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PART 10

Confidential Filing

Prime Minister's Visits to the
United States

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3005

U.S.A.

- ① In folder attached: Briefing for world children's Summit, UNIFEM award, bilaterals.
- ② In folder attached: Strategic Research Booklets; World Summit for Children Booklets.

Pt 1: January 1981

Pt 10: September 1990

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
28.9.90							
3.10.90							
20.12.90							
<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 5px; margin: 5px;">PART</div> <div style="font-size: 2em; font-weight: bold;">PREM 19 / 3208</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">ENDS</div> </div>							

PART 10 ends:-

COP to FCO

28.12.90

PART 11 begins:-

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4.6.
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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

28 December 1990

Dear Richard,

**PRIME MINISTER'S VISIT TO CAMP DAVID:
THE GULF**

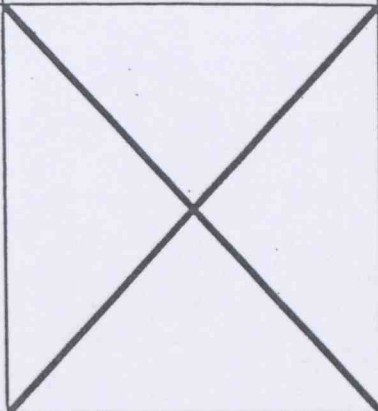
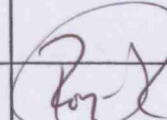
I enclose a copy of a message to the Prime Minister from President Bush following up their talks in Camp David. It follows a telephone conversation between General Scowcroft and me on 26 December, about press reports suggesting that Cheney and Powell had indicated that military action was ruled out before mid-February. General Scowcroft told me that this was absolutely not the case, and that the position remained as described to the Prime Minister by the President (see my letter of 23 December). The President's message confirms this.

I am copying this letter to Simon Webb (Ministry of Defence) and to Sir Robin Butler.

Yours sincerely,

C. D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office

DEPARTMENT/SERIES <i>PKM 19</i> PIECE/ITEM <i>3208</i> (one piece/item number)	Date and sign
Extract details: <i>Telex Bush to Major 26/12/90</i> <i>[T.258/90]</i>	
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eg. HO 405, J 82.

Enter the piece and item references, .
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Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
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✓
PRIME MINISTER

I have had a talk with General Scowcroft this afternoon. The short message is: absolutely no change from the position described to you by the President on the way to Camp David. Brent Scowcroft is sending me across a message later this evening to confirm this and (I hope) a report on one or two aspects of the discussions with Cheyney and Powell. I will get this faxed down to Chequers when it arrives and we might have a further word then if convenient for you.

Kate Waldock

PP

CHARLES POWELL

26 December 1990

CONFIDENTIAL



10 DOWNING STREET

For Sir [unclear] ^{W. [unclear]}

Crabbe to me

& return

AM

✓ 24.12 ✓

PRIME MINISTER

I understand that you wanted to see the attached meeting record. This has been passed to the Foreign and Defence Secretaries.

If you wish me to arrange a meeting with the Foreign and Defence Secretaries on Thursday or Friday I will happily do so if you let me know.

✓

24 December 1990

pp Duty Clerk.
C D POWELL

CDM 25/12

PRIME MINISTER

I understand that you wanted to see the attached meeting record. This has been passed to the Foreign and Defence Secretaries.

If you wish me to arrange a meeting with the Foreign and Defence Secretaries on Thursday or Friday I will happily do so if you let me know.

24 December 1990

pp Duty Clerk.
C D POWELL

Forwarded to Chequers
on secure link at
1940 24/12 at
CDP's request.

Duty Clerk.
24/12/90

~~TOP SECRET~~ AND STRICTLY PERSONAL



COPY NO. OF FOUR COPIES
PAGE NO. 1 OF SIX PAGES

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 December 1990

Dear Richard,

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH,
21 DECEMBER: THE GULF

The Prime Minister discussed the Gulf situation with President Bush as they drove from the White House to Camp David on 21 December. General Scowcroft and I were both in the car.

This letter contains material of the highest sensitivity. No further copies should be made of it. It should be seen only by the Foreign Secretary, the Defence Secretary, Sir Robin Butler, the Chief of the Defence Staff and Sir Percy Cradock.

The President invited the Prime Minister to speak first. In response, the Prime Minister reassured the President there was no change in British policy on the Gulf as a result of Mrs. Thatcher's departure, and there would not be. Her views had been fully supported by the Cabinet of which he had been a member. Saddam Hussain must leave Kuwait, and could not be allowed to get away with anything less such as partial withdrawal. Public opinion in the United Kingdom was firmly behind the Government. But this was subject to two qualifications. First, people had not yet applied their minds to the likelihood of a ground - as opposed to air - battle and its likely consequences. Second, while parliamentary opinion was generally sound, there was a small minority who wanted negotiations with Saddam Hussain. Their numbers might increase in the event of a partial withdrawal.

The Prime Minister continued that he had a number of concerns which he would like to discuss with the President. These were:

- the likelihood that Saddam Hussain would relent and agree to set a mutually acceptable date for a meeting with Secretary Baker

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AND STRICTLY PERSONAL

- the risk that the French or other European Community governments might launch an initiative of their own to talk to Saddam Hussain, and how to deal with that. President Mitterrand was on his high horse about this and in rather an anti-American mood
- how to manage the period between now and 15 January
- how to deal with, respectively, a partial and a total Iraqi withdrawal from Kuwait
- what Saddam Hussain was likely to do on 15 January itself. Would he issue some sort of statement? Or begin to withdraw? Or launch a pre-emptive strike?
- the likely role of the Israeli government and their reactions to developments in the Gulf
- the question whether to withdraw Embassies from Baghdad and the timing of withdrawal. In certain circumstances, withdrawal could be a helpful signal
- how the President assessed the likelihood of a land battle and its consequences
- the environmental impact of bombing Iraq's BW and CW sites
- the question of inoculation of British and American forces against Iraq's BW
- the handling of the media during a Gulf conflict
- and longer term issues such as a continuing military presence in the Gulf and regional security arrangements.

The President said that he would try to touch on all these points. Some he would answer straightaway. If he had to take a bet that day, he would say it was unlikely that Secretary Baker would go to Baghdad. That could change. But he would not be pressing for a visit. He had been quite reassured by President Mitterrand's press conference the previous day, where he had made clear there could be no further concessions to Iraq. He regarded total Iraqi withdrawal from Kuwait as in some ways the most difficult eventuality of all, because it left us having to find other ways to deal with Iraq's chemical, biological and nuclear weapons capacity.

The President continued that he could sum up his approach very briefly and very frankly. He was convinced that the best and clearest answer was a prompt and quick, non-Vietnam type military solution, even though the US and its allies would inevitably bear some losses. He found that view shared by the Arab members of the multi-national force and by the Turks. They all thought that Saddam Hussain would prove to be a push-over. The Saudis predicted a conflict would last a day or two, the Israelis said that Iraq would fold fast, so did the Turks, while Mubarak spoke of action lasting a couple of hours. The Americans discounted this talk and could not possibly plan on the basis of

it. But in his own view, a war would be brief. It would begin with a devastating air attack which would pound military targets in Iraq, including Revolutionary General formations. He was totally satisfied that there was no way the air campaign could result in anything less than the total annihilation of Iraq's air power. The USAF had assured him that the Iraqis would have nothing left that could fly.

The President continued that this would provide the best possible basis for follow-on ground action, and for minimising US casualties. The US would target the bunker where they expected Saddam Hussain to be. Generally speaking, they had selected targets which would avoid civilian casualties or keep them to a minimum, and keep well away from religious sites, schools and so on. But there were bound to be some accidents. On the specific question of the environmental impact of attacks on Iraqi CW and BW facilities, the Americans were confident of being able to limit wider damage. Initial attack on bunkers housing these weapons would be followed immediately, in a one-two punch, by dropping incendiaries which would destroy most of the toxic substances.

The President continued that General Waller's statement that US forces would not be ready for action until mid-February did not reflect official US thinking, although it could be helpful as disinformation. The best windows for action were 10-20 January and 10-20 February: this was when the condition of the moon was most favourable and would allow Stealth capability, which would bear the brunt of the early attacks, to operate with the maximum effect. His own view was now that the sooner the US acted the better. The longer they waited after 15 January, the more people would question their determination and commitment. His thinking was therefore that action had to be very soon, perhaps even as early as 16 January.

The President continued that opinion in the United States was divided. 67 per cent of people said they supported Government policy, but that number fell precipitously if the question was associated with loss of life. He would consult Congress before taking military action, and might ask for a resolution. But his resolve to take action was not predicated on support from Congress. He believed that he had won the moral and philosophical argument on the need for military action, in terms of preserving world peace and the consequences of failing to act. He realised that his political future could be at stake. But he had crossed that Rubicon. He was prepared to do what had to be done.

The President continued that Mr. Shamir had been reasonably reassuring about Israeli intentions. They would lie low for as long as they could. But there were grey areas which would be difficult to deal with: for instance, should the Americans (or Israelis) act pre-emptively if they saw the Iraqis fuelling missiles in the western desert? If the Israelis were to pre-empt, and one could never discount that with madmen like Sharon about, then there would be one hell of a problem. But if they only retaliated for an Iraqi attack, then the signs were that the Arab coalition would still hold together. On balance, he

thought the Israelis did not want to make life difficult for the Americans. His basic message to Sharon had been that the Americans could do the job better than the Israelis could.

The Prime Minister asked how we would respond if Iraq began to withdraw from Kuwait before 15 January, without setting any date for completion or announcing whether it was partial or total withdrawal. The President said that the Americans had not yet thought through their views on this. Iraq ought to be able to withdraw its forces within seven days, although without all their equipment. Arab forces could then enter Kuwait to repossess it: and the Iraqis could return later under controlled conditions to recoup their equipment. That was one option. But the fact was that Iraq would have to start withdrawal by 8 January if it was to have any chance of meeting the UN deadline of 15 January for completing withdrawal. This seemed increasingly unlikely, which was one reason why he saw no need to strive too hard to send Secretary Baker to Baghdad. Frankly he would not be upset if Baker did not go.

The Prime Minister asked whether we ought not to be thinking of sending some other signal to Saddam Hussain in the event that Secretary Baker did not go, for instance a message. Withdrawal of Embassies would be another clear signal which Saddam Hussain could hardly fail to read. The President commented that if the US were to take military action shortly after 15 January, then we should start to get people out soon. He was worried in particular about the risk to remaining Soviet citizens. Quite a lot of them wanted to stay, because life at home was worse than in Iraq.

The President continued that some very careful thought was required on how to launch military action. Suppose, just to take an example, the Americans decided to initiate action at 0300 on 16 January. They would need 72 hours to prepare it properly. It would be important to keep the element of surprise as much as possible. What did one do about consulting and informing the Arab forces and governments like Turkey? The Prime Minister said that some way would have to be found. We did not want them opting out at the last minute. The even more important question was how to ensure French acquiescence. The President said that he was reflecting on this. His inclination was to send someone whom President Mitterrand would trust, like General Scowcroft, to explain American thinking about the timing of military action. He did not think Mitterrand would give the Americans grief. The Prime Minister said that President Mitterrand would want to be consulted not just told. We could not discount the risk that he would drag his feet and want to send Dumas to Baghdad or even go himself, for a final attempt at a peaceful solution. The President acknowledged this risk.

The President continued that the Prime Minister had put his finger on the real dilemma: what if Saddam Hussain began a gradual withdrawal with no deadline? That would be a difficult situation with which to deal. It was always possible that there would be some Iraqi provocation, for instance a terrorist attack. But he knew this was unlikely. We would simply have to argue that anything less than full withdrawal by 15 January failed to

meet the requirements of the United Nations and therefore justified resort to the military option.

The President reverted to his preference for very early military action, in the period immediately after 15 January. He would consult further with Secretary Cheney and General Powell after their return from the Gulf on Christmas Eve. But his current inclination was very strongly that way. He would of course need to talk further with the Prime Minister. General Scowcroft and I should remain in touch and arrange further discussions between him and the Prime Minister on the secure line. That would enable the two of them to reach the required decisions.

The Prime Minister asked how Saddam Hussain was likely to respond to the American air campaign. Would he use CW? Would he still be able to reach oil installations in Saudi Arabia and cause damage? The President said one could not be sure what warning we would get of Iraqi missile launchings. The Americans had spotted the recent test firing of Iraqi SCUDS only six minutes before impact. But their assessment was that the Iraqis would not be able to do any serious damage to oil fields and similar installations, although they would scare those who worked there.

The Prime Minister asked how the international community would react to an attack in January rather than February. The President said that he could not really see there would be much difference. If we delayed, he and the Prime Minister would only be having exactly the same conversation on 1 February.

The Prime Minister asked whether the President envisaged a declaration of war. The President gave a long account of the constitutional position. He did not need a declaration of war, and was dubious whether he could get a Congressional resolution. What he might do was notify Congress, consistent with the War Powers Act, that hostilities were imminent.

The Prime Minister reverted to immunisation of our forces against Iraqi BW. We intended to go ahead with this as soon as we were fully satisfied that the vaccine was completely safe. The President did not demur, noting only that the US was contemplating similar action but did not have sufficient vaccine for all its forces. They would have to immunise some not all.

The Prime Minister also reverted to the question of Embassies in Baghdad. In the light of the discussion, it seemed to him urgent to take action first to thin them out and then perhaps to remove them altogether by 10-12 January. We also had to consider the position of non-US/UK Embassies and what warning they should be given. The President did not respond specifically to this point.

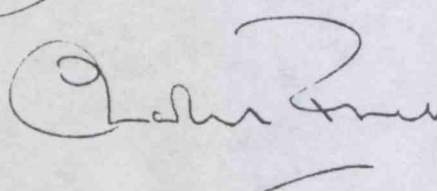
The Prime Minister said that, on the basis of the conversation, we clearly had to work out a timetable of what to do and when, in order to be able to move swiftly after 15 January. He was not opposed to early military action if the military advice was that it could be taken with a good prospect

of success. The President repeated that he would consult Cheney and General Powell when they returned and then speak further to the Prime Minister. How to engage the French in the decision process remained a big problem. He feared there was bound to be some sort of leak. The Prime Minister said that this risk could in part be countered by skilful strategic deception.

The President spoke throughout very forthrightly and confidently and certainly gave the impression first that he would actively prefer the military option, and second that his mind was very nearly made up to exercise it shortly after 15 January. He referred repeatedly and illustratively to taking action on 16 January. General Scowcroft said to me afterwards that he thought the later part of the period 15-20 January more likely.

The Prime Minister will want to discuss these issues with the Foreign and Defence Secretaries very soon after his return to London on 2 January (although will not want to interrupt the Defence Secretary's break). We will be in touch to arrange a date. He has also commented that his strong inclination is to thin out our Embassy in Baghdad very early after Christmas and plan on its withdrawal by say 10 January. You will wish to consider this.

I am copying this letter to Simon Webb and to Sir Robin Butler. The Prime Minister is insistent that it should not go beyond those named at the beginning at this stage.

Yours sincerely,


(C. D. POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

original of
message with
CDP.



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 December 1990

I enclose President Bush's message to the Prime Minister about the IMF report on the Soviet economy. We shall need a draft reply in due course. As you will see from the records of conversations, the procedural handling of the report was discussed briefly by the Prime Minister with Secretary Brady and Secretary Baker, but not with the President.

I am copying this letter and enclosure to Richard Gozney (Foreign and Commonwealth Office).

(C. D. POWELL)

John Gieve, Esq.,
HM Treasury.

Minister said that we were not at all in favour of the EC having a defence role. That was not the Community's job. It would anyway become more difficult if some of the other neutral countries were to join the Community. We preferred to try to strengthen the European pillar of the Alliance through the WEU. The President said that NATO was the place to be and we should all stay there. It was important to remember that NATO represented the United States institutional presence in Europe. Even so he worried about German intentions in the longer term. They might one day, not necessarily far distant, say that they no longer needed or wanted American forces.

Middle East

The Prime Minister reported on Mr Shamir's visit to London. He had been in his best behaviour, but had shown no sign of willingness to move or produce fresh ideas on the Palestinian issue. We had urged very strongly that Israel should not get involved in the Gulf dispute. He had the impression that Mr Shamir was content for Israel to lie low, unless there was clear evidence of Iraqi intention to launch a pre-emptive attack.

The President said that Mr Shamir had given a very similar impression during his visit to Washington. He had been in a conciliatory and friendly mood, and had shown no signs of changing Israel's low profile over the Gulf. The President continued that the Jewish community in the United States had been upset over the Administration's decision to vote for the recent resolution on the Occupied Territories, though the Israeli Government had not themselves over-reacted. Their main pre-occupation seemed to be with the influx of Jews from the Soviet Union. There were major problems ahead, given that many of them likely to be settled in the Occupied Territories.

South Africa

The Prime Minister said that the European Community's decision to lift the ban on new investment in South Africa had been a significant step, and we had been pleasantly surprised to get it taken at the European Council in Rome. We hoped to see the Community lift other restrictive measures once the South African Government announced further reforms early next year. We had to recognise that President de Klerk had moved a very great deal. Unless he could point to a positive response from the rest of the world, he would be vulnerable to his right wing opponents.

The President said he saluted what the EC had done and hoped that the United States would in due course be able to follow suit. But their legislation imposed legal constraints, which had to be met before action could be taken to lift restrictive measures. He hoped to find a way forward. The Prime Minister said that some in Europe were talking of renewing sporting links with South Africa. This could be more difficult for the United Kingdom because of the Commonwealth aspect. The most important step which the United States could take would be to lift their opposition to IMF/IBRD lending to South Africa. The President said that if the South African Government were to release all

political prisoners, the way would be open for the US to move.

US Airlines Access to Heathrow

The President said that he hoped United Airlines' agreement to purchase Pan Am's routes to Heathrow, and the similar agreement between American Airlines and TWA, would not give rise to legal problems or become an issue between the two governments. The Prime Minister said that we understood the political sensitivity. Consultations were taking place, but could not be completed before mid-January. General Scowcroft said that this should be all right, although it would be difficult if it took longer. Pan Am in particular were facing severe liquidity problems.

I am copying this letter to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office). The section on GATT goes to Andy Lebrecht (Ministry of Agriculture, Fisheries and Food) and that on US airlines to Judith Ritchie (Department of Transport)

*Yours sincerely,
Charles Powell*

Charles Powell

Stephen Wall Esq
Foreign and Commonwealth Office

MEETING RECORD

CONFIDENTIAL

FILE

SUBJECT U MASTER



celc

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 December 1990

Dear Sir,

PRIME MINISTER'S MEETING WITH SECRETARY BAKER

The Prime Minister had a meeting in Washington on 21 December with Secretary Baker. I enclose a record of their talk kindly compiled by Mr Wood.

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

I am copying the section on the Uruguay Round only to Andy Lebrecht (Ministry of Agriculture, Fisheries and Food).

Yours sincerely,

Charles Powell

Stephen Wall Esq
Foreign and Commonwealth Office

2

CONFIDENTIAL



Clayton Baker
SW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

RECORD OF CONVERSATION AT THE STATE DEPARTMENT BETWEEN THE PRIME MINISTER AND MR BAKER 11.15 a.m. 21 December, 1990

Present:

Mr Baker
Mr R Kimmitt
Mr R Bartholomew
Ambassador Catto
Mr R Zoellick
Mr D Ross
Mr R Seitz

The Prime Minister
Ambassador
Sir Robin Butler
Sir Charles Powell
Mr A M Wood

1. The Prime Minister opened the meeting, following a private talk with Mr Baker, by asking what the US Secretary of State thought of the resignation of Mr Shevardnadze. Mr Baker said that Shevardnadze's resignation was not good news, though one could take some encouragement from Gorbachev's assurances that there would be no changes in Soviet foreign policies. The Prime Minister said that was true so far as it went, but that one could hardly expect Gorbachev to say anything else. Mr Baker knew Shevardnadze as well as anyone: he wondered if Shevardnadze would tell him precisely what he had had in mind in resigning. Mr Baker said he thought he would be frank. His present assessment was that Shevardnadze had been open in his resignation speech. He had been under considerable attack from some of the military and the conservatives in the Soviet hierarchy. Shevardnadze had in addition been very much stressed out. Mr Baker had been struck by how drawn he had looked on the 'plane they had shared on the way back to Washington from Houston.

2. Mr Ross commented that the resignation had been coming for some time. Shevardnadze saw the attacks on him as having been orchestrated and Gorbachev as having acquiesced in them. Shevardnadze, secondly, hoped to wake up the reformers, who were rather quiescent at present.

3. The Prime Minister and Mr Baker said they had both seen the signs that something was wrong. Mr Baker said Shevardnadze's resignation had nevertheless come as a surprise.

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4. The Prime Minister asked Mr Baker what he thought Shevardnadze would do next. Mr Baker said he did not know. He did not see him in opposition. The Prime Minister remarked that an observation by Mr Ross to the effect that Shevardnadze had chosen reform over friendship suggested that his main aim would be to promote the reformist cause. Mr Baker agreed. There were differences between Gorbachev and Shevardnadze. The latter had been deeply disturbed by the Primakov mission to Baghdad. There had been a difference in the line taken at the Helsinki Summit by Gorbachev with the President and Shevardnadze with him which showed that Gorbachev tended to rely on Primakov. The latter was willing to establish linkages between a resolution of the Iraq/Kuwait crisis and wider Middle Eastern issues.

Arms Control

5. Mr Baker was not sure what the Shevardnadze resignation would mean for arms control in particular CFE and START. The Prime Minister pointed out that START was clearly in Soviet interests. Mr Baker said Shevardnadze had broken a lot of china in taking a helpful line over important details in the negotiation of arms control agreements. The Prime Minister said this willingness to take practical action would be missed. The Russians were now, to put it bluntly, cheating on CFE. The Soviet navy for example now had more tanks than the British army.

6. Mr Baker said that there were three points at issue in CFE. The first concerned the transfer of materiel East of the Urals. The Americans recognised that the Russians had the legal right to do this. He thought there might be some concern among European military authorities but the Americans were not in fact worried by the direct security implications. The equipment would become obsolescent and rot in its new location. But the Soviet move caused them political problems. The other two issues seemed to him more serious. The Russians had no right to transfer equipment to the navy as a way of evading the CFE provisions and they were cheating over data. He did not know quite what to do about the situation. The Americans had lost their interlocutor. There was a similar situation so far as biological warfare was concerned, where the recent forthcoming Soviet attitude had been directly attributable to Shevardnadze.

