iranians?
- Rushdie.

8. SOUTHERN AFRICA

- De Klerk and Mandela seem to be finding a way through the difficulties
- disillusionment with Mandela's inability to free himself from ANC shibboleths
- most pressing need is resumption of World Bank economic help to improve conditions of black South Africans. At what stage are Americans ready to contemplate this? We can't just leave De Klerk without help.

9. CHINA/HONG KONG/VIETNAMESE BOAT PEOPLE

- case for reducing China's isolation. But no sign yet of reformers regaining the upper hand
- hope US will give further consideration to ways to boost Hong Kong's confidence
- we hope the US will consider establishing a temporary camp on Guam (or elsewhere in the Pacific) where non-refugees can be held, until conditions are right for them to be returned to Vietnam.

10. CYPRUS

- Vassiliou a unique opportunity to reach a settlement
- Perez de Cuellar's appeal for help with Turks
- your intention to raise with Ozal
- hope Americans will put across the same message, i.e. that the Turks should not let Denktash dictate policy.

11. AFGHANISTAN

- do the Americans expect to make progress in their discussions with the Russians about a political settlement.

9.

12. KASHMIR

- American assessment of the dangers of open conflict between India and Pakistan
- really up to Americans and Russians as main arms suppliers to use their influence with Pakistan and India respectively to secure restraint.

13. CENTRAL AMERICA

- President's view of the prospects in Nicaragua, Panama and El Salvador.

14. FALKLANDS/ARGENTINA

- our hope that US will continue to refrain from sale of significant weapons to Argentina.

15. US/JAPAN

- account of progress with Structural Impediments Initiative
- overall assessment of relations with Japan and way Japan itself is likely to develop.

16. UNITARY TAXATION

17. VISIT TO ASPEN

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CCDC
PC

Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL

10 April 1990

Dear Charles

Prime Minister's Meeting with President Bush in Bermuda: 13 April: The Soviet Union, Lithuania and COCOM

In Stephen Wall's letter of 9 April, he said that he would send you separate material on the Soviet Union, Lithuania (for use at the press conference) and COCOM, following completion of the Shevardnadze/Baker talks in Washington and official level contacts on COCOM respectively. This I now enclose in the form of an addition to Annex A of ~~my~~ the letter of 9 April.

Yours ever

(R N Peirce)
Private Office

C D Powell Esq
10 Downing Street

CCPC
DC

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London SW1A 2AH

CONFIDENTIAL

10 April 1990

Dear Charles

Prime Minister's Visit to Bermuda: UK/Bermuda Bilaterals

The Prime Minister will spend most of Thursday 12 April and the morning of Saturday 14 April on an Anglo/Bermudian programme. This will enable her to meet a wide range of the Bermudian people, and will please the Bermudian government who have long been pressing for a high level visit.

The Prime Minister's last visit to Bermuda was during a refuelling stop on 16 October, 1985 en route to CHOGM in the Bahamas. Sir John Swan called on the Prime Minister in June 1988, (when he disputed Sir D Langley's nomination as Governor), and in November 1988 and January of this year, he called on the Foreign and Commonwealth Secretary.

Objectives

These are general:

- to enhance the UK's image in the territory
- to strengthen the UK/Bermuda relationship
- to reassure Bermudians that we shall continue to support their interests.

We do not expect the Bermudians to raise controversial points. We hope that the Prime Minister will be able to take the opportunity to refer to our willingness to help Bermuda evaluate her maritime requirements to counter the drugs threat, secure Visa Abolition Agreements with our EC partners and secure free access to post-1992 European financial markets.

Bermuda has the most advanced constitution of all our Dependent Territories (DTs). She has a long history of internal self-government, and with the exception of

/defence

defence is equipped to manage those powers presently reserved to the Governor. The independence debate has receded for the moment - it was in danger of splitting Swan's party - but may become live again. The Bermudian people consequently are self-assured, well educated and sophisticated. By their own efforts, they have achieved considerable individual and national prosperity if at some social cost. Bermuda has well developed economic and political relations with the US and Canada but tends to regard the Caribbean with disdain. Burmudians see Europe of 1992 as a threat.

Swan and other members of his government have criticised the UK for neglecting Bermuda. This is hardly fair but we have tried to encourage more frequent ministerial visits and informal contacts. Sir Geoffrey Howe went to Bermuda in 1987 for talks with Secretary Shultz and Mr Eggar made a key speech there in 1988 about
/ the independence issue, (extract enclosed) Sir J Swan will be in the UK at least twice more this year. The Finance Minister was here in January and the Health (including drugs) Minister is here for the Drugs Summit (and accompanying the Prime Minister on her flight to Bermuda).

Although the Premier has instructed that no controversial subjects are to be raised with the Prime Minister, she may be approached on the following:

a) nationality and citizenship issues
b) visa abolition arrangements
c) Bermuda's shipping register
d) civil aviation rights
e) South Africa/sanctions policy
f) independence
g) parliamentary boundaries
h) capital punishment

/ These and other points are covered in the enclosed annex
/ A. Personality notes are at Annex B.

Yours ever

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

PRIME MINISTER'S VISIT TO BERMUDA: BACKGROUND NOTES

History

The 150 islands, (10 inhabited, present population 56,000) which form the Bermuda group were first sighted in 1515 by the Spaniard Juan de Bermudez. However, they remained uninhabited until 1609, when the British ship "The Sea Venture", commanded by the Admiral Sir George Somers, was shipwrecked during a passage to Virginia. For that reason the Islands have also been called Somers'. In 1612, King James I granted a Charter to the Virginia Company to permit them to include the islands in their dominion. Shortly afterwards, they sold it for £2000 to the Bermuda Company. Under the terms of the Charter, the island became self-governing in 1620, when the Bermuda Company established a General Assembly; except for the British Isles, it is the oldest legislature in the Commonwealth. The Charter was forfeited in 1684, when responsibility for Government became vested in the Crown.

The first permanent garrison on Bermuda was established in 1778, and in 1797 the island became Headquarters for a Royal Naval Squadron. A British garrison remained until 1957. HMS Malabar, the naval station in Ireland Island, was re-commissioned in 1965 under the command of the Resident Naval Officer, Bermuda; its predecessor had been de-commissioned in 1951. The Bermuda Regiment - a 700 man infantry battalion - was formed in 1965. HRH Princess Margaret is Colonel-in-Chief.

In 1940, HMG leased territory for 99 years to the US for the establishment of Air and Naval bases.

The political relationship

The Governor, who represents the Queen, holds reserve powers for defence, external affairs, internal security and Police.

The 1960's was a decade of major political evolution. Until 1962, members of the House of Assembly had been elected by the 5,500 who could meet a freehold voting qualification. A Parliamentary

Election Act then enfranchised all those aged 25 and in 1966, the voting age was lowered to 21 years. (It it has been reduced this year to 18).

In 1963, the island's first political party, the Progressive Labour Party, was established. However, it fared poorly in that year's elections, in which most seats were won by independents, who the following year joined together to form the United Bermuda Party.

Following a Constitutional Conference in London in November 1966, a new Constitution, which provided for responsible internal self-government, came into force in June 1968. (The UBP won the election and repeated the feat in 1972, 1976, 1980, 1983, 1985 and 1989). Racially discriminatory practices were only abolished in 1968.

The Governor appoints as Premier the majority leader in the House of Assembly; he in turn, appoints a Cabinet. All 11 members of the Senate are appointed, 5 by the Governor on the Premier's advice, 3 by the Govenor on the Opposition Leader's advice and 3 by the Governor acting alone. The formal mechanism by which the Governor consults the Premier is through the Govenor's Council, which consists of both of them, two Cabinet members nominated by the Premier, and the Secretary to the Cabinet.

The Premier

Sir John Swan was elected to the House of Assembly in 1972, and has been Premier since 1981. He visits the UK frequently. He is a prominent figure in the business community.

Previous Summits

This is the fifth Bermuda Summit between a British Prime Minister and the US President:

December 1953: Churchill - Eisenhower

March 1957: MacMillan - Eisenhower

December 1961: MacMillan - Kennedy

December 1971: Heath - Nixon

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ANNEX A

BERMUDA

Government

Bermuda - population 56,000 - is an internal self-governing dependent territory. The Governor retains responsibility for external affairs, defence, internal security and the police, which he exercises through a Governor's Council (whose advice he is not required to accept). With the approval of the Secretary of State, the Governor may delegate to the Premier responsibility for aspects of the reserved powers.

Parliament consists of a 40 seat House of Assembly elected by universal suffrage (the voting age was lowered this year from 21 to 18), and a Senate of 11 members appointed by the Governor, 5 on the Premier's advice, 3 on the Opposition Leader's and 3 on his own discretion. The Governor appoints the leader of the majority party in the House of Assembly as Premier: he in turn nominates other members of the Cabinet. There are no ex-officio members.

The Political Scene

There are four political parties: the United Bermuda Party (UBP) (22 seats), the Progressive Labour Party (PLP) (15), the National Liberal Party (NLP) (1) and the Independent Party (1). The UBP (with fairly strong multiracial credentials) has been in power since the Party system was introduced in 1968. Sir J Swan (knighted in the 1990 New Year's Honours) became Premier in 1981.

Recent Political Developments

In February 1989 Sir J Swan took a controversial decision, knowing that he stood to lose some seats, to call an election 21 months early. The gamble back-fired, and the UBP's overall majority fell to only 6. The PLP (mainly black and centre-left), led by Mr Frederick Wade, won 15 seats, though they have given little sign of being equipped to govern. They admit that they could not win

an election on an independence platform. UBP supporters criticised the Premier for the risk he took but since then he has largely restored party morale, which contrary to PLP hopes, did not split into two wings.

The Bermudian People

The Bermudians are 60% black, 8% white of British descent, 3% Portuguese (labour from the Azores) with the balance made up of North American, European and Caribbean groups who do not possess Bermudian status. Bermudians are proud of their economic success but many can only cope by holding down two or sometimes three jobs. The high cost of living, shortage of housing and other pressures from an overheated economy contributed to the rebuke given to the UBP government in the last elections. For geographical reasons, links with the US, Caribbean (Bermudians are very sensitive about suggestions that the island is in the Caribbean) and Canada are strong.

UK/BERMUDA BILATERAL RELATIONS

The Governor and Deputy Governor

Sir Desmond Langley was appointed to succeed Lord Dunrossil as Governor in October, 1988, and his Deputy, Mr John Kelly, in September 1989. The Governor has settled in well, is popular with Bermudians and respects their sensitivities. His reporting is good.

When Sir J Swan called on the Prime Minister in June 1988, he complained at not being consulted about the Governor's appointment, and that Sir D Langley had no diplomatic service experience. He told the Foreign Secretary in January that Bermuda might not benefit fully from global changes because the Governor was not equipped to represent her interests on the international stage. Swan therefore felt it was important to maintain closer contacts with the FCO.

If this subject is raised, the Prime Minister may wish to say that:

- Sir D Langley is deeply committed to serving Bermuda's interests and we have confidence in him.

- Links with the FCO are already close. We wish to develop them further.

Bermuda as a Dependent Territory

Bermuda differs from other Caribbean Dependent Territories because:

a) She has achieved a far greater degree of internal self-government than the others.

b) The first chapter of Bermuda's 1968 Constitution set out the protection, fundamental rights and freedom of the individual, a model later followed in other DTs.

c) The Governor's reserved powers are minimal.

d) The Governor does not chair the Executive Council.

e) The Premier has complete responsibility for choosing his own Cabinet and allocating portfolios.

f) Bermuda has a real two-party system and a two-tier Parliament.

g) We delegated powers to Bermuda in 1968 to conduct external relations to negotiate and conclude trade agreements, agreements of a cultural or scientific nature and other agreements of a purely local concern (civil aviation and shipping were not included).

h) We do not insist on placing British personnel in key positions eg Commissioner of Police, but the Bermudians themselves opt to recruit British.

i) We have given no development aid for some years.

Independence

Our review in 1987 of policy toward the Caribbean Dependent Territories and Bermuda concluded that for the foreseeable future we should continue to accept and effectively to discharge our obligations under the UN Charter for the good administration and social and economic development of these Territories. We are prepared to consider the granting of independence in cases where it is practicable to do so and where independence is the clearly expressed wish of the inhabitants. However, we shall initiate no pressure towards this end.

Pressure for independence is largely cyclical. It is not now a major issue. Sir John Swan's enthusiasm of 1987/88 waned when he found it would threaten UBP unity and harden racial divisions. The PLP favour independence, but do not fight hard for it. But if they won power on other grounds, they would undoubtedly try to influence public opinion towards independence.

If independence is brought up, the Prime Minister might make the following points:

- If Bermudians demonstrated clear wish for independence, we would respond positively.

- Meanwhile we intend to discharge our responsibility for good government.

Race Relations and South Africa

60% of Bermudians are of African descent, the remainder European. Until 1968 there was widespread racial discrimination in Bermuda. Vestiges remain. Although GNP per capita is high, living standards tend to be lower among blacks, who suffer disproportionately from the island's social problems. Sir J Swan's role as Leader of a

black-white coalition, is therefore most important, but his room for manoeuvre is limited by the self denying ordinance on introducing a personal income tax.

South Africa and particularly the question of sanctions, has been a major issue. The Government banned the import of South African currency and wine. Sir J Swan has been careful to balance his dislike of apartheid with recognition of HMG's position. The PLP believe he should do more eg urge HMG to support continued sanctions following Mandela's release.

The Premier has asked if the Prime Minister could explain the UK's position on sanctions during her meeting with the Bermudian Cabinet.

Devolution of Governor's Responsibilities to Bermudian Government

By a series of steps since 1968, certain of those reserved responsibilities vested in the Governor have been devolved to the Bermudian Government, eg negotiation of a US/Bermuda Tax Treaty, the administration (but not control) of the Police and responsibility for answering Parliamentary questions on the Bermuda Regiment. There now remains little scope for further delegation short of an agreed timetable for independence. If the subject is raised, the Prime Minister might like to make the following points:

- We are willing to examine proposals which will lead to practical results for both Bermuda and the UK and which would be in both our interests.

- There remain a few key areas where we must retain powers to discharge our constitutional responsibilities.

Parliamentary Boundaries

The 1968 Constitution set up a Boundaries Commission and stipulated that constituency boundaries would be based on parish boundaries. Each parish has two members, except Pembroke (4). The PLP oppose this provision because it creates unequal constituencies which range from 1,127 to 2,247 voters (the larger ones tend to be in

black areas). They also believe it is wrong to base constituency boundaries on people who have registered to vote and not on those qualified to vote. The Commission consists of a Chairman and a judicial member (both appointed by the Governor), two members appointed on the advice of the Premier and two on the advice of the Opposition. The next Commission Boundary must be appointed between June 1990 and June 1994.

Bermuda's Constitution can be changed only by primary legislation enacted by Parliament.

If asked for her views, the Prime Minister might say:

- The Boundary Commission is the correct forum for addressing this issue.

Capital Punisment

Bermuda retains capital punishment for pre-mediated murder. If, after the judicial process has run its course, a defendant is found guilty, the Constitution obliges the Governor to seek the views of his Mercy Committee, though he is not obliged to accept their advice. Under the Creech-Jones doctrine, the decision to commute or to let the law take its course is his alone.

In 1988, while the Judicial Committee of the Privy Council was considering an application for leave to appeal against a death sentence (Shorter), the PLP tabled a motion requesting a Parliamentary debate on capital punishment. The Governor decided that with the issue pending in the legislature, he should commute the sentence. (This prompted one UBP member to resign the whip.) A national referendum is set for August. Two further murder cases have been heard, and four more remain. The Governor commuted the first death sentence (Dunlop), and the second defendant (Hermando) was found guilty of manslaughter.

The referendum result could be close. Sir John Swan told the Secretary of State in January that the UBP would support legislation to abolish if the referendum went that way. However, he later told

the Governor that the legislature would be obliged to heed a retentionist vote with a 60% or higher turnout.

If the subject is raised, the Prime Minister will wish to say:

- I understand that the Bermudian electorate will express its views during the refereundum.

- This is a matter of personal conscience about which you would not expect a comment from me.

Nationality

Following the 1971 Immigration Act, Bermudians with no UK connection are no longer entitled to reside here. Many Bermudians believe that this right should be restored by treating Bermuda as a "special case". We cannot do this.

However, the 1981 British Nationality Act which conferred on those Bermudians without a UK link the status British Dependent Territories Citizen (BDTC), caused certain anomalies - some Bermudian BDTCs did not hold "belonger" status there. Ministers had anticipated this problem, but concluded that DTs, not HMG, should amend their immigration legislation accordingly. Whereas other DTs have taken action, Bermuda has not.

If this subject is raised, the Prime Minister might wish to say:

- We stand ready to help your Immigration authorities revise Bermuda's existing legislation.

Entry by BDTCs to the UK

Sir John Swan particularly resents Bermudian BDTCs, like himself, being obliged to enter the UK through the 'Others' channel when members of his own Cabinet with the right of abode can pass freely through the EC channel.

If this subject is raised, the Prime Minister might wish to say:

- There is no other system which would be uncomplicated, practical and meet our EC obligations.

Visas for other EC States

A number of our EC partners decided that BDTCs would require visas; previously such people had not. In 1988 HMG delegated to authority to Bermuda to negotiate Visa Abolition Agreements. But although a VAA with Portugal will be signed shortly, progress has been slow. The FCO has therefore recently agreed to deliver letters from the Bermudian Minister to the remaining EC states, and to lobby on Bermuda's behalf.

Drugs

Drug abuse is increasing, supplies originating mainly from the US and not South America. The Bermudian Government is working hard to combat the threat. They are introducing rehabilitation programmes, co-operating with cruise liner companies (on whose vessels most drugs are imported), and plan later this year to create the post of Drugs Co-ordinator. They want Mr Kellaway, seconded from HM Customs and Excise, to fill this role. The Bermudian minister responsible for drugs is attending the Drugs Summit, and will be on the Prime Minister's plane to Bermuda.

Bermuda proposes to establish a maritime unit of the Bermuda Regiment. An RN Captain will pay a one week visit from 23 April to undertake a study of the type of vessel needed, and how the crew should be organised and trained.

Bermuda's offshore drug interdiction capability will nevertheless remain rather limited. RAF and RN will only help on an opportunity basis whenever they are in the area. As the US and Canada are better placed, the Governor will shortly hold tri-partite discussions to see how progress can best be made.

The Prime Minister might wish to make the following points:

- Commend your efforts to tackle drug threat.

- Hope forthcoming RN officer's visit will help you evaluate your maritime requirements.

- RAF and RN stand ready to help you when they are in the area.

Bermuda Regiment

The 700 man infantry batallion, which has strong operational links with the Royal Anglians, was formed in 1965. The Governor retains operational control. Under the terms of a 1989 Order in Council, the Bermudian Delegated Affairs Minister may answer Parliamentary Questions. Discussions are underway about delegating budget, recruitment and community relations matters. Once there is local agreement, the Governor would seek the Secretary of State's approval.

The Regiment sent a detachment to Montserrat to help clear up after Hurricane Hugo. The Bermudian people also raised $100,000, which the Government matched.

HRH Princess Margaret, as Colonel-in-Chief, will be visiting Bermuda in the Autumn to present the Regiment's Colours.

The Prime Minister will wish to praise the Regiment's hurricane relief work.

Economy

Per capita income of $20,500 (1987/88) places Bermuda in the world's top ten.

Tourism (1989 income around $500 m) and banking/financial services ($300 m) are the key sectors.

Bermuda has few natural resources. Her main trading partner is the US. 1989 British exports were £77 m (18% of the market) but

normally run at half that. The recent establishment of the city-oriented Britain-Bermuda Society, founded by Sir Peter Gadsden, a former Lord Mayor of London, is intended to boost trade.

1990 Budget

For the first time in recent years, Bermuda has slipped into external and domestic deficit. The March Budget which contained a number of rigorous measures, provoked widespread protests, and the Finance Minister Dr Saul, withdrew certain tax increases. This episode gave Swan a jolt and exposed the failure of the government to educate public opinion to the need for increased taxes.

1992

Bermuda is concerned that its financial sector will not enjoy free access to the entire EC market. In January, Mr Redwood, explained HMG's position to Sir John Swan and, in a message for a 1992 Seminar, to the Bermudian Chamber of Commerce. In principle, authorisation in one EC member state entitles a company from a third country to trade throughout the EC. That company's access depends on whether EC-based firms have access on a National basis to the country from which the company originates.

The Prime Minister might make the point that:

- HMG is pressing hard for the removal of protectionist barriers around the EC.

- Our Mission in Brussels is prepared to give advice to Bermuda.

Civil Aviation

During a call in January on Mr McLoughlin, DTp, Sir J Swan asked whether HMG would agree to give traffic rights to European carriers for flights to and from Bermuda. Mr McLoughlin explained that such provision already existed in our agreements with France, Portugal and the Netherlands. No other country had sought it. If they did,

we would consider their request sympathetically. British Airways is the sole UK and European carrier flying to Bermuda. However, Air Europe and Virgin Atlantic have recently expressed an interest. American airlines fly direct to Bermuda.

If this subject comes up, the Prime Minister might say that:

- HMG committed to liberalisation of air services, and would therefore consider sympathetically any request from European countries to fly to Bermuda.

Shipping

Bermuda has a large shipping register. Sir J Swan also told Mr McLoughlin that shipping companies were deterred from using the Bermuda Register by the requirement that the three senior officers on a vessel had to be British. As such officers were in short supply, Bermuda was considering establishing an alternative register. Mr McLoughlin explained that our requirement reflected defence considerations. But he was pursuing with ministerial colleagues the possibility of amending the rules to prevent the loss of shipping business to foreign countries.

If the matter is raised, the Prime Minister might say that:

- We are considering whether our officer nationality requirements could be amended to make the DT registers more competitive without compromising our defence requirements.

HMS Malabar

The Naval Base, staffed by two officers and eleven ratings consists of alongside berths and supporting facilties for warships and submarines. A MOD review in 1989 concluded that the base might be a candidate in 1990 for rationalisation, including staffing reductions. However, MOD have reconsidered: the base would play a vital strategic role in reinforcement of Europe; it has the area's only alongside facility for nuclear submarines; it is likely

to play a greater role in coordination and support of drug interdiction and; its infrastructure is being upgraded for NATO's benefit.

Bermuda/US

Political and economic relations are close. The Premier is a personal friend of President Bush. More than 50% of imports come from the US.

The US Naval Station (a joint naval and air base) contributes $88 m per annum to the Bermudian economy, and provides air traffic control, crash and fire services, airfield maintenance, meteorological and search and rescue services for the Civil Airport.

In January, the US Defence Department proposals to reduce the size of a number of its bases included Bermuda, where the number of P3 patrol aircraft would be cut. The Americans, however, trimmed their plans and gave assurances about the future of the airfield.

If this subject is raised, the Prime Minister might say that:

- We appreciate Bermudian concern, but decision is for the US.

- We have noted US assurances to continue to operate airfield, control tower and their other facilities and to consult Bermuda in full on any problems caused by changes.

Bermuda/Canada

The Canadian Forces Station on Bermuda, which is part of a US-Caribbean radio network contributes around $8 million annually to Bermuda's economy. Canadian forces regularly particpate in military exercises in and around Bermuda. In March, Sir John Swan met Mr Mulroney in Barbados at the Canada/Commonwealth Caribbean meeting and asked to negotiate a tax treaty.

European Community and Eastern Europe

The Premier has asked if the Prime Minister would explain recent developments in Eastern Europe and within the EC when she meets the Bermudian Cabinet.

HMS Arrow

HMS Arrow, an Amazon Class Frigate, was commissioned in 1976. She was among the first ships deployed to the Falklands, was the first to be attacked following the Task Force's arrival and remained until the Argentine surrender. She has a crew of 13 officers and 162 ratings.

HMS Arrow will complete her four months' tour of duty as the West Indian Guard Ship (WIGS) following her visit to Bermuda. WIGS' dedicated task is to provide naval defence for Belize against Guatemalan incursions. She also exercises with Caribbean Commonwealth forces, undertakes anti-drugs operations with the US and Colombia, provides disaster relief and makes representational visits.