The Gulf

7. Mr Baker said, after some inconclusive discussion of who might replace Shevardnadze, that the Soviet Foreign Minister's resignation also affected the question of whether or not to have a dinner of the Foreign Ministers of the Permanent Five. The French were doing what the French were doing. The Chinese were uncertain and now we had our doubts about who the next Soviet Foreign Minister would be. He was not sure a meeting would prove productive. He did not mean to imply that he thought the main lines of Soviet foreign policy towards the Gulf would change. He said, in answer to questions from the Prime Minister, that although he could not be sure, his best guess was that there would not now be a meeting between him and Saddam Hussein. He thought the Iraqis failed to appreciate the depth of US resolve. They over-estimated the effect of political debate in the USA. What the Administration had to say had sometimes hit the wrong note with either the domestic or the international audience. It had been important for domestic opinion that the Administration

should have offered to talk.

8. Mr Baker said that there would be a lot of pressure on the Administration if 3 January came and went with no arrangements having been made. He was not quite sure what the US attitude would be to the possibility of a date between 3 and 12 January. No doubt there would be pressures from the European Community. The French were champing at the bit even now and the Italian Presidency had hoped to receive Tariq Aziz. He hoped that Luxembourg would be firm when they took over the Presidency.

9. The Prime Minister said Luxembourg would be a great improvement on both Italy and France. The Dutch who were also very sound would follow them, making 1991 a good year. Mr Baker made it clear he had little doubt but that a French representative would go to Baghdad. He was concerned about the French attitude towards partial withdrawal. If Saddam Hussein announced that he would get out of Kuwait within a reasonable time the French would want to forswear force but who knew how long "reasonable" would be. Mr Kimmitt said that two weeks should be enough for the Iraqis to get out of Kuwait - though if they wanted to clear up the mess it would take a good deal longer.

10. The Prime Minister asked how we could make it clear to Saddam Hussein that we were serious about taking the offensive, if we were unable to talk to him direct. He wondered whether Saddam Hussein knew the coalition opposing him could not and would not back down. Mr Baker said one possibility the Americans were thinking of was to ask the US Charge in Baghdad to relay a message from the President. The Prime Minister said we might want to take parallel action. He asked how long the Americans intended to leave their diplomats in Baghdad. Mr Baker said the Americans would want to work closely with the UK. A break in relations would be a second way of getting the message through to Baghdad. The Prime Minister said that some British Embassy personnel could be withdrawn in advance of a break in relations. Mr Baker confirmed that the Americans were already down to minimum strength. He indicated that a date around 9 or 10 January might be the right time to break relations. There was of course a risk that the Iraqis would then seek to detain our diplomats but he believed they might be constrained by the knowledge that to do so would be a marked provocation at a particularly sensitive time.

11. Mr Baker said in answer to a question from the Ambassador, that he hoped there would be no more statements such as that made recently by the US Deputy Commander in Saudi Arabia to the effect that the US military would not be ready for action immediately after 15 January. He agreed with the Prime Minister that it was in fact likely that Saddam Hussein would want to take some sort of action around 15 January. He thought it improbable that this would be offensive, but a partial withdrawal was possible. He believed Saddam Hussein to be a survivor rather than a martyr, but he had a tendency to act at the last minute and then to miscalculate. He did not expect a significant Iraqi move much before this.

12. The Prime Minister said he was concerned, if it came to war, about the impact that direct and immediate reporting on television would have on public opinion. Mr Baker said he shared this concern. The Americans would do everything they could to restrict their attacks to military targets and to prevent unnecessary civilian casualties.

Uruguay Round

13. Mr Baker then turned to the Uruguay Round. He wanted to emphasise that the fate of the Round was becoming a major political issue. The Americans were doing what they could with the Germans so as to isolate France. He would be grateful however for the Prime Minister's advice. The EC did not seem prepared to negotiate from any of the texts on the table. The Prime Minister said the Round had of course been discussed a great deal at the European Council Rome. The Community recognised that it was partly to blame. But the American position was also immobile. The Americans should go back to the table and exploit the negotiating flexibility which the Commission already had and which had been confirmed at Rome. Andriessen was a more dispassionate negotiator than MacSharry. Kohl had more flexibility now, following the elections, but Mitterrand was wholly inflexible. He had real political difficulties. He also felt he had been pushed around and therefore wanted to dig his heels in. But the Community as a whole wanted agreement and provided the Americans, too, were prepared to be flexible the negotiations could get going again.

14. The Prime Minister said in answer to questions from Mr Baker that the French too had agreed that the Commission should use its full negotiating discretion. The key was to construct a different atmosphere. The Community was alive to the dangers of protectionism if the Round broke down. Kohl was pivotal. But the Americans should talk direct to Mitterrand. Mr Baker said his meeting with Delors had been positive. He repeated that the Americans were very worried. He wondered what the best way to approach the issue was from the procedural point of view. The Prime Minister agreed that Delors could be helpful although he was a bit prickly. But MacSharry and Andriessen had had a clear direction from the Council. The Americans ought to take advantage of it. The Prime Minister pointed out, following an intervention by Mr Zoellick, that a great deal of blood had already been shed, not the least by Britain, to get the EC to reduce by 30% of the 1986 level. Andriessen had flexibility on market access and rebalancing. The Americans should not underestimate the difficulties of the situation. He confirmed that Mr Baker was right to suppose that he regarded the American rejection of the Community offer out of hand as having been an error. Mr Baker said he was worried about how to get back to the table. The Senate was already deeply disturbed. He endorsed Mr Zoellick's view that the European side might not realise the importance for the political and security relationship between the United States and Western Europe of progress on the Uruguay Round.

European Security

15. Mr Baker said he had appreciated the close cooperation between us, including at the NAC, on the question of a security and defence identity for Europe. The Prime Minister said there

had been no anti-NATO feeling in Rome. It was a fact however that some wanted to give the Community a security and defence identity which we thought would cut across wider interests. That was why we were advocating the development of WEU. Mr Baker said he understood that. The French were saying some of the right things. But they were being extremely difficult about the follow up to NATO's London Declaration.

South Africa

16. The Prime Minister said that the Americans would have noted the sharp change implied by the EC decision to lift its ban on investment in South Africa. There had been the option of letting previous regulations lapse in February but the Rome Council had preferred to take the positive line in an attempt to bolster the present South African Government against right wing reaction. Mr Baker said the Community's action would help the US Administration with Congress. But US hands were tied by statutory legislation. They might be able to be more flexible about action through the IMF. De Klerk's visit had been very positive. He repeated that the Community's decision to lift its ban on investment had been very helpful.

Soviet Economy

17. Mr Zoellick said that following the delivery of the IMF report on the Soviet economy, the Americans were looking for ways to give Soviet reformers more impetus. It might be best to look for simple measures. The Soviet authorities had a very limited understanding of what markets were about. One way forward might be to look at specific reforms in specific areas. We needed to get to work on these matters sooner rather than later. The Prime Minister said that we hoped the first substantive discussion would be among the G-7 Sherpas towards the end of January. That was the best forum for taking things forward.

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10 DOWNING STREET

LONDON SW1A 2AA

22 December 1990

From the Private Secretary

Dear Stefan,

PRIME MINISTER'S MEETING WITH VICE PRESIDENT QUAYLE

The Prime Minister had a meeting at the White House in Washington on 21 December with Vice President Quayle. The Vice-President was accompanied by two members of his staff. HM Ambassador, Washington, Sir Robin Butler and I were also present.

Soviet Union

The Prime Minister said that the position following Mr Shevardnadze's resignation was still unclear. A positive feature was Gorbachev's statement that Soviet foreign policy would remain unchanged. This had been confirmed by the Congress of People's Deputies. The Vice President said that he saw the resignation as a real set-back, representing an undercurrent of dissatisfaction with President Gorbachev. Shevardnadze's speech had been biting. We could be in for a difficult time, although he did not expect a fundamental shift of policy. Primakov seemed the most likely successor, and he had very different ideas from Shevardnadze on the Gulf. Shevardnadze was seen by some parts of the Soviet establishment as selling out to the United States and the West. One also had to ask whether Shevardnadze knew something which we did not about future events in the Soviet Union.

The Prime Minister asked how the Iraqis would see Shevardnadze's resignation. The Vice President said they would see it as a victory for them, as they had Mrs Thatcher's resignation. It could only weaken President Gorbachev at a critical time. If the Soviet Union were to slip back under the influence of the hard-liners, who could say what might be in store. The Prime Minister said our aim should be to ensure that Shevardnadze's successor came out with an early statement of support for existing Soviet foreign policy. The Vice President said that Primakov might not be too bad. He had every reason to feel disillusioned with his Iraqi friends. President Gorbachev himself seemed clearly committed to continue his policy of reform.

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The Gulf

The Vice President said that the Prime Minister's public statement on the Gulf, including his television interviews earlier that morning, had been extremely helpful. The Prime Minister said there was absolutely no change of British policy, which had very wide support in the House of Commons. Public support was also strong, although he did not think it had yet focused fully on the consequences of a land battle. There were some influential voices who took a different view, such as Mr Heath. But he did not represent either the Government's or Parliament's view.

The Vice President said that he did not expect a protracted conflict in the Gulf. The experts took the view that Iraqi forces were not that good. The Prime Minister asked whether the Amnesty International report had made much impact in Congress. The Vice President said he hoped the Prime Minister would tell Congress how vital it was to maintain a united front at this juncture. Congress wanted to debate a declaration of war. There might be a case for the Administration to put forward a resolution. But the Prime Minister could have an important influence by making clear that the appearance of dissention in the United States would only help Saddam Hussein. The Prime Minister commented that it could make war more likely. He assumed that a resolution could not stop the President from proceeding as he thought best.

The Prime Minister continued that he doubted Saddam Hussein would just sit still and wait for us to attack. Was he likely to act pre-emptively? The Vice President said that he still believed Saddam Hussein would eventually propose a date for talks. The Prime Minister asked what the Americans intended to do about their Embassy in Baghdad. The Vice President said that it had already been reduced substantially. Whether to withdraw it would depend in part on whether Secretary Baker visited Baghdad for a meeting with Saddam Hussein. The Prime Minister said that Saddam Hussein would no doubt try to lure European Foreign Ministers into talks. The Vice President agreed: a lot of people wanted to win the Nobel Peace Prize.

The Prime Minister said we were giving careful thought how best to handle the media in any conflict. The Vice President thought that the impact of television pictures could be devastating. The Americans would try to restrict the media to certain agreed locations and briefings. The basic intention of the American media was to prevent a resort to the military option if at all possible. Personally, he found it hard to see how Saddam Hussein could get himself out of the box now. The Prime Minister said that if the United States were to back away from military action, in the event that Saddam Hussein failed to withdraw from Kuwait, their credibility in the world would be gravely damaged.

CONFIDENTIAL
- 3 -

I am copying this letter to Simon Webb (Ministry of Defence)
and to Sonia Phippard (Cabinet Office).

*Yours sincerely,
Charles Powell*

CHARLES POWELL

J S Wall Esq
Foreign and Commonwealth Office

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MEETING RECORDS

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 December 1990

Dear Richard,

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH,
21 DECEMBER: THE GULF

The Prime Minister discussed the Gulf situation with President Bush as they drove from the White House to Camp David on 21 December. General Scowcroft and I were both in the car.

This letter contains material of the highest sensitivity. No further copies should be made of it. It should be seen only by the Foreign Secretary, the Defence Secretary, Sir Robin Butler, the Chief of the Defence Staff and Sir Percy Cradock.

The President invited the Prime Minister to speak first. In response, the Prime Minister reassured the President there was no change in British policy on the Gulf as a result of Mrs. Thatcher's departure, and there would not be. Her views had been fully supported by the Cabinet of which he had been a member. Saddam Hussain must leave Kuwait, and could not be allowed to get away with anything less such as partial withdrawal. Public opinion in the United Kingdom was firmly behind the Government. But this was subject to two qualifications. First, people had not yet applied their minds to the likelihood of a ground - as opposed to air - battle and its likely consequences. Second, while parliamentary opinion was generally sound, there was a small minority who wanted negotiations with Saddam Hussain. Their numbers might increase in the event of a partial withdrawal.

The Prime Minister continued that he had a number of concerns which he would like to discuss with the President. These were:

- the likelihood that Saddam Hussain would relent and agree to set a mutually acceptable date for a meeting with Secretary Baker

TOP SECRET
~~TOP SECRET~~
AND STRICTLY PERSONAL

- the risk that the French or other European Community governments might launch an initiative of their own to talk to Saddam Hussain, and how to deal with that. President Mitterrand was on his high horse about this and in rather an anti-American mood
- how to manage the period between now and 15 January
- how to deal with, respectively, a partial and a total Iraqi withdrawal from Kuwait
- what Saddam Hussain was likely to do on 15 January itself. Would he issue some sort of statement? Or begin to withdraw? Or launch a pre-emptive strike?
- the likely role of the Israeli government and their reactions to developments in the Gulf
- the question whether to withdraw Embassies from Baghdad and the timing of withdrawal. In certain circumstances, withdrawal could be a helpful signal
- how the President assessed the likelihood of a land battle and its consequences
- the environmental impact of bombing Iraq's BW and CW sites
- the question of inoculation of British and American forces against Iraq's BW
- the handling of the media during a Gulf conflict
- and longer term issues such as a continuing military presence in the Gulf and regional security arrangements.

The President said that he would try to touch on all these points. Some he would answer straightaway. If he had to take a bet that day, he would say it was unlikely that Secretary Baker would go to Baghdad. That could change. But he would not be pressing for a visit. He had been quite reassured by President Mitterrand's press conference the previous day, where he had made clear there could be no further concessions to Iraq. He regarded total Iraqi withdrawal from Kuwait as in some ways the most difficult eventuality of all, because it left us having to find other ways to deal with Iraq's chemical, biological and nuclear weapons capacity.

The President continued that he could sum up his approach very briefly and very frankly. He was convinced that the best and clearest answer was a prompt and quick, non-Vietnam type military solution, even though the US and its allies would inevitably bear some losses. He found that view shared by the Arab members of the multi-national force and by the Turks. They all thought that Saddam Hussain would prove to be a push-over. The Saudis predicted a conflict would last a day or two, the Israelis said that Iraq would fold fast, so did the Turks, while Mubarak spoke of action lasting a couple of hours. The Americans discounted this talk and could not possibly plan on the basis of

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it. But in his own view, a war would be brief. It would begin with a devastating air attack which would pound military targets in Iraq, including Revolutionary General formations. He was totally satisfied that there was no way the air campaign could result in anything less than the total annihilation of Iraq's air power. The USAF had assured him that the Iraqis would have nothing left that could fly.

The President continued that this would provide the best possible basis for follow-on ground action, and for minimising US casualties. The US would target the bunker where they expected Saddam Hussain to be. Generally speaking, they had selected targets which would avoid civilian casualties or keep them to a minimum, and keep well away from religious sites, schools and so on. But there were bound to be some accidents. On the specific question of the environmental impact of attacks on Iraqi CW and BW facilities, the Americans were confident of being able to limit wider damage. Initial attack on bunkers housing these weapons would be followed immediately, in a one-two punch, by dropping incendiaries which would destroy most of the toxic substances.

The President continued that General Waller's statement that US forces would not be ready for action until mid-February did not reflect official US thinking, although it could be helpful as disinformation. The best windows for action were 10-20 January and 10-20 February: this was when the condition of the moon was most favourable and would allow Stealth capability, which would bear the brunt of the early attacks, to operate with the maximum effect. His own view was now that the sooner the US acted the better. The longer they waited after 15 January, the more people would question their determination and commitment. His thinking was therefore that action had to be very soon, perhaps even as early as 16 January.

The President continued that opinion in the United States was divided. 67 per cent of people said they supported Government policy, but that number fell precipitously if the question was associated with loss of life. He would consult Congress before taking military action, and might ask for a resolution. But his resolve to take action was not predicated on support from Congress. He believed that he had won the moral and philosophical argument on the need for military action, in terms of preserving world peace and the consequences of failing to act. He realised that his political future could be at stake. But he had crossed that Rubicon. He was prepared to do what had to be done.

The President continued that Mr. Shamir had been reasonably reassuring about Israeli intentions. They would lie low for as long as they could. But there were grey areas which would be difficult to deal with: for instance, should the Americans (or Israelis) act pre-emptively if they saw the Iraqis fuelling missiles in the western desert? If the Israelis were to pre-empt, and one could never discount that Sharon about, then there would be one hell of a problem. But if they only retaliated for an Iraqi attack, then the signs were that the Arab coalition would still hold together. On balance, he

d
thought the Israelis did not want to make life difficult for the Americans. His basic message to Sharon had been that the Americans could do the job better than the Israelis could.

The Prime Minister asked how we would respond if Iraq began to withdraw from Kuwait before 15 January, without setting any date for completion or announcing whether it was partial or total withdrawal. The President said that the Americans had not yet thought through their views on this. Iraq ought to be able to withdraw its forces within seven days, although without all their equipment. Arab forces could then enter Kuwait to repossess it; and the Iraqis could return later under controlled conditions to recoup their equipment. That was one option. But the fact was that Iraq would have to start withdrawal by 8 January if it was to have any chance of meeting the UN deadline of 15 January for completing withdrawal. This seemed increasingly unlikely, which was one reason why he saw no need to strive too hard to send Secretary Baker to Baghdad. Frankly he would not be upset if Baker did not go.

The Prime Minister asked whether we ought not to be thinking of sending some other signal to Saddam Hussain in the event that Secretary Baker did not go, for instance a message. Withdrawal of Embassies would be another clear signal which Saddam Hussain could hardly fail to read. The President commented that if the US were to take military action shortly after 15 January, then we should start to get people out soon. He was worried in particular about the risk to remaining Soviet citizens. Quite a lot of them wanted to stay, because life at home was worse than in Iraq.

The President continued that some very careful thought was required on how to launch military action. Suppose, just to take an example, the Americans decided to initiate action at 0300 on 16 January. They would need 72 hours to prepare it properly. It would be important to keep the element of surprise as much as possible. What did one do about consulting and informing the Arab forces and governments like Turkey? The Prime Minister said that some way would have to be found. We did not want them opting out at the last minute. The even more important question was how to ensure French acquiescence. The President said that he was reflecting on this. His inclination was to send someone whom President Mitterrand would trust, like General Scowcroft, to explain American thinking about the timing of military action. He did not think Mitterrand would give the Americans grief. The Prime Minister said that President Mitterrand would want to be consulted not just told. We could not discount the risk that he would drag his feet and want to send Dumas to Baghdad or even go himself, for a final attempt at a peaceful solution. The President acknowledged this risk.

The President continued that the Prime Minister had put his finger on the real dilemma: what if Saddam Hussain began a gradual withdrawal with no deadline? That would be a difficult situation with which to deal. It was always possible that there would be some Iraqi provocation, for instance a terrorist attack. But he knew this was unlikely. We would simply have to argue that anything less than full withdrawal by 15 January failed to

meet the requirements of the United Nations and therefore justified resort to the military option.

The President reverted to his preference for very early military action, in the period immediately after 15 January. He would consult further with Secretary Cheney and General Powell after their return from the Gulf on Christmas Eve. But his current inclination was very strongly that way. He would of course need to talk further with the Prime Minister. General Scowcroft and I should remain in touch and arrange further discussions between him and the Prime Minister on the secure line. That would enable the two of them to reach the required decisions.

The Prime Minister asked how Saddam Hussain was likely to respond to the American air campaign. Would he use CW? Would he still be able to reach oil installations in Saudi Arabia and cause damage? The President said one could not be sure what warning we would get of Iraqi missile launchings. The Americans had spotted the recent test firing of Iraqi SCUDS only six minutes before impact. But their assessment was that the Iraqis would not be able to do any serious damage to oil fields and similar installations, although they would scare those who worked there.

The Prime Minister asked how the international community would react to an attack in January rather than February. The President said that he could not really see there would be much difference. If we delayed, he and the Prime Minister would only be having exactly the same conversation on 1 February.

The Prime Minister asked whether the President envisaged a declaration of war. The President gave a long account of the constitutional position. He did not need a declaration of war, and was dubious whether he could get a Congressional resolution. What he might do was notify Congress, consistent with the War Powers Act, that hostilities were imminent.

The Prime Minister reverted to immunisation of our forces against Iraqi BW. We intended to go ahead with this as soon as we were fully satisfied that the vaccine was completely safe. The President did not demur, noting only that the US was contemplating similar action but did not have sufficient vaccine for all its forces. They would have to immunise some not all.

The Prime Minister also reverted to the question of Embassies in Baghdad. In the light of the discussion, it seemed to him urgent to take action first to thin them out and then perhaps to remove them altogether by 10-12 January. We also had to consider the position of non-US/UK Embassies and what warning they should be given. The President did not respond specifically to this point.

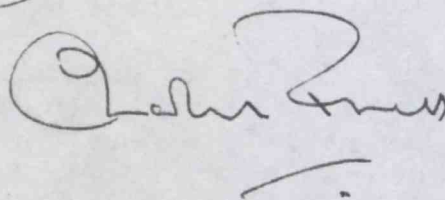
The Prime Minister said that, on the basis of the conversation, we clearly had to work out a timetable of what to do and when, in order to be able to move swiftly after 15 January. He was not opposed to early military action if the military advice was that it could be taken with a good prospect

of success. The President repeated that he would consult Cheney and General Powell when they returned and then speak further to the Prime Minister. How to engage the French in the decision process remained a big problem. He feared there was bound to be some sort of leak. The Prime Minister said that this risk could in part be countered by skilful strategic deception.

The President spoke throughout very forthrightly and confidently and certainly gave the impression first that he would actively prefer the military option, and second that his mind was very nearly made up to exercise it shortly after 15 January. He referred repeatedly and illustratively to taking action on 16 January. General Scowcroft said to me afterwards that he thought the later part of the period 15-20 January more likely.

The Prime Minister will want to discuss these issues with the Foreign and Defence Secretaries very soon after his return to London on 2 January (although will not want to interrupt the Defence Secretary's break). We will be in touch to arrange a date. He has also commented that his strong inclination is to thin out our Embassy in Baghdad very early after Christmas and plan on its withdrawal by say 10 January. You will wish to consider this.

I am copying this letter to Simon Webb and to Sir Robin Butler. The Prime Minister is insistent that it should not go beyond those named at the beginning at this stage.