Arrow's Commanding Officer is Commander Richard Davey. He joined the Navy from Ampleforth in 1966 and trained as a helicopter pilot. He commanded HMS Protector during her 1984 stint as Falkland Islands Patrol Vessel, and joined Arrow in January 1989 following an appointment in MOD's Directorate of Operations (Sea). In September he will move to UKREP NATO Brussels. The ship's senior oficers are Ltd Cdrs Edwards, Lord and Cornberg.

ANNEX B

LEADING PERSONALITIES

THE HON SIR JOHN SWAN, KBE, JP, MP

Premier since January 1981; formerly Minister of Home Affairs, Immigration and Labour, Marine and Air Services and Parliamentary Secretary for Finance; Member of the House of Assembly since 1972; light skinned black, born in Bermuda in 1935; BA at West Virginia Wesleyan College; founder and Chairman of John W Swan Limited, a Real Estate Company; married with three children; golfer.

Friendly and businesslike, he has had considerable political success since he became Premier when he set out to woo the people of the Island by listening to their problems. At the 1983 election the United Bermuda Party representation went up from 22 to 26 seats and again in October 1985 when they won 31 seats. A self-made millionaire with interests in the banking and insurance, he has crossed swords with the UBP caucus over Independence. The February 1989 elections were held a year earlier than necessary but he has survived the loss of seats and has been given another chance by the caucus. He does not really understand the British and is more comfortable in the company of Americans.

His wife Jackie has a PLP background. She fires some of Swan's ambitions and almost certainly started him down the independence road.

THE HON MRS ANN CARTWRIGHT-DECOUTO, JP, MP

Elected Deputy Premier February 1989; previously held three ministerial portfolios; UBP Member of House of Assembly since 1980; white; born in Bermuda in 1945; studied at University College London; LLB; practising Barrister; married with two children. Interested in Community Affairs and local organisations.

Has proved a tough Minister, particularly in her handling of prison

matters. Has undoubted ability and enthusiasm for her work, but is not particularly popular.

THE HON SIR JOHN (JACK) SHARPE, KT, CBE, JP, MP

Minister for Delegated and Legislative Affairs since February 1989; Deputy Premier, then Premier, 1975 - 1977, Member of the House of Assembly since 1963; four previous ministerial portfolios; white; born in Bermuda in 1921; Knight Bachelor 1977; represented Bermuda at the Constitutional Conference in London, 1966; married to a Canadian and has one son and one daughter; served with Royal Canadian Air Force attached to RAF in England in World War II.

Hard working, conscientious and better able to get on with members of the Opposition than most of his colleagues; he proved his own worst enemy as Premier, partly because he gave the appearance of indecision. Was forced to resign by the 'reformist group' in 1977, but returned to the Cabinet as Minister of Transport and subsequently Minister of Home Affairs where he proved effective. An elder statesman and a member of Governor's Council who gave up the chance of being Speaker in the House of Assembly to stick by Premier after his reverses in the 1989 General Elections.

DR THE HON DAVID SAUL, JP, MP

Minister of Finance since February 1989; white; born in Bermuda in 1939; studied at Loughborough; following an academic career, joined the Bermudian Civil Service in 1972; Financial Secretary, Ministry of Finance 1976-81; Director of Bermuda Monetary Authority 1986-88; married with two children.

THE HON QUINTON EDNESS, JP, MP

Minister of Health, Social Services and Housing since February 1989; previously held five ministerial portfolios; black; born in Bermuda, 1931; first elected to House of Assembly in 1968; defeated in 1980

and appointed to Senate; re-elected to House of Assembly in 1983; former Chairman of Race Relations Council; a golfer; married with one daughter by a previous marriage.

Considered to have influence among younger black middle class, cultivated by the UBP. A colourful personality who has proved to be an effective spokesman, though his administrative capacity is called into question. Impulsive, outspoken, thoughtful and energetic.

THE HON RALPH MARSHALL, JP MP

Transport Minister; previously held four other portfolios; first elected to the House of Assembly in 1963; white; born in Bermuda 1927; married with two daughters and one son.

A vociferous back bencher, who led successful opposition to the Independence Referendum Bill. Rich, lively and a good conversationalist. Was dependable and hardworking as a Minister, but politically a lightweight and sometimes indiscreet. He owes his present place in the Cabinet to the right wing of the UBP. He is not liked by the Premier.

THE HON DR CLARENCE TERCEIRA, JP, MP

Minister of Works and Engineering October 1988; UBP Member of House of Assembly since May 1984; white; born in Bermuda in 1927; studied at St Andrews University; Chairman of the UBP 1970-72; Former Member of numerous Government Boards; married with two sons and two daughters.

On the right wing of the party, Dr Terceira promises to make a good Minister.

KEN RICHARDSON, CBE, JP

Secretary to the Cabinet since October 1983; black; born in Bermuda 1939; studied in London and Manchester; married with two children; awarded CBE in 1989 Birthday Honours. Operated on for a brain tumour in 1988.

Intelligent and hardworking. He has proved successful as the first black Secretary to the Cabinet. Respected for his fairness and impartiality by all sectors of the community. Thoroughly trusted by Premier John Swan.

SENATOR THE HON JOHN JACKSON, MBE, BSc, MA, JP

President of the Senate. Governor's appointed Senator since November 1985; black; born in Bermuda 1920; educated in Bermuda, the USA and London University; employed by the Ministry of Education for 35 years; former Chairman of the Human Rights Commission and the Bermuda Nursing Council; married, two sons and one daughter.

A thoughtful, articulate and fair person, though somewhat lacking in force when dealing with difficult problems or personalities.

LIEUTENANT COLONEL GAVIN SHORTO, ED, JP

Commanding Officer Bermuda Regiment since July 1984; born in Scotland in 1942; educated in Bermuda and Canada; commissioned in Bermuda Rifles in 1964; Second-in-Command from June 1980-July 1984; formerly a journalist with the Royal Gazette and later Editor of the Mid-Ocean News; married with one son.

JAMES REGINALD PITMAN

Director of Civil Aviation since March 1983; formerly employed with British Airways November 1966-February 1983; white; born in Bermuda

1947; studied in the UK; married with two children.

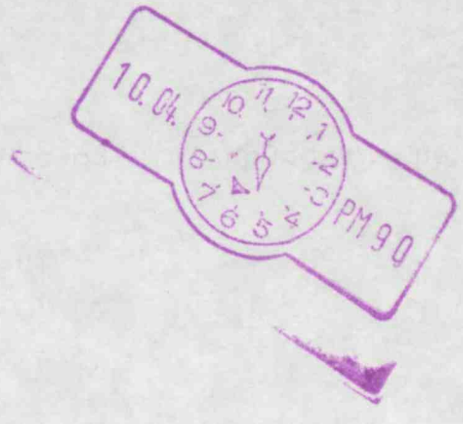
Hard-working and dynamic. Very knowledgeable on his subjects - he would be a hard man to replace.

FREDERICK WADE, JP MP

Opposition Leader since November 1985; Deputy Leader of the Opposition PLP Party 1976-1985; black; born in Bermuda 1939; first elected to the House of Assembly in 1968; a lawyer; divorced (twice) and married again; one son and one daughter from his first marriage.

Able, reasonably ambitious, but not very effective. Has taken pains to cultivate a moderate image, to gain the confidence of middle of the road members of the electorate. Led his party into the 1989 General Elections with skill and only narrowly missed winning an outright majority.

A pleasant man socially. Does not have the complete trust of his party.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EXTRACT FROM A SPEECH BY MR EGGAR - SPEAKER' DINNER -

MAY 10 1988

I know that your Government's own objective is to help public opinion to assess the advantages and disadvantages of independence. To look calmly and thoughtfully at the pros. and cons. of assuming for yourselves full responsibility for all areas of Government.

We have no wish to intervene in, or to influence, this debate. Far from it. To do so would run contrary to our policy and to the spirit of relations between the UK and Bermuda. It may, however, be helpful if I explain briefly how we see our responsibilities in the late 1980s.

It has been said that we could, without risk to British interests or your own, offer devolution beyond that very wide measure of self-government already in place. We have in recent months looked at this very closely.

We were prompted not just by your Government's wish to bring the question under fresh review. It also reflected our continuing concern to ensure that we are fulfilling our responsibilities to all our dependencies.

Fellow parliamentarians present will readily understand that our obligations run in two directions:

- to Bermuda and other dependent territories themselves;
- and to the British parliament, to which we are ultimately accountable for fulfilling our responsibilities.

We have recently looked with particular care at the powers reserved to the British Government. In Bermuda these relate primarily to defence, to internal security and to foreign affairs.

An assured guarantee of internal security and defence against external threat is vital to your future. It is a responsibility which must be met squarely and unequivocally. Ultimately it is the UK which, under present constitutional arrangements, offers that safeguard.

It follows that we retain operational control, through His Excellency the Governor, over the Bermuda Regiment and the police. His Excellency would be the essential point of command and coordination of your defences. I am speaking of contingencies which are remote but we cannot responsibly assume that they can never arise.

In the diplomatic sphere it falls to us to defend Bermudian interests. The international community does not formally recognise dependent territories. We therefore negotiate and adhere to international agreements on your behalf.

Differences can arise, although they have been mercifully few in the past. Bermudians are welcome in our delegations to

major conferences. But final responsibility cannot be divided. The UK must have the ultimate authority to fulfil commitments we enter into under international law.

These are fundamental issues. They deserve to be weighed with care and without hurry. They go to the heart of Bermuda's security and prosperity. They must be faced squarely. The interests of Bermuda demand that there should be no lack of clarity, no confusion of authority.

Transfer of power would be founded upon the same premise. It would fall to the Bermudian government to take over responsibility for all the areas covered at present by the reserved powers. It would be for you to set your priorities, and deploy your resources to defend your interests.

We do not intend actively to encourage any dependency to seek independence. But nor will we discourage you if that is your choice. Our responsibility, which we bear to the people of Bermuda, and to Parliament in Westminster, is simple. Our only test is to be certain that any such choice is the expression of the clear wish and will of government and people.

For you the responsibility is rather different. It is for you to decide:

- how the values and traditions you hold dear can best be safe-guarded;
- how your freedoms, your prosperity and your security for the future can be protected;

And you will be concerned, of course, not just for this generation, or the next, but for generations to come.

You would, I am sure not wish us to make these decisions for you. They are for you to consider deeply and we wish you well while you do so.

BERMUDA'S GOOD FRIDAY KITE-FLYING TRADITION

Of all the many traditions associated with Good Friday, perhaps the most poetically beautiful is one practised by Bermudians. They fly kites on that day. The custom has been passed on for generations and is the most prominent aspect of that religious public holiday.

The kite-flying tradition originated many years ago when a Bermudian Sunday School teacher found it that his young charges had difficulty understanding Christ's ascension into heaven. The imaginative instructor thought of a novel and dramatic way of visually demonstrating the phenomenon in terms that the children would understand.

On Good Friday, he met with his class on the highest hill in Bermuda. He brought with him a large kite that he had made himself. On it was painted a picture of Jesus Christ. The youngsters eagerly helped to launch the kite and took turns flying it, playing out the big ball of string until all of it had been let out. Gracefully the kite glided about in the sky. When it had reached its maximum height, the teacher cut the string setting the kite free. After hovering above them momentarily, it then took off, soaring higher and higher until soon it was nothing more than a speck in the sky. Finally it disappeared from view entirely. It was a lesson beautifully explained and the beginning of a cherished Bermuda tradition.

The Bermuda kite is an intricate creation which at first glance, appears to be a modified upside-down version of the typical tissue-paper cross-stick kite. But there is more to it than that. A head-stick, angled outward slightly from the centre of the kite's surface and held in place by a thin, bowed bamboo stick, extends several inches beyond the kite's logical head. This gives the kite more life in the upper part, and the string joining the headstick to the sides of the top hold small strips of tissue paper (hummers) which hum as the wind passes through. A tail is attached to a loop at the bottom. This design and numerous variations of it, both simple and elaborate, are seen on Good Friday aloft in the skies of Bermuda.

From all parts of the island, children and their parents gather to fly kites, the biggest gathering being an organised kite-flying event at Horseshoe Bay. Along with kite-flying, Bermudians enjoy the traditional fare -- hotcross buns and fish cakes and in churches of all denominations, Good Friday services are held to observe this holy day.

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MY TELNO 844 : PRIME MINISTER'S TALKS WITH THE PRESIDENT ON BERMUDA : SNF

SUMMARY

1. ALTHOUGH BUSH IS MOVING TOWARDS EARLY CANCELLATION OF FOTL, BOTH HE AND THE ADMINISTRATION IN GENERAL HAVE YET TO COME TO DECISIONS ON THE BROADER QUESTIONS OF SNF MODERNISATION, REDUCTION AND NEGOTIATIONS. HE WILL BE SEEKING A FULL EXCHANGE OF VIEWS.

DETAIL

2. WE UNDERSTAND THAT THE PRESIDENT WILL BE PARTICULARLY INTERESTED IN HAVING A FULL DISCUSSION WITH THE PRIME MINISTER ON A POSSIBLE INITIATIVE ON SUB-STRATEGIC NUCLEAR WEAPONS AND AN EARLY CHANGE IN NATO'S NUCLEAR POSTURE IN EUROPE FROM THAT SET OUT IN THE COMPREHENSIVE CONCEPT. IT MIGHT THEREFORE BE HELPFUL TO HAVE MORE DETAIL ON THE AMERICAN POSITION IN ADDITION TO THAT SET OUT IN PARA 5 OF TUR.

3. DESPITE THE AMOUNT OF ACTIVITY OVER THE PAST FOUR WEEKS, I DO NOT BELIEVE THAT THE PRESIDENT HAS YET REACHED A CLEAR DECISION ON WHAT SHOULD BE DONE IN THIS AREA. FROM OUR CONTACTS WITH SENIOR OFFICIALS HIS THINKING SEEMS TO BE GOVERNED AT PRESENT BY FOUR PROPOSITIONS:

(A) THAT AN SNF INITIATIVE WILL BE NEEDED IN ORDER TO ENSURE THE RETENTION OF NUCLEAR WEAPONS ON GERMAN SOIL AND ACCEPTANCE OF TASM.

(B) THAT AS A MINIMUM THE NECESSARY STRATEGY WILL INCLUDE CANCELLATION OF FOTL.

(C) THAT AGREEMENT SHOULD BE REACHED ON A NEW APPROACH IN THE PERIOD MAY/JUNE.

(D) THAT THE CONSULTATION PROCESS IN ARRIVING AT THE DECISIONS WILL BE AS IMPORTANT AS THE DECISIONS THEMSELVES, GIVEN THE VITAL NEED TO PRESERVE ALLIANCE COHESION IN THIS AREA, WITH THE WIDEST POSSIBLE NATIONAL PARTICIPATION (IF ONLY IN SOME CASES PUBLIC SUPPORT) FOR THE REVISED NUCLEAR POSTURE THAT MIGHT RESULT.

4. BEYOND THIS, THERE IS GENUINE UNCERTAINTY WITHIN THE INTER-AGENCY PROCESS HERE AND, I BELIEVE, WITHIN THE PRESIDENT'S OWN MIND ON THE CRUCIAL QUESTIONS: WHETHER TO GO BEYOND CANCELLATION OF FOTL AT THIS STAGE: THE TIMING OF SUCH AN INITIATIVE: THE BALANCE TO BE STRUCK BETWEEN UNILATERAL REDUCTIONS (OF ARTILLERY AND LANCE) AND SNF NEGOTIATIONS: WHETHER THE START OF THE LATTER SHOULD BE ADVANCED TO, EG THE SIGNING OF CFE: AND WHETHER THE NEGOTIATING OBJECTIVE SHOULD BE ZERO LAND-BASED SYSTEMS OR A COMMON CEILING ABOVE IT. THERE REMAIN A NUMBER OF DIFFERENT VIEWS HERE - NOTABLY AS BETWEEN THE PENTAGON WHICH FAVOURS PLACING THE EMPHASIS ON UNILATERAL MEASURES TO REDUCE AND RESTRUCTURE THE STOCKPILE AND THE STATE DEPARTMENT, WHICH TENDS TO REGARD AN ACCELERATION OF THE ARMS CONTROL TRACK - OR AT LEAST AN EARLY COMMITMENT TO DO SO - AS BEING POLITICALLY INESCAPABLE. BUT IT WOULD BE WRONG TO DESCRIBE THE DIFFERENCES AS DISAGREEMENTS, SINCE INTERNAL DISCUSSIONS HERE HAVE NOT ADVANCED TO SUCH A CLEAR CUT STAGE. INDEED THERE IS A SENSE THAT A LITTLE MORE TIME FOR CONSIDERATION HAS BEEN BOUGHT, AS A RESULT OF SOME RESTRAINT ON THE PART OF THE GERMAN GOVERNMENT AND (TEMPORARY) CONTAINMENT OF SOVIET PRESSURE IN THE TWO PLUS FOUR TALKS. WHILE NO-ONE IS UNDER ANY ILLUSIONS THAT SOVIET PRESSURE AND GERMAN VULNERABILITY TO IT WILL REQUIRE DECISIONS TO BE MADE IN THE NEXT TWO MONTHS, THE AMERICANS ARE STILL SUFFICIENTLY OPEN TO INFLUENCE BY THEIR ALLIES FOR THE PRIME MINISTER'S DISCUSSIONS TO BE PARTICULARLY IMPORTANT.

5. AS SEEN FROM HERE, THE LINE TO TAKE MIGHT BE AS FOLLOWS:

(A) WHILE WE WOULD REGRET THE DEMISE, IN DETERRENT TERMS, OF FOTL WE UNDERSTAND IF THE PRESIDENT FELT THAT CANCELLATION WAS POLITICALLY NECESSARY. IN A SENSE THE DECISION HAS ALREADY BEEN TAKEN FOR BUSH BY CONGRESS AND THE GERMANS. BUT IF HE WERE TO ACT FIRMLY TO BURY THE PROJECT HIMSELF - IE BEFORE THE NPG MEETING IN MAY - HE COULD AT LEAST SALVAGE SOMETHING AND REGAIN THE INITIATIVE IN THIS AREA.

(B) IT IS DIFFICULT TO JUDGE WHETHER AN EARLY MOVE TO AMEND THE ALLIANCE'S POSITION ON SNF AS A WHOLE WOULD LEAD TO PREMATURE UNRAVELLING RATHER THAN ENABLE US TO GET AHEAD OF THE PRESSURES AND PRESERVE THE MAJOR OBJECTIVE (SUBSTANTIALLY REDUCED FORCES BUT WIDESPREAD RETENTION OF AN AIR-LAUNCHED CAPABILITY, INCLUDING TASM). MUCH WILL DEPEND ON WHETHER THE GERMANS WOULD BE PREPARED TO SAY PUBLICLY THAT THEY WOULD INDEED SUPPORT THE RETENTION OF AIR-DELIVERED SYSTEMS. SUBJECT TO SIR C MALLABY'S VIEWS, I WOULD HAVE THOUGHT THAT

KOHL WOULD NOT WISH TO BE DRAWN ON THIS BEFORE HIS ELECTION IN DECEMBER. IF THAT IS THE CASE, THE BALANCE OF ADVANTAGE WOULD SEEM TO LIE IN LOOKING TO UNILATERAL REDUCTIONS OF NATO'S NUCLEAR FORCES AS THE MEANS OF MEETING THE IMMEDIATE POLITICAL REQUIREMENT, WITH THE NEGOTIATIONS PROGRAMME AMENDED AS LITTLE AS POSSIBLE.

(C) THIS NEED NOT PREVENT US FROM PREPARING FOR SNF NEGOTIATIONS IN 1991. IT MIGHT ALSO BE POSSIBLE TO STATE A READINESS TO BEGIN UNILATERAL REDUCTIONS (IF NOT THE NEGOTIATION ITSELF) AS SOON AS A CFE AGREEMENT IS SIGNED. ANYTHING MORE FORTHCOMING THAN THAT WOULD SURELY BE TOO RISKY, AND COULD ONLY INVITE POWERFUL PRESSURES TO BE BROUGHT TO BEAR ON US TO DRAG TASM ITSELF INTO A NEGOTIATION AND AT THE WORST POSSIBLE TIME - WHILE THE 2 PLUS 4 TALKS ARE UNDERWAY AND BEFORE WE HAVE MADE REAL HEADWAY WITH THE RESPECTIVE DEVELOPMENT PROGRAMMES FOR TASM.

(D) WERE THE EMPHASIS TO BE PLACED BY THE ALLIANCE ON UNILATERAL STOCKPILE REDUCTIONS WE WOULD SEE THE PROSPECT OF BEING ABLE TO MAKE POLITICALLY SIGNIFICANT REDUCTIONS, WITHOUT DESTROYING ALL WESTERN NEGOTIATING LEVERAGE IN A SUBSEQUENT NEGOTIATION.

6. I WOULD EXPECT BUSH TO BE RECEPTIVE TO SUCH ARGUMENTS. ALL THE EVIDENCE SUGGESTS THAT HE IS INCLINED TOWARDS THE CAUTIOUS SIDE OF THE DEBATE HERE AS DISTINCT FROM THOSE WHO TEND TO REGARD EARLY NEGOTIATIONS AS A SOLUTION TO ALL GERMAN ILLS. IT IS ALSO ENCOURAGING THAT THE AMERICANS ARE CONTINUING TO KEEP FAITH WITH US BEFORE THEY BROACH THIS MATTER WITH ANYONE ELSE. BUT I HAVE LITTLE DOUBT THAT WHEN THEY DECIDE TO MOVE, THEY WILL DO SO QUICKLY AND WILL CONSULT US ONLY SHORTLY BEFORE TAKING THEIR POSITION TO BONN. IF THE PRIME MINISTER'S DISCUSSION ALSO TRIGGERS THE DETAILED BILATERAL EXCHANGES WHICH WE HAVE BEEN SEEKING, IT WILL BE VERY TIMELY INDEED.

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CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270 0360

CONFIDENTIAL

B.0400

10 April 1990

Dear John,

Bermuda Summit

When I was in Washington yesterday on other business Bob Blackwill in the National Security Council asked me to call. He wanted to give a prior indication of some of the issues which President Bush might raise at Bermuda.

2. Blackwill said that President Bush had now decided not to go ahead with the modernisation of the Lance missile, i.e. no FOTL. The present missiles would of course remain in place, and there was no intention for the time being to take any action over nuclear artillery. President Bush had reached this decision reluctantly but had concluded that Congress was certain to reject FOTL very shortly. He decided that the Administration should take the initiative rather than simply await a decision from Congress. He was keen to inform the Prime Minister before anyone else.

3. Faced with this necessity, Blackwill said, President Bush's objective was to present the decision in such a way as to enhance the prospects for securing agreement on the deployment of TASM. Like us, he believed that this was the Alliance's bottom line. He expected to announce the decision on FOTL some time later this month or in May. This was likely to be coupled with a proposal for a NATO Summit, probably in Brussels, in the first half of June. The aim of the Summit would be to reaffirm the fundamental principles of the Alliance in a declaration and to give an indication of the ways in which the Alliance needed to review its structure and role in the light of the changed situation in Eastern Europe. The Summit would commission further work on

P J Weston Esq CMG
FOREIGN & COMMONWEALTH OFFICE

specific aspects of the review to be carried out by the NATO institutions. The Administration now realised that the timing of the Summit might well lead to the cancellation of the North Atlantic Council Meeting planned at Turnberry. This was regretted. At the same time, the Summit could usefully be timed shortly after the Prime Minister's visit to the Soviet Union, thus enabling her to reflect President Gorbachev's latest thinking.

4. Blackwill reported that a further, and much more difficult aspect of the President's current thinking related to SNF. President Bush was likely to sound out the Prime Minister on what the Alliance governments should say publicly on the timing of SNF negotiations. He was aware of our firm views on sticking to the Comprehensive Concept, and the dangers of upsetting the balance of interests which this represented. Nevertheless, he now believed that if the Alliance was to be successful in resisting pressure for the denuclearisation of West Germany and safeguarding TASM the West would have to give some public indication of willingness to begin the SNF negotiations early in 1991 rather than when implementation of CFE was well under way. This would pre-suppose the signature of a CFE agreement in, say, November this year. Against this background, he was thinking of proposing that Western leaders should commit themselves to opening the SNF discussions sooner rather than later. Blackwill went on to add that the President was not sure in his own mind whether, in the interests of protecting TASM, it would be better to put forward detailed ideas soon about the shape of future SNF negotiations (e.g. a two phase approach, phase 1 reduction to equality and phase 2 reduction to zero) or whether it would be tactically better not to mention the possibility of a zero option. I argued that if we raised publicly the possibility of a zero option on SNF this would immediately focus the anti-nuclear pressure on its next target, namely TASM. Blackwill accepted that this was the view of many in the Administration. The President had not made up his mind, and would welcome a relaxed discussion with the Prime Minister of how best to handle this complex of issues.

5. Blackwill added that President Bush was becoming increasingly concerned about the French attitude on Alliance issues and the 2+4 discussions. He was likely to sound out the Prime Minister about the advisability of an approach on his part to President Mitterrand to seek a clearer picture of real French intentions and a firmer commitment to support the Alliance.

6. Although President Bush might not raise this question at the Summit, Blackwill indicated that the US Administration, like ourselves, was very keen to secure a stronger and clearer commitment from the Germans on the five basic Alliance issues which were likely to be raised in the 2+4 talks. These are: that a united Germany should be a full member of NATO; that the NATO Treaty should cover the whole of the united Germany; that allied stationed forces should remain in Germany; that they should have a sensible mix of conventional and nuclear weapons; and that there should be transitional arrangements for Soviet forces in the ex-GDR. The Administration wanted to make sure that if the Russians probed on these vital issues the Alliance would give a uniform response. In US eyes this response should be that the first two points were for the Germans themselves to decide (i.e. not subject to Soviet veto); stationed forces should be discussed in CFE; nuclear weapons in Germany should be discussed in SNF; but the transitional arrangements for Soviet forces could be discussed in the 2+4. The bottom line was to put pressure on the Germans to resist Soviet arm twisting on the denuclearisation of Germany under discussion of the fourth point. So far, he commented, the Germans had been ambivalent but he hoped that the discussions in the 1+3 this week would stiffen their resolve.

7. I debriefed the Embassy in Washington on Blackwill's remarks before I left, so that some of this will have been reflected in the reporting from Washington.

8. I am sending copies of this letter to John Goulden, and to Charles Powell (Number Ten), Richard Mottram (MoD) and Andrew Wood (Washington).

Yours ever,

Len

L V Appleyard

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PART 1 OF 2 PARTS

PRIME MINISTER'S TALKS WITH PRESIDENT ON BERMUDA: EUROPEAN ISSUES

SUMMARY

1. THE AMERICANS AT PRESENT SEE EUROPEAN ISSUES THROUGH A GERMAN PRISM, THEIR OVER-RIDING OBJECTIVE BEING THAT A UNITED GERMANY SHOULD REMAIN A FULLY FUNCTIONING MEMBER OF NATO. THIS HAS AFFECTED THEIR POSITIONS IN 2 + 4, ON THE DESIRABILITY OF SOVIET TROOPS LEAVING THE GDR AND EASTERN EUROPE AS SOON AS PRACTICABLE, THE FUTURE ROLE OF THE USSR IN THE EUROPEAN BALANCE, SNF AND CSCE. THEIR POLICIES REST ON GERMAN RESOLVE TO STAY IN NATO AND GORBACHEV'S ABILITY TO KEEP TO HIS PRESENT COURSE AND TO AVOID A SERIOUS CRISIS OVER LITHUANIA. THESE POLICIES ARE LINKED TO THEIR IDEAS FOR A FUTURE EUROPEAN ARCHITECTURE IN WHICH GREATER EC UNITY IS SEEN AS ESSENTIAL, INCLUDING FOR THE DEVELOPMENT OF NEW AND RELIABLE TRANSATLANTIC TIES.

DETAIL

2. THE MAJOR FOCUS FOR THE PRIME MINISTER'S TALKS WITH PRESIDENT BUSH ON 13 APRIL WILL CLEARLY BE THE COMPLEX OF QUESTIONS ARISING FROM THE CHANGES IN THE USSR AND EASTERN EUROPE, TOGETHER WITH THE CONSEQUENT MOVEMENT TOWARDS GERMAN UNIFICATION. THE PRESIDENT WILL BE SPEAKING AGAINST THE BACKGROUND OF EXCHANGES WITH GENSCHER ON 4 APRIL (MY TELNO. 811) AND THE BAKER/SHEVARDNADZE TALKS ON 4 - 6 APRIL (MY TELNOS 829-834). BOTH SETS OF DISCUSSIONS TOOK PLACE IN THE CONTEXT OF INCREASING US CONCERN ABOUT LITHUANIA. THE PRESIDENT WILL ALSO HAVE HIS FORTHCOMING MEETING WITH MITTERRAND IN FLORIDA ON 19 APRIL VERY MUCH IN MIND.

3. I SUGGEST ONE OF OUR PRINCIPAL OBJECTIVES SHOULD BE TO GET THE PRESIDENT TO SET OUT THE US POSITION CLEARLY AND

UNEQUIVOCALLY. HE APPARENTLY WANTS A FREE AND OPEN-ENDED TALK WITH THE PRIME MINISTER. HE IS NOT, HOWEVER, ALWAYS WELL ATTUNED FOR DEBATE: AS HE WAS NOT, WE UNDERSTAND, DURING HIS MEETING WITH GENSCHER LAST WEEK WHEN THE LATTER WAS ALLOWED TO DOMINATE THE DISCUSSION. THE BEST WAY TO DRAW HIM OUT MAY BE FOR MRS THATCHER TO MAKE IT EXPLICIT THAT WHAT SHE WANTS TO DO IS TO THROW OUT IDEAS FOR DISCUSSION. I SHALL DO MY BEST TO PREPARE HIM IN THIS SENSE DURING THE FLIGHT TO BERMUDA AND HOPE THAT THE RELAXED ATMOSPHERE ON BERMUDA WILL BE CONDUCIVE TO A SATISFACTORY EXCHANGE. WE AND THE AMERICANS APPEAR AT PRESENT TO BE BROADLY IN TUNE. BUT THERE ARE SOME DIFFERENCES IN EMPHASIS. IT WILL BE IMPORTANT TO TEASE OUT THE FULL BACKGROUND IF THESE ARE NOT TO LEAD TO RENEWED MISUNDERSTANDINGS.

4. THE AMERICANS SEE THINGS VERY MUCH THROUGH A GERMAN PRISM. WE ARE NOW AT ONE IN SEEING UNIFICATION AS A PROCESS WHICH HAS ACQUIRED CONSIDERABLE MOMENTUM BUT WHICH NEEDS TO BE MANAGED WITHIN A COHERENT FRAMEWORK. WE AND THE FRENCH, HOWEVER, ARGUABLY HAVE MORE AT STAKE THAN THE AMERICANS AND ARE THEREFORE LESS ABLE FOR EXAMPLE TO POSTPONE ATTENTION TO SOME OF THE DIFFICULT DETAIL EVEN WHEN IT IS UNWELCOME TO BONN. THE AMERICANS CERTAINLY REGARD THEMSELVES AS BEST PLACED AMONG THE MAJOR WESTERN POWERS TO RUN WITH THE GERMAN TIDE, WITH THE AIM OF CHANNELLING ITS FLOW TOWARDS OUR PRINCIPAL AND, FOR THEM, OVERRIDING COMMON OBJECTIVE, THAT A UNITED GERMANY SHOULD REMAIN A FULLY FUNCTIONING MEMBER OF NATO. A CERTAIN NATURAL TENSION EXISTS BETWEEN THESE TWO ATTITUDES, PERHAPS AT PRESENT MORE EVIDENT BETWEEN WASHINGTON AND PARIS THAN WASHINGTON AND LONDON. THE AMERICANS HAVE NOTED WITH PLEASURE, EVEN RELIEF, THE IMPROVED CLIMATE IN RECENT WEEKS BETWEEN LONDON AND BONN.

5. AMERICAN POLICIES TOWARDS THE USSR ARE ALSO GREATLY AFFECTED, AND IN SOME AREAS GOVERNED BY THE NEEDS, AS THEY SEE THEM, OF THEIR PRESENT AND FUTURE RELATIONSHIP WITH GERMANY. HENCE THEIR RELATIVELY TOUGH ATTITUDE ON NATO MEMBERSHIP. ALTHOUGH THE OUTCOME OF THE 4-6 APRIL BAKER/SHEVARDNADZE TALKS, ESPECIALLY ON ARMS CONTROL, HAS MADE US PREDICTIONS OF SOVIET BEHAVIOUR LESS CONFIDENT, THEY NEVERTHELESS STILL APPARENTLY BELIEVE THAT GORBACHEV WILL IN DUE COURSE ACCEPT GERMANY IN NATO AS INEVITABLE WHATEVER HIS SUBORDINATES SAY AT THE MOMENT, PROVIDED HE IS GIVEN NO ROOM FOR MANOEUVRE IN THE MEANTIME. HENCE ALSO US SENSITIVITY TO GERMAN DOMESTIC DEVELOPMENTS, OR WITHIN THE WIDER EUROPEAN FIELD, WHICH COULD ENABLE THE RUSSIANS FURTHER TO ERODE THE GERMAN COMMITMENT TO NATO. THE RESULTS OF THE EAST GERMAN ELECTIONS WERE REASSURING, BUT THERE IS A LONG WAY TO GO BEFORE KOHL IS FIRMLY IN THE ALL-GERMAN SADDLE AND FREE OF SOVIET, SPD

OR EVEN FDP PRESSURES WHICH MIGHT DILUTE HIS NATO COMMITMENT. THE AMERICANS ARE LIKELY THEREFORE TO WANT TO REMAIN CLOSE ALONGSIDE THE GERMAN GOVERNMENT, AND TO MINIMISE DIFFERENCES WITH THEM, FOR THESE REASONS TOO - AND QUITE APART FROM ANY LONG-TERM GUESSES THEY MAY HAVE AS TO WHERE THE FUTURE POLITICAL WEIGHT MAY

6. THESE GENERAL ATTITUDES HAVE INFLUENCED THE PARTICULAR US

(A) HOW TO WIND UP FOUR POWER RIGHTS IN GERMANY. THEIR GUIDING PRINCIPLE HAS BEEN TO AVOID SO FAR AS POSSIBLE ANYTHING WHICH SINGLES OUT GERMANY AS THE OBJECT OF OUTSIDE CONTROL. THEY REGARD A PEACE TREATY AS INAPPROPRIATE PARTLY BECAUSE OF THE POTENTIAL DIFFICULTY OF NEGOTIATING SUCH A TREATY WITH ALL THE BELLIGERENTS BUT MAINLY BECAUSE THAT APPROACH APPEARS TO THEM ANACHRONISTIC 45 YEARS AFTER THE END OF THE WAR, AND INJURIOUS TO GERMANY. THEY HAVE HAD QUESTION MARKS IN THEIR MINDS AS TO WHETHER WE OR THE FRENCH MIGHT SEEK TO USE THE 2 + 4 PROCESS TO IMPOSE SPECIAL CONDITIONS ON GERMANY EVEN AFTER THE CONCLUSION OF AN EVENTUAL OVERALL SETTLEMENT (A TERM THEY MUCH PREFER TO PEACE SETTLEMENT). THEY HAVE ON OCCASION EXPRESSED FEARS THAT LONDON OR PARIS MIGHT BE TEMPTED TO COOPERATE WITH THE RUSSIANS IN SOME SUCH ENDEAVOUR. ALTHOUGH THEY HAVE NOW BEEN REASSURED AS TO OUR ATTITUDE, I WOULD EXPECT THE PRESIDENT TO WANT THE PRIME MINISTER TO CONFIRM AT BERMUDA THAT WE ARE LOOKING FOR A SETTLEMENT, NOT A PEACE SETTLEMENT, STILL LESS A PEACE TREATY AND, SECONDLY, THAT WE HAVE NO SECRET AMBITION TO IMPOSE NEW AND SPECIAL RESTRICTIONS ON A FUTURE GERMANY BEYOND THOSE INHERENT IN ANY GENERAL EUROPEAN AGREEMENT ON FORCE LEVELS, OR CONDITIONS WHICH THE GERMANS MIGHT HAVE VOLUNTARILY AGREED TO IMPOSE ON THEMSELVES IN THE FORM, FOR EXAMPLE, OF RENOUNCING NUCLEAR BIOLOGICAL OR CHEMICAL WEAPONS.

(B) WE HAVE FOUND OURSELVES TAKING THE INITIATIVE IN OPENING UP WITH THE AMERICANS HOW BEST TO HANDLE SECURITY ISSUES IN THE 2 + 4 CONTEXT. THEY AGREE THAT IT WOULD BE SENSIBLE TO CONCERT A VIEW AMONG THE WESTERN FOUR BEFORE THESE QUESTIONS ARE ADDRESSED IN THE 2 + 4. THEY REMAIN HOWEVER LESS KEEN THAN OURSELVES TO REACH A FIRM VIEW ON SOME OF THE CONSEQUENCES FLOWING FROM THE GENERAL PRINCIPLE THAT ARTICLES 5 AND 6 OF THE NORTH ATLANTIC TREATY SHOULD APPLY TO THE WHOLE TERRITORY OF A FUTURE GERMANY. THEIR GENERAL CONCEPT IS THAT WHILE THE 2 + 4 CAN AGREE ON A VERY GENERAL APPROACH TO THESE MATTERS, IT IS NOT THE FORUM FOR DETAILED NEGOTIATIONS. WESTERN POSITIONS NEED TO BE COORDINATED IN NATO. PARTICULAR QUESTIONS FOR DISCUSSION WITH THE RUSSIANS SHOULD IN THEIR VIEW BE ADDRESSED IN OTHER AND WIDER FORA, SUCH AS CFE AND FUTURE SNF NEGOTIATIONS. BUT WE WOULD DO WELL TO STRESS AT BERMUDA THE VIRTUES OF AGREEING A

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COMMON SET OF AIMS AMONG THE WESTERN FOUR AND SUBSEQUENTLY WITHIN NATO SOONER RATHER THAN LATER.

(C) US FEARS AS TO POSSIBLE BRITISH OR FRENCH ATTITUDES TOWARDS THE USSR REFLECT, I BELIEVE, THEIR ASSUMPTION THAT THERE MAY BE DIFFERENCES BETWEEN US HERE AS TO BOTH TACTICS AND LONGER TERM EXPECTATIONS. THE AMERICANS ARE CLEAR THAT SOVIET TROOPS SHOULD LEAVE THE GDR AND EASTERN EUROPE AS A WHOLE AS SOON AS PRACTICABLE. I DETECT VERY LITTLE FEELING THAT THE WARSAW PACT HAS A CONTINUING WORTHWHILE ROLE TO PLAY IN PRESERVING STABILITY IN EASTERN EUROPE, EVEN THOUGH THE AMERICANS RECOGNISE THE

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PART 2 OF 2 PARTS

POSSIBILITY THAT THE NEXT SEVERAL YEARS IN THAT REGION MAY BE VERY TROUBLED. AS THE AMERICANS SEE IT, WE HAVE A HISTORIC CHANCE TO GET THE RUSSIANS OUT, WHICH MUST NOT BE MISSED. AND EVEN IF THE PRESIDENT DID NOT FEEL THIS WAY, HE WOULD BE PUSHED IN THAT DIRECTION BY PUBLIC AND CONGRESSIONAL OPINION. HE HAS ALREADY BEEN CRITICISED FOR APPEARING BY HIS CFE PROPOSALS TO GIVE THE SOVIET UNION A LICENCE TO KEEP 195,000 TROOPS IN EASTERN EUROPE FOR THE FORESEEABLE FUTURE, EVEN THOUGH HIS AIM AT THE TIME WAS TO DECOUPLE THE ISSUES OF SOVIET AND US TROOP LEVELS IN EUROPE IN THE LONGER TERM.

(D) THE AMERICANS, DESPITE THEIR SUPPORT FOR SOME DEVELOPMENT OF THE CSCE PROCESS, ARE SUSPICIOUS OF SPECULATION ABOUT A SOVIET ROLE IN THE EUROPEAN BALANCE OF POWER, ESPECIALLY WHEN THE IMPLICATION IS THAT THE USSR IS REQUIRED AS A COUNTER BALANCE TO GERMANY. IT FOLLOWS THAT WHILE THEY RECOGNISE THE NEED FOR SPECIAL ARRANGEMENTS FOR SOVIET TROOPS IN THE GDR AND ACCEPT THAT THIS GENERAL PRINCIPLE WILL NEED TO BE ENDORSED IN THE 2 + 4, THEY SEE THIS DISPENSATION AS TRANSITIONAL, PREFERABLY SHORT TERM, AND TO BE AGREED AS TO IMPLEMENTATION BETWEEN THE GERMANS AND THE RUSSIANS. THEY HOPE GENSCHER'S ATTITUDE TOWARDS A DEMILITARISED GDR WILL EVOLVE FURTHER SO AS TO ALLOW EFFECTIVE IMPLEMENTATION OF FUTURE NATO OBLIGATIONS.

(E) THE AMERICANS HOPE PROGRESS ON SNF WILL HELP THE RUSSIANS TO RECONCILE THEMSELVES TO EARLY MOVEMENT OUT OF EASTERN EUROPE (SEE ALSO (F) BELOW). THEY EVIDENTLY WANT TO GET AHEAD OF BOTH CONGRESSIONAL AND GERMAN OPINION BY EARLY ACTION ON SNF. THEY SEE FOTL AS RIPE FOR BURIAL AND MOVEMENT SOON ON SNF AS ESSENTIAL IF THE TASM OPTION IS TO BE PRESERVED. WE HAVE ASKED FOR BILATERAL TALKS ON THESE MATTERS AS SOON AS POSSIBLE AND HAVE BEEN TOLD THAT THE AMERICANS DO NOT INTEND TO SPRING ANY SURPRISES ON US. BUT THERE ARE DIVIDED COUNSELS IN WASHINGTON, AND

THE FIRST TIME THAT WE ARE LIKELY TO RECEIVE AN AUTHORITATIVE VIEW ON THE WAY AHEAD IS AT BERMUDA, WHEN WE ARE TOLD THAT THE PRESIDENT IS LIKELY TO OUTLINE HIS VIEWS ON THE WAY AHEAD. WE UNDERSTAND THAT HE WILL EXPLAIN HIS INTENTION TO CANCEL FOTL BEFORE THE NPG IN MAY AND TO FOLLOW THIS UP WITH CONSULTATIONS WITHIN THE ALLIANCE ON THE WAY AHEAD ON SNF ARMS CONTROL AS A WHOLE, POSSIBLY WITH DECISIONS BEING TAKEN AT A NATO SUMMIT, WHICH THE AMERICANS WILL PROBABLY PROPOSE FOR EARLY/MID-JUNE. BUT THE PRIME MINISTER MAY WISH TO REINFORCE THE IMPORTANCE OF GOING OVER THE GROUND FULLY WITH US FIRST. THERE MAY WELL BE SOME DIFFERENCES BETWEEN US WHICH WE SHOULD AIM TO IRON OUT BEFORE WIDER DISCUSSION TAKES PLACE: ON THE TIMING OF AN INITIATIVE, THE QUESTION OF WHETHER OR NOT WE SHOULD ACT UNILATERALLY OR BY NEGOTIATION WITH THE RUSSIANS AND THE RESIDUAL NUMBER OF WAR HEADS WE SHOULD AIM TO RETAIN IN EUROPE - WITH THE AMERICANS APPEARING AT PRESENT TO BELIEVE THAT WE WILL BE DRIVEN TO A LOWER NUMBER THAN WE WOULD LIKE.

(F) THE AMERICANS WILL HOPE TO HEAD OFF SOME OF THE MORE UTOPIAN IDEAS ABOUT CSCE. THEIR DOUBTS ON THIS SCORE ARE REINFORCED BY THE POSSIBILITIES AFFORDED BY CSCE FOR SOVIET EROSION OF THE GERMAN COMMITMENT TO NATO. WE WOULD APPEAR TO BE IN AGREEMENT AS TO AN OVERALL APPROACH WITH THE AMERICANS WHICH WOULD INCLUDE INSTITUTIONALISING VARIOUS SETS OF PRINCIPLES AND AGREEING TO A SET PATTERN OF FUTURE MEETINGS. BUT THERE ARE QUESTION-MARKS OVER SOME ASPECTS OF THE RELATIONSHIP OF THE CSCE TIMETABLE TO THE 2 + 4 AND TO CFE WHICH MIGHT USEFULLY BE EXPLORED AND I WOULD EXPECT THE PRESIDENT TO WANT TO GO OVER THIS GROUND IN MORE DETAIL THAN HITHERTO.

7. THE AMERICANS RECOGNISE, OF COURSE, THAT THEY HAVE HAD SO FAR LARGELY TO REACT TO FAST MOVING EVENTS OVER WHICH THEY CAN EXERCISE VERY LITTLE CONTROL. THEIR PRESENT HOPES OF A SATISFACTORY OUTCOME REST CRUCIALLY ON TWO FACTORS: (A) GERMAN RESOLUTION IN STICKING TO MEMBERSHIP OF NATO'S INTEGRATED MILITARY STRUCTURE. I DO NOT AT ALL EXCLUDE THE POSSIBILITY THAT IF THE AMERICANS CAME TO BELIEVE KOHL COULD NOT DELIVER ON NATO, THEY WOULD WANT TO ANTICIPATE EVENTS BY EXPLORING OTHER AND LESS WELCOME ALTERNATIVES SOONER RATHER THAN LATER. IN SUCH CIRCUMSTANCES THE RECORD SHOWS THAT THEY WOULD BE LIKELY TO PREFER SUCH AN APPROACH TO PUTTING SERIOUS PRESSURE ON KOHL TO STAND FIRM, PARTICULARLY IF SUCH PRESSURE HAD TO BE PUBLIC. THEY MAY BE DRIVEN IN THIS DIRECTION BY DOMESTIC FORCES. INDEED BAKER SAILED CLOSE TO THIS WIND IN MOSCOW IN JANUARY WITH HIS INCAUTIOUS REFERENCES TO POSSIBLE GERMAN ASSOCIATION WITH THE ALLIANCE. BUT FOR THE TIME BEING WE CAN EXPECT THE AMERICANS TO

PLAY FOR THE HIGHER STAKES. IT IS OBVIOUSLY VERY MUCH IN OUR INTERESTS TO ENCOURAGE THEM TO DO SO.

(B) GORBACHEV'S ABILITY TO STAY HIS PRESENT COURSE. A SERIOUS CRISIS OVER LITHUANIA WOULD OBVIOUSLY PUT PRESENT PROSPECTS IN JEOPARDY, DESPITE THE HEAVY INVESTMENT THE ADMINISTRATION NOW HAS IN THE US-SOVIET RELATIONSHIP, INCLUDING ITS HOPES OF PROGRESS IN CFE AND START, HOPES WHICH COINCIDE WITH PRESSURES ON THE DEFENCE BUDGET. EVEN THE PRESENT DEGREE OF TENSION OVER LITHUANIA AND CONGRESSIONAL ATTITUDES TO IT HAS CLEARLY PUT SOMETHING OF A BRAKE ON THE US-SOVIET RELATIONSHIP, THOUGH IT HAS YET TO BRING ABOUT A FUNDAMENTAL REAPPRAISAL.