Yours sincerely,


(C. D. POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 December 1990

Sew. Stephen,

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH:
RESIGNATION OF MR SHEVARDNADZE

During the plenary session of the Prime Minister's meeting with President Bush at Camp David on 21 December, the President revealed that Secretary Baker had during the day received a message about the resignation of Mr Shevardnadze.

The information in this letter is highly sensitive and should be restricted to those with a direct need to know.

The President said that Secretary Baker had received a message, not from Shevardnadze himself but from Tarasenko (I am not sure of the name), which he proceeded to read out. The main points were that Shevardnadze regretted that he had not yet been able to speak on the telephone to Secretary Baker but intended to call him over the next day or so. He had been totally exhausted by the developments of the past two days and had gone off home to rest. Shevardnadze wanted Secretary Baker to know that he would not have taken the step he had without being confident that the positive course in US/Soviet relations, set over the past two or three years, was now irreversible. Whoever his successor was, he would follow the same course, although future improvements might come more slowly.

Shevardnadze's message continued that his personal relationship with Secretary Baker had been very important to him, and he regarded the improvement in US/Soviet relations as the culmination of his career. He had spent some two hours talking to Gorbachev, who had refused to accept his resignation. But it was final, and he would not change his mind. He had made many sacrifices for perestroika, including his resignation itself. A decision to stay on would be the equivalent of suicide. Gorbachev had continued to insist that he could not accept his resignation, but his resolve was unshakeable.

The message continued that Shevardnadze's statement to the Congress had been directed partly at Gorbachev, who had failed to give him full support in recent times. Gorbachev was making himself the prisoner of military-orientated chauvinists. Shevardnadze's greatest fear was there would be a clamp down, probably in the Baltic Republics, which would lead to a wave of

SECRET AND PERSONAL

violence, internal collapse and the end of all his achievements in foreign policy.

The Prime Minister said there was a curious disjunction between the earlier and later parts of the message. The later part was extremely worrying. The President agreed with this assessment. The Americans hoped to learn more when Shevardnadze telephoned Secretary Baker. There had been no particular indication during the latter's meeting with Shevardnadze in Houston that he felt abandoned or undermined by Gorbachev. General Scowcroft commented that there were some signs that the agreements negotiated by Shevardnadze were coming unstuck. The President continued that it was best to proceed on the assumption there would be no change in the overall direction of Soviet foreign policy. Gorbachev was heavily committed to the START agreement and would find it difficult to back away now there was agreement on the dates for their next meeting. But there must be a risk of an attempt by the Soviets to delay resort to the military option in the Gulf.

I am copying this letter to Simon Webb (Ministry of Defence) and to Sir Robin Butler.

Yours sincerely,
Charles Powell

CHARLES POWELL

J S Wall Esq
Foreign and Commonwealth Office



RECORD OF CONVERSATION AT THE STATE DEPARTMENT
BETWEEN THE PRIME MINISTER AND MR BAKER 11.15 a.m.
21 December, 1990

Present:

Mr Baker
Mr R Kimmitt
Mr R Bartholomew
Ambassador Catto
Mr R Zoellick
Mr D Ross
Mr R Seitz

The Prime Minister
Ambassador
Sir Robin Butler
Sir Charles Powell
Mr A M Wood

1. The Prime Minister opened the meeting, following a private talk with Mr Baker, by asking what the US Secretary of State thought of the resignation of Mr Shevardnadze. Mr Baker said that Shevardnadze's resignation was not good news, though one could take some encouragement from Gorbachev's assurances that there would be no changes in Soviet foreign policies. The Prime Minister said that was true so far as it went, but that one could hardly expect Gorbachev to say anything else. Mr Baker knew Shevardnadze as well as anyone: he wondered if Shevardnadze would tell him precisely what he had had in mind in resigning. Mr Baker said he thought he would be frank. His present assessment was that Shevardnadze had been open in his resignation speech. He had been under considerable attack from some of the military and the conservatives in the Soviet hierarchy. Shevardnadze had in addition been very much stressed out. Mr Baker had been struck by how drawn he had looked on the 'plane they had shared on the way back to Washington from Houston.

/2. Mr Ross



2. Mr Ross commented that the resignation had been coming for some time. Shevardnadze saw the attacks on him as having been orchestrated and Gorbachev as having acquiesced in them. Shevardnadze, secondly, hoped to wake up the reformers, who were rather quiescent at present.

3. The Prime Minister and Mr Baker said they had both seen the signs that something was wrong. Mr Baker said Shevardnadze's resignation had nevertheless come as a surprise.

4. The Prime Minister asked Mr Baker what he thought Shevardnadze would do next. Mr Baker said he did not know. He did not see him in opposition. The Prime Minister remarked that an observation by Mr Ross to the effect that Shevardnadze had chosen reform over friendship suggested that his main aim would be to promote the reformist cause. Mr Baker agreed. There were differences between Gorbachev and Shevardnadze. The latter had been deeply disturbed by the Primakov mission to Baghdad. There had been a difference in the line taken at the Helsinki Summit by Gorbachev with the President and Shevardnadze with him which showed that Gorbachev tended to rely on Primakov. The latter was willing to establish linkages between a resolution of the Iraq/Kuwait crisis and wider Middle Eastern issues.

Arms Control

5. Mr Baker was not sure what the Shevardnadze resignation would mean for arms control in particular CFE and START. The Prime Minister pointed out that START was clearly in Soviet interests.

/Mr Baker



Mr Baker said Shevardnadze had broken a lot of china in taking a helpful line over important details in the negotiation of arms control agreements. The Prime Minister said this willingness to take practical action would be missed. The Russians were now, to put it bluntly, cheating on CFE. The Soviet navy for example now had more tanks than the British army.

6. Mr Baker said that there were three points at issue in CFE. The first concerned the transfer of materiel East of the Urals. The Americans recognised that the Russians had the legal right to do this. He thought there might be some concern among European military authorities but the Americans were not in fact worried by the direct security implications. The equipment would become obsolescent and rot in its new location. But the Soviet move caused them political problems. The other two issues seemed to him more serious. The Russians had no right to transfer equipment to the navy as a way of evading the CFE provisions and they were cheating over data. He did not know quite what to do about the situation. The Americans had lost their interlocutor. There was a similar situation so far as biological warfare was concerned, where the recent forthcoming Soviet attitude had been directly attributable to Shevardnadze.

The Gulf

7. Mr Baker said, after some inconclusive discussion of who might replace Shevardnadze, that the Soviet Foreign Minister's resignation also affected the question of whether or not to have a dinner of the Foreign Ministers of the Permanent Five. The

/French

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French were doing what the French were doing. The Chinese were uncertain and now we had our doubts about who the next Soviet Foreign Minister would be. He was not sure a meeting would prove productive. He did not mean to imply that he thought the main lines of Soviet foreign policy towards the Gulf would change. He said, in answer to questions from the Prime Minister, that although he could not be sure, his best guess was that there would not now be a meeting between him and Saddam Hussein. He thought the Iraqis failed to appreciate the depth of US resolve. They over-estimated the effect of political debate in the USA. What the Administration had to say had sometimes hit the wrong note with either the domestic or the international audience. It had been important for domestic opinion that the Administration should have offered to talk.

8. Mr Baker said that there would be a lot of pressure on the Administration if 3 January came and went with no arrangements having been made. He was not quite sure what the US attitude would be to the possibility of a date between 3 and 12 January. No doubt there would be pressures from the European Community. The French were champing at the bit even now and the Italian Presidency had hoped to receive Tariq Aziz. He hoped that Luxembourg would be firm when they took over the Presidency.

9. The Prime Minister said Luxembourg would be a great improvement on both Italy and France. The Dutch who were also very sound would follow them, making 1991 a good year. Mr Baker made it clear he had little doubt but that a French representative would go to Baghdad. He was concerned about the

/French

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French attitude towards partial withdrawal. If Saddam Hussein announced that he would get out of Kuwait within a reasonable time the French would want to forswear force but who knew how long "reasonable" would be. Mr Kimmitt said that two weeks should be enough for the Iraqis to get out of Kuwait - though if they wanted to clear up the mess it would take a good deal longer.

10. The Prime Minister asked how we could make it clear to Saddam Hussein that we were serious about taking the offensive, if we were unable to talk to him direct. He wondered whether Saddam Hussein knew the coalition opposing him could not and would not back down. Mr Baker said one possibility the Americans were thinking of was to ask the US Charge in Baghdad to relay a message from the President. The Prime Minister said we might want to take parallel action. He asked how long the Americans intended to leave their diplomats in Baghdad. Mr Baker said the Americans would want to work closely with the UK. A break in relations would be a second way of getting the message through to Baghdad. The Prime Minister said that some British Embassy personnel could be withdrawn in advance of a break in relations. Mr Baker confirmed that the Americans were already down to minimum strength. He indicated that a date around 9 or 10 January might be the right time to break relations. There was of course a risk that the Iraqis would then seek to detain our diplomats but he believed they might be constrained by the knowledge that to do so would be a marked provocation at a particularly sensitive time.

/11. Mr Baker



11. Mr Baker said in answer to a question from the Ambassador, that he hoped there would be no more statements such as that made recently by the US Deputy Commander in Saudi Arabia to the effect that the US military would not be ready for action immediately after 15 January. He agreed with the Prime Minister that it was in fact likely that Saddam Hussein would want to take some sort of action around 15 January. He thought it improbable that this would be offensive, but a partial withdrawal was possible. He believed Saddam Hussein to be a survivor rather than a martyr, but he had a tendency to act at the last minute and then to miscalculate. He did not expect a significant Iraqi move much before this.

12. The Prime Minister said he was concerned, if it came to war, about the impact that direct and immediate reporting on television would have on public opinion. Mr Baker said he shared this concern. The Americans would do everything they could to restrict their attacks to military targets and to prevent unnecessary civilian casualties.

Uruguay Round

13. Mr Baker then turned to the Uruguay Round. He wanted to emphasise that the fate of the Round was becoming a major political issue. The Americans were doing what they could with the Germans so as to isolate France. He would be grateful however for the Prime Minister's advice. The EC did not seem prepared to negotiate from any of the texts on the table. The Prime Minister said the Round had of course been discussed a great deal at the European Council in Rome. The Community
/recognised

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recognised that it was partly to blame. But the American position was also immobile. The Americans should go back to the table and exploit the negotiating flexibility which the Commission already had and which had been confirmed at Rome. Andriessen was a more dispassionate negotiator than MacSharry. Kohl had more flexibility now, following the elections, but Mitterrand was wholly inflexible. He had real political difficulties. He also felt he had been pushed around and therefore wanted to dig his heels in. But the Community as a whole wanted agreement and provided the Americans, too, were prepared to be flexible the negotiations could get going again.

14. The Prime Minister said in answer to questions from Mr Baker that the French too had agreed that the Commission should use its full negotiating discretion. The key was to construct a different atmosphere. The Community was alive to the dangers of protectionism if the Round broke down. Kohl was pivotal. But the Americans should talk direct to Mitterrand. Mr Baker said his meeting with Delors had been positive. He repeated that the Americans were very worried. He wondered what the best way to approach the issue was from the procedural point of view. The Prime Minister agreed that Delors could be helpful although he was a bit prickly. But MacSharry and Andriessen had had a clear direction from the Council. The Americans ought to take advantage of it. The Prime Minister pointed out, following an intervention by Mr Zoellick, that a great deal of blood had already been shed, not the least by Britain, to get the EC to

/reduce

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reduce by 30% of the 1986 level. Andriessen had flexibility on market access and rebalancing. The Americans should not under-estimate the difficulties of the situation. He confirmed that Mr Baker was right to suppose that he regarded the American rejection of the Community offer out of hand as having been an error. Mr Baker said he was worried about how to get back to the table. The Senate was already deeply disturbed. He endorsed Mr Zoellick's view that the European side might not realise the importance for the political and security relationship between the United States and Western Europe of progress on the Uruguay Round.

European Security

15. Mr Baker said he had appreciated the close cooperation between us, including at the NAC, on the question of a security and defence identity for Europe. The Prime Minister said there had been no anti-NATO feeling in Rome. It was a fact however that some wanted to give the Community a security and defence identity which we thought would cut across wider interests. That was why we were advocating the development of WEU. Mr Baker said he understood that. The French were saying some of the right things. But they were being extremely difficult about the follow up to NATO's London Declaration.

South Africa

16. The Prime Minister said that the Americans would have noted the sharp change implied by the EC decision to lift its ban on investment in South Africa. There had been the option of letting

/previous



previous regulations lapse in February but the Rome Council had preferred to take the positive line in an attempt to bolster the present South African Government against right wing reaction. Mr Baker said the Community's action would help the US Administration with Congress. But US hands were tied by statutory legislation. They might be able to be more flexible about action through the IMF. De Klerk's visit had been very positive. He repeated that the Community's decision to lift its ban on investment had been very helpful.

Soviet Economy

17. Mr Zoellick said that following the delivery of the IMF report on the Soviet economy, the Americans were looking for ways to give Soviet reformers more impetus. It might be best to look for simple measures. The Soviet authorities had a very limited understanding of what markets were about. One way forward might be to look at specific reforms in specific areas. We needed to get to work on these matters sooner rather than later. The Prime Minister said that we hoped the first substantive discussion would be among the G-7 Sherpas towards the end of January. That was the best forum for taking things forward.

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FILE
CUP



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 December 1990

Dear John,

PRIME MINISTER'S MEETING WITH SECRETARY BRADY AND
DR. ALAN GREENSPAN

I enclose records of the Prime Minister's conversations in Washington with Secretary Brady and with Dr. Alan Greenspan, Chairman of the Federal Reserve. I am grateful to David Peretz for compiling them.

I am copying this letter and enclosures to Stephen Wall (Foreign and Commonwealth Office), Martin Stanley (Department of Trade and Industry), Paul Tucker (Bank of England) and Sonia Phippard (Cabinet Office).

Yours sincerely,

Charles Powell

John Gieve Esq
HM Treasury

CONFIDENTIAL

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MEETING RECORD

CONFIDENTIAL

SUBJECT U MATTER



Cl. Foreign / Greenspan

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

RECORD OF PRIME MINISTER'S MEETING WITH CHAIRMAN GREENSPAN

1. The Prime Minister met Chairman Greenspan at the Federal Reserve at 10.25 am on Friday, December 21, 1990. Also present were Mr. Truman and Ms. Kole, for the Federal Reserve, and for the UK the Ambassador, Sir Robin Butler, Sir Charles Powell, Mr. O'Donnell and Mr. Peretz.

US ECONOMY

2. After an initial exchange of courtesies, Dr. Greenspan gave an account of the US economic situation. What was happening was clear; the prospect less so.

3. Excessive credit laxity in the mid-1980s had led to concern by banks over the course of 1990 about their capital positions. Banks' caution about lending had accelerated over the spring and summer. As a result, even without the Gulf crisis, the economy would have been facing a period of very low or zero growth. Inflation had also begun to tilt down. Had it not been for the Gulf crisis, inflation would have continued on a downward track, and there would have been the basis for a re-expansion of the economy towards the middle of 1991.

4. The Gulf crisis, however, had had a dramatic effect on consumer confidence--and by October it was clear that this was having a big effect on demand. The best measure of activity, claims for new unemployment insurance, had bounced up in October, and had not yet fallen back--though it could be beginning to flatten off. This drop in consumer demand had come on top of the effects of the financial contraction, which was being driven largely by the fall in value of commercial real estate, and the impact of that on the banking system. Banks were beginning to improve profitability by widening margins. But there had been no monetary growth over the last six months.

5. Against this background, Dr. Greenspan thought that most (though not all) of the decline in the Fed funds rate since July had simply offset the independent tightening of policy coming from these outside factors. Costs, wages, and inflationary pressures were under control. But the fall in value of the dollar had been a worry. So he had been particularly pleased that the dollar had not fallen after the recent cut in the discount rate. The strength of the dollar over recent days could indicate that it had reached a bottom.

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6. Nevertheless, it would be important to be careful. When the recession ended, any excessive liquidity in the system would lead to inflationary pressures. Asked about the likelihood of further interest rate cuts, Dr. Greenspan thought there might be some (but not much) way further to go in monetary easing. Unless the Gulf crisis was resolved soon in a way that led to a bounce back in confidence (i.e. without largescale destruction of oil production capacity), he expected interest rates to be somewhat lower next year.

EXCHANGE RATES

7. Dr. Greenspan said he did not expect any further significant fall in the dollar, citing the recent stability as some indication of underlying support. The Fed would certainly not be pleased with a weaker dollar. He expected Germany and Japan to raise short-term interest rates further, but this would not necessarily affect long-term interest rates or lead to pressures in the exchange markets.

8. The Prime Minister then described the UK economic situation, and current tensions in the ERM in much the same terms as he had earlier with Secretary Brady. The ERM was the right discipline for the medium-term, but in the short-term there was an awkward situation. Similar French sensitivities had led to their request for a G7 meeting. The weakness in the dollar had made ERM tensions worse (equally, the short-term rally in the dollar that morning had helped the f).

9. Dr. Greenspan said that only part of the fall in the dollar had been due to movements in interest rate differentials. Other factors were important: for example, recreating a sense of domestic economic stability in the US should help. The US also had substantial foreign exchange reserves, and would use them were the dollar to run into a "pocket of trouble". But he would be surprised were the dollar to get very weak: were he a foreign exchange trader he would not sell in current circumstances.

URUGUAY ROUND

10. The Prime Minister asked what would be the impact if no agreement were reached. What in particular would be the impact on exchange markets?

11. Dr. Greenspan said that although the US seemed less concerned about such an outcome than others, it was a matter of concern to those who realised what the result could be. Personally he was worried about "creeping protectionism". He felt sure that President Bush would block any major protectionist legislation, but it could be a more insidious process. People forgot how much post-war economic growth owed to reductions in trade barriers. As to the impact on exchange markets, he was not sure what the direction would be--but agreed with Mr. Truman that failure of the Uruguay Round could spill over into a perceived breakdown of other aspects of the economic policy cooperation, leading to greater volatility of exchange rates.

David Peretz
December 21, 1990
Washington DC

MEETING ROOMS

CONFIDENTIAL

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SUBJECT MATTER



cf Rangan/Brady

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

RECORD OF BREAKFAST WITH SECRETARY BRADY

1. The Prime Minister had breakfast with Secretary Brady at 8.15 am on Friday, December 21, 1990, at the Ambassador's Residence in Washington. Also present were Under Secretary Mulford and Assistant Secretary Dallara on the US side, and for the UK, the Ambassador, Sir Robin Butler, Sir Charles Powell, Mr. O'Donnell, and Mr. Peretz.

URUGUAY ROUND

2. The Prime Minister gave an account of discussions at the Rome European Council. The Community did not feel it had been wholly to blame for the breakdown of the GATT negotiations. US negotiating tactics, including the final walk-out, had been an important factor. There was a real Community concern to achieve progress on services, and in other specific areas; and an underlying political sense of the need to achieve overall agreement. The French remained the stumbling block, on agriculture, and would need leaning on by the Germans, and possibly also by the President. The Irish would eventually come into line. The US had to appreciate important national sensitivities on agriculture in many EC countries, including Germany. But nevertheless, the US would find some flexibility if and when negotiations were resumed; the Community negotiators had some as yet unused negotiating flexibility.

3. Secretary Brady said the President was under great pressure from others, for example, the Cairns Group and Latin American countries, not to compromise on agriculture. Mulford said that Congress might not agree to an unsatisfactory outcome on agriculture. (The Prime Minister said he would expect the French to say something similar). Dallara indicated the importance of getting movement on export subsidies.

4. In reply to a question by the Prime Minister, Secretary Brady added that a breakdown of the negotiations would create few if any domestic political problems in the US. But in discussion all present agreed that a breakdown would carry great dangers, risking the creation of trading blocks, retaliation, and spillovers that could undermine other aspects of international policy cooperation. Secretary Brady asked whether it would help to bring in Heads of Government. The Prime Minister said that should not be done until there was prospect of a deal.

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5. Secretary Brady then asked whether it would be possible to depart from the all-or-nothing approach. Dallara added that some of the subsidiary issues on services were very complex and needed more time to resolve. The Prime Minister said that he thought no one would accept that. The concept of a package was important, with a balance of advantages and disadvantages for each participant. But these negotiations would not be the end of the road. It was important that agriculture was now established as part of the GATT, so it could be tackled again in future in the same context.

SOVIET UNION

6. Secretary Brady said that he thought the IMF-led report had reached the right conclusions. The Prime Minister indicated that he had not yet read it but agreed with the conclusions as described. On handling, he hoped that follow-up could now be discussed by the Sherpas (Secretary Brady remained silent but appeared to indicate assent).

7. Secretary Brady asked about UK views on the US proposal for associate membership of the IFIs for the USSR. The Prime Minister said that he thought it right to move only slowly to membership: it raised difficult issues. On the other hand, there might be legal difficulties in the IMF-and particularly the IBRD--giving technical assistance to a non-member. The issue had not been discussed in any detail in Rome.

US/UK ECONOMIES

8. Secretary Brady said he was hoping for a short and fairly shallow depression--perhaps lasting only two quarters. The main difficulty was a difference of view with his central bank. He wanted to see a much faster and larger fall in interest rates: he felt this was needed to have the right psychological impact.

9. The Prime Minister said the UK also faced the prospect of a sharp downturn, which might possibly level off next summer. But the ERM commitment restricted the scope for interest rate cuts, particularly while the weakness of the dollar remained a factor pulling the f (and French franc) down against the deutschemark. A similar concern had led the French to call for a G7 meeting in January. (Subsequent discussion revealed new difficulties about fixing the date for this meeting.) Looked at from the UK perspective, the Prime Minister hoped the dollar would fall no further. He accepted that that could have implications for US interest rates.

10. Secretary Brady complained that the Germans were being unhelpful. (All agreed that unless German fiscal policy were tightened, the Bundesbank might well raise interest rates.) It would be important "to get the central bankers in" (this appeared to be a reference to the need for foreign exchange intervention). Mulford added that a G7 meeting could give a signal that there was no policy of benign neglect on the dollar.

11. Secretary Brady asked about the possibility of an ERM realignment. The Prime Minister said this was unlikely. But he

CONFIDENTIAL - 3 -

hoped current tensions in the ERM might help to persuade others of the advantages of the UK's gradual approach on EMU.

ACCESS TO HEATHROW

12. As he was leaving, Secretary Brady said he would like to raise separately with the Embassy the question of US airlines' access to Heathrow.