8. BEYOND GERMANY AND THE SOVIET UNION - THOUGH INTRINSICALLY BOUND UP WITH DEVELOPMENTS IN BOTH - IS THE QUESTION OF FUTURE 'EUROPEAN ARCHITECTURE'. THE PRESIDENT DOES NOT FAVOUR SOME OF THE MORE RADICAL CONCEPTS WHICH HAVE BEEN PUT FORWARD FOR DE-MILITARISING NATO, INSTITUTIONALISING THE CSCE AS A LEAGUE OF NATIONS MARK II, OR DEVELOPING THE COMMUNLTY INTO A FEDERALIST SUPER-STATE. BUT THE AMERICANS NEVERTHELESS SEE VALUE IN MOVES TOWARDS GREATER EUROPEAN UNITY, NOT ONLY AS A MEANS OF BINDING THE GERMANS INTO A STABLE FRAMEWORK, BUT ALSO IN ORDER TO WORK WITH WHAT THEY SEE AS THE EUROPEAN GRAIN AND THEREBY TO PRESERVE THEIR OWN INFLUENCE IN FUTURE EUROPEAN ARRANGEMENTS. WITH THE PROSPECT OF SECURITY ACTIVITY AND NATO BEING LESS IMPORTANT THAN BEFORE, THEY ARE ANXIOUS TO TAKE OUT INSURANCE POLICIES IN OTHER AREAS AND CULTIVATE WHAT ARE SEEN HERE AS IMPORTANT AVENUES OF ACCESS. THIS MAKES THEM OPEN TO SUGGESTIONS FOR MORE FORMAL US/EC LINKS (HENCE THEIR PLEASURE WHEN GENSCHER PROPOSED A NEW US/EC DECLARATION ON 4 APRIL). IT ALSO MAKES THEM ANXIOUS TO ASSOCIATE THEMSELVES WITH MOVES TO STRENGTHEN COMMUNITY COHESION - AND CONCERNED WHEN THEY PERCEIVE THAT WE DO NOT NECESSARILY SHARE THE MAJORITY VIEW ON HOW THIS SHOULD BE ACHIEVED.

9. THIS LEADS THEM INTO POSITIONS WHICH MAY SEEM TO US AS UNHELPFUL AND IN SOME WAYS, ILLOGICAL. THE AMERICANS WANT GREATER EUROPEAN UNITY. BUT THEY ALSO RESENT IT WHEN THE RESULT IS THAT EUROPEAN POSITIONS ARE ARRIVED AT, AS OVER CSCE OR EBRD, WITHOUT WHAT THEY WOULD REGARD AS DUE ACCOUNT BEING TAKEN OF US VIEWS. BUSH OUGHT TO SEE THAT THE ALTERNATIVE BRITISH VISION OF EC DEVELOPMENT IS MORE IN KEEPING WITH AMERICAN INTERESTS THAN THE FEDERALIST ONE. BUT WE NEED NONETHELESS TO BEAR IN MIND, WHEN DISCUSSING EUROPEAN ISSUES, THAT EVEN WHEN THE AMERICANS MAY THINK OUR APPROACH ON PARTICULAR MATTERS MAY HAVE OBJECTIVE MERIT BEHIND IT, THEY WOULD QUESTION OUR TACTICS WHEN AND IF IT BEGAN TO APPEAR TO THEM THAT WE WERE THEREBY ISOLATING OURSELVES WITHIN THE COMMUNITY.

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34A.

Foreign and Commonwealth Office

London SW1A 2AH

9 April 1990

C D Powell Esq
No.10 Downing Street

Dear Charles, CDP 9/4.

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH

1. Stephen Wall has shown me your letter of 5 April, and your enclosed note. It occurs to me that you might like to have, as a supplement to the briefs, some targetted ammo should Bermuda discussion of the future of Europe produce further US suggestions of damaging UK foot-dragging in the EC.

2. In the light of Washington telegram no. 84, about which you wrote to Richard Gozney on 15 January, I had a word at the time with Andrew Wood in Washington, and offered him some relevant ammunition. It seems worthwhile recycling the ammo, by sending you the enclosed copy of a note I then wrote. I still think the three areas I picked out are probably the best ones to use.

3. In my experience Americans, when challenged in this way, tend to back off, and say that their criticism relates not to the substance of our policies, but to their presentation. (On this they are occasionally on stronger ground, and we sometimes do best in the Community when, as at Copenhagen 1987, we are "suaviter in modo, fortiter in re".) But of course presentation and substance are closely interlinked, and on substance many Americans are privately prepared to admit that while in general they now very much want to see the Community develop, they wouldn't actually want it to develop in various specific ways which we are resisting.

Yours ever,

John.

J O Kerr

JK3AMA

SECRET AND PERSONAL

FROM: J O Kerr

DATE: 17 January 1990

cc: PS/PUS
Mr Bayne
Mr Gillmore
Mr Ratford
Mr Jones Parry, ECD(E)
Mr Arthur, ECD(I)

Mr Weston

"CURRENT US THINKING ON EUROPEAN QUESTIONS"

1. As agreed, I have had a private word with Mr Wood in Washington about their telno. 84.

2. I said that I thought it would be useful if further reporting could make it clear -

either that the Administration are not urging us to agree quickly to sub-optimal Commission proposals for the sake of maintaining Community unity;

or, if that is indeed the message from Administration contacts, that the merits of such a course, in terms of UK and US interests, have been challenged by the Embassy.

3. I offered Mr Wood three broad issues which might be used illustratively to challenge the thesis that in the EC we "act too often as an anchor to windward", viz:

(a) Agriculture. Had we not dug in our heels, in 1987/88, EC agricultural support would now be considerably higher than it actually is, to the detriment of the UK taxpayer and consumer, the prospects for the GATT Round, and US policy, as normally expressed. Were we not now campaigning for further CAP concessions at the Uruguay Round climax, the prospects for such concessions, and hence a successful end to the Round, would be worse. In 1990 as in 1987/88, our chief opponents are the French and Germans, and agriculture is particularly difficult for the Germans in an election year. But though it would in many contexts be convenient, we do not believe it would be in the UK or EC interest that we should capitulate to them, and we doubt whether many in Washington would think it in the US interest that we should do so.

/(b) ...

(b) 1992. Last year's battles with the French over the Banking Directive and the Germans over the Mergers Directive became fairly heated: this year's battle over the Investment Services Directive will be too. But we believe that it is in the UK, and the US, interest that we fight hard for a liberal outcome along the lines successfully secured last year. Ensuring that "Fortress Europe" doesn't happen is important; and we have so far done rather well. But it can't be done without blood on the carpet. (Incidentally, it is worth noting that when - wrongly in our view - the US thought that the Broadcasting Directive would have "Fortress Europe" connotations, they had no compunction about escalating to the highest level their pressures on us to fight the French, reversing our vote in the full glare of publicity at the very last, post-European Parliament, moment. Since ours was not the decisive vote, we did not have to do so; but had we in fact done so, "Trojan Horse" criticisms would have been loud, and damaging.)

(c) EMU. We believe that the kind of economic union proposed in the Delors Report, with a vastly increased EC Budget distributing resources to the poorer member states on the periphery, would result in lower EC growth rates than a looser form of union, with market forces looking after the periphery. Most economists outside the Commission appear to agree with us, and many point to the analogy of the prosperity of the US "new South", where the emergence of e.g. Georgia and South Carolina in the '60s and '70s resulted not from redistribution of resources via the Federal Budget but from the attraction to companies of lower labour costs and a better climate. We shall go on arguing an evolutionary, market forces, alternative to the Delors Report, because that is what our judgment of the UK and EC interest dictates. Surely it is also in the US interest that the EC growth rate, and hence purchasing power, remains strong?

4. Mr Wood noted these points.

J O Kerr

17 January 1990

Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL C. SECRET

9 April 1990

Dear Charles,

Prime Minister's meeting with President Bush in Bermuda

Thank you for your letter of 5 April.

The Prime Minister will have some 3½ hours of talks with President Bush on Bermuda on 13 April, split into two sessions: 1½ hours in the morning (approx 11.00 - 12.30) and up to 2 hours in the afternoon (14.00 onwards). A joint press conference will be held at 16.00 before an evening reception and dinner, which both the Prime Minister and President Bush will attend.

The Prime Minister last visited Washington for talks with President Bush at Camp David on 22 November 1989. She saw the President again at the NATO Summit in Brussels on 4 December. She will next see him at the Houston Economic Summit. In that connection, the President may extend in person his invitation (already accepted through the Embassy in Washington) for dinner on 7 July and church the following day. The Prime Minister might mention her August visit to Aspen and her hope that they might meet at Aspen or on her way home.

Objectives

These will be to:

- achieve the fullest possible identity of views on the international aspects of German unification;

- coordinate policy towards the Soviet Union in the light of Gorbachev's increasing domestic difficulties;

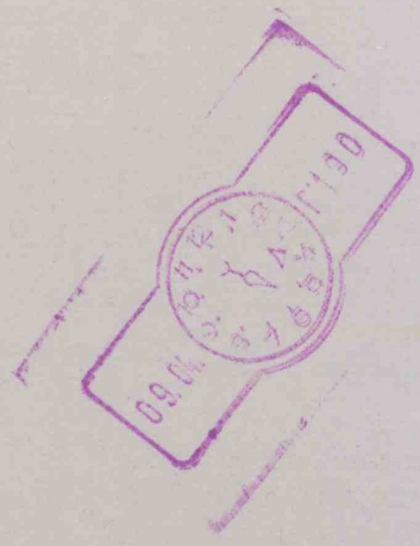
- coordinate views on the future of Europe;

- exchange and coordinate views on the arms control agenda, regional and transnational issues;

- demonstrate the warmth of the bilateral relationship against the background of continued media speculation about its health.

The Bush Administration

The President continues to enjoy unprecedented public approval ratings, largely reflecting a feeling that events in



the world are going America's way. In the foreign policy field, Panama has dispelled much of the "wimp" image, but Bush continues to be criticised for lacking a broad, strategic vision of America's role in the world. His policy of maintaining contacts with China, and his failure to offer more aid to Eastern Europe, have also been criticised. The Administration's restraint over Lithuania has provoked rumbles on Capitol Hill. They are under pressure to take a tougher line with Japan over protectionism. On arms control, Bush shares the British view of the importance of sustaining a credible land-based nuclear deterrent on the continent and is resisting Congressional pressure to go below the 195,000 CFE manpower level. The Embassy will telegraph an update on American thinking on the key East/West issues on the eve of the Prime Minister's talks.

Public confidence in Bush's performance in domestic affairs is lower, the main complaint being that the Administration are not dealing vigorously enough with the budget deficit, nor with America's major social problems, notably drugs, the environment, education and the homeless. Bush's hands are tied by his pledge of "no new taxes" (any "peace dividend" will be relatively small). Nonetheless, the Democrats have yet to concert a really effective attack on the Administration, though Congressional pressures are growing. / Washington telno 800 (copy enclosed) provides a snapshot of the domestic scene.

UK/US Relations

The President continues to take a friendly view of us. The intense media speculation which existed in the latter part of 1989, that Britain's stock in Washington had gone down while that of the Germans had gone up, has diminished. We are playing an active part in the two plus four talks, where our views broadly coincide with those of the Administration. Particular sources of friction remain, notably on Vietnamese boat people, but in general the working relationship is / solid. I enclose a copy of Washington telno 810.

Briefing Annexes

These are arranged as follows:

Annex A ..... European issues

Annex B ..... Arms Control

Annex C ..... The priority regional issues (and GATT), mentioned in your letter of 5 April.

(And, essentially on an "if reached or raised" basis):

CONFIDENTIAL C. SECRET

Annex D ..... Transnational issues and EC/US trade plus the notes on other "main current issues" referred to in your letter of 28 March and not covered elsewhere.

I will let you have separately a form of words on Lithuania for use at the press conference in Bermuda and the Inland Revenue will provide you with a note on Unitary Taxation.

I am copying this letter to Sonia Phippard (Cabinet Office).

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

ANNEX A: EUROPEAN ISSUES

A. GERMAN UNIFICATION

The Prime Minister will wish to give the President an account of her talks with Chancellor Kohl, and express our wish to press ahead soon with the 2+4 talks on the external aspects and to have prepared views in the "3+1" (the four Western Allies) before this. The various mechanisms for discussion and negotiation are in place. but there are still major issues to be resolved: how to persuade the Russians to accept Germany's membership of NATO: what military arrangements to make for East Germany: to what extent NATO forces should be involved there: what German units should be stationed in the GDR: how to avoid Russian attempts to argue for withdrawal of US stationed forces in West Germany in parallel with Russian withdrawal from East Germany. We also have to consider defence arrangements for Berlin and whether Allied forces should remain there: and the nature of a peace settlement. The Prime Minister will want to stress to the President the need for the closest possible cooperation among the Western four on these issues: and prior coordination between Britain and the United States.

Security Aspects

The US initially appeared unwilling to take a firm line with the Germans over the security aspects of unification. We have stressed the need to reach early agreement in the Western Four on how the security aspects are handled, and they now seem to be more clearly focussed on the matter. The Americans share our view that the application of Articles V and VI of the NATO Treaty to former GDR territory must be the starting point. The Prime Minister could say:

- Essential to reach early understanding in Western Four on the security aspects of unification - both tactically and, as far as possible, on substance. Otherwise risk giving the Soviet Union an opportunity to interfere in Alliance decision-making. The Soviet Union is likely to play very

rough.

- Welcome that Chancellor Kohl has committed himself to membership of NATO for a united Germany, with the full protection of NATO applying to all German territory.

- We need to be clear about the essential defence arrangements NATO will require to give effect to this. Close US/UK understanding would be very useful in guiding NATO consideration.

Settlement

On unification, the Four Powers will need to give up their rights and responsibilities for Berlin and "Germany as a whole". The Russians will no doubt try to argue that the Four Powers have a right to determine a new status for Germany and press for a Peace Treaty which secured this. The Prime Minister might say:

- We have no wish to singularise Germany by replacing old restrictions with new ones. Any such limitations should be through self-denial.

- We think that a line does need to be drawn under post-war arrangements. This can be done using a range of instruments having varied participation. A single Peace Treaty has many drawbacks.

Borders

We are content with the Treaty arrangements for the FRG/Poland border envisaged by the FRG. We would prefer that the 2+4 avoid discussion of Germany's other borders, since these have not been in question. A line should be drawn under Four Power rights here also.

EC/GDR

The President may ask about the implications of German unification for the EC. The Prime Minister will want to:

- make clear that our aim is to make the assumilation process as rapid and smooth as possible.

- welcome the German desire to avoid Treaty amendment and institutional change, pointing out that the choice of the Article 23 route (in preference to the Article 146 route) is good news in the EC, as in the NATO, context.

- indicate that most member states, including the UK, want to minimise the EC budgetary costs (the lion's share of the costs of upgrading the GDR economy should fall to the German Government and private sector).

- look forward to discussion of the 28 April informal Summit on procedures for handling the EC negotiation over the coming months.

B. **EUROPEAN ARCHITECTURE**

The Future of NATO

See Annex B: Arms Control.

CSCE

The US has three conditions for attendance at a 1990 CSCE Summit: signature of a CFE agreement, substantial progress on the UK/US proposal on free elections, and a clearly defined agenda based on substantive progress in other fields - including economic cooperation. We have agreed to attend a Summit, but the Prime Minister identified all three US points as objectives for a Summit in her Königswinter speech on 29 March. The Prime Minister might reiterate that:

- we too want a Summit to be the occasion for CFE signature, and to explore the way ahead on disarmament in Europe.

- like the US, we want the Summit to further the principles of democracy and the rule of law throughout Europe, specifically enshrining the UK/US proposal on free elections.

- the Summit should also give further impetus to progress in other areas, including the promotion of market-orientated economic reforms.

- we also want the Summit to reaffirm the Helsinki Final Act's commitments on frontiers, to encourage the development of conciliation machinery within CSCE, and to set a new rhythm of more intensive political consultation among the 35 participants.

EC/US Relations

In December Secretary Baker called for strengthened EC/US "institutional and consultative links" in Treaty or other form.

We discouraged the US from pursuing the idea of a EC/US Treaty (which would magnify the Commission's role) or a 13th seat at the EC table (which the Community would never concede). But we encouraged a constructive EC response and as a result there will in future be:-

a) annual spring meetings between Secretary Baker and the EC Foreign Ministers (the first is planned for 8 May);

b) contacts between US officials and EPC Working Group experts (a first meeting has already taken place);

c) increased US/Commission contacts (details to be finalised when M Delors visits Washington on 23 April).

In addition, President Bush has agreed to meet the President of European Council every Presidency. During his recent visit to Washington, Genscher proposed an EC-US declaration to define the

relationship. We had alreay discussed this with the German and support the idea.

All good news. If the President raises the issue the Prime Minister might say that we welcomed the Baker call for enhanced EC/US links, encouraged a constructive EC response, and believe the outcome is satisfactory.

C. **SOVIET UNION**

The substance of briefing on aspects of the Soviet Union, including Soviet internal and Soviet foreign policy, will largely depend on the outcome of Secretary Baker's discussions with Shevardnadze in Washington from 4-6 April, and on the Foreign Secretary's own discussions in Moscow from 9-12 April. We shall send an updated brief.

D. **EAST/WEST ECONOMIC RELATIONS**

GATT

We and the US share the aim of wishing to avoid GATT principles being watered down through allowing Eastern European countries and the USSR to obtain GATT rights without fully taking on GATT obligations. This risk arises as these countries seek to join GATT (Bulgaria), to obtain observer status (USSR), or to renegotiate their protocols of accession (Poland). However, we and our EC partners have differed from the US on the best means of achieving our aim. Until recently, the US blocked the establishment of a Working Party on Bulgarian accession (which we and the EC were happy to see start work). The main area of difference has been over the USSR's application for observer status in GATT. The US felt bounced by the EC into granting observer status and responded by working to delay this until the end of the GATT Round and apply stringent conditions. We agree with the US that the USSR is not yet ready for full GATT membership and will be ready to apply stringent conditions when and if she applies. Recently we have seen signs that the US is coming round to the EC approach. Japan remains cautious and as a result discussion scheduled for the 3 April GATT Council was

postponed.

The US has asked to have this on the agenda at Bermuda. We have no points to raise with them. The Prime Minister may wish to draw on the following in responding to any points they may raise.

- For Eastern European countries GATT membership has had little meaning to date, because of their failure to adopt market based trade policies. As they reform, right for the terms of their GATT status to be reviewed, but GATT principles must be maintained.

- Welcome Poland's application to renegotiate her protocol of accession. Successful outcome only possible if process of reform continues.

- Share US view that Bulgarian accession must be on basis of full and detailed acceptance of GATT principles and evidence of ability to apply those principles in practice; sure Working Party will address these issues.

- Do not believe USSR yet in a position to take on commitments involved in full membership. But observer status will help draw USSR into the international trading system. See no need for delay to end of Uruguay Round or to set new specific conditions.

- Question of GDR membership overtaken by prospect of German unification.

European Bank for Reconstruction and Development (EBRD)

The Prime Minister may wish to draw on the following points:

- Of course we need to encourage President Havel, and Czech economic reform.

- But locating EBRD in Prague is not the right answer. We have worked together to get a market-based institution. We

must base it in a market. London offers unrivalled banking and financial expertise.

EC/Eastern Europe

President Bush will be interested in the Prime Minister's views of the next steps in the Community's relationship with Eastern Europe. The Prime Minister might draw on the following:

- the EC has responded well to the challenge to help new East European democracies. Commission's role in coordinating G24 exercise for Hungary and Poland has worked well. We now need to extend G24 assistance to other reforming countries.

- the Community will complete first generation (Trade and Cooperation) Agreements with all Eastern European countries by June.

- we are pressing for second generation (Association) Agreements which would link these countries to the Community, providing a framework for the dynamic economic development of closer political relations as economic and political reforms bear fruit.

COCOM

The future of COCOM was discussed at OD on 3 April and the Prime Minister agreed to pursue this with President Bush in Bermuda. She also agreed that in the meantime officials should work to secure US agreement to our proposal for a core list of COCOM controls to be applied on a non-differentiated basis. We shall report after official level talks in Washingotn on 9 April.

D. **EASTERN EUROPE**

Prospects

The US analysis of prospects for Eastern Europe is very close to our own. The Prime Minister might like to say:

- Developments of last 6 months encouraging. In Poland morale is holding up well despite economic stringencies, and the "big bang" approach is bringing results. Democracy seems well rooted in Hungary and Czechoslovakia. The Bulgarian and Romanian leaderships are being pushed into a freer election than they may have intended. UK sending observers.

- But problems remain, especially nationalist/ethnic tensions. Transylvanian tensions exacerbated by Romanian authorities' failure to intervene and inflamatory language used by Budapest. More sophisticated Bulgarian leadership has dealt well with Turkish minority, though some local difficulties remain. Yugoslav situation worst: Serb/Slovene relations so bad that Slovenian secession can no longer be ruled out, and Albanian unrest in Kosovo most likely to get worse than better.

- Economic paralysis other major problem. General agreement on need for market-oriented approach. But Hungarian parties have no clear policy and some talk irresponsibly of renegotiating IMF agreement; Czechoslovaks are divided on pace of reform, and some (as in Hungary) still hanker after a "third way"; in Bulgaria, policies are announced in generalities without reference to the country's bankruptcy; despite a general commitment to economic reform, Romania is too chaotic to push this through fast.

- All this understandable in electoral period. But West must urge on new governments (once in place) firm, rapid action to get economies moving again.

Financial, Political and Food Aid

The US Administration's approach to assistance for Eastern Europe broadly coincides with that of the UK/EC. Our respective policies are both based on the principle of differentiation and tailoring aid to each country's move towards (a) political pluralism based on free and fair elections; (b) respect for human rights; (c) market-orientated economic reform with a substantial private sector. The American Administration adds to these criteria a readiness to build friendly relations with the US; the European Commission the rule of law; and the UK itself freedom of the Press. But we both agree that short-term emergency aid may also be needed, eg for Romania.

The Prime Minister might wish to say:

- note Administration has tabled a Bill authorising $300m for the 1991 Financial Year, with maximum flexibility to switch spending among different programmes in response to progress (or backsliding) among recipients. Prospects that Congress will endorse this policy?

- focus of British and US assistance programme for Poland and Hungary much the same, eg technical assistance and training through our Know-How Fund and the US Enterprise Funds. Any expansion of our assistance will be on similar lines.

- UK recently extended Know-How Fund to Czechoslovakia (during President Havel's visit to London). We do not believe assistance (except for limited help, eg with election process) should go to Bulgaria and Romania until after their elections (nor to Yugoslavia until they have free and fair elections at federal level).

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ANNEX B: ARMS CONTROL

NUCLEAR ISSUES

(see separate letter about nuclear deterrence in Europe)

On START, the Administration have responded helpfully to our points about the draft texts on START non-circumvention (my separate letter to you of 2 April). The Prime Minister might:

- thank the President for the care with which the US are protecting our interests in START

- underline the point that we regard it is vital that START should not constrain present or future Anglo/US cooperation on nuclear issues

- emphasise the central importance to us of Trident

FUTURE DEFENCE OPTIONS

The Prime Minister might wish to brief the President on the stage reached in the study set in hand by the Defence Secretary.

Need to avoid at this stage implying large shift of emphasis away from Germany, given need to stiffen US in their European effort. She might say:

- looking at range of options taking account of changes in Europe and risks elsewhere. Intend to maintain robust defences;

- continue to contribute at appropriate level ground and air forces in Germany, including nuclear element;

- provide for maritime and air defences in UK against threat;

- looking for flexibility and versatility in UK forces for roles beyond as well as within NATO;

- first decisions in the summer depending upon international

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developments. Announcement likely to be linked to CFE signature.

FUTURE OF NATO

There are also important questions to discuss with the President about the future of NATO. The combination of German unification, the likely CFE agreement and Congressional pressures for further US troop cuts in Europe, create a unique opportunity to adapt NATO in ways which will keep it credible and vigorous. The Prime Minister might emphasise in particular to the President that:

- a key objective for us both in this period of adjustment should be to preserve support in Germany for US, British and other stationed forces.

- to achieve this, we shall probably need to consider reductions in all forces in the Central Region, as part of the German settlement.