David Peretz
December 21, 1990
Washington DC

CONFIDENTIAL



Minister (Economic)

British Embassy
Washington DC 20008

CONFIDENTIAL

Sir Charles Powell
10 Downing Street
London SW1, England

December 21, 1990

Dear Charles,

PRIME MINISTER'S MEETINGS IN WASHINGTON
WITH SECRETARY BRADY AND CHAIRMAN GREENSPAN

I attach records of this morning's two meetings. You said you would top and tail them, and circulate them around Whitehall.

I suggest that the Greenspan discussion should go to the Bank of England as well as to the Treasury.

*Yours ever,
David*

David Peretz

CONFIDENTIAL

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David Peretz
December 21, 1990
Washington DC

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/5. Against

CONFIDENTIAL

5. Against this background, Dr. Greenspan thought that most (though not all) of the decline in the Fed funds rate since July had simply offset the independent tightening of policy coming from these outside factors. Costs, wages, and inflationary pressures were under control. But the fall in value of the dollar had been a worry. So he had been particularly pleased that the dollar had not fallen after the recent cut in the discount rate. The strength of the dollar over recent days could indicate that it had reached a bottom.

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David Peretz
December 21, 1990
Washington DC

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PRIME MINISTER

TALKS IN WASHINGTON: THE GULF

You may find it useful to have a summary of the main points to make on the Gulf, which I set out below.

1. We remain as resolute and determined as ever to insist on full implementation of UN Security Council Resolutions, and in our readiness to adopt the military option if Saddam Hussein does not comply.
2. Nothing could be more damaging to the West's standing in the world than a climb-down. Equally, if we get it right and carry through the operation successfully, that would be a great prize.
3. Prospects for Baker's visit to Baghdad (and Tariq Aziz to Washington). Will the Iraqis blink first? Are there any other steps we can take between now and 15 January? How do we stop Iraqis just spinning out any talks? Risk that French will break ranks and go to Baghdad.
4. Need to make clear that anything less than full Iraqi withdrawal would be unacceptable. If Iraq opts for partial withdrawal or tries to spin out withdrawal, we must make clear the military option would remain available and would be used. This would have to include attacks on Iraq itself.
5. More detailed discussion between the military needed on the right response on the ground to partial withdrawal. Do we go straight in and occupy the areas the Iraqis vacate, and re-establish legitimate government? Or do we retain existing military positions, as most advantageous launching-pad from which to carry out military operations to compel total withdrawal?
6. Well satisfied with present level of cooperation - between theatre military commanders and on military planning - and with the broad agreement reached on strategic and military objectives.

7. The need for adequate and timely consultation and joint decisions between the UK and US (and with other allies) before moving to the military option. Agree arrangements for this: President to PM on direct line (Scowcroft/Powell to set up). Also Cheney/King and General Powell/David Craig.

8. Latest thinking on possible starting-dates for military action. How soon after 15 January will US forces be ready? How do they assess possibility that Saddam Hussein will take pre-emptive action before 15 January?

9. President's assessment of likely duration of military conflict and scale of casualties. How he reckons the probability that the Iraqis will use CW and BW. Possible secondary effects of bombing Iraqi CW and BW targets: military to agree a view on the dangers and consequent targeting policy. State of Iraqi nuclear weapons programme.

10. Issue of BW immunisation. Depending on outcome of tests, we plan to start immunization as soon as possible. Unlikely to be much surplus vaccine available.

11. Respective assessments of Israeli attitudes and likely responses, specifically: risk of pre-emptive attack, likely response to Iraqi attack, possible action if Iraq withdraws from Kuwait with weapons intact. Degree of warning of Iraqi pre-emptive strike against Israel.

12. Prospects for Jordan: likelihood of being drawn into conflict: imminence of economic breakdown: possibility of reconciliation with Saudis.

13. Importance of handling the media during a conflict in order to limit damaging effects on public opinion in our countries. Scope for disabling Iraqi civil communications and TV/radio transmissions.

14. Consular advice to dependents in Bahrain, Qatar, Eastern Province of Saudi Arabia plus Riyadh and Tabuk to leave now.

15. Plans for how to respond to complete Iraqi withdrawal. Need for continuing arms and technology embargo. Possible regional security arrangements.

16. Effect of a war on oil supplies and prices. Any decision to release stocks should be coordinated.

C. D. POWELL

20 December 1990

DR SHEVARDNADZE

Short: close to agreement.

LINE ON SHEVARDNADZE *Central to G.*

3 divisions

1 Soviet Navy but may talk them to Navy

If you are asked about Shevardnadze, you may like to say the following:

'I have met Mr Shevardnadze on more than one occasion. He is a remarkable man who has played a very important part in the transformation of East/West relations over the past few years and the ending of the Cold War. He has also taken a very courageous position on the Gulf. His resignation will be a great loss to the Soviet Union, and to the whole international community.'

Greece
Roldavia

Obviously we hope very much that the policies which Mr Shevardnadze pursued, together with President Gorbachev, will continue. We take comfort from the fact that the Congress of People's Deputies passed a resolution yesterday by a huge majority confirming there would be no change of course in Soviet foreign policy. That is reassuring, and we hope to see it confirmed in practice over the next few days.

- direct rule from Moscow

Of course, the grounds which Mr Shevardnadze gave for his decision to resign are a source of concern. There is some ominous talk of a crack-down, and that would be something we would very much hope will not happen. I will be talking to the President and Jim Baker about the wider implications of these developments.

Balkan
Cuba?
Congress
what will
crack down what?

All I can say at this juncture is that I am sure it is right for the West to continue to support political and economic reform in the Soviet Union. That is what the European Council did at its meeting in Rome last week, when we decided to give substantial food aid and technical assistance, and the United States has done the same. I am sure that is the policy we should continue to follow, so long as it is clear the Soviet Union is moving in the right direction.' *(towards reform)*

What power is G. seeking?
Congress?
2000 people
26/12

Power to rule by decree

C.D.P.

Using force to stop violence
Support local Govt.

New Law: Union + Republics
tries to define relationship: Wants full independence



Embassy of the United States of America

CCPC

London

December 21, 1990

Dear Nicholas:

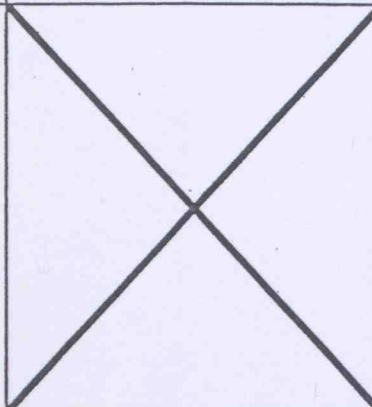
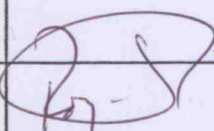
I am enclosing the text of a letter for the Prime Minister from President Bush. The letter is being conveyed to the Prime Minister's party in Washington. I understand your Embassy in Washington has already received a copy of the IMF/World Bank study.

With best wishes for the holiday season,

Ann Berry
Minister for Economic Affairs

Enclosure: Copy of letter from President George Bush to Prime Minister John Major

Nicholas P. Bayne, CMG
Deputy Under Secretary of State
Foreign and Commonwealth Office
Downing Street
London SW1A 2AL

DEPARTMENT/SERIES <i>PRM 19</i> PIECE/ITEM <i>3208</i> (one piece/item number)	Date and sign
Extract details: <i>Bush to Major 21/12/90</i> <i>[T25A/90]</i>	
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	 <i>30/1/16</i>
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

G7. 7/11

PRIME MINISTER

You may find it useful to have the following if you wake up early.

Shevardnadze's resignation

I attach some key telegrams, together with a suggested line for you to take in your television interview.

Breakfast with Secretary Brady

He hopes to discuss the following subjects:

*Shamba's 25/11
Fid. Min.
Kovacs.*

- the IMF study of the Soviet economy (you have material in the briefing folder). Camdessus presented the IMF report to the President today and the President is expected to write a covering letter to G7 Heads of Government tomorrow. He may give this to you; *Zak. Oben. - Not Ken J.*

- EMU;

- debt issues; *- La. Ann. 1/1*

- Gulf co-ordination: I imagine this means burden-sharing. Our line is that we are doing so much on the military front that we cannot be expected to contribute any more to civil aid;

- the state of the US economy;

EC/US Airbus dispute

I attach a revised brief.

Lunch with Members of Congress

I attach some points which you might like to cover in the short speech you will make.

Miscellaneous news

Ted Heath was giving testimony in Congress yesterday about the Gulf, and spoke critically of US and UK policy. You may well get asked about this in your television interviews. I suggest you say that Mr Heath is of course a man of great experience and entitled to his views. But it is quite clear they do not reflect the views of the British Government, or the British Parliament which recently supported the Government's policies on the Gulf by a majority of over 400, with only about 40 voting against.

The American General who said that US forces in the Gulf would not be ready for offensive action by 15 January, indeed not until mid-February, has been disowned by the Pentagon. I attach the relevant telegram.

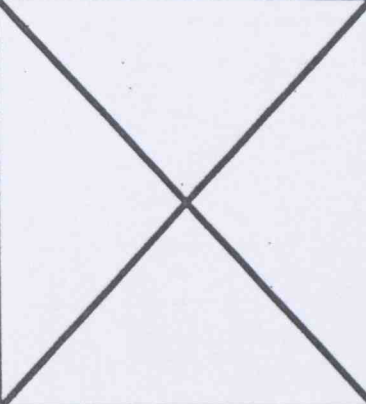
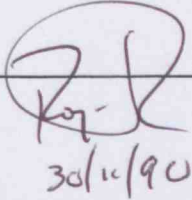
Discussions at the United Nations on a resolution on the Occupied Territories continue. There seems to be a growing hope that the Americans can avoid a veto.

C. D. R.

CHARLES POWELL

20 December 1990

A The National Archives

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>3208</i> (one piece/item number)	Date and sign
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Ambassador

FROM: Private Secretary
DATE: 20 December 1990

PAPERS FOR YOUR RETURN

1. Welcome back. You will find below:

(a) The FCO briefing letter for No 10, though I imagine that you have already seen this.

(b) Breakfast with Brady: list of subjects which Brady expects to discuss.

(c) Shevardnadze's resignation. Key telegrams from Moscow, Paris and Bonn, plus two assessments sent from here. You might also like to see what Fitzwater said at today's briefing (as marked), and Baker's comments.

(d) IMF study on the Soviet Union. The Treasury produced a brief for the Prime Minister this morning on our attitude to the Soviet Union's membership of the IMF. This is slightly different from the US view. In case you have not seen it, I enclose a copy.

Camdessus presented the IMF report to the President today. The President will write a covering letter to G7 Heads of Government tomorrow. He may hand this to the Prime Minister. We have a copy of the report and have sent it to London. There is a further copy below, with comment from Mr Pattison on the line which State expect the President to take tomorrow.

(e) Gulf. Two further assessments from here. These are in line with previous reporting.

- Report on Mr Heath's testimony on the Hill today. This was critical of US and UK policy, and Fitzwater was asked about it at today's briefing (pages 16/1 to 17/1 of the transcript).

- Schwarzkopf's deputy in Saudi Arabia said yesterday that his troops would not be ready for combat on 15 January. We have reported reactions here (tel attached). In short, the line is that US troops will be ready to go when ordered, and Waller will not go the way of General Dugan. On the substance of Waller's remarks, of course, there is no surprise for us.

/Senator Mitchell

- Senator Mitchell just back from Gulf. Saw President this afternoon. Told press today that Congress might remain in session after 3 Jan to debate declaration of war, irrespective of President's wishes. (White House reaction: Congress are welcome to do what they like. White House have also denied press reports today of negotiations with Congress to draw up a specific resolution: they said that contacts with Congress on this and other subjects are continuing all the time).

(f) Occupied Territories. The President and Baker have been personally involved in the last two days in drafting amendments for the UN Resolution. Following yesterday's Security Council meeting there is slightly more optimism that the US can avoid a veto, and possibly even vote in favour of the latest Finnish text.

(g) Uruguay Round. We have sent a further assessment.

(h) Speaker Foley. Ian Gow's colleagues have set up a memorial fund for him, and Peter Hordern MP has written to Foley asking him to become a Patron. They have had no response, and we have been asked to nudge. H of C will speak to Werner Brandt. No need for you to raise the issue, but you should be aware.

(i) Prime Minister's programme. Fitzwater referred to this in today's briefing, in unexceptional terms (page 18/1 of the transcript).

(j) Meeting with the President. Ambassadors of contributing countries in the Gulf have been summoned to a follow-up meeting with the President at 1.30pm tomorrow. Purpose is to discuss further economic burden-sharing. Minister will represent you.

(k) Edmund Burton. He has been appointed Commandant of the Royal Military College of Science at Shrivenham (on promotion to Major-General), effective July/August. There were intricate plans laid to brief you of this in London. But, for one reason or another, they failed. The announcement is now public. Edwin Beckett and Edmund Burton are mortified, very conscious that you should have been told first. Sir David Craig is writing to you. A choice of candidates will be put to you in January. But it is a very good move for Edmund Burton.

/Annual Review

(1) Annual Review. Andrew Wood wonders whether the balance is quite right, as between the Gulf and Europe. He also thinks that it might be useful to try to answer some long-range questions for the future (eg, is the Gulf an aberration? How do last year's events affect the US relationship with Europe and more widely? What more should we here be doing to strengthen US links with Europe? How much might policy change with a different Administration?). You don't need to consider this now. The best thing might be to discuss it all with the Minister after the Saturday debrief (otherwise there will not be a chance until your return in the New Year). You might ask him to do you some notes setting out his ideas more fully for your return.

Waw

E A Oakden

RESTRICTED

From: Head of Chancery
Date: 20 December 1990
cc: PS
Minister
Mrs Brown
Mr Brown
Mr Torry
Sir Charles Powell
PS/No 10

Minister (E)

THE PRIME MINISTER'S VISIT TO WASHINGTON 20-22 DECEMBER:
BREAKFAST WITH THE SECRETARY OF THE TREASURY

1. According to State Department, Secretary Brady is expecting to discuss the following subjects at breakfast with the Prime Minister on 21 December:

- (i) the IMF study of the Soviet economy;
- (ii) EMU/EPU
- (iii) Debt issues
- (iv) Gulf coordination; and
- (v) The state of the US economy, on which he will be prepared to give a read-out.

R P Ralph

R P Ralph

RESTRICTED



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

M
AS
20 December 1990

I enclose a copy of a letter to the Prime Minister from Lord Young about Cable and Wireless' plans in the Soviet Union, which he asks the Prime Minister to raise in Washington. I should be grateful if you could fax out a briefing line for us to Washington for tomorrow morning.

I am copying this letter and enclosure to Simon Webb (Ministry of Defence), Richard Gozney (Foreign and Commonwealth Office) and to Len Appleyard (Cabinet Office).

C. D. POWELL

Martin Stanley, Esq.,
Department of Trade and Industry

PS/CHANCELLOR

cc Chief Secretary
Economic Secretary
Sir P Middleton
Mr Wicks
Mr H P Evans
Mr Mountfield
Mr Sedgwick
Mr Bostock
Mr Halligan
Mrs S Brown
Mr Laite
Mr Wanless
Mr Rea
Mr Lightfoot

Mr Peretz (UKDel)

Mr Peretz (UKDel)

I also attach X.

CWP
20/12

USSR

THE SOVIET UNION AND THE IFIs

The Prime Minister has asked for briefing on the existing position concerning the Soviet Union and the International Financial Institutions. Our ambassador in Washington has also reported that Secretary Brady intends to raise the Soviet Union and the IMF tomorrow. The FCO have already provided briefing for No.10 on the IMF-led study of the Soviet Union, which was cleared with the Treasury in draft.

X

... 2. I attach a brief, which needs to reach No.10, as you know, by late morning. It has been cleared with the FCO.

Please cc (urgent) Private Secretary
Minister
Mr Pathison
Mr Allum

CWP

C R PICKERING

The Prime Minister should have received this brief before leaving London. Could Private Office check that he did, when the party arrive: and if necessary pass over a further copy? David Peretz 20/12

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2
THE SOVIET UNION AND THE INTERNATIONAL FINANCIAL INSTITUTIONS

Objectives

1. To emphasise European Council agreement to use their influence to facilitate the USSR's membership of the International Financial Institutions, in particular the IMF, but stress that actual membership will take time to agree.
2. To agree to consider President Bush's proposal for a special association of the Soviet Union with the IMF and World Bank, but to suggest that full membership, at a measured pace, would be a better route.

Line to Take

- i. European Council agreed to use our influence to facilitate the USSR's membership of the International Financial Institutions, in particular the IMF. We will be guided by that conclusion, like other member states.
- ii. Need to be cautious about the timing and pace of a Soviet application. IMF-led study will have to be digested first. If the Soviets apply, I would expect a thorough discussion of their application before it was agreed.
- iii. President Bush's proposals worth considering. There are a number of legal and budgetary problems that would have to be explored, initially by our officials. These may be easier to solve if the USSR makes an application to the IFIs. If it was agreed that Soviet membership of the IMF was likely in the near too distant future, would it be worth pursuing special association further?

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3
Background

Existing Position

3. The Soviet Union is not a member of the IMF or the World Bank at the moment. (It attended the Bretton Woods conference in 1944, but did not, in the end, sign the Fund's Articles.) It therefore does not enjoy any of the usual services provided to members, though both institutions have provided staff for the IMF-led study, with the OECD and the EBRD. The Soviet Union is a potential member of the EBRD, though it has not yet ratified the Articles. When the Bank is in operation, the USSR will be able to borrow up to the limit of its subscription, for the first three years, for private sector operations only (though the European Council asked for that limit to be reviewed). Mrs Thatcher said in her speech at Aspen in the summer that we should begin to associate the Russians with the international economic institutions, with particular reference to the IMF (and the GATT).

President Bush's Proposals

4. President Bush announced on 12 December that the United States would like the Soviet Union to have a special association with the IMF and the World Bank, which would fall short of full membership. The Soviets would receive technical assistance, have regular discussions of their economy with the IMF, use IMF and World Bank training courses and attend the annual meetings of the IMF and the Bank.

5. These ideas reflect the notion of associate membership, which is unknown to the Fund and Bank's Articles. They raise a number of legal problems, and have implications for the budgets of the two institutions. Neither organisation has any power to provide technical assistance to non-members. Such assistance is provided to countries that have made applications to join, but it would be a new departure to provide continuing assistance to a country with no immediate prospects of making an application. The LDCs may not welcome such a programme, especially in the World Bank, because it might crowd out help to themselves. The US have hinted that G7

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④
might fund technical assistance; this should be resisted: it would be public expenditure and exclude the rest of the IMF membership. Training raises similar issues. Attending the Fund and Bank annual meetings should be less of a problem; the Soviets attended the 1990 Annual Meetings as unofficial observers. Regular discussions of the Soviet economy would be very desirable (and possible, on the model of discussions that have taken place for several years with Switzerland, though the Soviet discussions would have to be much more thorough and frequent).

European Council Conclusions

6. But President Bush's proposals have, to an extent, been overtaken by the European Council's conclusion that the "Community will use their influence to facilitate the USSR's membership of International Financial Institutions, in particular the IMF, which must form the main framework for macroeconomic assistance." So there is a political commitment by the EC to support full Soviet membership of the IMF, if the Soviets decide to apply. This would neither be possible nor desirable immediately. First the IMF-led study must be digested, then the IMF should decide on the appropriate size of a Soviet IMF quota - which would probably be a fairly lengthy process. Soviet membership should take place when Soviet political and economic prospects are clearer.

The IMF-led study

7. The United States have not made clear how President Bush's proposals relate to the IMF-led study, on which separate briefing has been provided by the FCO. Soviet membership could best be handled by Sherpas, in their preparations for the Economic Summit, with the IMF-led study itself.

Debt

8. The Soviet Union (Soviet importers) has accumulated substantial arrears in the payment of trade credits recently. The problem of arrears has arisen because of the decentralisation of control over foreign trade; many importers have concluded deals

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5
without securing proper funding from the Foreign Trade Bank (VBE). Arrears now stand at about \$4.2 billion (arrears to UK stand at \$0.3 billion). These arrears have contributed to the considerable size of Soviet gross convertible currency debt. Total debt in hard currency stood at about \$60 billion in July of this year. British bank's exposure to the USSR at end June 1990 was \$4.0 billion.

9. The Soviet Union's debt to export ratio has been increasing steadily since 1981, although the debt service ratio seems to have levelled off in recent years (this may be attributed to falling interest rates). In 1990, the threat of serious current account financing difficulties was ominously present, however, with the prospect of CMEA trade moving to hard currency in 1991, and the sharp increase in oil prices, the outlook for the current account has improved considerably.

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DRAFT LETTER
FROM: PS/CHANCELLOR
TO: PS/No.10

THE SOVIET UNION AND THE IMF

... I enclose briefing, for the Prime Minister's visit to Washington the Soviet Union's relations with the IMF and the World Bank, including President Bush's proposals last week for a special relationship, and the European Council's decision to use its influence to encourage the Soviet Union's membership of the International Financial Institutions. It has been agreed with the FCO.

I am copying this letter to Stephen Wall.

T TARKOWSKI

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4. The Soviet Union

The two major areas of interest on the Soviet Union are plans for Western aid, and indications that President Gorbachev's concern at the unravelling of the Soviet State may be leading him to rely increasingly on more traditional, authoritarian methods.

On assistance, President Bush will already be aware of the outcome of the European Council (food aid of up to 750 million ecu, 250 million in grants under the 1990 Farm Budget; technical assistance of 400 million ecu in 1991 and a further sum in 1992, concentrating on management, financial services, energy, and distribution.) The US has itself adopted a more forthcoming attitude to helping the Soviet Union recently. On 12 December, President Bush announced that \$US 1 billion of guaranteed credits was available to support agricultural exports. The Prime Minister might say:

- Determined to ensure that aid will be sensibly directed: food aid where there is genuine humanitarian need, and technical assistance where it can be most effective.

- Vital that Western help should assist the move to genuine market rather than allowing difficult decisions to be postponed.

A number of recent developments, notably the appointment of hardliners as Minister and First Deputy Minister of the Interior, and a hard-hitting television speech by KGB Chairman Kryuchkov, have encouraged speculation that Gorbachev is moving back towards an old-style authoritarian approach to governing the Soviet Union.

The Prime Minister might say:

- No doubt that the Soviet leadership are seriously concerned at scale of public disorder and nationalist ferment. Gorbachev must be increasingly tempted to rely on the military and the KGB (only effective all-Union bodies) to restore order.