- there is also much interest in NATO in the possibility of extending multinational force structures (mainly on the basis of national divisions). Some Allies may see this as an opportunity to develop purely European multinational units. That may be useful in binding in some of the smaller Allies, not to mention the Germans. But it will be vital to ensure that NATO remains fully integrated Alliance, with the US and European forces working together within the same structure.

- we should also look at the scope to facilitate greater French participation by making modest changes to NATO's structures and command arrangements . Working level contacts we have had with the French suggest that they are interested in the possibilities of convergence, but not prepared to rejoin the integrated structure in its present form.

NATO SUMMIT

There have been some hints that the US are hoping to organise

another NATO Summit this year. No clear proposal has emerged, but early July (around the Economic Summit) seems to be the front runner. This, if it happened, would overshadow, but not necessarily replace the North Atlantic Council Ministerial meeting in the UK on 5-6 June. If the opportunity arises the Prime Minister might:

- ask about President's plans (idea of a NATO Summit makes sense given pace of change: timing needs careful thought in relation to CSCE Summit in ? October/November).

CONVENTIONAL ARMS CONTROL

The State Department told us that the President intended to discuss with the Prime Minister whether some CFE issues (such as aircraft) should be left for a later agreement, and what should be included in a future negotiation. The Prime Minister might like to take the line that:

- in the current CFE negotiations we are determined to achieve an agreement this year. Not necessary to take anything off the table, for example aircraft. The main factor for delay will be the sheer complexity of the verification arrangements, which we will need to get right anyway.

- on future negotiations, we agree that the CSCE Summit will need to lay down guidelines on how the negotiating process should continue. In practice, the main issue is likely to be how best to create the security framework within which German unification could take place. We believe that the existing bloc to bloc, parity-based negotiation is unlikely to be the right vehicle. Important that close allies agree on format and substance.

ANGLO/FRENCH DEFENCE COOPERATION

The Prime Minister might tell the President that our dialogue with the French on defence, including nuclear matters, is developing well, but that this does not in any sense substitute for our vital cooperation with the US on nuclear issues. She might add that we are keen to maintain close dialogue with the US on possibilities

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for Anglo-French nuclear cooperation.

CHEMICAL WEAPONS

During his visit to Moscow in February, Baker laid the groundwork for an agreement at the June summit on mutual destruction of Soviet and US CW stocks down to 20% of the existing US stockpile level. Verification would be of the stocks destroyed, not the residual level. The main issue to be resolved before such an agreement is finalised is the Russian demand for cessation of US binary CW production upon signature of such a bilateral agreement.

The Prime Minister might make the following points:

- welcome significant progress made in US/Soviet consultations on CW.

- what are prospects for reaching agreement on bilateral CW destruction at June summit? How attached are the Russians to their insistence on cessation of binary production?

- despite progress in US-Soviet data exchange, our concerns about Soviet CW capability remain. Need to keep up pressure even if partial destruction takes place.

SOVIET BIOLOGICAL WEAPONS

The Prime Minister will be aware of the very recent reports suggesting that the Soviet Union has been doing extensive work on offensive biological weapons, probably in breach of the BW convention. These reports have been passed to the Americans. An initial JIC Assessment should be completed just after Easter. Quite separately the US have been pressing the Russians for some years both publicly and privately about their alleged violation of the BWC, in particular over the outbreak of anthrax in Sverdlosk in 1979. The Prime Minister might:

- note the US action with the Soviet Union.

- mention that we are now assessing new reports that appear to

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provide further evidence of Soviet violations of the BWC.

- comment that we shall wish to coordinate further action with the US, particularly in the run up to the 1991 Review Conference of the BWC.

NUCLEAR AND MISSILE PROLIFERATION IN THE MIDDLE EAST

(see beginning of Annex C)

ANNEX C: MAJOR GEOGRAPHICAL ISSUES (AND GATT)

MIDDLE EAST

The most pressing issue is the question of nuclear and chemical proliferation to countries like Iraq and Libya. It seems more and more likely that this area is going to become the flash point of the future. There must be a risk of pre-emptive military action by the Israelis. There is the question of the 'fake fire' at the Libyan chemical plant at Rabta. The Prime Minister will wish to consider with the President whether there is more we can do to prevent the dissemination of technology and raw materials for nuclear and chemical weapons: whether we need to consider any sort of pre-emptive action ourselves eg in Libya: and how to minimise the risks of wider conflict in the area.

As a result of a joint US/UK Customs operation, a consignment of US-origin capacitors bound for Iraq was intercepted at Heathrow on 28 March. The capacitors could be use either in the trigger mechanism of a nuclear wahead or in a ballistic missile ordnance system. The Prime Minister might make the following points:

- successful operation, which demonstrates importance of bilateral cooperation in enforcing export controls. Congratulate US and UK Customs and Security Services.

must maintain vigilance. We have spoken to NPT Western Group, to EC partners and to International Atomic Energy Agency, with view to strengthening barriers against proliferation.

- worry that Iraq, although party to nuclear Non-Proliferation Treaty (NPT), trying to develop nuclear weapons. Need to prevent erosion of Treaty.

- incident also demonstrates urgent need to expand and strengthen Missile Technology Control Regime.

On Rabta the Prime Minister could:

- thank Mr Bush for US sharing of information.

- express the hope that a clearer picture will soon emerge of the cause and extent of the fire, particularly whether production capability has been affected.

- stress that our aim must remain the dismantling of CW production capability at Rabta.

On Arab/Israel, the peace process is stalled pending the formation of a new Israeli government. Another Shamir-led government would be a recipe for paralysis. Meanwhile the PLO and the Palestinians must stick to their moderate line. The Prime Minister might say:

- Anything the US can do to help Peres and the pro-dialogue forces in Israel to get the upper hand would be valuable.

- Americans can also help by responding to Palestinian concerns over Jewish settlement in the Occupied Territories and the lack of visible progress in the peace process, for example by expanding their dialogue with the PLO on the issues to be addressed in any talks with the Israelis.

There have recently been a number of favourable statements in Iran and Lebanon about hostages. We also continue to receive messages through intermediaries, alleging that Rafsanjani wants to restore relations but needs a gesture from the UK to strengthen his hand. Our response remains that we are ready for normal relations but that Iran must first resolve the problems of the hostages, Rushdie and Cooper. We believe that the prospects have marginally improved but that it will be a long haul. There has been speculation that the Americans are on the verge of a deal. On 1 March President Bush unequivocally denied that either direct or indirect talks were being held but other evidence points to there being some movement on this subject, which the Americnas have encouraged.

If the subject is raised, the Prime Minister may wish to remind President Bush of our concern about the hostages in Lebanon and express the hope that the Americans will continue to press for the release of all Western hostages: we would be in great difficulties with public opinion if the Americans but not the British hostages were released.

If Iran/Iraq is raised:

- we continue to support fully the UN Secretary-General's efforts to bring about a permanent settlement to the Iran/Iraq conflict.

- we have encouraged both sides to be positive and flexible in their approach to the Secretary-General's current efforts to bring about direct talks between the parties.

- both Iran and Iraq seem ready, though with much reluctance, to take part in such talks. But they may still try to back out, and we must keep up the pressure on them to take this important step forward.

If Lebanon is raised:

- General Aoun must be persuaded to step aside peaceably. The best opportunity to do so would be if Syrian withdrawal were guaranteed. We should therefore work to keep the Arab League/C3 in play, and Syrian withdrawal firmly on the agenda.

- we intend to maintain our Embassy in Beirut as long as security conditions permit. What are US intentions? Will their Ambassador return to Beirut?

SOUTHERN AFRICA

President Bush shares our belief that President de Klerk has induced a sea-change in South Africa, opening the way for negotiations on a new constitution; and that this deserves a positive response and an increased international aid effort to help

blacks with the process of transition. In his reply of 17 February to the Prime Minister's message, he acknowledged that our response in relaxing sanctions was a positive one, but stressed that his own freedom of manoeuvre was constrained by the conditions imposed by the Comprehensive Anti Apartheid Act. His own positive response was to invite de Klerk (and Mandela) to Washington and to send Mr Baker to visit South Africa. Nonetheless, he undertook to ensure that Congress do not move the goal posts and that, as and when the South African Government meet the criteria of the Act, some relaxation of US measures could follow. The key conditions remaining (the State of Emergency and the release of political prisoners) are those which the exploratory talks between the ANC and President de Klerk on 11 April were supposed to address. The ANC called these off in response to the police shootings at Sebokeng. At a meeting between mandela and de Klerk on 5 April, it was agreed to reschedule these talks. This is welcome evidence that Mandela may now be asserting his authority over the ANC.

The Prime Minister may wish to say:

- Foreign Secretary impressed during his visit by de Klerk's commitment to reform. Needs help from international community. Hope when State of Emergency lifted you can get Congress to relax some measures.

- Mandela having problems asserting his authority over ANC. Glad "talks about talks" now back on track.

- International community needs to increase aid to disenfranchised to prepare for transition. UK and EC increasing programmes. US intentions?

- In longer term, help will be needed from World Bank (eg project funding for schemes that will clearly aid blacks). Need to prepare now. Will US support?

During his visits to Washington and London from 12-16 March President Chissano of Mozambique publicly committed himself to direct negotiations with RENAMO. The first meeting may take place

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in Malawi this month. The negotiations are likely to be long and difficult. President Bush has offered to help in "the search for solutions". The Prime Minister might say:

- Chissano will need every encouragement to maintain momentum.

- Possible US rôle in advancing the peace process?

The Americans have told us that they are trying with Soviet help to set up secret direct talks between the MPLA Government of Angola and UNITA ("two plus two" talks). The talks would aim to establish a ceasefire and work out a set of principles on which a political settlement in Angola can be based. Both UNITA and the MPLA have indicated that they welcome this initiative. The main threat to the talks stems from the divisions within the MPLA: President dos Santos may have difficulties safeguarding his own position. The Americans value the confidential link which we provide between them and the MPLA Government in London, in the absence of US/Angola diplomatic relations. The Prime Minister might say:

- Welcome US initiative to start talks.

- Happy to continue to provide a confidential channel between you and the Angolan Government until you have your own office in Luanda.

CHINA

President Bush's China policy is currently frustrated. The Administration's efforts to maintain the strategic relationship with China, with the visits by Scowcroft and Eagleburger and the vetoing of Congress sanctions legislation, have not been matched (in US eyes) by any Chinese concessions. The Administration is coming under increasing criticism for its policy; Congress may reintroduce sanctions legislation. The US has been taking a hard line on World Bank lending to China which resumed in February, insisting that only basic human needs projects can be considered. G7 consensus has been maintained so far but we (and some other G7 members) are now considering the need for some further relaxation. The next major

test for the Administration will be the renewal of China's MFN status in June. This lack of movement in the US attitude contrasts with the gradual evolution in UK and EC policy towards China.

The Prime Minister may wish to seek President Bush's views on the way forward, and make the following points:

- Important that West should not isolate China given Chinese leaders' defensive and suspicious mood. Recent modification of Western policy (eg resumption of World Bank lending) appropriate.

- Evolution also in EC policy (eg resumption of export credits); and we have maintained our senior level contacts over Hong Kong.

- Further steps towards normalisation likely once anniversary of last June events has passed. But wholesale abandonment of measures would clearly be premature: no sign of any positive Chinese reponse to justify this. Indeed, recent events in Eastern Europe have reinforced their view that they were right to suppress democracy movement.

- Important to maintain Western solidarity. May have contributed to some moderation of Chinese behaviour.

HONG KONG

The Prime Minister will wish to encourage President Bush to consider ways in which the United States could help to boost confidence particularly to assure key people about their future without leaving the territory. The Foreign Secretary raised this with President Bush and Mr Baker when he visited Washington at the end of January. The Administration is still working on its response: but there is resistance to making special arrangements for Hong Kong in case this sets a precedent or causes offence to the Chinese.

The House Foreign Affairs East Asia and Pacific Sub-Committee (chaired by Congressman Solarz) adopted a Resolution last November calling for a multinational safety net to give Hong Kong residents

the right of abode outside Hong Kong that would permit them to remain in Hong Kong after 1997. This Resolution has not yet come to the floor of the House. The House Immigration Sub-Committee is considering a broad revision of US immigration law, including Congressman Morrison's Immigration Bill to increase the annual quota of visas for Hong Kong to 20,000. Congressman Franks (a member of the Immigration Sub-Committee) has recently tabled a helpful amendment to the Morrison Bill extending until 2002 the period within which those awarded visas will be allowed to take up residence in the United States.

The Prime Minister may wish to make the following points:

- Emigration of talented people threatens to undermine Hong Kong's prosperity.

- Hong Kong is an international financial and trading centre, with huge international investment, in which the United States has a major economic stake.

- We have taken the lead by introducing legislation to provide passports for 50,000 heads of household without their having to leave Hong Kong. But impact of our measures would be greatly enhanced if Hong Kong's major trading partners, including the United States, could also make special arrangements for Hong Kong people.

- A number of other countries, including Singapore, France, Belgium and the FRG, have already done this. Australia and Canada are also examining the scope for greater flexibility within their existing emigration regulations.

- Welcome interest shown by the House Foreign Affairs Committee and the Immigration Sub-Committee in this issue.

VIETNAMESE BOAT PEOPLE

The Prime Minister might express disappointment that the President reaffirmed his opposition to the involuntary repatriation of Vietnamese boat people (in replying to the UN High Commissioner for Refugees, Mr Stoltenberg). The American attitude inevitably places first asylum in South-East Asia in jeopardy:

- If unmanageable outflow this year, emergency measures necessary (eg scheme to screen new arrivals immediately and return them to Vietnam straightaway). Look for US understanding and support.

- Even if no unmanageable out-flow, the screened-out population in Hong Kong grows inexorably despite acceleration of voluntary returns. Now 8,000 (only 150 volunteers); over 10,000 by July.

- Vietnam has recently agreed numbers returning should be 1,000 per month. When backlog of volunteers cleared, will need to start mandatory repatriations again to maintain flow of 1,000 per month.

- Only alternative to this would be regional holding centre, as provided for in the Comorehesive Plan of Action. No other country will offer a site for this because they all support mandatory repatriation for screened-out. US only country opposed, so logical for a site to be offered perhaps in Guam, or another Pacific Territory.

- Screened-out could then stay there until US judge that conditions in Vietname have improved enough for mandatory repatriation of non-refugees to start.

- Grateful if the President could have the idea looked at. Mr Maude will write to Mr Eagleburger to explain the idea in more detail.

CYPRUS

The Prime Minister promised President Vassiliou that she would raise Cyprus with President Bush. They agreed on 24 November that a high-level approach to President Ozal might be needed but the timing would be crucial. We are now no closer to a settlement, but Mr Denktash's tactics in New York make such an approach highly desirable. The Prime Minister may wish to make the following points (subject to anything arising out of her meeting with the UN Secretary-General on 9 April):

- Mr Denktash welcomed Security Council Resolution 649 as balanced. But he may still pursue his self-determination ploy.

- There is a risk he will construe his likely re-election on 22 April as backing for this. But we doubt his majority will be decisive.

- There is still scope for the Turks to work on him, to enable the UN to re-start the talks on the agreed basis in mid-summer.

- We need to show the Turks that they are allowing Mr Denktash to dictate their Cyprus policy and block a settlement with Mr Vassiliou which would suit their strategic interests.

- I shall take this line with Mr Ozal in Gallipoli on 25 April. I urge you to put across the same message.

AFGHANISTAN

The Americans are talking to the USSR about a possible political settlement against a background of resistance division and continuing military stalemate. Their initial idea of an assembly (or shura) to produce more credible representation for the resistance looks stuck, and they contemplating other options. The Russians seem in no hurry to make concessions: arguing that the failure of the coup attempt against Najibullah (by Defence Minister Tanai on 6 March) has strengthened his position; and the resistance

was unable to exploit this attempt effectively. The short term outlook looks fairly bleak and many in Washington believe that Congress will not countenance continued support for the resistance beyond the end of this year. The Prime Minister might comment:

- What Soviet response at latest meetings?

- Prospects for a successful "shura" seem poor. What other options do you see?

- Najibullah position a real problem. If PDPA are excluded from negotiations, they will not accept the result. But an outcome which left the PDPA with a substantial share of power, would not end the war. Najibullah represents everything the resistance have fought against for ten years.

- How long will Congress continue to support the resistance n the absence of a settlement?

KASHMIR

Situation remains serious. The Americans are concerned at the increased risk of cross-border activity, a gradual build-up of military strength on both sides, and the absence of any productive political dialogue in Kashmir: they are particularly worried by apocalyptic remarks by the Pakistan Chief of Army Staff, General Beg, about the inevitability of war. Our assessment is slightly less bleak than that of the US, although the risks of military clashes may increase when the mountain snows melt in may and infiltration from Azad kashmir becomes easier. In discussion, the Prime Minister could make the following points:

- We have done what we can to urge restraint on both sides (Lord Brabazon's visit to both countries in February, the Foreign Secreary's meetings with V P Singh on 22 March and Foreign Minister Gujral on 5 March, the Prime Minister's letter of 20 March to Miss Bhutto).

But the only two countries of whom India and Pakistan will take

real notice are their major arms suppliers - the US and the Soviet Union.

- No prospect that the Indians will let go willingly though they have apparently no political strategy for dealing with separatist pressures. Pakistanis must be persuaded to keep their fingers out, and continue sending non-aggressive signals to Delhi.

CENTRAL AMERICA

The President faces a major challenge in responding to developments in Central America, particularly Nicaragua and Panama. On 13 March, he announced plans for a $500m package for Nicaragua, with a second tranche of $500m for Panama, hoping also for help from others. We are creating a modest bilateral aid budget for Nicaragua, of the order of £250,000 pa, but our main contribution will be through the EC, which gave £13.8m in 1988. EC aid to the region will be a major theme of the San Jose VI Ministerial Meeting in Dublin on 9/10 April.

US political concerns centre on the transition in Nicaragua and the continuing conflict in El Salvador. The US is generally supportive of the UN's efforts to promote peace talks, but may share President Cristiani's (and our) view that the UN's main negotiator (de Soto) shows signs of bias towards the FMLN. The Americans seem pleased with the UN's plans for the expansion of ONUCA to disarm the Contras and to verify a ceasefire in Nicaragua; less so with the pace of its deployment on the Nicaragua/El Salvador border, where the Americans expect substantial arms transfers to the FMLN before the Sandinistas leave office.

President Bush might also mention Cuba. After US success in securing a Resolution criticising Cuban Human Rights at UNHRC (co-sponsored by Poland and Czechoslovakia), the Administration has clearly decided that it is now time to increase pressure on Castro (eg the launching of TV Marti, to show Cubans what they are missing).

FALKLAND ISLANDS/ARGENTINA

The Prime Minister will want to make clear to President Bush (if only because failure to do so might be misinterpreted) that, despite the welcome improvement in Anglo-Argentine relations, our concerns about the sale of significant weapons to Argentina remain undiminished, particularly in view of the unstable internal situation (economic crisis, restive military); and that we appreciate the continuing consultation arrangements with the US.

US/JAPAN

Trade and economic friction has placed a considerable strain on the US/Japan relationship over the last year. Congress has been frustrated by the failure to reduce the bilateral trade deficit of some $49 billion. Through the Structural Impediments Initiative (SII) the Americans have been pressing the Japanese bilaterally for structural reforms and market opening measures under threat of retaliatory action. The recent agreement on an interim report, under which the Japanese are committed to tougher anti-monopoly laws, changes in the distribution system and increased public works spending, may have eased the immediate tension. A final report is due in July. Separate agreements reached on open markets in satellites and super computers should also help counter Congressional pressure for tough action against Japan. But the Americans remain suspicious that Japan may not fully implement the SII agreement and the danger of US retaliatory measures has therefore not passed.

Although we agree with the Americans on the need for structural reforms and market opening in Japan, we do not support their tactics, in particular the threat of unilateral retaliation and the implications of managed trade inherent in SII. The Prime Minister might make the following points:

- welcome the interim agreement reached in SII. Japan must be urged to implement fully. But important to avoid any risk of protectionism in the final stages of the Uruguay Round. Overall

solution to SIIproblems should not disadvantage other trading partners.

- major priority to bind Japan into Western policy making (eg G7 forum for political consulutations). Must ensure that economic problems do not spill over into Japan's political relations with Western partners.

GATT URUGUAY ROUND

While the EC and US share common objectives on a number of issues, some major differences remain. The US Administration are concerned about progress on agriculture and have briefed President Bush to raise it with the Prime Minister. They think the EC is dragging its feet, and are tempted to engineer a crisis.

They are pushing an aggressively liberal position. This comes close to the 'zero 2000' proposal, which led to deadlock at the Montreal mid-term meeting, and which Bush himself (as Vice President) described to the Prime Minister in Washington in November 1988 as "utopian". Meanwhile, the EC has tabled a paper which proposes a 5 year programme of reform based on reductions in an aggregate measure of support. The EC will need to convince others that this can deliver substantial reductions in support. The US Farm Bill, currently being negotiated with Congress, would broadly maintain current measures and has been seized upon by some member states as an indication that the US is not committed to reform. The Administration argue that it is an interim measure, to be revised in the light of the outcome of the Round.

The US stance on <u>textiles</u> is highly protectionist. Its proposal for "global quotas" would have the effect of creating new barriers to EC trade in textiles with the US. By contrast, we are advocating in the Community a liberal position of abolition of the Multi Fibre Arrangement.

There is a risk that unilateral action by the US (under <u>Section 301</u> of the 1988 Trade Act) will provoke new confrontation in GATT. So far the Administration has avoided taking retaliatory action and

pursued disputes in GATT. We should encourage them to continue. In the longer term the scope for unilateral action must be reduced by a strengthening of GATT rules. We hope that the US will be ready to abandon unilateralism in the context of a successful outcome to the Round.

Engineering a crisis at this stage is likely to be counter-productive. It is better to use forthcoming Ministerial meetings to inject a sense of political urgency. (These include the Mexico Informal Trade Ministers Meeting 18 - 20 April, OECD Ministerial Meeting 30 -31 May and the Houston Summit 9 - 10 July). In particular, we hope the Houston Summit might agree specific political commitments on these issues and so pave the way for successful conclusion of the Uruguay Round.

The Prime Minister might say:

- Vital that GATT Uruguay Round succeeds. Only 8 months left. Some elements will not be decided until the end. But must make as much progress as we can before then.

- Recognise EC needs to make more effort on agriculture. Need to build on proposals tabled in December, making clear how these can deliver substantial reductions in support and protection. UK working for this.

- Equally, US must be ready to moderate its demands.

If necessary

- Recognise need for a political push. But do not think engineering a crisis is the answer. Would lead to hardening of EC position. Better to use forthcoming Ministerial meetings to identify bases for agreement.

- Movement on textiles makes economic sense and is crucial to bringing developing countries on board.

- Welcome Administration's resistance to protectionist pressures

for unilateral or bilateral action, which would endanger the Round. Important to strengthen GATT dispute settlement rules so that Section 301 no longer invoked.

- Hope we can all use Houston Summit to pave the way to a successful outcome. There the need will be for specific political commitments.

ANNEX D: TRANS-NATIONAL ISSUES AND EC/US TRADE (PLUS CAMBODIA/ETHIOPIA)

HOUSTON SUMMIT

President Bush may extend in person his invitation (already accepted through our Embassy in Washington) to the Prime Minister and Mr Thatcher to dine with him and Mrs Bush on 7 July and to attend Church with them the following day.

The key themes for the Summit (covered in detail elsewhere in this briefing letter) are already clear: Eastern Europe and the USSR; the world economy; trade; the environment; drugs; debt and terrorism. In particular, we want the Summit to:

- mark and reinforce moves towards democracy in Eastern Europe and elsewhere (we have suggested to Sherpas the text of a possible separate Declaration on Political and Economic Freedom);

- focus attention on the need to control inflation and for structural reform, particularly in Germany and Japan;

- contribute positively to a successful outcome to the Uruguay Round, to move beyond rhetoric and refer to specific issues: agriculture, dispute settlement, developing country concerns (particularly textiles and tropical products), and the extension of GATT rules to new areas like intellectual property and services;

- maintain momentum of international meetings on climate change but avoid attempts to set greenhouse gas emission targets, timetables or policy instruments before the scientific realities are clear.

- consider follow-up to Financial Action Task Force on money laundering (set-up by Paris Summit) and further intitiatives on drugs (key areas under consideration by Sherpas are the need to strengthen UN drug control structures, control of precursor chemicals, coordination of aid to producer countries and demand reduction).

DRUGS

The current aims of the US' anti-drugs strategy are to reduce domestic demand, and to strengthen national and international efforts to combat illicit drug production and trafficking, especially of cocaine. The US was represented (by the Secretary for Health Dr Sullivan) at the London Drugs Summit.

The US wishes to develop more extensive international consultation mechanisms - eg with Europe - and may seek to take this idea forward in the context of the Houston Economic Summit. We support this.

The US is also increasing its anti-drugs efforts in Latin America: President Bush met Andean leaders at the 'Cartagena Summit' on 15 February. The US has welcomed the UK's role in providing assistance to Colombia, and US/UK cooperation in anti-drugs work in the Caribbean is close. For our part, we would welcome US support for our initiative to restructure the relevant UN drugs bodies to play a more effective role.

The PM might say:-

- Hope that the US delegation found London Drugs Summit useful. Essential that political declaration leads to practical action by international community.

- Believe that UN drugs effort would be more cost-effective if 3 drugs bodies were unified into a single body/agency under one, full time head. Hope that current review will recommend this.

- We see merit in US suggestion for a group involving major consumer countries to discuss and co-ordinate drugs policy. What is latest US thinking on this?

- Important to continue support for Colombia (and other) efforts (reference to new UK aid package). Hope Barco's successor maintains his commitment. How does US view the

situation in the Andean region?

- Caribbean also vulnerable to drug traffickers: Dependent Territories of particular concern to HMG. We value close UK/US cooperation. (We may wish to suggest that the Prime Minister refer to a recent seizure of a shipment of cocaine with a street value of £17 million following a joint US coast-guard and Anguillan police operation, in which case I shall write separately).

ENVIRONMENT

President Bush has called a meeting at the White House on 17/18 April to discuss science and economics measures related to global change. There is a danger this might cut across the IPCC process. The Prime Minister might say:

- I have written to tell you that Mr Trippier will lead UK delegation .

- Hope discussion will contribute to the work of the Intergovernmental Panel on Climate Change which is now drawing its initial work to a close after massive effort, not least by our two countries as leaders of 2 of the 3 Working groups.

- It looks as if there will be consensus on the science in the IPCC.

- We are likely to be under pressure at the Second World Climate Conference to agree targets for stabilisation of emissions. You and we will have difficulty, but it is important that at Houston we demonstrate our willingness to take decisions when the science is clear.

- Such a message is important for developing countries if they are to join in negotiations on a Climate Change Convention: we also have to signal readiness to help them financially.

In co-ordination with partners in the Consultative Shipping Group, we are engaged in intensive lobbying through our Embassy in Washington for US ratification of the 1984 Oil Spill Protocol. The Protocol substantially increases compensation pool payouts and was largely tailored to US needs. However, it has not been ratified due to opposition from States' Rights and environmentalist interests in the Senate. The Prime Minister might say:

- UK and US share objectives of seeking to ensure adequate compensation is available in event of oil spills.

- Concerned that US initiative, which led to 1984 Protocols increasing cover to US $240m, should not run into sand. US ratifications essential for Protocols to enter into force.

- Failure to ratify would leave us all with inadequate cover (US $65m). Urge you to take positive attitude.

UN FUNDING

The US withholding of funds to the UN has been damaging both to the organisation and to the US's reputation within it, especially for peacekeeping operations. This is particularly regrettable at a time of renewed UN vitality. Current US arrears stand at nearly £600m to the Regular Budget and $286m to peacekeeping operations. The Prime Minister might say:

- Welcome President Bush's commitment to return to full funding and hope he will do all he can to ensure the necessary legislation is passed by Congress.

- Better US financial performance would strengthen our joint campaign for continuing UN reform. It would also give us a stronger basis to press for a transfer of UN resources out of old problems (such as decolonisation) and into new priority areas such as Drugs and the Environment.

EC/US TRADE ISSUES (Defensive)

Administration rhetoric about "Fortress Europe" has subsided, but suspicions about post-1992 Europe remain strong in Congress. The Americans acknowledge that their fears about the Banking Directive proved ill-founded, thanks to UK efforts. The Prime Minister will recall President Bush's message about the Broadcasting Directive on the eve of its adoption last October. The UK did not have the deciding vote, but we ensured that the 'quotas' for programmes of European origin are not legally-binding, and with the European market expanding rapidly we see no risk of reduced US sales. EC/US GATT consultations continue.

The 199 US Trade Act is an EC grievance. It requires the US Administration to target countries and trade practices which allegedly harm US exports, and if necessary take retaliatory action. Potential flashpoints are EC procurement practices (though recent liberalisation makes them less discriminatory than the Buy America Act) and Airbus (where we, like the US, want reduced subsidies).

Last year's oilseeds dispute has been temporarily resolved to US satisfaction. The EC has accepted a GATT decision that the EC oilseeds regime is GATT-illegal, and has agreed to reform it at the end of the Uruguay Round: the US have accepted the delay, and have put retaliatory action on ice. In the (unlikely) event that the President raises the issue the Prime Minister could point out that the US record is not spotless: their agricultural waiver from GATT rules protects US farmers, and should go.

Appropriate points to make, if President Bush raises EC/US Trade issues, might therefore be:

- There will not be a "Fortress Europe". constant struggle but we are winning. Banking Directive was crucial: investment services and insurance likely to follow its precedent. Post 1992 cars regime is key current debate: UK liberal: France/Italy/Spain protectionist.

- Given current rapid expansion of European broadcasting (125,00

programme hours in 1987, 300,000 expected by end 1990), EC Broadcasting Directive will not mean reduced US exports.

- Hope EC will not be listed under 1988 Trade Act. EC is liberalising public procurement (and US rules - Buy America Act - remain discriminatory).

- On Airbus, we too are working for reduced subsidies, pressing Germany, France and Commission. Important to settle the dispute soon.

- US should be willing to drop its agriculture waiver by end of Uruguay Round: it unfairly protects US farmers.

GEOGRAPHICAL ISSUES (In case raised)

CAMBODIA: Comprehensive political settlement

Current activity stems from the Australian Foreign Minister's proposal for an enhanced UN role in an interim Cambodian administration, leading to fair and free elections; and the suggestion US promoted that that the Five Permanent Members of the UN Security Council work together in the search for peace in Cambodia.

Asia Directors of the Permanent Five have held three meetings and made significant progress. The Permanent Five hope to meet again in mid-May and there is the possibility of a meeting with the four Cambodian factions in June. We, the US and France believe momentum important to ensure the continuing involvment of the USSR and China and to minimise the continuation of civil war in Cambodia and related international pressure to recognise Hun Sen. It will not be easy to keep the Russians and Chinese in play as discussions among the Five proceed and it remains to be seen whether the Cambodian factions are prepared to accept a peaceful political settlement.

Such UN involvement in Cambodia will be expensive. Costs should be borne in mind from the outset. It is in everyone's interests that the UN presence should be no bigger and last no longer than is necessary to achieve a neutral, independent and free Cambodia. A UN operation in Cambodia could cost £2 bn in the first year and £1.5 bn in subsequent years, for which we would probably be responsible for 6%, in line with our US assessment.

ETHIOPIA

Famine in Ethiopia may be raised. Eagleburger recently approached us and some other European countries to urge the Ethiopians to let the UN co-ordinate all relief efforts, to allow the port of Massawa (currently in rebel hands) to be used for relief operations, and to refrain from attacking rebel convoys bringing in food relief from Sudan. When the Foreign Secretary raised these proposals with the Ethiopian Foreign Minister in London on 4 April, the latter made it clear that they were unacceptable on military and political grounds. The Prime Minister might say:

- We should continue to press for the implementation of any proposals that are efficient and workable to get food relief to those in need.

- We agree with the Americans that the Ethiopians should be more flexible on the question of UN involvement in their negotiations with the Eritreans.

BERMUDA: pre visit

to Bermuda 4/90

ADDITION TO ANNEX A: EUROPEAN ISSUES

SOVIET UNION

President Bush will wish to brief the Prime Minister on Mr Shevardnadze's visit to Washington on 4 - 6 April. Before she departs from London, she should have an initial report on the Foreign Secretary's visit to Moscow: a report on the latter part of that visit (probably including a call on Gorbachev) will reach her in Bermuda.

The Prime Minister may like to begin with a discussion on the internal situation and Mr Gorbachev's position. The background is set out in Sir Rodric Braithwaite's scene-setting telegrams (636-638) sent in advance of Mr Hurd's visit. The Prime Minister may like to ask how the US Administration now see the balance of power evolving in Moscow. Points for discussion could include:

- The effect of the Executive Presidency. Impact on the authority of the Supreme Soviet. Is the new Presidential Council taking over the policy-making role of the Politburo? To what extent is power now concentrated more closely in Mr Gorbachev's hands?

- March elections: to what extent will the success of Democratic Bloc candidates in Moscow and Leningrad strengthen the position of the radicals? Implications for Eltsin?

- Will the Party split at the July Congress? Do the hardliners/traditionalists have any fight left in them after their defeat in March over the Executive Presidency and the

leading role of the Party? Will Mr Gorbachev succeed in introducing more liberals into the Central Committee? Chances that Alexandr Yakovlev will take over as Head of the Party?

- Is Mr Gorbachev now genuinely poised to introduce more radical economic reform? Statement on 9 April by Deputy Prime Minister Abalkin suggests that this is now a real priority. Abalkin acknowledged that a change would involve hardship. There is no doubt that the short/medium term political costs will be high.

On Lithuania the Prime Minister may like to discuss the reserved response which Gorbachev gave during the 28 March telephone conversation. Mr Shevardnadze appears to have been similarly qualified in his comments to Mr Baker, saying (ambiguously) that the Soviet Union ruled out the use of force but at the same time had to ensure order in Lithuania. On 9 April the Council of the Presidency issued a cool and discouraging response to a moderately conciliatory message which had been sent by the Lithuanian Supreme Council on the previous week. But in the other direction, the full text of the new Law on Secession (adopted by the Supreme Soviet last week) appears in some respects less rigid than first reports indicated. In particular it appears that the USSR Congress of People's Deputies is required to pronounce whether legal requirements have been fully met, but will not be entitled to vote on the political question of whether or not secession of a particular republic is desirable.

The Prime Minister may like to say:

- We and the US share a common approach. Firm support for the right of the Baltic peoples to decide their own future, balanced by a concern that Baltic aspirations should not get out of hand in a way which would be damaging to perestroika, East/West relations and the future of Europe - and (not least) the interests of the Balts themselves.

- In various contacts we have urged restraint both on the Soviet leadership and also on the Lithuanians. Have taken the lead in the Twelve.

- Interested in the message which you sent to Gorbachev on 31 March. One way forward may be (as President Bush proposed) that Moscow should enable the Lithuanians to organise an early referendum, and then take a flexible approach acknowledging that the Baltics are a special case because of the circumstances of their incorporation. Your assessment of new Soviet Law on Secession? Any indication of flexibility over this during Mr Baker's talks with Mr Shevardnadze?

The Prime Minister may like to move to a short discussion of options for the West if the Soviet leadership were to use military force more directly in Lithuania. Some possible courses of action are set out at Annex A. One key consideration would be the extent to which wider Western interests would be called into question if there were a need to take clear steps to demonstrate our concern and condemnation in the event of a clamp-down.

The Prime Minister might also like to suggest that she and President Bush should focus on the Baltics during their joint press conference at the end of the visit. A suggested form of words is attached at Annex B.

A highlighted copy of the report which the Americans have given us of a report of Mr Shevardnadze's visit to Washington is attached at Annex C.

COCOM AND PRJECT MARATHON

As agreed by the Prime Minister, officials held discussions with the US in Washington on 9 April with the aim of securing US agreement to our proposal for a core list

of the COCOM dual-use controls. The informal US response was encouraging. In following this up with President Bush the Prime Minister might say:

- Establishing a core list will rationalise the COCOM controls, and help ensure COCOM's effectiveness.

- Controls should still be on non-differentiated basis. Regimes favouring certain East European countries over others would be made unworkable through diversion.
- Our experts should work together on core list in preparation for COCOM High Level Meeting in June.

Project Marathon

This was also discussed with the US on 9 April (Mr Appleyard will minute on the talks). It was agreed that no final decisions would be taken on either Marathon or the Trans Soviet Link (the US consortium project) without further consultation. The implications of both projects still need further study.

ANNEX A

WESTERN REACTION IF RUSSIANS USED FORCE IN LITHUANIA

Bilateral Measures

- Bilateral messages. Calls for restraint.

- Curtail bilateral official contacts, particularly in the defence field (for instance Soviet ship visit to Plymouth/Portsmouth on 28 July to 4 August).

- Curtail Ministerial visits. For example postponement of visit to Soviet Union by Secretary of State for Defence on 14-18 May.

- Reduce/discourage Parliamentary contacts (eg planned inward visits by members of Supreme Soviet).

- Reduce or postpone cultural contacts. In an extreme case the British Month in Kiev could be cancelled.

- Reduce high level activity in support of commercial relations, eg Joint Commissions (Americans could hold up talks on Most Favoured Nation Status).

Multilateral Measures

- Inspire further statements or representations by Twelve.

- Action in the UN and Council of Europe. Statement by G7 Summit.

- Raise issue in CSCE fora. Propose special emergency

meeting of CSCE at Foreign Minister level. Condemn Soviet action at Copenhagen meeting on Human Dimension and at 1990 Summit. Indicate unwillingness to attend 1991 Moscow Conference of Human Dimension.

- Harden approach to EC/Soviet cooperation. More restrictive attitude to other aspects of East/West economic relations (eg Soviet observer status at GATT).

General

We would have to decide how far we were prepared to put at risk progress over Germany, the development of CSCE and CFE (and other arms control fora). We would need to signal that bilateral and East/West relations could not remain unchanged. But equally we would have to assess the likely damage to Western interests and the possibility that a firm Western approach could lead the Russians to halt or even reverse some of the more positive trends in their approach to relations with Europe, arms control and other aspects of foreign policy (eg regional issues, more constructive behaviour in UN).

ANNEX B

LITHUANIA: SUGGESTED FORM OF WORDS FOR USE AT JOINT PRESS CONFERENCE

- We discussed the situation in Lithuania. Agreed that it is essential that Moscow should take no further actions which might heighten tension or anxieties. Hope that all sides will show the maximum restraint. (Must not forget that perestroika underlies many of the gains the Baltic peoples have made in past two years: in no-one's interests to upset Gorbachev's programme of reforms.)

- Our approach to the Baltic States is clearly on record. Have never accepted the legality of their incorporation into the Soviet Union in 1940. Support the right of the Baltic peoples to determine their own future. Recognise that the people of Lithuania have made clear their wishes.

- Way forward can only be through dialogue leading to a settlement acceptable to both sides, and enabling Lithuanian people to decide their own future. We have stressed this to the Russians in recent high level contacts. Have also made plain the great importance we attach to repeated Soviet statements that force will not be used. It would help greatly if Soviet authorities reversed decision to exclude journalists and diplomats from Lithuania.

- Hope that Moscow and Lithuanians can now build on recent contacts and find common ground. [This is the message which Douglas Hurd stressed during his visit to Moscow this week.] Have read with concern statement by the Soviet Council of the Presidency on 9 April calling for further economic and political measures "to defend the Soviet constitution".

W23ABL/1

C D Powell Esq
No. 10

With the compliments of

THE PRIVATE SECRETARY

Charles

The PM is briefed on an 'if raised' basis. These telegrams, which you have already seen, suggest that she should really raise the matter with Pres. Bush and seek the usual reassurance that our hostages will not be forgotten.

FOREIGN AND COMMONWEALTH OFFICE
SW1A 2AH

Bob Bx 11/4

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2913 (one piece/item number)	Date and sign
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Instructions for completion of Dummy Card

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Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
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Enter the piece and item references, .
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cc JC. (2)

Foreign and Commonwealth Office

London SW1A 2AH

6 April 1990

Prime Minister

CDP 6/4.

Dear Charles,

Strategic implications for NATO of developments in Europe

In your letter of 5 March, you indicated that the Prime Minister would wish to have a meeting with the Foreign and Defence Secretaries to consider how to take forward the points in the paper enclosed with my letter of 2 March.

In advance of that discussion, and of the Prime Minister's meeting with President Bush in Bermuda, the Foreign Secretary thought that the Prime Minister might find it useful to have a note of the changes which he believes will be necessary in NATO's current policies in the light of developments in Europe. He has discussed this note with the Defence Secretary, who agrees with it.

I shall be writing separately with the detailed briefing for Bermuda and a possible public line, particularly on SNF.

I am copying this letter to Simon Webb (MOD) and Sonia Phippard (Cabinet Office).

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

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ADAPTING NATO: AN ACTION PLAN

1. The changes in Europe have important implications for the Alliance.

2. They present serious dangers:

- That NATO will give the impression of being oblivious to change and unable to evolve.

- That pressure will build up in Germany for the removal of all Western stationed forces and nuclear weapons.

- That support in Europe and the US for NATO will wither.

3. But they also provide a unique opportunity to keep NATO as a vigorous element in the new European security structure in order to:

- Keep the essential defence elements in Germany (integrated command, adequate in-place forces including stationed forces, nuclear weapons).

- Meet pressures (particularly in the US) to cut defence spending by relating force structures to the reduced threat.

- Reassure the Soviet Union.

- Build up the European defence role within the Alliance.

- Involve the French more closely in a European defence effort.

4. To exploit these opportunities and to minimise the dangers we need to adapt several elements of current policy:

NATO's Military Strategy

- The overriding purpose for NATO will still be to deter war in Europe. But the changed threat calls for NATO's strategy to be adapted and the numbers, deployment and equipment of NATO's forces to be adjusted.

- NATO should not be drawn into offering military guarantees for the East Europeans. Their security should be sought through a strengthened CSCE process and the balance and stability provided by NATO's existence.

Nuclear Weapons

- To sustain the nuclear element in deterrence NATO should develop the concept of minimum deterrence, reduce the nuclear stockpile in Europe to some 1,000 warheads at most, plan on the basis of air delivered rather than ground-launched systems; and signal a willingness to begin preparations in 1990 for SNF arms control.

Conventional forces

- To keep substantial in-place forces (indigenous and stationed) in Europe plus adequate reinforcement capability (taking account of Soviet force levels in ATTU and East of Urals). To achieve this, we should consider:

  - reductions in all forces in Central Zone as part of the German settlement (possibly by linked national declarations properly verified, rather than by setting negotiated ceilings under a CFE 2);

  - the extension of multinational force structures (mainly on the basis of national divisions) possibly outside Germany as well as inside;

  - adaptation of NATO structures and command arrangements to facilitate greater French participation.

The Political Case for NATO

4. The communique from the Ministerial NAC at Turnberry (6-8 June) should provide an authoritative response to the question: Why NATO?

- In our public presentation we should stress:

  - NATO as an insurance policy against a variety of risks, not just all-out Soviet military attack.

  - NATO as an East/West problem solver (arms control implementation/verification etc).

  - Minimum deterrence as an element in the changing implementation of our strategy.

European Defence Identity

- The need to adjust NATO force structures opens up the possibility of involving the French more closely.

- To take advantage of this opportunity, we need to be upbeat in public about the need for Europeans to take on a greater share of the responsibility for their own defence.

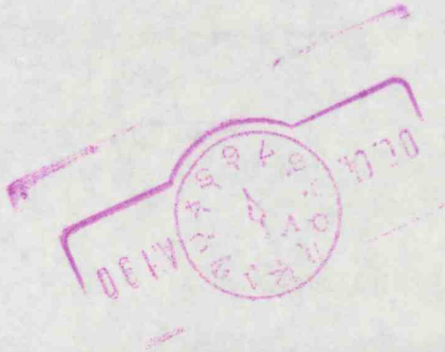
Turnberry

- The Turnberry NAC will be the occasion to draw these strands together. The timing will be right (in relation to CFE endgame, the German elections, the Two Plus Four talks). We should use Turnberry to set the adjustment process in hand.

Domestic Political Angle

- Also an important part of the case for showing that HMG are working actively to adapt NATO and policies.

FOREIGN POLICY: East/West
Relations Pt II.



SECRET AND PERSONAL

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 April 1990

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH

In connection with briefing for the Prime Minister's meeting with President Bush, you may find it helpful to have the enclosed copy of an internal note which I have done for her about the subjects to be covered. The Prime Minister seemed content when we discussed it this afternoon. She may wish to mention reports of Soviet biological warfare capability. It has also been suggested that she ought also to mention unitary taxation.

In talking to the Prime Minister this afternoon, it was clear that she will have Lithuania very much on her mind in her talk with the President. She will want to examine with him what the West can do, both in circumstances of continuing Soviet pressure on Lithuania and some more direct form of intervention. It might be wise to have ready a suggested form of words on this for use at the joint press conference.

(CHARLES POWELL)

J.S. Wall, Esq.,
Foreign and Commonwealth Office.