476/12

SP1ABO

- Does not seem to reflect a fundamental change in Gorbachev's objectives. But if central control is effectively re-asserted, will be difficult to return to reform path.
- However, difficult to believe that, at least in peripheral republics, clock can be put back - certainly without massive repression.
- Important for us to watch the situation closely. Should make it clear to the Soviet authorities in advance that they have no Western carte blanche for repressive measures.
- We shall be making this point to Soviet authorities and shall be stressing need to avoid confrontation with the Baltic States.
- Use of coercion/threats could seriously affect the West's approach to the Soviet Union, not least to economic assistance.

The IMF-led study of the Soviet economy requested by the Houston Summit should be transmitted to G7 Governments on 20 December. We have seen a draft, though the final version may be different. The draft regards current Soviet reform efforts as inadequate and sets out a more radical strategy. This is centred on macro-economic stabilisation, price reform and enterprise reform, with supporting structural policies. Its assumptions on the balance of power between the Union and the Republics, with the Union controlling a single monetary policy and major elements of fiscal policy, look optimistic. The draft study advocates technical help to the Soviet Union in preparing and introducing the strategy but considers financial aid would not be used effectively until reforms are in place.

It would be useful to speak to President Bush about the procedure for handling the study. As chairman of the G7 process from 1 January, we attach importance to getting things off on the right foot in the New Year. Our strong preference is that the first substantive discussion of the report should be at the first Sherpa meeting on 25-27 January, which we will chair. We would aim to have the report remitted to a group convened and chaired by the IMF,

SPLABO

involving other multilateral organisations, which took part in the study, and a wide range of interested governments not limited to OECD members. Such a group could consider how best to coordinate bilateral and multilateral responses. This would have the advantage of keeping the IMF in the lead and would be consistent with EC and US ideas for developing the USSR/IMF/IBRD relationship. The latest European Council agreed to facilitate the USSR's membership of the IFIs, particularly the IMF, while President Bush announced last week that he would like the USSR to have Associate Membership of the IMF and IBRD.

There will undoubtedly be pressure to handle the study in other ways. Attali - and probably the French - will want the EBRD to take the leading role. The Commission, and some of the Europeans, are likely to prefer a G24 exercise. Both, in our view, would be less preferable than the IMF continuing to lead. The EBRD has been established to deal with Eastern Europe and, to add another major task at the start of its existence, would over-burden it and detract from its primary remit. In addition, the US are unlikely to favour EBRD leadership. The G24 excludes some countries whom we should like to see involved (eg Saudi Arabia, Korea) and a prominent Commission role is undesirable and unlikely to appeal to the United States. The procedural handling of the study will therefore need careful preparation. If President Bush agrees with our approach, it would be helpful to encourage agreement on procedure among other members of the G7 and, thereafter, with other EC member states. The Prime Minister might say:

- Need to consider how to handle the IMF report on the Soviet economy. Will be studying its recommendations carefully.
- Probably right for the IMF to go for radical reform strategy.
- Assumptions on the balance of power between the Union and the Republics look optimistic.
- Agree with conclusion that financial assistance not effective unless reforms are in place.

(10)
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- Suggest first discussion at the Sherpa meeting on 25-27 January.
- Thereafter advantage in encouraging IMF, rather than G24 or EBRD, to take the lead in convening meetings to discuss follow-up. Would be helpful to prepare the ground to this effect within G7.

SPLABO

PRIME MINISTER

VISIT TO WASHINGTON

You have abundant briefing material. I will not add much.

The omens for the visit are very good. ✓ The President wants to demonstrate that nothing has changed in Anglo-American relations with the departure of Mrs. Thatcher. He will go out of his way to be hospitable and show that the two of you are on very friendly terms. The backdrop of Camp David will be ideal for this. The timing of the meeting just before Christmas will also help. It stresses the personal and family aspect. At the same time there is the tingle of approaching danger: a sense of foreboding about the likelihood of conflict in the Gulf: an anticipation of weighty decisions. ✓

According to Brent Scowcroft, the President knew intuitively what your predecessor felt on any given issue. He wants to get in the same position with you, as rapidly as possible. ✓ That will be his main aim at Camp David. ✓

The President will probably refer both publicly and privately to the special relationship. He believes in it. ✓ You will want to underline your own commitment to the United States, making clear this is no ritual: in times of danger and crisis like this Britain and the United States have always stood together. We appreciate the leadership which the United States has given in the Gulf crisis and indeed more generally. The more you can say about the President's leadership, the better pleased he (and his pollsters) will be. ✓

But while being no less sound than your predecessor on the special relationship and on the Gulf, you will want to convey a new approach. You are not Mrs. Thatcher in trousers. You share many of her ideas. But you are younger, more modern and evidence that the special relationship is just as important to a different generation. I wouldn't hesitate to make something of the differences as well as the continuity, publicly and privately.

On the substance, the Gulf will obviously feature most both in your talks and in your interviews. The more you can underline how close you stand to the United States on this and on defence, the more scope you will have to be 'European' on issues such as the GATT. The Americans don't really understand the latter, but suspect that tricky foreigners are trying to pull a fast one on them. They feel it is particularly unfair when they are taking such a heavy share of the burdens elsewhere. There is an element of self-pity in their position. You will want to demonstrate that this is a game in which there are gains and losses for both sides. Americans understand a deal.

Apart from the Gulf and GATT, there is serious business to be done on South Africa: on explaining developments in Europe and Britain's attitude to them: and on our bilateral nuclear understandings. With the other subjects, it is more just a question of comparing notes. There are unlikely to be any serious differences of opinion.

[+ Medal of Freedom for Mrs. T.]

The President likes discussions to be informal, even casual. He tends to speak in a very colloquial way and to dart about from subject to subject. He is not always as well-briefed or up to date as you would expect: partly because Heads of State operate at a higher level of generality than mere Prime Ministers. The one thing he used to complain about with your predecessor was her tendency to be too formal in meetings. I should call him Mr. President the first two or three times in front of others, but go quickly to "George" in private. It will probably be jackets and ties off up at Camp David.

The precise organisation of your time up at Camp David is still not quite clear. You start with a restricted session of just you, the President, General Scowcroft and me. The Americans expect this to last up to an hour and I should make full use of that - and more if it's going well. It is an opportunity for a first go over the Gulf and the GATT as well as a chance to deal with the bilateral nuclear understandings.

There is then about another hour for discussion in a slightly wider circle, followed by quite an early dinner. It is not clear yet whether everyone is together for that, or whether the President will take you and Mrs. Major off for a private dinner with Mrs. Bush in his cabin. You are quite likely to watch a movie after dinner, with a relatively early bed. You leave Camp David at 0900 the next morning by helicopter for Andrews Airforce Base. Before departure you and the President will take a few questions from the press. He will say goodbye to you at the door of the helicopter.

The conversations in Washington with Brady and Greenspan will not be demanding, nor that with Quayle. I suspect that Jim Baker will want to test you out a bit on the Gulf. He will be quick to spot potential support for a more conciliatory line than the President and the White House favour: you will want to be on guard against this.

CHARLES POWELL

19 December 1990

c:\wpdocs\foreign\bush.dca



CABLE AND WIRELESS PUBLIC LIMITED COMPANY

NEW MERCURY HOUSE · 26 RED LION SQUARE · LONDON WC1R 4UQ · TEL 071-315 4000 · TELEX 920000 CANDW G · FAX 071-315 5019

The Rt. Hon. LORD YOUNG OF GRAFFHAM
Executive Chairman

The Rt Hon John Major MP
Prime Minister
10 Downing Street
London
SW1

18 December 1990

Yes Prime Minister.

I understand you may be visiting Washington soon. It would be helpful if you could raise Cable and Wireless' plans for the USSR with George Bush. He and Margaret Thatcher agreed on the current position on exporting fibre optic technology to the USSR earlier this year in Bermuda.

Our original plan to complete the Global Digital Highway with an overland cable across the USSR was rejected for security reasons in June. We have since put together a revised proposal involving two submarine fibre optic cables linking the USSR with Sweden and Korea, respectively. We would also like to build a fibre-optic link between Moscow and Leningrad to compete with a proposed German link from Moscow to Berlin.

We have made separate COCOM applications for the sea cables and the land cable. I discussed the position with Bob Mosbacher last month, and I sensed a great deal of sympathy for the submarine cable proposals, but continuing reservations about overland cables. I hope that you and George Bush will be able to agree that the submarine cables, at least, should be allowed to proceed. They will enable us to funnel USSR international traffic into safe Western routing, without affecting our security interests on the land mass of the USSR.

Y. Young
David

1010
dti

Christopher Roberts CB
Deputy Secretary

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries

071 01-215 5000

Telex 8811074/5 DTHQ G

Fax 01-222 2629

071

C D Powell Esq
10 Downing Street
LONDON SW1

Direct line 071 01-215 5285
Our ref
Your ref
Date

18 December 1990

CONSERVATION
Dear Charles,

The US Embassy rang me to-day to ask for some background on the Prime Minister's reference, at a recent meeting with the US Ambassador, to the high US tariff on ceramics. You may ... like to have a copy of the reply which I have sent.

Ceramics is a good example of US reluctance to bring down high tariffs. The other classic is textiles, particularly woollen textiles, where our highly competitive industry currently faces US tariffs of around 38%, which the US is only offering to reduce to around 34%.

Yours ever

Christopher Roberts.



Recycled Paper

dti

Christopher Roberts CB
Deputy Secretary

BY FAX

Mrs Ann Berry
Minister for Economic Affairs
American Embassy
Grosvenor Square
LONDON W1A 1AE

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G

Fax 01-222 2629

071

Direct line ⁰⁷¹ 01-215 5285

Our ref

Your ref

Date 18 December 1990

Dear Ann,

URUGUAY ROUND; US TARIFF OFFER ON CERAMICS

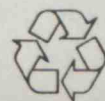
You asked me if I could provide any further background on our interest in reductions in the US tariff on ceramics, which the Prime Minister had recently raised with your Ambassador.

... The attached Table shows the current US duty rates in this sector, the US offer, and the original EC request, which takes the form of a request to apply the EC formula plus specific cuts in areas of particular interest.

The whole area is one of considerable interest to EC manufacturers, including those in the UK. I am aware of a particular concern in our own industry about porcelain and china for use in hotels and restaurants, where the US proposal is to reduce a very high rate of 35% to the only slightly less high rate of 28%. This is one of those peak US tariffs which are way ahead of the comparable EC tariff, and which in our view ought to come down sharply. There is also considerable concern about the absence of any US offer on ceramic tiles.

Yours ever

Christopher



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EC - US CERAMICS

HEADING	DESCRIPTION	US RATE	US OFFER RATE	EC REQUEST
<u>TILES</u>				
69071000	Unglazed Ceramic tiles under 7cm square	20%	-	12%
69079000	Unglazed Ceramic tiles - other sizes	20%	-	12%
69081010	Glazed Ceramic tiles under 7cm square using less than 3229 tiles per square metre	20%	-	12%
69081020	Glazed Ceramic tiles under 7cm square using more than 3229 tiles per square metre and the largest surface area is less than 38.7cm square	20%	-	12%
69081050	Glazed Ceramic tiles under 7cm square using more than 3229 tiles per square metre and the largest surface area is over 38.7cm square	19%	-	11.6%
69089000	Glazed Ceramic tiles - other sizes	19%	-	11.6%

<u>PORCELAIN + CHINA</u>			<u>ALL items are per dozen</u>	
69111010	Hotel and Restaurant table and kitchenware of Porcelain or China	35%	28%	17.5%
69111020	Household table + kitchenware of Bone China	8%	-	5.7%
69111035	Household table + kitchenware sets (other than bone china) with a value of under \$56	26%	-	14%
69111039	Household table + kitchenware sets (other than bone china) with a value of over \$56	8%	-	5.7%
69111041	Household decanters, Cruites and the like	9%	6.3%	6.3%
69111045	Household Mugs	17.5%	14%	11%

69111049	Cups valued over \$8 Saucers valued over \$5.25 Soup Bowls, etc valued over \$9.30 Plates not over 22.9cm in diameter valued over \$8.50 Plates between 22.9 and 27.9cm in diameter valued over \$11.50 Platters valued over \$40 Sugar dishes valued over \$23 Creamers valued over \$20 Beverage servers valued over \$50	8%	-	5.7%
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69111050	Other items than 69111049	26%	20.8%	14%
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69119000	Other tableware and kitchenware	9%	5.4%	6.4%
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OTHER CERAMIC WARE

ALL items are per dozen

69120010	Earthenware	1.4%	0.7%	1.1%
69120020	Hotel or Restaurant table or kitchenware (not earthenware)	35%	28%	17.5%
69120035	Household table + Kitchenware sets valued under \$38 (not earthenware)	11.5%	9.8%	7.9%
69120039	Household table + kitchenware sets valued over \$38 (not earthenware)	4.5%	-	3.4%
69120041	Household decanters, cruities and the like	5.5%	3.9%	4.1%
69120044	Household Mugs	13.5%	-	9%
69120047	Cups valued over \$5.25 Saucers valued over \$3 Soup bowls valued over \$6 Plates not over 22.9cm in diameter valued over \$6 Plates between 22.9cm and 27.9cm in diameter valued over \$8.50 Platters valued over \$35 Sugar dishes valued over \$21 Creamers valued over \$15 beverage servers valued over \$42	4.5%	-	3.4%
69120049	Other items than 69120047	11.5%	9.8%	7.9%
69120050	Other tableware and kitchenware	7%	-	5.1%

5



CONFIDENTIAL
FM WASHINGTON
TO IMMEDIATE FCO
TELNO 3078
OF 182239Z DECEMBER 90
INFO PRIORITY UKREP BRUSSELS, UKMIS GENEVA
INFO ROUTINE ACTOR

Mr. Hills

Get to agree the structure
ie. the three areas - support
prices (global support), export
subsidies, and market
access. Must have measures
in all three.

FRAME EXTERNAL
FRAME AGRICULTURE

MY TELNO 3036: URUGUAY ROUND:
PRIME MINISTER'S VISIT TO WASHINGTON
SUMMARY

1. WHITE HOUSE OFFICIALS LOOK TO THE PRIME MINISTER'S MEETING WITH THE PRESIDENT AS AN OPPORTUNITY FOR FRANK TALKING AND FRESH THINKING ON THE ROUND, WITHOUT GETTING INTO DETAIL. INDICATIONS OF UNHAPPINESS WITH US NEGOTIATING TACTICS. OTHER AGENCIES REGURGITATE THE PARTY LINE.

DETAIL

2. WE HAVE BRIEFED OUR ADMINISTRATION CONTACTS ON THE EUROPEAN COUNCIL STATEMENT (FCO TELNO 293 TO UKMIS GENEVA). FARRAR (OFFICE OF POLICY DEVELOPMENT, WHITE HOUSE) HAD ALREADY SEEN THE TEXT AND INTERPRETED IT MUCH AS WE WOULD HAVE WISHED. HE AND DEAL (NSC) CONFIRMED THAT IN THE END THE PRESIDENT HAD DECIDED AGAINST CALLING EUROPEAN LEADERS BEFOREHAND. KOHL HAD HOWEVER TELEPHONED BUSH AFTER THE MEETING TO REPORT ON THE GATT DISCUSSION AND TO MAKE A PLEA FOR FLEXIBILITY.

3. DEAL SAID THAT THE MOST HELPFUL THING THE PRIME MINISTER COULD DO WAS TO GIVE THE PRESIDENT A FRANK ASSESSMENT OF QUOTE WHAT WAS DO-ABLE UNQUOTE. HE WAS NOT LOOKING FOR A DISCUSSION OF DETAIL: BUT FOR FRANK ADVICE AND COMMENT FROM A FRIEND ON THE NEGOTIATING CLIMATE AND POSSIBILITIES, INCLUDING ON THE WAY IN WHICH THE US HAD PRESENTED ITS CASE. ON THIS LAST POINT DEAL SAID (PLEASE PROTECT) THAT THERE WAS SOME CONCERN QUOTE IN CERTAIN HIGH LEVEL QUARTERS UNQUOTE.

4. FARRAR EMPHASISED THE IMPORTANCE OF FINDING WAYS OF GETTING INTO QUIET, DETAILED NEGOTIATION. PERSONALITY CLASHES HAD OBSCURED THE FLEXIBILITY ON OFFER ON BOTH SIDES. ANYTHING THE PRIME MINISTER COULD SUGGEST THAT WOULD ASSIST THE PROCESS OF QUIET DIPLOMACY WOULD BE WELCOME (THOUGH FARRAR RECOGNISED THAT IT WAS NOT IN THE GIFT OF EITHER THE PRESIDENT OR THE PRIME MINISTER TO ENSURE THE RIGHT OUTCOME). WE SAID THAT WE TOO

FAVOURED THE QUIET APPROACH ON THE ASSUMPTION THAT THERE WOULD HAVE TO BE FLEXIBILITY ON BOTH SIDES. THE EC WOULD HAVE TO MOVE. BUT THE AMERICANS WOULD HAVE TO REALISE THE LIMITS OF WHAT WAS POLITICALLY POSSIBLE IN EUROPE. FARRAR SAID THAT ONE USEFUL OUTCOME FROM CAMP DAVID WOULD BE FOR THE PRESIDENT TO AGREE THAT THERE SHOULD BE PUBLIC STATEMENTS MAKING CLEAR THAT THERE WAS US FLEXIBILITY ON AGRICULTURE BELOW THE 75 PER CENT AND 90 PER CENT FIGURES, BUT THAT THE EUROPEANS WOULD HAVE TO AGREE TO REAL CUTS IN EXPORT SUBSIDIES. IT MIGHT ALSO BE USEFUL IF THE PRIME MINISTER COULD TAKE BACK THE MESSAGE TO EUROPE THAT THE PRESIDENT QUOTE DOES NOT WANT TO MAKE LIFE BAD FOR THE EUROPEAN COMMUNITY UNQUOTE.

5. FARRAR ADDED THAT THE US SHOULD ALSO ACCEPT THE EUROPEAN APPROACH OF WRAPPING AGRICULTURE IN A PACKAGE OF FIVE ISSUES. THIS WOULD HELP TO DEDRAMATISE AGRICULTURE AND GET THE NEGOTIATIONS OUT OF THE HANDS OF AGRICULTURAL MINISTERS.
COMMENT

6. THERE IS NOT MUCH MESHING OF GEARS BETWEEN THE CONSTRUCTIVE APPROACH OF WHITE HOUSE OFFICIALS AND WHAT WE ARE HEARING FROM THE AGENCIES LIKE USTR AND USDA (AND WHAT DUNKEL IS LIKELY TO HEAR WHEN HE ARRIVES HERE TOMORROW). KATZ (DEPUTY USTR) TOLD US TODAY THAT NOTHING HAD CHANGED: THE MEETING LAST WEEK BETWEEN YEUTTER AND MACSHARRY HAD BEEN PLEASANT BUT NON-SUBSTANTIVE: THEY WERE WAITING FOR THE EC TO MAKE THE FIRST MOVE: THE OUTCOME OF THE ROME EUROPEAN COUNCIL HAD BEEN LESS THAN ENTHRALLING. BY QUOTE MAKING THE FIRST MOVE UNQUOTE KATZ REFERRED TO THE NEED FOR A STRUCTURE FOR THE AGRICULTURE NEGOTIATIONS WHICH THE HELLSTROEM PAPER, FOR ALL ITS DRAWBACKS FOR THE US, AT LEAST PROVIDED.

7. BUT OTHER CONTACTS SUGGEST THAT THE ADMINISTRATION AS A WHOLE HAS NO COHERENT IDEA OF WHAT MAKING THE FIRST MOVE MEANS. SOME SUGGEST THAT THE EC MUST ACCEPT THE HELLSTROEM TEXT AS A BASIS IF NEGOTIATIONS ARE TO BE RE-ENGAGED. OTHERS, HESITANT TO TREAT HELLSTROEM AS GOSPEL, FOCUS INSTEAD ON THE NEED FOR THE COMMUNITY TO CLARIFY ITS NEW OFFER ON EXPORT SUBSIDIES AND IMPORT ACCESS AND TO DROP SOME OF THE CONDITIONS ATTACHED TO THEIR OFFER, ESPECIALLY RE-BALANCING.

8. AGAINST THIS BACKGROUND, A USEFUL OUTCOME TO CAMP DAVID - IN ADDITION TO THE HELPFUL SUGGESTIONS IN PARAGRAPHS 4 AND 5 ABOVE - WOULD BE FOR THE PRESIDENT TO ISSUE AN INSTRUCTION TO HIS NEGOTIATORS, MATCHING THAT FROM THE EUROPEAN COUNCIL TO THE COMMISSION, TO GET CRACKING AND, AMONG OTHER THINGS, TO PRISE OPEN THE EC'S HITHERTO TENTATIVE AND CONFUSED OFFER OF FLEXIBILITY.

9. FINALLY, FOR REASONS SET OUT IN MY TUR, WE DOUBT THAT THE

PRESIDENT WLLL RECEIVE WARMLY THE IDEA THAT HE SHOULD ONCE AGAIN
INTERCEDE WITH KOHL: AT LEAST UNTIL A LATER AND POSSIBLY MORE
CRUCIAL STAGE.

WOOD

YYYY

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 December 1990

Dear Sir,

CFE: SOVIET INFRACTIONS

The Prime Minister has noted that the subject of infractions by the Soviet Union of the CFE Treaty is quite likely to come up at his meetings in Washington later this week. He would like the briefing to cover them fully.

I am copying this letter to Simon Webb (Ministry of Defence).

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

eu

SECRET / *DEDIP**a*
(4-10)

SECRET

DEDIP BURNING BUSH

FM UKDEL NATO

TO IMMEDIATE FCO

TELNO 636

OF 171900Z DECEMBER 90

INFO IMMEDIATE PARIS, WASHINGTON, BONN

FROM PRIVATE SECRETARY

FOUR-POWER MEETING OF FOREIGN MINISTERS: AFGHANISTAN AND IRAQ/KUWAIT

AFGHANISTAN

1. IN A VERY BRIEF DISCUSSION, BAKER CONFIRMED THAT PROGRESS HAD BEEN MADE IN HIS DISCUSSIONS WITH SHEVARDNADZE. THE MAIN STICKING POINT WAS THAT THE SOVIET UNION WERE NOT READY TO AGREE TO CURB THEIR SUPPORT EVEN IF THE AMERICANS DID SO. THEY WANTED ASSURANCES ON ASSISTANCE TO THE MUJAHEDDIN FROM PAKISTAN AND SAUDI ARABIA, WHICH THE UNITED STATES WAS NOT IN A POSITION TO GIVE.