SECRET AND PERSONAL

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THE UK DOMESTIC SCENE: US MEDIA COVERAGE
SUMMARY
1. MASSIVE MEDIA COVERAGE OF DISCONTENT WITH COMMUNITY CHARGE IN LONDON AND ELSEWHERE. COMMUNITY CHARGE SEEN AS UNFAIR AND A POLITICAL MISTAKE. GOVERNMENT PORTRAYED IN ITS WORST CRISIS. RECOGNITION THAT MUCH COULD HAPPEN BEFORE NEXT ELECTION.
DETAIL
2. OVER THE PAST FEW WEEKS THERE HAS BEEN EXTENSIVE TREATMENT OF OPPOSITION IN BRITAIN TO THE INTRODUCTION OF THE COMMUNITY CHARGE. BUT LAST WEEKEND'S EVENTS IN CENTRAL LONDON AND SUBSEQUENT EXCHANGES IN PARLIAMENT RECEIVED MASSIVE COVERAGE IN THE MEDIA THROUGHOUT THE UNITED STATES. IT WAS THE MAIN ITEM ON VIRTUALLY ALL US TV AND RADIO NEWS BULLETINS ON 1 APRIL, AND A MAJOR NEWS STORY, ACCOMPANIED BY DRAMATIC PHOTOGRAPHS, IN THE MAIN NEWSPAPERS. THE MEDIA HAVE CONTINUED TO PAY CLOSE ATTENTION TO THE ISSUE. ABC'S NIGHTLINE DEVOTED ITS PROGRAMME ON 2 APRIL TO QUOTE THE TAX REVOLT IN ENGLAND UNQUOTE. NEWSWEEK PLAN TO DEVOTE THEIR COVER STORY TO IT NEXT WEEK.
3. THE IMPRESSION CONVEYED BY THESE STORIES ACROSS THE UNITED STATES IS OF WIDESPREAD DISCONTENT WITH ONE OF THE GOVERNMENT'S MAIN DOMESTIC POLICIES, FOR WHICH THE PRIME MINISTER IS SEEN AS THE PRINCIPLE ADVOCATE, NOW GETTING OUT OF HAND.
4. MOST NEWS STORIES AND COMMENTATORS HAVE TRIED TO EXPLAIN THE RATIONALE BEHIND THE COMMUNITY CHARGE, AND HAVE GIVEN GENERALLY BALANCED DESCRIPTIONS OF THE CASE FOR GREATER ACCOUNTABILITY FOR LOCAL AUTHORITIES. IN GENERAL THERE HAS BEEN LITTLE TENDENCY TO CRITICISE THE GOVERNMENT'S MOTIVES, BUT VIRTUALLY ALL COMMENTATORS SAY THAT IN PRACTICE THE EFFECTS OF THE POLL TAX ARE UNFAIR. QUOTE AS ENACTED IN BRITAIN, THE POLL TAX DEFINES US AND THEM AS CLEARLY AND RIGIDLY AS DO BRITAIN'S ACCENTS, SCHOOLS AND CLASS STRATA UNQUOTE. (WASHINGTON POST). QUOTE THERE'S AN ENORMOUS AMOUNT OF ANGER AGAINST THE POLL TAX ..... THE MAIN COMPLAINT: THE POOR CAN EASILY END UP PAYING AS MUCH AS THE RICH UNQUOTE (USA TODAY).
5. THE MEDIA SEE THE COMMUNITY CHARGE AS A MAJOR POLITICAL MISCALCULATION BY THE GOVERNMENT:
QUOTE THE STRAW WHICH MIGHT BREAK THE IRON LADY'S BACK UNQUOTE (CHICAGO TRIBUNE). QUOTE A POLITICAL DISASTER UNQUOTE (WASHINGTON POST). THE IMPRESSION OF SERIOUS DIFFICULTIES FOR THE GOVERNMENT IS COMPOUNDED BY EXTENSIVE COVERAGE OF THE MID-STAFFORDSHIRE RESULT, EXPECTATIONS OF STRONG CONSERVATIVE BACKBENCH OPPOSITION TO THE HONG KONG PACKAGE AND LURID COVERAGE OF THE DISORDER AT STRANGEWAYS, WHICH IS SEEN AS A FURTHER SERIOUS PROBLEM IN AN AREA TO WHICH THE GOVERNMENT HAS NOT PAID ENOUGH ATTENTION.
6. THE CONSEQUENCES FOR THE PRIME MINISTER'S LEADERSHIP ARE WIDELY DEBATED. BUT FEW COMMENTATORS HAVE ATTEMPTED TO DRAW ANY CONCLUSION OTHER THAN THAT THIS IS THE WORST CRISIS MRS THATCHER HAS FACED. THERE ARE COPIOUS REFERENCES TO PREVIOUS POLITICAL DIFFICULTIES WHICH THE GOVERNMENT HAS OVERCOME, AND RECOGNITION THAT MUCH COULD CHANGE BEFORE AN ELECTION NEED BE HELD.
7. TWO OF THE MOST RESPONSIBLE BRITISH JOURNALISTS HERE TELL US THAT IN THEIR CONTACTS WITH THE ADMINISTRATION BEFORE BERMUDA THEY HAVE BEEN ASKED REPEATEDLY WHAT WAS GOING WRONG IN BRITAIN. OUR EXPERIENCE IS THE SAME. INTERLOCUTORS FIND THE SITUATION DIFFICULT TO READ AND ARE ASKING WHAT THE CONSEQUENCES WILL BE FOR THE GOVERNMENT IN GENERAL AND THE PRIME MINISTER IN PARTICULAR. THEY DO NOT KNOW THE ANSWER AND ARE WATCHING THE SITUATION CLOSELY.

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PRIME MINISTER

MEETING WITH PRESIDENT BUSH

You have time in the diary tomorrow for a talk with Percy Cradock and me about your meeting in Bermuda with President Bush.

The timing of the meeting is excellent. The sessions of the Two plus Four group are just getting underway. There is an EC Summit on 28 April. The Economic Summit in Houston, and your next meeting with the President, is three months' away. You will both be meeting Gorbachev in a couple of months' time. It is a good moment to take stock of a large number of international issues.

At the same time, there are continued attempts in parts of the press, some of them seeming to emanate from official or semi-official sources in Washington, to imply that the special relationship is no longer what it was. The meeting in Bermuda is an opportunity to knock this on the head. The visual aspects of the encounter will be important in this respect.

The remainder of this minute sets out the main issues you could cover in your meeting with the President. If you agree, it can become the basis for more detailed briefing.

The first complex of issues to discuss concerns German unification. The various mechanisms for discussion and negotiation are in place. But there are still major issues to be resolved: how to persuade the Russians to accept Germany's membership of NATO: what military arrangements to make for East Germany: to what extent NATO forces should be involved there: what German units should be stationed in the GDR: how to avoid Russian attempts to argue for withdrawal of US stationed forces in West Germany in parallel with Russian withdrawal from East Germany. We also have to consider defence arrangements for Berlin and whether Allied forces should remain there: and the nature of a peace settlement. You will want to stress to the President the need for the closest possible cooperation among the

Western four on these issues: and prior coordination between Britain and the United States.

There are also wider defence issues in Europe. The two main ones are next steps on conventional force reductions, after a CFE agreement in the autumn: and how to persuade the Germans to stand firm on stationing of adequate nuclear weapons - especially TASM - in the FRG. I have minuted you separately on this.

You will also want to consider with the President the handling of the CSCE Summit in the autumn: and your ideas for strengthening the CSCE. You will want to make very clear that you do not in any way see this as an alternative to NATO. It is a forum for consultation and for extending democracy.

That might lead on to events in the Soviet Union, covering your respective assessments of Gorbachev's prospects, the nationality problem and particularly Lithuania, the likelihood of radical economic reform, and the possibility of requests for economic help from the West. This might also extend to a discussion of how the West would react if the Soviets use force in Lithuania or - more speculative - if Gorbachev is forced into more hard-line policies or even replaced. We need some contingency plans.

There is perhaps rather less which needs to be said on Eastern Europe this time. We are all providing economic assistance. There is good progress in Poland, but Rumania and Yugoslavia are more worrying. The site of the EBRD is a point of potential disagreement.

You might slip in some comments about COCOM and our core list approach at this point. You may also wish to mention Project MARATHON, on which officials will have had discussions in Washington.

This could lead in to a more general discussion of the future of Europe. The Americans are still slavishly adopting the federalist terminology of European integration, which would in the long term lead to a sort of European super-state which would

not be in the US interest: it would be inward-looking, protectionist by inclination and concerned with establishing its own distinct identity by emphasising points of difference with the US. American support for the federalist concept seems to stem from a sort of tidy-mindedness, wanting to see Europe swept up into a single unit which would - they hope - remove the likelihood that the US would ever again have to intervene in European quarrels. You will want to explain to the President your alternative vision of a free-market, open Europe, based on cooperation between sovereign states not merger of them, and remaining open to the EFTANs and Eastern Europe. You will also want to set at rest his apparent fears that the UK is an inconvenient obstacle to progress towards European unity. We are fighting for the soul of Europe, for the sort of creation we want a united Europe to be and the policies it would follow towards the rest of the world. The Americans should encourage our vision, not sign on slavishly for the integrationist approach.

You ought then to turn to wider arms control and defence issues and try to get a clear picture of what the President hopes to achieve in this field at his summit with Gorbachev in June. The prospects for a full START agreement then seem rather less good than they were, although an intensive series of talks between Jim Baker and Shevardnadze lie ahead. The Americans are defending our vital interest in continued nuclear cooperation with them skilfully (although you were not entirely happy with the third of their fall-back approaches). The position on SDI is less clear. American research goes on - and you had a briefing from General Monahan - but it is much less high profile. The Russians are also making less of a fuss. But there is no evidence the issue is resolved between them. I am rather unsighted on chemical weapons, but the Russians seem to have bought the President's proposals and detailed discussions are going on. We still differ in our assessment of the size of Soviet stocks of chemical weapons.

There are three broader defence issues which you ought also to cover. First you should as always emphasise the absolutely vital importance to us of Trident. Without it, the heart would be torn

out of our defence policy and there would be catastrophic political effects for the Government. This is our highest single priority. Second, you might tell the President about our discussions with the French on closer Anglo-French defence cooperation which the Americans should welcome. But you will need to make clear that we do not see it in any way as a potential substitute for nuclear cooperation with the US. Thirdly, you ought to tell the President about our own study of future defence options, stressing your determination to maintain substantial forces but to swing the emphasis rather more towards air and maritime defence and an out-of-area intervention capability. This would also be an opportunity to sound out whether the President is as febrile about American defence spending as he was at Camp David in November, and what his long-term thinking about America's defence policy now is.

From there you could move on to deal with a number of regional issues.

The most pressing in the Middle East and the question of nuclear and chemical proliferation to countries like Iraq and Libya. It seems more and more likely that this area is going to become the flashpoint of the future. There must be a risk of pre-emptive military action by the Israelis. There is the question of the 'fake fire' at the Libyan chemical plant at Rabta. You need to consider with the President whether there is more we can do to prevent the dissemination of technology and raw materials for nuclear and chemical weapons: whether we need to consider any sort of pre-emptive action ourselves e.g. in Libya: and how to minimise the risks of wider conflict in the area.

This part of the discussion might also cover the prospects in Middle East peace talks with a new Israeli government: how to cope with the problem of Jewish emigration and settlement in the Occupied Territories: how to lure king Hussein back into the game: and what contacts the Americans are having with Iran on the hostages and normalisation of relations.

There is probably rather less to be said on South Africa at this

stage. You will both (I think) be seeing De Klerk next month. It is very important to encourage and sustain him, especially when Mandela is proving such a disappointment.

You should also have a word about China and how you both see the prospects for cautious resumption of political and economic reform. It would be misunderstood by the Americans if you fail to raise the Vietnamese Boat People issue. The situation here is that voluntary repatriation is proceeding and we are beginning to send some of the genuine refugees to the new processing centre in the Philippines. But the Americans continue to block involuntary repatriation until conditions are better in Vietnam. You might suggest to them that, in the circumstances, it behoves them to take some non-refugees and establish a centre of their own - perhaps in Guam - where they could be held pending the right conditions in Vietnam to permit their return. The Americans won't much like it, but it will put them on the spot.

We know that the President will be briefed to raise the GATT Round and in particular the need to give political momentum to the negotiations on agriculture, on which they think Europe is stalling.

Other regional problems which you should cover - if time permits - are Cyprus, Afghanistan, Kashmir and Nicaragua. You ought also to feel out the President's views on relations with Japan, which seem to be reaching something of a crisis.

Finally you will want to mention your proposed visit to Aspen in early August.

You will find the note of your last meeting in the folder.

(C. D. POWELL)
4 April 1990
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SECRET AND PERSONAL

MEETING RECORD.
CC SUBJECT
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10 DOWNING STREET

LONDON SW1A 2AA

25 November 1989

From the Private Secretary

Dear Stephen.

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH
AT CAMP DAVID ON FRIDAY 24 NOVEMBER

The Prime Minister had some four and a half hours of discussion with President Bush at Camp David yesterday. The President was supported by General Scowcroft, Mr. Lawrence Eagleburger, Deputy Secretary of State, and the US Ambassador in London. HM Ambassador Washington was also present. The talks ran from 1000 to 1200 and again from 1300 to 1430. The Prime Minister lunched alone with the President and Mrs. Bush. You will have received verbatim reports of the Prime Minister's press conference and interviews after the meeting. I enclose a copy of the statement put out by the White House Press Secretary.

This letter contains sensitive material and should receive a very limited distribution only to those with a strict need to know.

East/West Relations

The President said that his forthcoming meeting with Mr. Gorbachev in Malta was naturally very much at the forefront of his mind. There was no agenda for the meeting and no intention of reaching any specific agreements. He was aware that Mr. Gorbachev had a record of producing surprises at high level meetings, but was sceptical whether he would do so on this occasion. He had shown considerable restraint in the face of rapid change in Eastern Europe, and would not want a contentious encounter with the United States at this stage. Indeed there was plenty of evidence to suggest that he wanted the meeting to be a success. The President continued that he was doing a great deal of preparation for the meeting, but was quite relaxed about it. He was getting advice from many different quarters. But no-one had more experience in the front line of dealing with the Soviet Union than the Prime Minister. He would very much value her advice on the meeting and how he should play it. Although originally intended as little more than a general chat, the meeting was assuming ever more importance in the light of changes taking place in Eastern Europe.

The Prime Minister congratulated the President on his eve-of-Thanksgiving speech which had been first rate. He had spoken for all in the West. She agreed that Mr. Gorbachev was unlikely to come forward with surprises at the meeting in Malta, although he was a bit of a showman and one could never discount the

possibility that he would use the occasion to gain some tactical advantage. It was clear that he wanted a meeting very much and had for a time been rather grumpy about the delay in setting one up. Despite the difficulties which he faced at home, every report indicated that he was in excellent form and more self-assured than ever. There seemed no current threat to his position, although we probably would not know even if there was.

The Prime Minister said that she would like to set out what she thought should be the main lines of the West's approach to the enormous changes sweeping the Soviet Union and Eastern Europe. The first and overriding objective should be to see genuine democracy established throughout Eastern Europe and eventually the Soviet Union. Rather than just containing Communism, the West had in recent years taken its ideas and values on to the offensive and we were now reaping the rewards. The President interjected that the Prime Minister and President Reagan had done the heavy lifting on this. The Prime Minister continued that it would take a very long time to get democracy firmly rooted in Eastern Europe. It would need a background of stability in which no country felt threatened. This meant that we must plan on the basis that NATO and the Warsaw Pact would both remain in existence. We should also make clear that now was not the time to open up the question of borders in Europe. To do so would undermine Mr. Gorbachev's position and put our wider objectives in jeopardy. So German reunification did not arise at present. She would add that reunification was not just a matter of self-determination: the Four Powers had certain responsibilities. The question of borders also led to the problem of Estonia, Latvia and Lithuania. Like the United States we believed that they had been illegally annexed. But to pursue this question now would undermine Gorbachev and it was better to say nothing about it. Should Gorbachev be toppled and our larger vision of democracy in Eastern Europe vanish, then we might want to re-open the matter. President Bush interjected that it was a tough issue for the United States.

The Prime Minister continued that there had been a consensus at the meeting of EC Heads of Government in Paris on 18 November that the issue of borders should not be raised. She thought Chancellor Kohl had acted responsibly in not pressing the question of reunification. No-one could tell what would happen in ten or fifteen years time <u>if</u> we succeeded in our wider aim of seeing democracy established in Eastern Europe. But one had to realise that raising the issue of reunification would not only undermine Gorbachev, it would raise fears in Western Europe as well. To have a country of 80 million people at the heart of the European Community would fundamentally change its nature. Of course we could not prevent the issue arising eventually, if people in both the German States wanted reunification. But the sensible approach was to say that, if we eventually succeeded in getting full democracy in East Europe, then many of the fundamental differences between East and West would disappear and certain things could happen without raising the same fears which they would raise if they were proposed now.

The President said that the accepted the Prime Minister's broad analysis. But how would the West react if Gorbachev was

forced to crack down, either in the Soviet Union or in Eastern Europe? What if he asked the West to show forbearance while he used force? The Prime Minister said that if he really cracked down with force, then it would be the end of an era and our ambitions for democracy in the Soviet Union and Eastern Europe would have collapsed. But one would need to draw a distinction between a real crack down and the use of tear gas and other means of crowd control. He had shown considerable restraint so far in avoiding the use of force, at least since the demonstrations in Georgia. She recognised that the West could be confronted with a very difficult situation in the Baltic Republics. But what would we do if the Baltic Republics tried to secede and asked for Western help? We had not helped Hungary in 1956 and Czechoslovakia in 1968 and it would be cruel to raise false hopes. The President said that it would be very hard to mobilise any sort of military intervention, and indeed he would not want to do so. The Prime Minister interjected that we could not possibly do that. The President continued that the West would presumably just wring its hands as it had done over Tiananmen Square. Equally, we could not give Gorbachev carte blanche to do what he liked. The Prime Minister said she thought Gorbachev would let the Baltic Republics have considerable latitude internally provided they did not try to secede.

The President said he was also troubled about supporting continuation of the Warsaw Pact. He agreed that the West should not take any initiative to try to break it up. But what if pressure to leave it came from inside? The West could not assign countries to stay in the Warsaw Pact against their will. The Prime Minister said that she did not think the situation was likely to arise at this stage. The Eastern European countries were behaving very prudently and realised they could not afford to raise the issue of Warsaw Pact membership.

The President said that, if he was a television interviewer and asked the Prime Minister what was her position on German reunification, how would she reply? The Prime Minister said that she would say the question did not arise at this stage, that we must give priority to establishing genuine democracy in Eastern Europe and then see what happened. The President asked whether this line gave rise to difficulties with Chancellor Kohl. The Prime Minister said that Chancellor Kohl was being very sensible on the issue.

Turning to developments within the Soviet Union, the Prime Minister said that Gorbachev seemed to be increasingly daunted by the problem of moving away from socialism. She detected this in, for instance, the very sharp reaction to her own public comments about the failure of Communism. So great were the economic difficulties facing him, that he seemed to feel there was no alternative but to return to a command system of running the economy, at least for a time. There was also some echo of this in countries like East Germany and Czechoslovakia, where the emphasis was on preserving socialism. If this was correct, then political and economic change would be neither so sweeping nor so rapid as we had hoped. It would also be an extra obstacle to German reunification.

Temporarily Retained - 4 - E. Gray 10/2/2019

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The President asked about economic aid for the Soviet Union and Eastern Europe. Poland's needs were urgent. He had not, however, been very impressed with Walesa's grasp of the problems or what needed to be done. The Prime Minister described the conclusions reached at the Paris meeting of EC Heads of Government. The Community would continue to give substantial economic help, while establishing a series of agreements with individual Eastern European countries to make them feel more related to Western Europe. She had underlined in her Bruges speech the need for a broader vision of Europe than just the Community.

The President commented that he expected Gorbachev to raise economic issues at Malta, in particular the question of most-favoured-nation treatment for the Soviet Union. All the information reaching him was that the Soviet economy was no better: indeed he had just viewed a briefing film which showed it to be in appalling shape. He wanted to find some way to help in this area without pouring money down the drain. What the Soviet Union really needed was good advice on how to run the economy. This was obviously a sensitive issue and he could not figure out how to put it to Gorbachev tactfully. He was practising. The real problem was that Gorbachev was just not prepared, or able, to extend economic reform far enough. It would be ironic if perestroika were to be challenged from within the Soviet Union while the West was supporting it from outside. The Prime Minister said that she agreed with the President's analysis and thought this was another reason why Gorbachev was so ratty about any criticism of socialism.

European Community

The President asked the Prime Minister to imagine that she was President of the United States. Would she then have reservations about the European Community? The Prime Minister said that she was all for Europe but did not want a more centrally-controlled and bureaucratic Europe, nor one that was protectionist. Some of the proposals at present on the table created real risks that the Community would go down this path. For instance the Social Charter could, if implemented, lead the Community towards protectionism because the extra costs involved would price goods produced in the Community out of world markets. The Delors proposals for economic and monetary union sought to take away powers from national parliaments and transfer them to a body which would not be democratically accountable. She was a passionate European, but she wanted a free Europe and would fight for it. The President commented that perhaps the United States ought to speak out on some of these issues, from the point of view of its own interests. He did not want to see increased barriers. The Prime Minister repeated that she was already fighting this battle and would not object to some help. The key was to keep Europe outward-looking, on the side of free enterprise, and open to the rest of the world. It would not be easy: there was now a socialist majority in the European Parliament. The President said that he would give further thought to this and asked Mr. Eagleburger to discuss it with Secretary Baker.

TEMPORARILY RETAINED
S. Gray
10/2/2017

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China

The President said that the United States' relations with China continued to be delicate. He had to demonstrate American outrage at what had happened in Tiananmen Square. But this could not last for ever and it would soon be time to find ways to move forward with China. He intended to let the Chinese know that he would not be using his meeting with Gorbachev in Malta in ways which would adversely affect Chinese interests.

The President added that he was determined to keep a relationship with China. The Prime Minister said that we also had a particular interest because of Hong Kong. We faced a particularly delicate issue over the number of directly-elected seats in the Hong Kong legislature and would need to make direct contact with the Chinese outside normal channels to discuss this issue. The President said that he could not see that it served Chinese interests to be difficult. The United States had major interests in Hong Kong and would be prepared to lend its support if we wished. The Prime Minister said there was a careful balance to be struck between making the contacts necessary to conduct essential business, while not appearing to condone Chinese behaviour. The President said that the Chinese Government was still mad at the United States, but time would take care of that. He did not want Gorbachev to think that current bad relations between the United States and China were a factor which could be exploited.

Cambodia

The Prime Minister observed that the situation in Cambodia and the recent successes of the Khmer Rouge were another factor requiring contact with the Chinese. They were the only ones in a position to be able to restrain the Khmer Rouge. The President said the United States was not happy with the present situation. In particular, he thought the Thais were getting too close to the Hun Sen Government. The Prime Minister said that we would not deal with them: many of them were past members of the Khmer Rouge. The President said there was really no-one on whom the West could rely. Prince Sihanouk was a broken reed, a "real flake", an absurd man whose behaviour at the Paris Conference had been incomprehensible.

Arab/Israel

The President said that he had recently met Mr. Shamir who was a most unreasonable little man. He had been very tough on him, saying that Israel's relationship with the United States was becoming rapidly less special because of Israel's behaviour on the West Bank, their new settlements and their refusal to move towards dialogue. Unfortunately he had made no impact. Shamir had gone out and told the press that there had been an excellent discussion and all was well in US/Israeli relations. The President added that he really did not know what to do next. The Egyptian points seemed to offer the best chance of progress. The Prime Minister said she doubted whether anyone would ever move Shamir on the crucial issue of territory for peace. She

commented on the fact that King Hussein seemed to be playing no significant role. She had been worried by the results of the elections in Jordan and the advance of the Muslim Brotherhood. The President said he had spoken to King Hussein who was putting a brave face on the results. The President continued that the Jewish community in the United States was much less militant in backing Israel than previously. They feared Sharon and thought Shamir ought to be more forthcoming. The Prime Minister acknowledged this was encouraging, but warned that the Jewish community would always support Israel when it appeared under threat. The President wondered whether the Soviet Union would have anything to contribute on the Middle East. They might at least help with the radical countries. The Prime Minister said that she thought the Russians were too pre-occupied with their own problems and developments in East Europe. They did not seem to have much current interest in the Middle East.

The President lamented the assassination of the Lebanese Prime Minister. The Saudis had done well to make progress towards a political settlement. They had bought Syria, but experience suggested it was unlikely that Syria would stay bought.

Nicaragua

The President thanked the Prime Minister for having seen Senora Chamorro. Her prospects in the elections in Nicaragua seemed quite good. He would be telling Gorbachev how strongly the United States felt about Soviet meddling in Nicaragua. He would make clear that this could cause real difficulties in US/Soviet relations and that they really ought to stop propping up the terrible little Ortega. He also intended to raise the subject of Cuba, pointing out that it was a glaring exception to the general trend towards more democratic governments within the Soviet sphere of influence.

Afghanistan

The President continued that some of his advisers expected Gorbachev to say that he would lay off Nicaragua if the Americans ceased support for the resistance in Afghanistan. That was not a deal he was prepared to contemplate. Nonetheless he was disappointed with the situation in Afghanistan. The Administration had always been told that Najibullah would fall once the Soviet Union withdrew, but that had not happened. Prince Sadruddin had recently suggested to him that the United States had become too closely involved with fundamentalist groups supported by the Saudis.

The Prime Minister said that the Soviet Union continued to pour large quantities of arms into Afghanistan and she thought the President ought to confront Gorbachev openly with this. Her advice was that we should both go on supporting the resistance. We could not accept that the Russians could just impose a puppet regime. The President said that he was inclined that way too. The key was to get Najibullah out, but the Soviets still seemed to think they could win. He wondered whether Gorbachev would say that the Russians would stop helping Najibullah if the Americans

stopped helping the resistance. The Prime Minister said that would be no deal. The resistance had been fighting for Afghanistan's freedom and should not be equated with Najibullah who had been installed by the Russians. Anyway the Russians had already given Najibullah so much military equipment that an undertaking to cease supply in future would have little significance.

Iran

The President said that the United States was still on a tight-rope over Iran. They kept trying to find ways to send subtle little signals to Rafanjani, but realised that he could not move yet. He was too boxed in by the radicals.