IRAQ/KUWAIT

2. IN A BRIEF DISCUSSION, BAKER SAID THAT THEY HAD OFFERED THE IRAQIS 15 DAYS INCLUDING CHRISTMAS AT WHICH TALKS MIGHT TAKE PLACE. THEY EXPECTED TO HEAR BACK FROM THE IRAQIS. IT WAS VITAL THAT WE GIVE A CONSISTENT MESSAGE. THE COMMUNIQUE FROM ROME HAD BEEN GOOD AND WE NEEDED A SIMILARLY GOOD COMMUNIQUE FROM THE NAC. THERE SHOULD BE NO NODDING AND WINKING TO SADDAM HUSSEIN, ESPECIALLY ON THE ISSUE OF AN INTERNATIONAL CONFERENCE. ANY HINT OF THAT KIND WOULD MAKE SADDAM HUSSEIN LESS LIKELY TO UNDERSTAND THAT HIS ONLY CHANCE OF AVOIDING WAR WAS THROUGH COMPLETE WITHDRAWAL. THIS WAS A VITAL MESSAGE OVER THE NEXT 30 DAYS. BAKER ALSO THOUGHT THAT WE SHOULD LOOK AT THE POSSIBILITY OF A PERMANENT FIVE MEETING BETWEEN 3 15 JANUARY. ALL PRESENT AGREED.

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 MR BROOMFIELD
 MR FAIRWEATHER
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 MR BURNS
 MR GODRE BOOTH
 MR GOULDEN
 MR TAIT
 MR GREENSTOCK
 MR BEAMISH
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 MR APPELYARD

SECRET / *DEDIP*

SECRET / *DEDIP*

5

SECRET

DEDIP BURNING BUSH
 FM UKDEL NATO
 TO IMMEDIATE FCO
 TELNO 632
 OF 171830Z DECEMBER 90
 INFO IMMEDIATE PARIS, BONN, WASHINGTON

FROM PRIVATE SECRETARY

FOUR-POWER MEETING OF FOREIGN MINISTERS

1. THERE WAS A QUADRIPARTITE MEETING OF FOREIGN MINISTERS OVER BREAKFAST IN BRUSSELS THIS MORNING. THE MAIN SUBJECTS DISCUSSED WERE:

- EUROPEAN SECURITY.
- THE URUGUAY ROUND.
- CFE.
- AFGHANISTAN.
- IRAQ/KUWAIT.

DETAILS IN MIFTS

ALEXANDER

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SECRET / *DEDIP*

PRIME MINISTER

Spoken to PM
A. file. on

VISIT TO WASHINGTON

General Scowcroft telephoned this evening to say that the President would be very happy to see you in Washington on Friday 21 December. He normally went up to Camp David on a Friday afternoon to stay the weekend and wondered whether you would like to go up there with him and stay the night, returning to London on the Saturday.

I said that I knew you would be very grateful both for agreement to 21 December and for the invitation to stay overnight at Camp David. I would check with you to see whether the latter was possible: your intention had been rather to fly over on the Thursday night and meet the President on the Friday morning, so that you could be back in the UK for engagements on the Saturday (I had in mind also, but did not mention, the possibility that you might want to go direct from Washington to the Gulf).

We shall need to let the Americans know on Monday whether:

you prefer to stick to your original intention of travelling over to Washington on Thursday night and seeing the President on Friday morning, which would give them no difficulty:

or whether the invitation to spend a night up at Camp David would be more attractive and give a better public signal of early friendship and confidence between you and the President. It would not rule out going on to the Gulf: but it would make it impossible to undertake constituency engagements on Saturday 22 December.

I should be grateful if you could indicate which you would prefer.

CD?

Charles Powell

30 November 1990

c: visit (MJ)

CDP Dr

ck/c



Foreign and Commonwealth Office

London SW1A 2AH

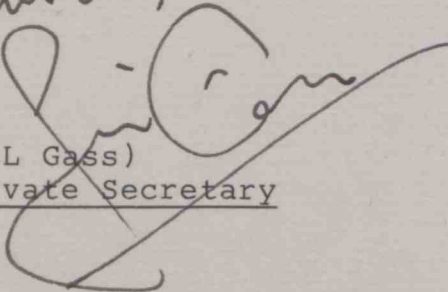
19 November 1990

Dear Charles,

CDP 21/11

Message from the UN Secretary-General

I enclose a message from Mr Perez de Cuellar to the Prime Minister about the World Summit for Children. It does not appear to need a reply, although we will be glad, of course, to supply a draft reply if you want one.

Yours ever,


(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street



THE SECRETARY-GENERAL

31 October 1990

Excellency,

I am writing to thank you for participating in the World Summit for Children at the United Nations on 29-30 September 1990. Your presence, along with that of 70 other Heads of State and Government, made this historic event a great success. Not only was the subject of the meeting - and its outcome - of great importance to children and our common future, but I believe that it also constituted a landmark for the work of the United Nations in the economic and social field.

As the international media have reported, the World Summit for Children captured the imagination of people everywhere and focussed the attention of the leaders of the world on a cause which is of central importance for the future of all nations - the survival, protection and development of children. We know that translating the commitments made at the World Summit on meeting children's needs into successful new initiatives will be a formidable challenge. I am confident, however, that the spirit of commitment to national and multilateral action that was displayed at the World Summit will greatly facilitate the achievement of this vital task.

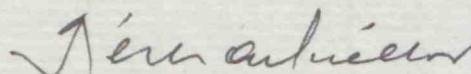
I am well aware that the Declaration which you and other leaders adopted and signed at the World Summit seeks the active support of the United Nations system for the goals and objectives of the Declaration, and that the Plan of Action calls upon the United Nations to institute appropriate mechanisms for monitoring the implementation of the commitments made. I should like to assure you that the United Nations stands ready to support the international community in this regard.

Her Excellency
The Rt. Hon. Margaret Thatcher, F.R.S., M.P.
Prime Minister of the United Kingdom of
Great Britain and Northern Ireland
London

The World Summit requested UNICEF to prepare a consolidated analysis of follow-up actions, and Mr. James Grant, the Executive Director, will be writing shortly to suggest specific measures that UNICEF believes your country may wish to consider in your implementation of the Declaration and Plan of Action.

I know that you will agree with me that it is imperative for us all to seize the opportunity provided by this historic meeting.

Accept, Excellency, the assurances of my highest consideration.



Javier Pérez de Cuéllar

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C/WPDDCS/ FOREIGN/ WORLD



SRW

cc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 October 1990

WORLD SUMMIT FOR CHILDREN

I attach an annotated list of participants at the World Summit for Children. The Prime Minister talked to all those marked with an asterisk. She had full bilaterals with those marked 'A' and conversations of several minutes - at meals or in the margins of the Summit - with those marked 'B'. You may raise your eyebrows slightly at the President of Albania. He button-holed the Prime Minister, who was not initially aware who he was. President Iliescu of Romania was particularly persistent, and appears to speak passable English. The meeting with President von Weizsaecker began well enough, with effusive congratulations on the Aspen speech: but they went on to disagree over his references to Ostpolitik which the Prime Minister described as an outdated concept. The talk with Eugenia Charles was as always affable. Miss Charles said she would not run again in the next elections. The Prime Minister did not hold a separate meeting with President Salinas since they sat next to each other at dinner the first evening. The Prime Minister took King Baudoin to task for his remarks in his toast on the first evening about the need for negotiations over Kuwait.

There were quite a large number of Foreign Ministers present, to several of whom the Prime Minister spoke to briefly, including Shevardnadze, Genscher and Yaqub Khan.

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

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M2-1.



World Summit for Children
Sommet Mondial pour les Enfants

Summit Attendance
as of 5.00 p.m.
29 September 1990

ATTENDANCE LIST AT THE WORLD SUMMIT FOR CHILDREN

The Initiators and/or the Secretariat have to date been notified by Governments that the following Heads of State or Heads of Government intend to participate in the World Summit for Children.

1. ALBANIA
Chairman of the Presidium of the People's Assembly Ramiz Alia
2. ARGENTINA
President Carlos Saúl Menem
3. BANGLADESH
President Hussain Muhammad Ershad
4. BARBADOS
Prime Minister L. Erskine Sandiford
5. BELGIUM
H.M. King Baudouin I
6. BRAZIL
President Fernando Collor
7. BULGARIA
President Zhelyu Zhelev
8. BYELORUSSIAN SOVIET SOCIALIST REPUBLIC
Chairman of the Supreme Soviet Nikolai I. Dementei
9. CANADA
Prime Minister Brian Mulroney

/...

10. CENTRAL AFRICAN REPUBLIC
President André Kolingba
- * 11. CHILE
President Patricio Aylwin
- B * 12. COLOMBIA
President Cesar Gaviria
- * 13. COSTA RICA
President Rafael Angel Calderón-Fournier
- B * 14. CZECH AND SLOVAK FEDERAL REPUBLIC
President Václav Havel
- * 15. DENMARK
Prime Minister Poul Schluter
16. DJIBOUTI
Prime Minister Barkat Gourad Hamadou
- B * 17. DOMINICA
Prime Minister Mary E. Charles
- * 18. EL SALVADOR
President Alfredo F. Cristiani
- * 19. FINLAND
Prime Minister Harri Holkeri
20. FRANCE
Prime Minister Michel Rocard
- * 21. GAMBIA
President Alhaji Sir Dawda Kairaba Jawara
- B * 22. GERMANY, FEDERAL REPUBLIC OF
President Richard von Weizsacker
23. GUINEA-BISSAU
President Joao Bernardo Vieira
24. HOLY SEE
Secretary of State [Head of Government] Agostino Cardinal Casaroli
- * 25. HONDURAS
President Rafael Leonardo Callejas

- * 26. ICELAND
Prime Minister Steingrimur Hermannsson
- * 27. IRELAND
Prime Minister Charles J. Haughey
28. ITALY
Prime Minister Giulio Andreotti
- A * 29. JAPAN
Prime Minister Toshiki Kaifu
- A * 30. KUWAIT
H.H. Sheikh Jaber Al-Ahmad Al-Jaber Al-Sabah
- * 31. LEBANON
Prime Minister Selim El-Hoss
32. LIECHTENSTEIN
Prime Minister Hans Brunhart
- B * 33. LUXEMBOURG
H.R.H. Grand Duke Jean
- * 34. MALDIVES
President Maumoon Abdul Gayoom
35. MALI
President Moussa Traoré
- B * 36. MEXICO
President Carlos Salinas de Gortari
37. MONACO
Minister of State [Head of Government] Mr. Jean Ausseil
- A * 38. MOZAMBIQUE
President Joaquim Alberto Chissano
- * 39. NAMIBIA
President Sam Nujoma
- * 40. NICARAGUA
President Violeta Barrios de Chamorro
- * 41. NIGERIA
Vice-President (Prime Minister) Augustus Aikhomu
42. NORWAY
Prime Minister Jan P. Syde

43. PANAMA
President Guillermo Endara Galimany
44. PAPUA NEW GUINEA
Prime Minister Rabbie Namaliu
45. PERU
Prime Minister Juan Carlos Hurtado Miller
- B * 46. POLAND
Prime Minister Tadeusz Mazowiecki
- B * 47. ROMANIA
President Ion Iliescu
48. RWANDA
President Juvénal Habyarimana
49. SAINT KITTS AND NEVIS
Prime Minister Kennedy A. Simmonds
- * 50. SAINT LUCIA
Prime Minister John G.M. Compton
51. SAMOA
Prime Minister Tofilau Eti Alesana
- * 52. SENEGAL
President Abdou Diouf
- * 53. SIERRA LEONE
President Joseph S. Momoh
- * 54. SPAIN
Prime Minister Felipe González Márquez
55. SUDAN
President of the Revolutionary National Salvation Council Omer
Hassan Ahmed El Bashir
56. SURINAME
President Ramsewak Shankar
57. SWAZILAND
Prime Minister Obed Dlamini
- * 58. SWEDEN
Prime Minister Ingvar Carlsson

59. TUNISIA
Prime Minister Hamed Karoui

A * 60. TURKEY
President Turgut Özal

* 61. UGANDA
President Yoweri Kaguta Museveni

B * 62. UKRAINIAN SOVIET SOCIALIST REPUBLIC
Chairman of the Council of Ministers Vitaly A. Masol

63. UNITED KINGDOM OF GREAT BRITAIN AND IRELAND
Prime Minister Margaret Thatcher

* 64. UNITED REPUBLIC OF TANZANIA
President Ali Hassan Mwinyi

A * 65. UNITED STATES OF AMERICA
President George Bush

* 66. URUGUAY
President Luis Alberto Lacalle

* 67. VANUATU
Prime Minister Walter H. Lini

68. VENEZUELA
President Carlos Andrés Pérez

69. YUGOSLAVIA
President Borisav Jović

70. ZAIRE
Prime Minister Lunda Bululu

B * 71. ZIMBABWE
President Robert G. Mugabe

EGYPT
President Mohamed Hosni Mubarak represented by Mrs. Suzanne Mubarak

PAKISTAN
Prime Minister Ghulam Mustafa Jatoi represented by Foreign Minister
Sahebzada Yaqub-Khan



file

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

3 October 1990

Thank you for your letter of 26 September enclosing some material which you suggested the Prime Minister might raise with President Bush when she saw him in New York. As I forewarned when we spoke on the telephone, she was not able to do this.

ANDREW TURNBULL

David Law, Esq.

h

PERSONAL AND CONFIDENTIAL

ANDREW TURNBULL

1 October 1990

STRATEGIC RESEARCH

Thank you for your note of 27 September.

I do know something about the issues raised in the letter to the Prime Minister.

1. The Sage method of analysing the problems of schools is an interesting tool for strategic planning.
2. Sage is a profit making company which is quoted on the stock exchange. The individuals backing it have become quite wealthy. Because the profit making company was not able to receive donations from charities they set up a private trust alongside Sage.
3. A close friend of mine (who is the President of a large educational charity) decided to enter into a private venture with them. He says that it was a disaster. All of his Board are extremely angry with the way in which they behaved - they were dishonest and devious.
4. I also gather that the Californian education system spent quite a lot of money on Sage but that an evaluation of their work by the Department of Education (Washington) claims that only 2 out of the 8 schools in which they experimented are really working. I am told that the existing contracts will be phased out by the State of California when they expire.

PERSONAL AND CONFIDENTIAL

My strong advice would be that the Prime Minister should not get involved with them.

Brian Griffiths

BRIAN GRIFFITHS

(039)

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MEETING RECORD
SUBJECT CC MASTER



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apc

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 October 1990

Dear Jasper,

PRIME MINISTER'S MEETING WITH THE SAUDI FOREIGN MINISTER

The Prime Minister had a meeting in New York this afternoon with the Saudi Foreign Minister. Prince Saud was accompanied by Prince Bandar, the Saudi Ambassador in Washington.

The Gulf

Prince Saud complimented the Prime Minister on her interviews on early morning television and the severity with which she had ruled out negotiations. This was exactly the right line to take. President Mitterrand's speech at the UN had been a hornet's nest, although he now seemed to be backing away from it. Luckily the Iraqis, instead of trying to exploit the speech, had jumped all over it. But Mitterrand was not the only one: he had himself seen Signor Andreotti earlier in the day and found him casting around for some negotiated solution. The truth was only military strength and the prospect of a confrontation would get Saddam Hussain out of Kuwait. The Prime Minister said she was doubtful whether he would leave even then. Prince Saud said that he might do so, if he was isolated and if we had enough force and the will to use it. Saddam Hussain was gambling that the Western countries would not be prepared to make sacrifices to recover Kuwait. Prince Saud commented that it was a positive development to have Russians aboard. Although they might not openly approve the use of force, at least they would not try to prevent it. The Prime Minister commented that they needed the West too much for that.

The Prime Minister said there was still not enough effective counter-propaganda against Iraq. She had discussed this with the Amir of Kuwait and understood that the Iraqis were jamming foreign broadcasts to both Kuwait and Iraq. Prince Bandar said the thing was to broadcast on Iraqi frequencies with a more powerful transmitter and drown them out.

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Prince Saud continued that the picture in the Arab world was improving. The countries standing with Saudi Arabia were sending more forces. The Syrians were ready to send another division, as were the Egyptians. There had been a positive response, too, from several West African countries. He had talked to the Iranians in New York and was reasonably confident they would not exploit Islamic emotions over the presence of foreign troops.

Relations with Syria

Prince Saud said that he had a plea to make to the Prime Minister and that was to ask the United Kingdom should restore relations with Syria. The Syrians had done extraordinary service to the Saudi cause in the Gulf and were playing a vital role with the Iranians. It would be very helpful if Britain could get back into contact with them. The Prime Minister intimated that we had taken some discreet steps in that direction, but the response had been very disappointing. Prince Bandar said that it would be better to have told the Saudis first and they could have arranged things. Prince Saud urged that we should not give up but should make a further attempt, allowing the Saudis to prepare the ground for this. The Prime Minister said that she would discuss this with the Foreign Secretary.

Al Yamamah Project

Prince Saud said that King Fahd had instructed him to tell the Prime Minister formally that newspaper speculation that the defence contracts which Saudi Arabia was placing with the United States would be at the expense of Al Yamamah were absolutely not true. If anything, Saudi Arabia was likely to ask for more equipment under Al Yamamah. We should give no credence to the stories.

British forces in the Gulf

The Prime Minister gave an account of the additional forces we were sending to the Gulf. Prince Bandar asked when they would be ready for action. The Prime Minister said they should be in place and operational by the first half of November. Prince Bandar said that we ought to be ready for military action against Iraq as soon as possible thereafter. Prince Saud commented while adding that the Iranians were passing on very useful information about the chemical weapons used by the Iraqis.

Jordan

Prince Saud asked whether the Prime Minister had been in contact with the Jordanians. The Prime Minister said she had seen Crown Prince Hassan but had not found him very helpful. She thought the Jordanians were now genuinely trying to apply sanctions. She was not sure that King Hussein had been fully apprised of some of the earlier breaches. Prince Saud said that the King was still acting as an apologist for Saddam Hussain. What the Saudis found hardest to forgive was the way he was consorting with Palestinian extremists and giving them credibility. The Prime Minister said it would nonetheless be

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very unfortunate if we were to lose King Hussein. Prince Saud said that Saudi Arabia would be ready to help him if he got back on the right track. Prince Bandar commented that King Hussein had pulled off a remarkable feat of alienating the four countries of the world which were most important to Jordan: the United States, the United Kingdom, Egypt and Saudi Arabia. Prince Saud concluded that, overall, the situation in the Arab world was turning and getting better.

I am copying this letter to Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry), John Gieve (H.M. Treasury) and Sonia Phippard (Cabinet Office).

Yours sincerely,
C. D. Powell

C. D. POWELL

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

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MEETING RECORD
SUBJECT MASTERLle
apc10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 October 1990

Dear Steve,

PRIME MINISTER'S MEETING WITH THE CANADIAN PRIME MINISTER

The Prime Minister had a talk in New York this morning with the Canadian Prime Minister. Mr. Mulroney was accompanied by his new Chief of Staff, Norman Spector, and by an unidentified lady. He seemed in somewhat better form than when the Prime Minister had seen him before the summer break, but not much.

Children's Summit

The Prime Minister congratulated Mr. Mulroney on his handling of the Children's Summit which had been exceptionally skilful. Mr. Mulroney said he was most grateful to the Prime Minister for taking part even though she had not originally intended to do so.

Gulf Crisis

Mr. Mulroney asked the Prime Minister's views on the Gulf crisis. Britain had made a marvellous contribution. He wondered what the Prime Minister expected to happen next and when. He had talked to the Turkish Prime Minister who clearly wanted to see Saddam Hussain liquidated, and was intending to seek compensation from Iraq for the costs incurred by Turkey in looking after refugees. He had also been asked by Queen Noor what advice he could give to Saddam Hussain and had said two things in reply: that if there was a confrontation with the Americans, Saddam Hussain would be a dead man; and secondly, that his advice would be to get out of Kuwait while he still could. His only worry was over US public opinion which could become less firm. Support in Canada for sending forces to the Gulf was surprisingly and uncharacteristically high.

The Prime Minister said no-one could say exactly what would happen. President Mitterrand had not helped matters by his proposal for negotiations: that was a real blob. The trouble was that he meant it. She knew Ozal's view. We all had to hope that, by the time we had finished with Saddam Hussain, he would fall victim to some internal opposition or coup. Meanwhile, we should continue to tighten the noose through the United Nations, in particular with resolutions on reparations and war crimes. Mr. Mulroney asked where the Prime Minister thought we would be by Christmas. The Prime Minister said that was the sixty-four thousand dollar question and not the sort of thing she would want to answer in front of others.

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EC/North Atlantic Declaration

Mr. Mulroney said that the EC was working up a declaration with the United States and Andreotti would be seeing President Bush in November. The Prime Minister interjected that Canada must be included and we would continue to speak up for that. Mr. Mulroney said that it would indeed give him considerable difficulties domestically if Canada were to be omitted after all they had contributed to Europe. The Prime Minister said she would raise the matter at the Rome Heads of Government meeting.

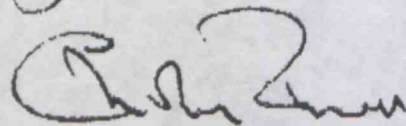
Canadian politics

The Prime Minister and Mr. Mulroney had a brief exchange about Canadian politics. Mr. Mulroney said the new Leader of the Opposition was even worse than his predecessor. He himself was taking considerable stick, in particular for his economic policies and the new sales tax. But at least he had succeeded in getting inflation down to four per cent. The Prime Minister commented that he had done much better than the UK in this respect. But we were making reduction of inflation our main priority.

London Economic Summit

Mr. Mulroney said he would be most grateful if the Prime Minister could let him know the approximate timetable for the London Economic Summit. The Prime Minister said that it would be in July next year and she would try to let Mr. Mulroney have a more precise idea of the dates. I would write to Mr. Spector about this.

I am copying this letter to John Gieve (H.M. Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours sincerely,


C. D. POWELL

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

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MEETING RECORD
SUBJECT CC MASTER

CC MIDDLE EAST:
SITUATION A30

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file
all

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 October 1990

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE AMIR OF KUWAIT

The Prime Minister had a meeting at the Kuwaiti Mission to the UN in New York this morning with the Amir of Kuwait. She was greeted by what appeared to be virtually the whole Kuwaiti Cabinet who evidently expected to attend the meeting. But the Amir popped the Prime Minister into a lift and disappeared to the sixth floor, where he barricaded himself in. The interpreter and I eventually succeeded in gaining admittance but the rest were repelled by the Amir with obvious glee.

The Prime Minister began by setting out our position on the occupation of Kuwait, a position which had never faltered. Saddam Hussain must get out of Kuwait and the Amir must be restored. There could be no negotiation about that. In addition, Iraq must pay reparations for the damage to Kuwait and those who were responsible for the perpetration of brutal acts must be brought to account. We would have nothing to do with negotiations. We had sent our forces to the area, and would be ready to use them if necessary to recover Kuwait. This would be fully justified under Article 51 of the UN Charter, and oral requests from some of the Amir's Ministers, which the Amir would no doubt confirm to her. It might also be useful to have this in writing in due course. We would not falter but would persist until these objectives had been achieved.

The Amir said that he agreed one hundred per cent with what the Prime Minister had said. He would like to thank the Prime Minister for all that she and the United Kingdom had done for Kuwait. He valued the friendship between Kuwait and Britain very highly. It was not new but something which had stood for scores of years. Britain had always stood by Kuwait and that was much appreciated. He wished to convey his gratitude to the British people and in particular to the wives, mothers and children of the British forces, whom he hoped would return to see their families safely. He would state formally that he requested the United Kingdom to recover his country using force if necessary.

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The Amir continued that in his meeting with US Congressmen, he had been asked what would happen when Saddam Hussain withdrew from Kuwait. He had replied it would still be a great threat to the security of the area as a whole, and particularly Iraq's neighbours. Some of the Congressmen had thought this was the right moment to destroy Saddam Hussain's military machine. The Prime Minister said that she was well aware of this aspect. Personally she did not think Saddam Hussain would withdraw under the pressure of sanctions, which was why we had to keep the military option open. If it did come to a conflict, the result would probably be to smash the Iraqi military machine. If contrary to this expectation, Saddam Hussain did withdraw, it must be without any conditions at all. We would need to instigate tight regional security arrangements. We would also have to make fresh efforts to solve the Arab/Israel problem. The Prime Minister asked whether the Amir expected Saddam Hussain to withdraw. The Amir said that he did not think so but we must take the possibility into account.

The Prime Minister asked the Amir what information he had about the situation inside Kuwait. The Amir said that there had been quite an active resistance movement. But this had led to brutal retaliation from the Iraqis. They punished whole areas of the city and shot people in front of their families. The Kuwaiti Government had therefore concluded that active resistance was counter-productive, given Kuwait's small population and had asked the resistance to avoid acts which would lead to massive retaliation.

The Prime Minister said it was very important for the Kuwait government constantly to put its side of the case publicly, especially at a time when some people were playing with the idea of negotiations. The Amir said that he appreciated this but the Kuwaitis badly needed some mobile transmission vans. He had put a similar request to the Americans. They would, of course, be prepared to obtain them commercially. The Prime Minister said we would look into this.

The Prime Minister said that, if we had to resort to the military option, she hoped we could rely on the Kuwaitis to give us detailed information about conditions in Kuwait and any other information which might be of use. The Amir confirmed that they would be fully prepared to do this.

The Prime Minister told the Amir that we would be announcing the appointment of the Commander of our forces in the Gulf later in the day. He was someone who had extensive experience of fighting. The Amir welcomed this, while commenting that there were plenty of indications of low morale among Iraqi forces, many of whom were defecting.

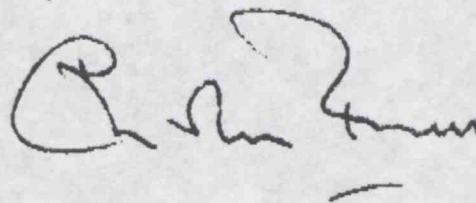
Concluding the encounter, the Prime Minister said that she wanted to congratulate the Amir on the tremendous success of his speech to the United Nations and the response which it had evoked. We must all be ready to see the matter through to a successful conclusion, while keeping world opinion on our side.

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I am copying this letter to Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Your friend,

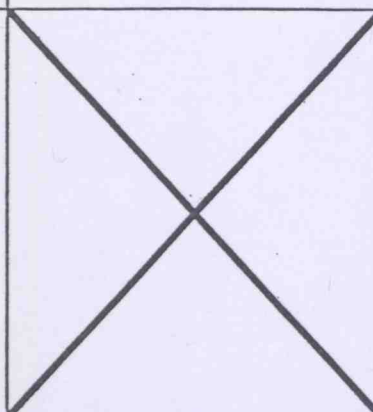
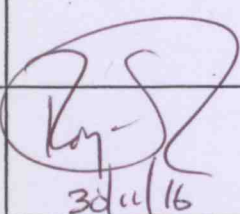


C. D. POWELL

J. S. Wall, Esq., L.V.O.,
Foreign and Commonwealth Office

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The National Archives

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>3208</i> (one piece/item number)	Date and sign
Extract details: <i>Powell to Wall 30/9/90</i> <i>(PM's meeting with President Bush)</i>	
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Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

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MEETING RECORD
SUBJECT CC MASTER



10 DOWNING STREET

LONDON SW1A 2AA

30 September 1990

From the Private Secretary

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE PRESIDENT OF MOZAMBIQUE

The Prime Minister had a talk this afternoon with President Chissano, during an intermission from the World Children's Summit. She had also sat next to him at dinner the previous evening. The President was accompanied by one of his Ministers (I am afraid I could not identify him) and his Foreign Policy Adviser.

President Chissano gave an account of his plans for constitutional advance. He would be returning from New York to put arrangements in hand for the new constitution, irrespective of whether there was progress in peace talks with Renamo. He could tell the Prime Minister in confidence that the Mozambicans were thinking of inviting a select number of countries to observe the elections and ensure they were fair (although there were bound to be some difficulties). He very much hoped Britain would be one of the countries. He could also tell her that the Commonwealth Secretary General had offered to organise a seminar to train the members of a National Electoral Commission for Mozambique.

The Prime Minister asked how President Chissano saw the timetable for agreement with Renamo. The President said that it ought to be possible to get everything arranged by the second half of next year. There was not really much to talk about. But he was worried by reports that Renamo would conceal forces in the country who would resume their activities if Renamo failed to win elections. The Prime Minister referred to the example of other countries who had invited election observers, such as Zimbabwe, Nicaragua and Namibia. President Chissano said that the circumstances in all these were rather different. But he could assure the Prime Minister that Mozambique wanted to open itself as much as possible.

The Prime Minister asked whether President Chissano had any better idea where Renamo obtained its funds. President Chissano shrugged and said that Portuguese businessmen might be one of the sources. A delegation from Renamo had been in Portugal recently.

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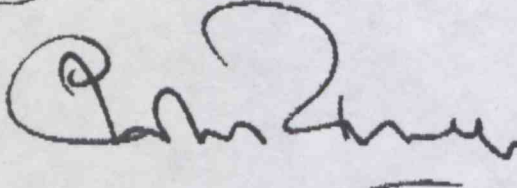
- 2 -

President Chissano said that Mozambique would need to reorganise its armed forces once there was a cease-fire and a peace settlement. He hoped they could look to the United Kingdom to provide help with the integration of the two armed forces. The Prime Minister said there were many demands on us, but we would see to what extent we could help when the time came.

President Chissano said he was grateful to our High Commissioner in Nairobi for raising various rumours about Kenya's support for Renamo with President Moi. He hoped we would tell Moi that he did not have any ill-feeling about Kenya: he was only trying to verify the facts.

The Prime Minister said she was glad to see President Chissano was more optimistic about the way ahead in Mozambique. The President said that some people thought he was going too fast, but he was determined to press ahead. Mozambique would need some help with the costs of moving towards democracy and hoped it could look to friends. They would also need assistance with re-settlement. The Prime Minister said that no doubt the President would be turning to various international organisations for help. We had already provided generous assistance to Mozambique. But we would continue to play our part.

I am copying this letter to John Gieve (H.M. Treasury), Simon Webb (Ministry of Defence), Suma Chakrabarti (Overseas Development Administration) and Sonia Phippard (Cabinet Office).

Yours sincerely,


C. D. POWELL

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

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FILE

MEETING RECORD
SUBJECT CC MASTER10 DOWNING STREET
LONDON SW1A 2AA

30 September 1990

From the Private Secretary

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE PRESIDENT OF TURKEY

The Prime Minister had a 45-minute talk with President Ozal in the UN building this morning, at the end of the first full session of the World Children's Summit. The President was accompanied only by his Private Secretary.

The Gulf

The Prime Minister said that we owed a great debt to Turkey for the firm and speedy action taken to close off Iraqi oil exports through the pipeline. That had been a decisive move. President Ozal said that Saddam Hussain was under great pressure. He could now either go in a suicidal direction or take a step back. The right course for the rest of the world was to increase political pressure on him and make clear that there was no scope for negotiation. If he felt there was a possibility of achieving even part of his aims by negotiation, he would hang on. The Prime Minister asked what sort of timescale President Ozal thought we should give for sanctions to work. President Ozal said he thought two or three months would be right. We should use that time to get further decisions out of the United Nations which would increase the pressure. There was a school of thought that took the view that Saddam Hussain was prepared to go down in flames taking his people with him. But personally he was inclined to doubt this. After all, he had given back everything he had taken in the war with Iran.

President Ozal continued there was some evidence that the embargo was working. A number of Iraqi soldiers were seeking refuge in Turkey and claimed that others would not fight. There was a tendency on the part of the media to make Saddam Hussain appear ten feet tall. We should not exaggerate his strength. The Prime Minister asked whether President Ozal thought Saddam Hussain would use chemical weapons. President Ozal rather doubted it: it would be extremely dangerous for him. When he had used them in the Iran/Iraq war, the context had been very different: everyone was against Iran. This time he was isolated. The President added that another point which showed that Saddam Hussain was getting desperate was his offer to give Turkey two years worth of oil for free. That demonstrated he was feeling the pinch.

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- 2 -

President Ozal asked the Prime Minister to tell him very frankly whether she thought there would be a war or not. The Prime Minister said no-one could know, but we had to be prepared for anything. The President asked what we would do if Saddam Hussain after all withdrew from Kuwait. The Prime Minister said we should insist on reparations for the appalling devastation wreaked on Kuwait. We would also have to devise security arrangements to isolate Saddam Hussain after withdrawal. She was worried that he still seemed to enjoy considerable popularity in some Arab countries. President Ozal said this underlined the importance of working out a solution to the Arab/Israel problem. We also had to make our counter-propaganda more effective. It was absurd that Saddam Hussain should claim that he was the friend of poor Arabs. Iraq was one of the richest countries of all, but Saddam Hussain had misused its wealth. We should all be doing more to get this point across. For instance, we should use the BBC for this purpose. The Prime Minister commented that a large number of Palestinians worked for the BBC Arabic Service. She thought that President Mubarak was probably the most skilful at putting over counter-propaganda.

President Ozal said that he had not yet seen any financial aid although it had been promised. But he had hopes that it would be forthcoming soon. He would himself be visiting Saudi Arabia and some of the Gulf States in October. He was grateful for our action in raising the question of textile quotas within the European Community. But the Commission's reaction that an increase for Turkey would have to be matched by increases for others was misplaced. Turkey's situation was entirely different: other countries would eventually see their trade with Iraq restored but Turkey would suffer a permanent deprivation of trade, because the action it had taken against Iraq had been so devastating in its effect and would cause lasting resentment. Anyway, Turkey wanted to continue to increase the proportion of its trade with the West. The Prime Minister said that we would continue to pursue the subject of textile quotas within the European Community.

Cyprus

The Prime Minister gave President Ozal a brief account of her talk with President Vassiliou last week. She wondered how Turkey saw the next steps. President Ozal said that Cyprus' application for membership of the European Community was a problem. Turkey was prepared to ask Denktash to start to negotiate seriously under the auspices of the United Nations Secretary General provided the Greek Cypriots would give proof of their good intentions. Obviously Vassiliou could not be expected to withdraw the application to the EC. But the Greek Cypriots should co-operate in ending some of the restrictions placed on the northern part of Cyprus, for instance refusal to accept their postage stamps and other minor but irritating measures. The Prime Minister commented that President Vassiliou tended to complain that the European Community was too accommodating towards Northern Cyprus. President Ozal repeated that if we could iron out some of these difficulties, then there might be some progress. His basic concern remained as he had explained it to the Prime Minister before: if you tried to put the two parts

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of Cyprus back together again now, they would start to fight again and that would draw in both Turkey and Greece. At least in the present situation, the problem was contained. We had to find a way to get the two parts of Cyprus to understand each other better - in the same way as there was now better understanding developing between Greece and Turkey. Turkey could persuade the Turkish Cypriots to give evidence of their good intentions if he could be certain the Greek Cypriots would reciprocate. The Prime Minister said it was important not to get into a situation where each side was waiting on the other. There had to be a move forward, and it had to be soon while Perez de Cuellar was still United Nations Secretary-General with all his knowledge of the Cyprus problem.

Polly Peck

President Ozal said that the Turkish Government found it exceedingly hard to understand what was going on over Polly Peck. First there had been rumours, then the intervention by the Serious Fraud Office which had brought the share price crashing down. The Turkish Economics Minister had written to see whether there was anything the Turkish Government could do to help, and the reply had been that Turkey would have to produce very substantial sums of money by 1000 hours on 1 October which was simply impracticable. He thought Mr. Asil Nadir should be given time to obtain the support of Turkish banks.

The Prime Minister said the problem was not one for Government. The Serious Fraud Office was entirely independent of Government. The fact they were making inquiries did not necessarily mean that a person or company was guilty. Quite separately there was the question whether Polly Peck was able to meet its financial obligations to its banks. This was not a matter for Government either: we had simply passed on to the Turkish Government what we understood to be the position of the banks. Although Polly Peck was a British company, most of its assets and workforce were outside the United Kingdom and British banks held only a small proportion of its debt.

Commercial Prospects

The Prime Minister said that we believed that the BAe bid for Turksat was the lowest and the best and we were perturbed at indications that, despite this, there seemed to be an intention to award the contract to Aerospatiale. President Ozal said that he had looked further into this since the Prime Minister had last raised it with him and had to say that the matter had been definitively resolved in favour of Aerospatiale. The Prime Minister commented that this was very unsatisfactory. Other British companies were interested in a major defence order under the name of Project Eagle. She hoped that their bid would be given very serious consideration. President Ozal took note of this. (I have to say this part of the conversation was conducted on the move through the United Nations corridors and I cannot vouch for the absolute accuracy of my report: the Prime Minister walks very fast and President Ozal was puffing hard to keep up.)

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- 4 -

I am copying this letter to John Gieve (H M Treasury), Martin Stanley (Department of Trade and Industry), Simon Webb (Ministry of Defence), Paul Tucker (Bank of England) and Sonia Phippard (Cabinet Office).

Yours sincerely,

C. D. Powell

C. D. POWELL

J. S. Wall, Esq., L.V.O.,
Foreign and Commonwealth Office

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File

MEETING RECORD
SUBJECT CC MASTER



10 DOWNING STREET

LONDON SW1A 2AA

30 September 1990

From the Private Secretary

See Hoyle,

PRIME MINISTER'S MEETING WITH THE PRESIDENT OF JAPAN

The Prime Minister had a brief talk with Mr. Kaifu over breakfast in the United Nations building this morning. Mr. Kaifu subsequently came for a talk with her in the hotel, accompanied by his Foreign Minister, Deputy Cabinet Secretary and initially nine other officials (whom I managed to reduce to three by the end of the meeting). The conversation was, on both occasions, almost entirely about the Gulf, although there was a brief exchange about prospects for the Uruguay Round.

The Gulf

The Prime Minister thanked Mr. Kaifu for the generosity of Japan's contribution to burden-sharing in the Gulf crisis. She thought everyone had stuck together very well. No-one could tell for certain whether sanctions would work or not. We had to go on being very firm and resist the temptation to talk about compromise. Mr. Kaifu said that he would shortly be visiting Egypt, Jordan, Turkey, Saudi Arabia and Oman. He was very eager to hear about suggestions which the Prime Minister had for how he should handle the visit. The Prime Minister commented that Mr. Kaifu would find considerable friction between Saudi Arabia and Jordan. The Saudis were clearly resolved not to give Jordan any help. Mr. Kaifu said that President Bush had asked him to disburse a portion of Japan's financial help as rapidly as possible. They would therefore be making \$600 million available for the three countries most affected by the sanctions. The remaining \$1.4 billion would be disbursed in consultation with the IMF and the World Bank. It was excellent that other countries had been so united in implementing sanctions against Iraq in accordance with UN Resolutions. Saddam Hussain should now be reflecting on his isolation. He would be most interested to hear the Prime Minister's assessment of whether sanctions would work.

The Prime Minister said no-one could know the answer to that. She could only say that sanctions would not work if exceptions were allowed. There was a particular problem over food. The Indians were proposing to distribute food without ICRC supervision. This sort of exception risked making a gaping

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- 2 -

hole in sanctions. The right course was to draw the noose around Iraq steadily tighter, to isolate it totally and to stand for no nonsense about negotiations. If we all did that, there was a chance sanctions would work. But we must make clear that Saddam Hussain would have to pay reparations for the dreadful damage done to Kuwait. He must not be allowed to get away with anything. Meantime, we would continue to build up our forces in the area in case sanctions did not work. The military option had to be there: and we had to be present in real strength in case that option had to be used.

Mr. Kaifu absolutely agreed that we could not tolerate that a stronger country should invade a weaker one. Japan wished to act in close co-operation with the United States and the United Kingdom and welcomed their leadership. It was also encouraging that the Soviet Union was behaving more co-operatively. The Prime Minister commented that it was no less important to have the support of a majority of Arab countries. There were signs that some of the waverers were now coming round.

Uruguay Round

The Prime Minister said that the Uruguay Round negotiations appeared to be running into difficulties, particularly on agriculture. We simply could not afford a failure. Mr. Kaifu said he had held Cabinet meeting in Tokyo before his departure to discuss the situation and had instructed his Cabinet Ministers to work hard to make a success of the negotiations.

The meeting had to break at this point to enable the Prime Minister and Mr. Kaifu to leave for the concluding session of the World Children's Summit.

I am copying this letter to John Gieve (H.M. Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

John Gieve,
C. D. Powell

C. D. POWELL

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

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FOLLOWING FOR THE PRIME MINISTER FROM MRS. MARY WHITEHOUSE

MESSAGE BEGINS:

If you are not already intending to raise the matter of the international trade in child pornography at your Conference today, may we beg you to do so.

As you are already aware children the world over are at risk, even of their lives, from this evil and perverted trade in their bodies.

Nothing but a world-wide campaign to halt this flood of cruelty will save them. May I suggest that no-one is more qualified and capable than you to give a lead in the fight against such appalling exploitation and we beg you to do so. The world will listen and hopefully governments will act.

MRS. MARY WHITEHOUSE, CBE

30 SEPTEMBER 1990

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MEETING RECORD
ORIGINAL FILED ON
MIDDLE EAST: SITUATION
Pt 30.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 September 1990

Dear Stephen,

PRIME MINISTER'S MEETING WITH CROWN PRINCE HASSAN OF JORDAN

The Prime Minister had a meeting at Heathrow with Crown Prince Hassan of Jordan this morning, before her departure for New York. He was his usual voluble self. He handed over five papers in the course of the meeting. I enclose copies (strictly for enthusiasts).

The Prime Minister began by saying that she was always ready to see King Hussein or Crown Prince Hassan at any time. She hoped the uniquely friendly personal relationship would continue, despite the serious differences which had arisen between Britain and Jordan over Iraq's invasion of Kuwait.

Crown Prince Hassan said he thought the differences were perhaps smaller than the Prime Minister believed. He then handed over the first of his papers, showing the extent to which Jordan was part of the international consensus against Saddam Hussain. Jordan could never accept annexation anywhere and fully supported the demand for Iraq's withdrawal and restoration of the lawful government of Kuwait. Jordan was applying sanctions despite the enormous economic damage which it was suffering as a result. But Jordan's friends had to recognise that Saddam Hussain was immensely popular in Jordan, and this constrained the government's freedom of action. He wished to add two further points to his note. First, as regards the recent meeting of radical Palestinian groups in Jordan, Jordan's opposition to terrorism remained absolutely firm and unwavering. That was not true of some of those who were arraying themselves so prominently against Iraq. Secondly, he acknowledged that Israel's position in the present crisis had been restrained, indeed honourable.

The Prime Minister said this description of Jordan's position was undermined by doubts about how far Jordan was really implementing sanctions: and by the King's attempts to find some compromise solution which fell short of the requirements of the UN Security Council's resolutions. Crown Prince Hassan produced another paper (or in this case non-paper) which set out Jordan's views on a negotiated solution to the crisis. Jordan was not an apologist for Saddam Hussain but for peace. Her role was that of a facilitator not a negotiator. Tariq Aziz would be in Amman

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Today. King Hussein would make quite clear to him that any solution could only be based on Iraq's withdrawal from Kuwait. He would not continue his efforts for a negotiated solution unless Iraq acknowledged this. Crown Prince Hassan continued that King Hussein's efforts were being made in agreement with King Hassan of Morocco and other North African heads of government, and with the indirect blessing of Saudi Arabia. The Prime Minister said it must be crystal clear that Iraq had to withdraw without any pre-conditions whatsoever and that the lawful government should be restored. Iraq had no claim on Kuwait in history or in law. Crown Prince Hassan said he accepted this, although one should remember that Resolution 660 called for negotiations. The Prime Minister said that this was not negotiations about territory but about differences over oil policy. The Crown Prince continued that the problem, in the present situation, was the total absence of dialogue. The Iraqis had no real conception of the degree of outrage in the rest of the world.