Cyprus

The Prime Minister said that she recently discussed the Cyprus situation both with President Vassiliou and with the United Nations Secretary-General. Vassiliou had compromised quite a lot but Denktash was just not prepared to negotiate seriously. Both Vassiliou and Perez de Cuellar wanted Britain and the United States to intervene with Turkey. Now that Ozal was President there might be some future in that, although it was too soon to take any action. She recognised that President Vassiliou could sometimes be irritating, particularly by his insistence on raising Cyprus in every possible international forum. But she hoped she and the President might in due course join forces to persuade the Turks to make Denktash negotiate.

The President said that he agreed with the Prime Minister's assessment of Vassiliou and the United States had no problems with him. The encouraging feature was that Perez de Cuellar was willing to get engaged directly once more in the negotiations. The trouble was that the United States had virtually no influence at present over Turkey, because of the problem with the Genocide Resolution in Congress. As a result of this, relations with Turkey were in a cocked hat. The Turks had totally over-reacted: there wasn't even a Resolution yet and there probably would not be one. If the Prime Minister saw an opportunity in due course for joint action with the Turks, he would be ready to join in. But we should not expect the American voice to carry much weight. The main thing was to welcome Perez de Cuellar's renewed efforts.

Argentina

The Prime Minister said that our talks with the Argentinians in Madrid had gone well and commercial relations were being restored. There would be a further meeting early next year. The President said that he had been much impressed with President Menem, despite his Peronist past. He was an extraordinary man who dressed like a Mod., so that you wondered where he had left his guitar. He was proud of his Syrian background and aspired to play a role in the Middle East. He was doing his best to solve Argentina's debt problem. He was about as reasonable an Argentinian leader as we were likely to get. Indeed he was impressed by everything about him except his tennis. The President added that he was pleased with the progress which had

been made in the talks in Madrid. The Prime Minister said that we were continuing to proceed cautiously. Not all the signs were good.

TEMPORARILY RETAINED
S. Grant
10/2/2017

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Defence Spending

The Prime Minister thanked the President for the efforts which the Administration were making to ensure the necessary funding for the Trident D5 missile programme. This was absolutely crucial to us. The President said there was nothing in the agreement which he had reached with Congress on this year's defence budget which would interfere with this. The United States fully understood the importance of Trident to the United Kingdom. There would be no problems.

The President continued that he faced a very difficult problem over the future of the defence budget. In absolute terms, defence spending was at a very high level. Because of the overall pressure on the budget, Secretary Cheney had recently asked the Pentagon to consider a number of options for reducing defence spending. No decisions had yet been reached and he was upset that the matter had become public just before his own meeting with Gorbachev. If the United States was going to make reductions in defence, he wanted to get something for them. There would be no question of undermining the American commitment to NATO. The Prime Minister could be assured of that. But the political reality in the United States was of growing challenge to the scale of military effort which the United States had hitherto undertaken. He was legally bound to reduce the deficit and defence had to take its share of reductions. The end result might be fewer men and fewer carrier groups than he would wish. But there was no question of the United States withdrawing from the world or becoming more isolationist. Whatever the Americans had to do for budgetary reasons, they would maintain very large armed forces with sophisticated weaponry. If there was dramatic progress in the various arms negotiations with the Soviet Union, there was no inherent reason why the United States should not go for more realistic levels of defence spending. But he was most anxious not to give the impression of pulling the rug out from under NATO.

The Prime Minister said that the right approach was to link reductions firmly to the results of negotiations rather than to pre-empt them. She could understand the pressures on the United States budget. What had worried her more was the reason given for cuts, namely that the threat from the Soviet Union was much reduced. There were plenty of countries within Europe already dashing to grab their share of future force reductions.

The President continued that he saw a need for a broader approach to this problem. If the Soviet economy was in as bad shape as we thought, we should be in a strong position to press the Soviet Union for substantial further reductions in its own defence effort, which would enable the West in turn to make reductions. We needed to consider where we wanted to be in five years time. The Prime Minister said that we should not assume

that the Soviet Union would simply go on reducing its defence spending indefinitely. They were bound to want to keep a reasonably strong military position. It was also evident that they had difficulty in destroying equipment and reducing military personnel. At the same time NATO would need to preserve flexible response: and we should implement a CFE agreement before considering further reductions. This would probably take a considerable time. The President said that if conditions in the Soviet Union and Eastern Europe really changed, there must surely be scope for the West to reduce its defence spending. The START talks were an example of what he had in mind. He was always being told that he could not make this or that reduction because of the requirements of targeting. It seemed that targets determined the levels of strategic weapons. But surely the levels ought to be driven by what the Soviets were prepared to do by way of reducing their strategic forces. It should not be necessary to spend "jillions" of dollars to modernise United States strategic weapons if the Russians were seriously prepared to reduce theirs.

The Prime Minister said there would always remain the unknown threat which had to be guarded against. Defence spending was like home insurance in that respect. The President repeated that it was hard to believe that, if the Soviets made significant reductions in their defences, NATO could not come up with a sound military game plan that would allow it to operate below present levels of defence spending. Otherwise what was peace about? The Prime Minister suggested that peace was about keeping the peace. In any event nuclear weapons were not really very expensive measured by the deterrence which they gave you. The savings came from reductions in conventional forces. The problem here was that the United States had a world to police. What if new conflicts broke out for instance in the Middle East? We had to face up to the proliferation of missiles and indeed nuclear weapons as well. The President acknowledged this but pointed to Soviet withdrawal from some areas of the world. If they pulled out of the Horn of Africa, did we really care what happened there?

The Prime Minister said that surely the US defence budget should not be driven by Mr. Gorbachev but by United States' defence interests. The starting point should be what was necessary to keep America safe and maintain its world-wide interests. The President commented that the United States simply could not operate at ever increasing levels of defence spending. It just was not on. The Prime Minister said that the United Kingdom did not see much scope for cuts in its own defence spending. We were close to the minimum. We had Treaty commitments to specific force levels in Germany. If we were to make reductions, there would be a domino effect. Were it not for this fact we might prefer to devote our resources to different defence roles. The President repeated that he saw a need to discuss how NATO could remain a viable entity in the new situation. The Prime Minister said there would always be a minimum defence effort which the United States would have to maintain and it would be a high minimum. The President said gloomily that he was already losing ground in Congress on this issue, even before anyone seriously began to consider a peace

dividend. He expected terrible problems next year. The Prime Minister said once again that she did not think the United States could afford to reduce its defence spending that much.

Arms Control

The Prime Minister said there were signs that the Germans might try to reopen the SNF issue. In her view that had been settled in the Comprehensive Concept adopted by NATO last May and could not be tampered with. The President said that he had found it necessary to raise the matter with Herr Genscher a couple of days previously, after his spokesman had described the prospects of NATO adopting FOTOL as "laughable". Genscher had subsequently made a satisfactory statement. But he was under no illusion that the Germans would not return to the issue. The Prime Minister said that, in her talks with Mr. Gorbachev in September, he had appeared ready to accept equal ceilings on SNF. We should explore this further.

The President said that he was still agonizing over a CW Convention and the difficulties of verification. He very much wanted an agreement and thought the only solution was to extend implementation over a large number of years, so that it would be possible to check on compliance at every stage. At the same time he was being attacked at home for upgrading a small number of United States chemical weapons, even though this was necessary on safety grounds. He had to say he thought it was unlikely the Administration would ever get the money for this from Congress.

The Prime Minister referred to difficulties with Germany over training and low flying. The President said this issue "burns me up". The United States was over there at great expense, yet the Germans wanted to restrict activities which were an essential part of defence. He did not see how the Germans could have it both ways: insist on an American presence yet make it impossible for American forces to fulfil their role properly.

The Prime Minister said that she continued to be worried by the Soviet position on SDI. In her view they remained determined to constrain it unacceptably. The President said that the real difficulties were with Congress: he had fought hard for adequate funding for SDI but had lost.

South Africa

The Prime Minister said that President de Klerk was doing quite well and seemed to be working up to the release of Mandela. If that was accompanied by the unbanning of the ANC, it should be possible to get negotiations going. Her main concern was that de Klerk did not seem to have any very clear idea of what he wanted to achieve in such negotiations. Meanwhile at the recent Commonwealth Heads of Government meeting, she had opened up discussion of the need for carrots as well as sticks. We should begin to think about which of the measures against South Africa we would relax <u>if</u> the South Africans took the right steps. Obviously it would make sense to start with some of the smaller ones rather than go straight for lifting the UN arms embargo.

The President said that he agreed de Klerk seemed to be doing the right things. He had just been reading a report by Bruce Gel of USIA which reported Archbishop Tutu as urging no more sanctions. That was a step forward.

The trouble was many in Congress did still want more sanctions. Although the Administration was not under particular pressure at the moment, the pressure would resume in the spring if there was no real progress in South Africa. The President added that he was uncomfortable about not seeing President de Klerk, particulary given the number of "crazy people" he was required to see.

Vietnamese Boat People

The Prime Minister said there was enormous pressure in Hong Kong over the Vietnamese boat people and we would have to take some action. So far a number - she thought about 500 - had returned voluntarily. But we should now have to go to non-voluntary repatriation of those who were not genuine refugees. We would try to monitor what happened to them, and hoped that in due course the UNHCR would take on this task. We would also make available modest amounts of aid for the villages to which they returned. We really could not delay action any longer. The President said that he hated to be at odds with the United Kingdom on this. He did not know how our respective positions could be accommodated. The Prime Minister recalled that the United States returned illegal immigrants to Haiti and Mexico. The President said there was no political oppression in either country to match that in Vietnam. The United States did not send people back to Cuba. The Prime Minister said that those concerned were not really refugees and were not subject to particular oppression: they were economic migrants. The fact was that Hong Kong simply could not take any more and we would have to act. It was not that we relished doing it, but there wasn't any alternative. Until some were sent back, more would just keep on coming.

India/Pakistan

The President and the Prime Minister both hoped that Mr. Gandhi would win the elections in India, but without much optimism. The President asked how the Prime Minister saw the prospects for Benazir Bhutto. The Prime Minister thought she had done remarkably well but she remained vulnerable. The President commented that the combination of Ms. Bhutto and Rajiv Gandhi was a stabilising factor in the sub-continent.

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Sri Lanka

The Prime Minister gave the President a brief account of her recent talk with former President Jayawardene.

Japan

The Prime Minister referred to her visit to Japan in September. She had spoken strongly in support of the United States' Structural Impediments Initiative. The Japanese had

listened politely, but she fully expected them to carry on as before. There were considerable similarities between Japan and Germany: both had high levels of savings and colossal balance of payments surpluses.

The President asked whether there was much anti-Japanese feeling in the United Kingdom. The Prime Minister said that Japanese investment was very welcome. The President said there was rising anti-Japanese sentiment in the United States, especially in Congress, driven mostly by the feeling that there was not a level playing field in trade and economic relations between the United States and Japan.

Czechoslovakia

The Prime Minister and the President were given news at this point of the resignation of the Communist leadership in Czechoslovakia, which they both heartily welcomed.

Australia/New Zealand

The Prime Minister and the President noted that despite the change of Prime Minister in New Zealand there had been no change in the anti-nuclear ships policy. Both thought that Mr. Hawke was likely to be re-elected in Australia, mainly because of the lack of an effective alternative.

El Salvador

The President said the Administration had full confidence in President Cristiani, but the left in the United States were fascinated by the FLMN cause. There had been a whole new wave of anti-government feeling after the killing of the priests in El Salvador. The United States was helping with the investigations. The Prime Minister said she had met President Cristiani and been impressed by him.

The meeting ended shortly after 1430.

The Prime Minister will want to send Mr. Gorbachev a message about her talks with the President. I should be grateful if you could provide me with a draft as soon as possible.

I am copying this letter to Brian Hawtin (Ministry of Defence), John Gieve (HM Treasury) and Trevor Woolley (Cabinet Office). I should be grateful if you could also arrange for Sir Antony Acland to receive a copy on a personal basis.

Yours sincerely,

Charles Powell

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

STATEMENT BY THE WHITE HOUSE PRESS SECRETARY

President Bush and Prime Minister Thatcher met for approximately four and one-half hours today at Camp David, discussing a broad range of issues related to East-West Relations and European stability. They had frank and substantive discussions in the relaxed atmosphere of the Camp.

President Bush summarised plans for the Malta Meeting and the two leaders discussed a number of possible subjects to be considered in that meeting. A primary focus was on Eastern Europe. The President and the Prime Minister discussed reforms underway in the Soviet Union and agreed on support for glasnost and perestroika. They both emphasised the pursuit of democracy as the first step in the reform process.

The two leaders agreed on the need for European stability as NATO faces the changes in Eastern Europe.

The Prime Minister emphasised her commitment to the Common Market, and emphasised her vision of a free and open trading system in Europe. President Bush agreed with her view of a European future that avoids protectionism.

The Prime Minister briefed President Bush on the recent Paris Summit of European Community Leaders at which it was agreed that all countries should promote democracy as a part of the Eastern Europe reform process.

The two leaders discussed a number of regional issues, including the mid-east peace process, recent events in Lebanon, China, Cambodia, Central America, Afghanistan, and others.

Their examination of these issues produced very close accord.

Attending today's meeting were General Brent Scowcroft, Deputy Secretary of State Lawrence Eagleburger, Ambassador Catto, British Ambassador Acland, Private Secretary to Mrs Thatcher, Charles Powell.

The Prime Minister departed Camp David at approximately 1445.

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CORRECTED VERSION

HAMILTON PERSONAL FOR GOVERNOR

PRIME MINISTER'S MEETING WITH THE PRESIDENT: 13 APRIL: THE US POLITICAL SCENE

SUMMARY

1. PROSPERITY, PEACE, THE PRESIDENT'S EASY-GOING PERSONALITY, HIS ADMINISTRATION'S SKILL IN POACHING DEMOCRATIC POLICIES, AND OPPOSITION DISARRAY AMONG THE REASONS FOR AN APPROVAL RATING OF OVER 70 PER CENT FOR BUSH. UNEASE ABOUT THE ADMINISTRATION'S MANAGEMENT OF THE ECONOMY: THE BUDGET AND TRADE DEFICITS, AND THE THRIFT CRISIS, AMONG THE OUTSTANDING PROBLEMS. ALTHOUGH THE PRESIDENT'S SUPPORT MAY BE WIDER THAN IT IS DEEP, THE IMMEDIATE POLITICAL OUTLOOK SET FAIR FOR BUSH.

DETAIL

2. THE PRIME MINISTER MAY LIKE A SNAPSHOT OF THE US POLITICAL SCENE BEFORE HER MEETING WITH THE PRESIDENT IN BERMUDA ON 13 APRIL.

3. PRESIDENT BUSH CONTINUES TO ENJOY AN APPROVAL RATING IN MOST POLLS OF WELL OVER 70 PER CENT, WITH HIS SUPPORT AMONG DEMOCRATIC VOTERS AND AMONG BLACKS IN BOTH CASES OVER 60 PER CENT. THE MAIN REASONS FOR BUSH'S EXTRAORDINARY POPULARITY INCLUDE:

(A) PROSPERITY. ALTHOUGH INFLATION (JUST OVER 5 PER CENT) AND INTEREST RATES (8.25 PER CENT) ARE STUBBORNLY HIGH, UNEMPLOYMENT (5.3 PER CENT) STEADY AND THE TRADE DEFICIT (USD9.3 BN A MONTH) CREEPING BACK UP, FEW FORECASTERS EXPECT A RECESSION THIS YEAR. THE REAGAN BOOM CONTINUES, ALBEIT IN

REDUCTED FORM:

(B) PEACE. PANAMA, THE NICARAGUAN ELECTION, AND EVENTS IN EASTERN EUROPE HAVE ALL CONTRIBUTED TO A FEELING THAT THE TIDE IN THE WORLD AT LARGE HAS TURNED IN AMERICA'S FAVOUR. CHINA APART, BUSH IS SEEN AS HAVING AVOIDED SIGNIFICANT FOREIGN POLICY MISTAKES, AND SO FAR HAS CONTAINED CRITICISM THAT HIS POLICIES ARE TOO CAUTIOUS (ARMS CONTROL, LITHUANIA) OR TOO PARSIMONIOUS (AID TO EASTERN EUROPE):

(C) PERSONALITY. BUSH IS NOT A PRESIDENT WHO IMPINGES AS REAGAN DID ON THE CONSCIOUSNESS OF ORDINARY AMERICANS: BUT WHEN THEY DO THINK ABOUT HIM, THEY LIKE HIM (AND OF COURSE MRS BUSH): QUOTE DECENT, FAMILY MAN, EASY-GOING, HONEST, EXPERIENCED UNQUOTE ARE AMONG THE EPITHETS MOST OFTEN PICKED UP BY THE POLLSTERS:

(D) POLICY POACHING. WITH GREAT SKILL, BUSH AND HIS CABINET TEAM HAVE TAKEN THE PARTISAN EDGE OFF ALMOST EVERY MAJOR ISSUE WHICH MIGHT DIVIDE THEM FROM THE DEMOCRATS, OFTEN ANTICIPATING DEMOCRATIC PROPOSALS WITH POLICIES OF THEIR OWN. ON DRUGS, AIDS, CHILD CARE, EDUCATION, THE ENVIRONMENT, AND OTHER ISSUES TOO, BUSH HAS ANNOUNCED PROPOSALS WHICH CONGRESS FINDS DIFFICULT TO OPPOSE. ONE CONGRESSMAN SAID RECENTLY THAT ATTACKING THE PRESIDENT WAS LIKE WRESTLING WITH AN EIDERDOWN: IT CHANGED ITS SHAPE TO MATCH YOURS: AND

(E) DEMOCRATIC DISARRAY. WITHOUT AN OBVIOUS NOMINEE FOR PRESIDENT, THE DEMOCRATS HAVE NO SINGLE NATIONAL LEADER, STILL LESS A POLICY-MAKING SYSTEM, TO DEFINE WHAT THE PARTY STANDS FOR. THOSE STRUCTURAL PROBLEMS, THE PRESIDENT'S POPULARITY, THE DEMOCRATIC CONGRESSIONAL LEADERS' GENERALLY LOW-KEY STYLE, THE LIMITS WHICH THE PRESIDENT'S PLEDGE OF QUOTE NO NEW TAXES UNQUOTE (WHICH BUSH SEEMS DETERMINED TO OBSERVE UNTIL AT LEAST 1992) IMPOSES ON CONGRESSIONAL INITIATIVES, AND THE VARIEGATED MAKE-UP OF THE PARTY, HAVE COMBINED TO PRODUCE AN EERIE SILENCE AMONG POTENTIAL CONTENDERS FOR THE 1992 DEMOCRATIC NOMINATION.

4. THIS ALL SOUNDS AS THOUGH IT MAY BE A LITTLE TOO GOOD TO BE TRUE: AND SOME REPUBLICANS FEAR PRIVATELY THAT IT MAY BE. THEIR MAIN WORRY IS A DOWN-TURN IN THE US ECONOMY (ALTHOUGH THAT LOOKS UNLIKELY AT LEAST BEFORE NOVEMBER'S MID-TERM ELECTIONS). THEIR

OTHER CONCERNS INCLUDE MOUNTING CRITICISM OF THE PRESIDENT FOR PROPOSING MORE THAN HE IS PREPARED TO PAY FOR FROM FEDERAL FUNDS, AND FOR THEREBY TRANSFERRING THE RESPONSIBILITY FOR RAISING TAXES FOR BADLY-NEEDED SOCIAL PROGRAMMES TO STATE AND LOCAL GOVERNMENT.

5. THERE IS ALSO A CONTINUING SENSE OF UNEASE ABOUT THE ADMINISTRATION'S MANAGEMENT OF THE ECONOMY, PARTICULARLY ITS UNWILLLNGNESS TO TAKE A LEAD IN DEALING WITH THE BUDGET DEFICIT, THE RUMBLING CRISIS IN THE SAVINGS AND LOAN INDUSTRY (WHICH WILL REQUIRE A FURTHER VAST TRANSFUSION OF FEDERAL FUNDS, PROBABLY NEXT YEAR) AND THE INTRACTABLE CULTURAL AND ECONOMIC DIFFICULTIES OF CUTTING THE TRADE DEFICIT WITH JAPAN. FOR THE TIME BEING, HOWEVER, THE ADMINISTRATION IS CONTENT TO STAND PAT ON THE TWO MAIN PILLARS OF ITS ECONOMIC POLICY - NO NEW TAXES, AND A CUT IN CAPITAL GAINS TAX (WHICH IS LIKELY TO BE PASSED THIS YEAR) -, WHILE SHOWING WILLINGNESS TO NEGOTIATE WITH CONGRESS ON A FURTHER DEFICIT REDUCTION PACKAGE. BOTH SIDES ARE LIKELY TO PREFER SUCH A PACKAGE (WHICH IS AGAIN LIKELY TO POSTPONE RADICAL ACTION) TO AN AUTOMATIC GRAMM-RUDMAN SEQUESTER JUST BEFORE THE MID-TERM ELECTIONS.

6. THE PRESIDENT'S CRITICS ALSO BELIEVE THAT WHEN THINGS DO GO SERIOUSLY WRONG FOR BUSH, HIS PRESENT POPULARITY WILL BE SHOWN TO HAVE BEEN A MILE WIDE AND AN INCH DEEP. THEY POINT TO POLLS WHICH SHOW A MUCH SMALLER PERCENTAGE OF VOTERS EXPRESSING STRONG SUPPORT FOR GEORGE BUSH THAN DID FOR RONALD REAGAN. THAT MAY BE SO, BUT FOR THE TIME BEING THE PRESIDENT'S POPULARITY AND POLITICAL SKILLS, AND THE DEMOCRATS' CONTINUING FAILURE TO ACT LIKE A CREDIBLE OPPOSITION, MEAN THAT HE IS WELL PLACED TO COPE WITH MINOR REVERSES. MOST PUNDITS SEE HIM AS A SAFEISH BET FOR REELECTION IN 1992.

7. BUSH HAS THUS SUCCESSFULLY OCCUPIED THE MIDDLE GROUND OF AMERICAN POLITICS. IN DOING SO, HE HAS CREATED A NEW SPIRIT OF BIPARTISANSHIP, AND DONE MUCH TO SECURE HIS OWN POLITICAL FUTURE. BUT HE HAS ALSO HELPED REMOVE MANY OF AMERICA'S MOST PRESSING PROBLEMS FROM SERIOUS POLITICAL DEBATE. INSTEAD, POLITICAL DIFFERENCES AT THE NATIONAL LEVEL HAVE TENDED TO FOCUS ON PERSONALITIES (QUOTE NEGATIVE CAMPAIGNING UNQUOTE) AND SYMBOLS (ABORTION, THE DEATH PENALTY, GUN CONTROL AND DESECRATION OF THE AMERICAN FLAG (WHICH COMES BACK TO THE SUPREME COURT IN MAY)).

8. IN THE IMMEDIATE FUTURE, AND IN THE ABSENCE OF AN UNFORESEEN CRISIS OR ECONOMIC SETBACK, THE POLITICAL OUTLOOK IS SET FAIR FOR

PRESIDENT BUSH. THE PRIME MINISTER WILL NOT FIND HIM EITHER COMPLAINING OR COMPLACENT, ABOUT WHAT HAS BEEN FOR HIM AN EXTRAORDINARILY SUCCESSFUL AND OBVIOUSLY ENJOYABLE FIRST 15 MONTHS IN OFFICE.

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From the Private Secretary

4 April 1990

Dear Stephen,

I have had to ask Ewen Fergusson to tell the Elysée that very sadly I simply cannot get away from London on Wednesday next week to talk to them about the Prime Minister's meeting with President Bush. Wednesday is the only day the Prime Minister herself is free for briefing, and my duty is to be here. Ewen has explained this to Hubert Vedrine who was apparently disappointed but understanding. I have said we will do our best to get some sort of message to the French after the Prime Minister's meeting and before President Mitterrand departs for his own meeting with President Bush in Florida.

Yours ever,

C.D. POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

PERSONAL

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