The Prime Minister said that she was doubtful whether Saddam Hussain would withdraw from Kuwait under the pressure of sanctions. His statements were becoming steadily more uncompromising. Meanwhile, the Iraqis were behaving savagely in Kuwait itself. Sanctions had to be observed one hundred per cent, with no exceptions even for food, if there was to be any prospect of their working. We recognised the difficulties for Jordan and were prepared to join in international efforts to help - but only provided Jordan was rigorous in its application of sanctions. Crown Prince Hassan said there were absurd stories in circulation alleging that Jordan had territorial claims on Saudi Arabia, and prior knowledge of Iraq's invasion of Kuwait. The fact was Jordan was suffering more than anyone in the present situation. Over 100,000 Jordanians had been expelled from Gulf States, including families who had been there for forty years or more. (He observed that Israel had behaved responsibly by allowing 40,000 of these to return to the West Bank.) He handed over another memorandum on measures taken by Jordan to implement sanctions. He thought there was still a chance that Saddam Hussain could be brought to withdraw. The Prime Minister commented this would only happen if Saddam Hussain was convinced that otherwise he would be defeated. The Crown Prince said the answer was to keep up present policies, but to avoid too much megaphone diplomacy.

The Crown Prince continued that Jordan felt it was being foresaken by its friends. It had lost nearly 50 per cent of its GNP as a result of sanctions and the fall in remittances. The Saudis action in cutting off oil at six hours notice had been particularly brutal, and they were now refusing any help at all. The Prime Minister said that the Saudis had been exasperated by Jordan's conduct and she had some understanding for their point of view.

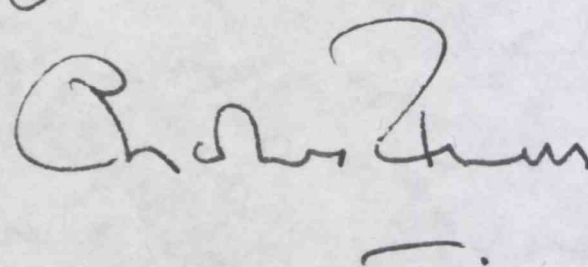
Reverting to the issue of terrorism, the Prime Minister said that we were being encouraged to restore relations with Syria. Did the Crown Prince think that Syria was still supporting terrorism? The Crown Prince indicated this was certainly the case.

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The Prime Minister said she wanted to repeat a point which she had made to King Hussein. Part of the wider problem in the Middle East stemmed from the King's decision to pull out of administration of the Occupied Territories. Until then, Jordan had been pivotal in seeking a solution. Following his decision, things had started to go wrong. Part of the key to the future would be to pick up the threads on Arab/Israel again. She very much hoped that the King would be willing to play his part. Arafat and the PLO had lost all credibility. She was convinced that the Americans would be determined to make progress. The Crown Prince said that he would make these points to the King: personally he agreed with them.

I am copying this letter to Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Yours sincerely,


C. D. POWELL

J. S. Wall, Esq., L.V.O.,
Foreign and Commonwealth Office

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SIC
THE US DOMESTIC POLITICAL SCENE

SUMMARY

1. THE GULF AND THE BUDGET DOMINATE THE POLITICAL SCENE. ON THE FORMER, CONTINUING SUPPORT FOR THE PRESIDENT, QUALIFIED BY DOUBTS ABOUT THE FUTURE, AND UNFAVOURABLE COMPARISONS WITH DOMESTIC POLICY.

2. OUTLINES OF A DEFICIT REDUCTION PACKAGE EMERGING: BUT MUCH STILL TO PLAY FOR IN THE RUN-UP TO THE 30 SEPTEMBER DEADLINE. A POLITICALLY UNATTRACTIVE COMBINATION OF TAX INCREASES AND SPENDING CUTS MAKE CONGRESSIONAL CONFIRMATION DIFFICULT, BUT MORE PROBABLE THAN THE CHAOS OF AUTOMATIC SPENDING CUTS. LITTLE MOVEMENT IN OTHER AREAS OF DOMESTIC POLICY.

DETAIL

3. THE PRIME MINISTER MAY LIKE A SNAPSHOT OF THE US DOMESTIC POLITICAL SCENE BEFORE HER MEETING WITH THE PRESIDENT ON 30 SEPTEMBER.

4. TWO ISSUES - AND THEIR CONSEQUENCES FOR THE ECONOMY AND THE MID-TERM ELECTIONS ON 6 NOVEMBER - DOMINATE THE SCENE: THE GULF CRISIS, AND THE BUDGET DEFICIT NEGOTIATIONS, WITH IN RECENT DAYS THE LATTER ECLIPSING THE FORMER AS THE DEADLINE OF MIDNIGHT ON 30 SEPTEMBER HAS APPROACHED.

IRAQ/KUWAIT

5. DESPITE CONTINUING CONGRESSIONAL CRITICISM OF CERTAIN LIMITED ASPECTS OF ADMINISTRATION POLICY (HANDLING OF IRAQ BEFORE THE INVASION, AND THE FURTHER ARMS SALES TO SAUDI ARABIA AND FORGIVENESS OF EGYPTIAN DEBT: MY TELNO 2286 (NOT TO ALL)), THE PRESIDENT CONTINUES TO ENJOY SOLID AND WIDESPREAD PUBLIC AND POLITICAL SUPPORT FOR HIS POLICIES TOWARDS IRAQ. THERE IS EVERY SIGN THAT OPINION HAS SETTLED DOWN FOR THE LONG HAUL, AND NO REAL EVIDENCE OF IMPATIENCE WITH THE STRATEGY OF DOING EVERYTHING POSSIBLE TO ENSURE THAT SANCTIONS BITE, WHILE MAKING PRUDENT PREPARATIONS FOR WAR.

6. BUT ALTHOUGH MOST AMERICANS SEEM PRIVATELY TO BELIEVE THAT WAR MAY EVENTUALLY BE INEVITABLE, ITS LIKELY COSTS AND CONSEQUENCES HAVE NOT YET BEEN FULLY EXPLORED BY EITHER PRESS OR PUBLIC. PARTLY THIS IS BECAUSE THE UNCERTAINTIES ARE TOO GREAT FOR SENSIBLE ANALYSIS, BUT IT MAY ALSO BE BECAUSE AMERICANS ARE HOPING AGAINST HOPE THAT WAR CAN BE AVOIDED, AND THAT, IF IT DOES COME, IT CAN BE BROUGHT QUICKLY TO A CONCLUSION, MAINLY BY THE USE OF OVERWHELMING AMERICAN AIRPOWER. SUGGESTIONS FROM THE MORE SOPHISTICATED COMMENTATORS THAT THE ADMINISTRATION IS NOT BEING ENERGETIC ENOUGH IN PURSUING DIPLOMATIC ALTERNATIVES TO WAR HAVE NOT SO FAR FOUND AN ECHO IN THE COUNTRY AS A WHOLE, BUT ARE STARTING TO BE PICKED UP IN CONGRESS. AND, DESPITE THE CONTRIBUTIONS ANNOUNCED BY THE ALLIES IN RECENT WEEKS, BURDEN-SHARING REMAINS A CONSTANT THEME.

7. OF MORE CONCERN TO THE WHITE HOUSE IN THE LONGER-TERM, HOWEVER, ARE SOME SIGNS THAT CONGRESS MAY NOT BE ABLE TO RESIST - ESPECIALLY IF EVENTS IN THE MIDDLE EAST TURN FOR THE WORSE - GENERATING FURTHER POLITICAL INTEREST IN THE QUESTION OF QUOTE WHO LOST KUWAIT UNQUOTE (WITH BAKER'S STATE DEPARTMENT AS THE MAIN TARGET): AND A RISING CHORUS OF CRITICISM COMPARING THE PRESIDENT'S VIRTUOSO PERFORMANCE ON THE INTERNATIONAL STAGE UNFAVOURABLY WITH HIS LACK OF ACHIEVEMENT IN THE DOMESTIC ARENA.

THE BUDGET

8. THE CLIFF-HANGER OVER THE BUDGET DEFICIT IS LIKELY TO CONTINUE AT LEAST UNTIL THE PRIME MINISTER AND PRESIDENT

MEET ON SUNDAY EVENING, WITH A SPECIAL SESSION OF CONGRESS SET FOR EARLIER THAT DAY (FOLLOWING A BREAK FOR YOM KIPPUR ON 28-29 SEPTEMBER). BUT, BY LATE ON 28 SEPTEMBER, THE SIGNS ARE THAT THE QUOTE GANG OF 8 UNQUOTE ADMINISTRATION AND CONGRESSIONAL NEGOTIATORS ARE CLOSE TO AGREEMENT IN PRINCIPLE ON A DEFICIT REDUCTION PACKAGE WITH THE FOLLOWING MAIN ELEMENTS:

(A) IT WILL CUT THE DEFICIT (LIKELY, WITHOUT AN AGREEMENT, TO BE DOLLARS 250 BN IN THE FISCAL YEAR STARTING ON 1 OCTOBER) BY DOLLARS 500 BN OVER 5 YEARS, WITH A DOLLARS 50 BN REDUCTION IN THE FIRST YEAR:

(B) THE DOLLARS 500 BN REDUCTION IS LIKELY TO CONSIST OF

(1) DOLLARS 120 BN IN CUTS IN ENTITLEMENT (DEMAND LED) PROGRAMMES:

(2) DOLLARS 170 BN IN DEFENCE SPENDING CUTS:

(3) DOLLARS 130 BN IN TAX INCREASES AND USER FEES, INCLUDING 8 CENTS A GALLON ON PETROL, A 10 PER CENT TAX ON LUXURY CARS, BOATS AND ELECTRONICS, AND A BROAD-BASED ENERGY TAX: AND

(4) DOLLARS 80 BN IN INTEREST SAVINGS, IMPROVED TAX COLLECTION AND OTHER MISCELLANEOUS ITEMS: AND

(C) THE PRESIDENT HAS CONCEDED THAT THE CUT IN THE CAPITAL GAINS TAX SHOULD BE CONFINED TO EXEMPTING CAPITAL GAINS ATTRIBUTABLE TO INFLATION AFTER 1 OCTOBER 1991.

THESE TOTALS STILL CONCEAL SUBSTANTIAL DISAGREEMENTS OVER THE DETAILS, INCLUDING, FOR EXAMPLE, OVER A POSSIBLE INCOME TAX SURCHARGE FOR HIGH EARNERS AND POLITICALLY DIFFICULT MEASURES NEEDED TO REDUCE SOCIAL SECURITY (STATE PENSION) COSTS. EQUALLY IMPORTANT, THE TWO SIDES ARE FAR APART ON THE QUESTION OF ENFORCEMENT - THE PROCEDURAL CHANGES ARE NEEDED TO MAKE THE DEAL STICK FOR 5 YEARS: THE DEMOCRATS WANT TO SCRAP THE GRAMM-RUDMAN LAW, WHILE THE REPUBLICANS WANT TO STRENGTHEN IT.

9. THE DEMOCRATIC LEADERSHIP NOW APPEARS TO ACCEPT THAT THE PUBLIC SEES THE PRESIDENT AS HAVING GIVEN THE MORE GROUND (ON TAXES AND CAPITAL GAINS) SO THAT THE CONGRESS WOULD BEAR MUCH OF THE BLAME FOR FAILURE. ALTHOUGH THIS MIGHT PROMPT THEM TO ACCEPT THE REPUBLICANS' ENFORCEMENT PROPOSALS, INDIVIDUAL

DEMOCRATS, NOTABLY THE POWERFUL SENATOR BYRD, (CHAIRMAN OF THE APPROPRIATIONS COMMITTEE) HAVE INDICATED THAT THEY WILL BLOCK ENACTMENT OF THE DEAL, RATHER THAN ACCEPT THE LOSS OF CONGRESSIONAL POWER IMPLIED BY THE REPUBLICANS' IDEAS.

10. THE MOST LIKELY - BUT STILL FAR FROM CERTAIN - OUTCOME IS, HOWEVER, THAT CONGRESS WILL BE ASKED ON 30 SEPTEMBER, BY THE ADMINISTRATION AND BIPARTISAN LEADERSHIP, ON THE BASIS OF AN AGREED DEFICIT REDUCTION PACKAGE, TO PASS A QUOTE CONTINUING RESOLUTION UNQUOTE, TEMPORARILY AUTHORISING GOVERNMENT EXPENDITURE FROM MIDNIGHT THAT DAY, AND SUSPENDING THE GRAMM-RUDMAN CUTS DUE AUTOMATICALLY TO TAKE EFFECT ON 1 OCTOBER IN THE ABSENCE OF THE AGREEMENT. BUT EVERYTHING WILL DEPEND ON THE CONTENT OF THE BUDGET PACKAGE, WHICH WOULD STILL NEED TO BE DEBATED AND ENACTED INTO LAW. BECAUSE THERE WOULD BE REAL PROBLEMS IN ENACTING LEGISLATION, THE TEMPORARY SUSPENSION OF THE AUTOMATIC CUTS MAY BE FOR ONLY A FEW DAYS AT A TIME, SO THAT THE PRESSURE OF IMMINENT BUDGETARY CHAOS REMAINS.

11. FAILING SUFFICIENT PROGRESS TOWARDS A BUDGET AGREEMENT BEFORE SUNDAY, (WHICH IN TURN WOULD ENABLE THE CONTINUING RESOLUTION (PARA 10) TO BE PASSED) THE CONGRESS WILL HAVE THE POLITICALLY DISTASTEFUL CHOICE OF TRYING TO SUSPEND GRAMM-RUDMAN WITHOUT THE PROSPECT OF AN AGREEMENT (WHICH BUSH WOULD VETO), OR OF ALLOWING THE CUTS, AT LEAST BRIEFLY, TO TAKE EFFECT, WITH CONSEQUENT MAJOR DISRUPTION OF ALMOST EVERY AREA OF DOMESTIC ACTIVITY BY THE FEDERAL GOVERNMENT, FROM AIR TRAFFIC CONTROL TO MEAT INSPECTION.

12. THE DEADLOCK IN THE BUDGET NEGOTIATIONS HAS PARALYSED ALMOST EVERY OTHER AREA OF LEGISLATIVE ACTIVITY. NOT ONE OF THE 13 APPROPRIATIONS BILLS MAKING DETAILED PROVISIONS FOR EXPENDITURE BY THE FEDERAL GOVERNMENT IN THE FISCAL YEAR STARTING ON 1 OCTOBER HAS GONE TO A SENATE/HOUSE CONFERENCE, LET ALONE BEEN PASSED. MOST, IN MORE OR LESS INCOMPLETE FORM, ARE NOW LIKELY TO BE WRAPPED UP IN AN OMNIBUS SPENDING BILL LINKED TO A DEFICIT REDUCTION PACKAGE.

OTHER DOMESTIC ISSUES

13. IN OTHER AREAS TOO, ONLY LIMITED PROGRESS HAS BEEN MADE: MAJOR BILLS ON CHILD CARE, CIVIL RIGHTS, CLEAN AIR AND CAMPAIGN FINANCE REFORM HAVE BEEN HELD UP PENDING DECISIONS ON THE FISCAL PROVISION IN EACH AREA. THE ADMINISTRATION'S ONLY SIGNIFICANT SUCCESS ON THE HILL HAS BEEN JUDGE SOUTER'S

NOMINATION TO THE SUPREME COURT, WHICH THE SENATE JUDICIARY COMMITTEE APPROVED BY 13 TO 1 ON 27 SEPTEMBER, AND WHICH IS LIKELY SHORTLY TO BE CONFIRMED OVERWHELMINGLY BY THE FULL SENATE.

14. ALTHOUGH THE SESSION WAS DUE TO END ON 5 OCTOBER TO ENABLE MEMBERS TO CAMPAIGN FOR THE ELECTIONS A MONTH LATER, IT IS ALMOST CERTAIN TO BE PROLONGED AT LEAST UNTIL 12 OCTOBER, SO THAT BUDGET AND SPENDING BILLS CAN BE PASSED AND IF NECESSARY FINE TUNED. EVEN SO, THE CONGRESSIONAL LEADERSHIP WILL HAVE TO ABANDON MOST OTHER LEGISLATION, WITH THE PROBABLE EXCEPTION OF A TOUGH ANTI-CRIME BILL TO TAKE BACK TO THE VOTERS.

CONCLUSION

15. NEITHER PARTY CAN TAKE MUCH SATISFACTION, OR PROBABLY ELECTORAL BENEFIT, FROM THE POLITICAL MANOEUVRING OF THE PAST FEW WEEKS AND MONTHS, AGAINST THE BACKGROUND OF A US ECONOMY MOVING TOWARDS RECESSION AND A MAJOR INTERNATIONAL CRISIS IN THE MIDDLE EAST. WHETHER THE VOTERS WILL TRANSLATE SIGNS OF GROWING ANGER AT HOW WASHINGTON WORKS INTO ELECTORAL UPSETS ON 6 NOVEMBER IS THE MAJOR QUESTION: BUT, BARRING AN ECONOMIC CRISIS OR MAJOR DEVELOPMENTS IN THE MIDDLE EAST, THE CHANCES ARE THE MORE AMERICANS THAN EVER WILL SIMPLY STAY AWAY FROM THE POLLS, AND THAT INCUMBENTS WILL BE CONFIRMED IN OFFICE.

16. PLEASE ADVANCE URGENTLY TO NO. 10.

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PRIME MINISTER

MEETING WITH THE WALL STREET JOURNAL

You have a 50-minute meeting with the Editorial Board of the Wall Street Journal on Monday afternoon. Bernard will no doubt be providing some briefing.

The European and Asian editions recently carried a very savage and ill-considered attack on us over Vietnamese boat people. I attach a copy of the points in rebuttal which I have obtained from the Foreign Office. You may like to go on the attack on this issue, and also on Hong Kong, on both of which the Wall Street Journal has been grossly unfair.

C. D. P

C. D. POWELL

28 September 1990

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Foreign and Commonwealth Office

London SW1A 2AH

28 September 1990

Dear Charles,

Vietnamese Boat People

Thank you for your letter of 25 September about the editorial in the Wall Street Journal that day attacking our recent agreement with Vietnam. This editorial did not appear in the US edition, only in the Asian and European editions. If the Prime Minister sees the Editorial Board in New York on 1 October, she might make the following points.

- The 25 September editorial included a distortion of events.
- Repatriating boat people who are not refugees is neither a British nor a Hong Kong invention. We are implementing a UN plan agreed by 75 nations (including the US) in Geneva in June last year. This guarantees the protection of genuine refugees by ensuring that others who are not refugees are not given the same privileges.
- The UN plan endorsed screening, which is carried out with the full involvement of UNHCR. UNHCR have declared themselves well satisfied with arrangements in Hong Kong. Far fairer than summary US treatment of Haitian and Mexican asylum seekers.
- Most boat people want to get to the US. It is because the US is not prepared to take them that the UN plan was necessary and that non refugees have to go back to Vietnam.
- The new scheme for returning those who do not volunteer will be operated by UNHCR, not the Hong Kong Government. But no one will be sent back without our and UNHCR's confidence in Vietnamese assurances that they will not be ill-treated.

/- Hong Kong

2



- Hong Kong has coped with this problem for 15 years. Last year it cost Hong Kong taxpayers £100m and will cost the same again this year. It is unfair to attack us for trying to deal with an immigration problem which is the result of the determination of the West - particularly the US - not to accept further unlimited immigration from Vietnam.

On the Hong Kong issue it would be helpful if the Prime Minister could make the following points:

- The British Nationality (Hong Kong) Act 1990 will give citizenship to up to 50,000 key personnel in Hong Kong and their close dependents. This is a major effort by the Government to keep key people in the territory and to steady confidence. We are encouraging our friends and partners to follow our example with assurances schemes of their own. A number have already done so.

- The introduction of 18 directly elected seats for the 1991 LegCo elections will be a major step forward in the development of democracy in the territory. It means that 39 out of the 60 seats will be elected by one means or another. We plan a further increase in elected members in 1995; moreover the Basic Law provides for continued steady development in the years after 1997, and says that the ultimate objective is universal suffrage.

- A Bill of Rights is being introduced in Hong Kong which will give effect in local law to the relevant provisions of the International Covenant on Civil and Political Rights. The continued application of the Covenant to Hong Kong after 1997 is already provided for in the Joint Declaration and the Chinese have repeated this undertaking in the Basic Law.

Yours ever,

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

REVIEW & OUTLOOK

Wilson's Final Solution

In dealing with Vietnam, the West has proved itself capable of hideous mistakes. Few have been as needless, cruel and plain stupid as the agreement announced Sunday to pull tens of thousands of Vietnamese refugees out of the camps in Hong Kong, and ship them—willing or not—back to Vietnam.

The deal was struck at a meeting in Hanoi this past weekend, among Britain, the British colony of Hong Kong, Vietnam and the United Nations High Commissioner for Refugees. At a press conference Sunday in Hong Kong, the governor, Sir David Wilson, explained that this industrious group had achieved "an accelerated program" for repatriating boat people. It will be tailored, said Sir David, "both for those who volunteer and for those who don't actively volunteer."

No one has explained just what it might mean to inactively offer to be sent back to Vietnam. Somehow the Hong Kong authorities seem to be hoping they can eject at least 1,000 people a month, once this final solution gets rolling. The mechanics of herding these people out are the kind of dirty details that Sir David and his fellow repatriators probably wouldn't want to actively volunteer to the world community.

But maybe it's time to bypass Sir David's semantic nuances, and look at what's really going on here. The idea is to rid Hong Kong, finally, of Vietnamese refugees who keep arriving under the misguided impression that they have reached some stronghold of freedom. Instead, they are packed into the big bleak camps where some 55,000 boat people now wait. They continue to arrive in Hong Kong's waters by the hundreds every month. The rest of the free world doesn't want to let them in. So with the help of those great humanitarians back in Hanoi, Britain and its colonial staff must find a sanitary way to kick them out.

Sadly for Sir David, the world still deems it in poor taste to treat refugees like trash found in the harbor. So the brazen strategy is to call them something else, like "economic migrants," and then get back to the main business of dumping them back where they came from. In the camps, the boat people are screened and sorted into two basic groups. There is a small group of people classified as refugees. And there is a very large group of

people classified as economic migrants. These economic migrants, active or inactive, are the ones slated for repatriation.

It's a policy that's not only mean, but degrading to the West. Though Sir David and the British Foreign Office seem to see it otherwise, we'd argue that compassion is one of the more attractive indulgences of a free society.

Probably more to the point, this repatriation policy suggests a blind ignorance of what freedom is all about. Economic and political freedom are not two separate items—as, say, Communist China would like to have it. They are part of the same package of basic human liberties.

The reason that Vietnam's so-called economic migrants risk dying in small boats at sea to reach Hong Kong is that they live under one of the most repressive governments in the world. Hanoi has for decades inflicted on its people policies that leave them not only miserable and stifled, but dirt poor. Whatever the hi-tech joys of Hong Kong screening, we'd say that when someone from a brutal place such as Vietnam sails hundreds of miles in a small boat seeking a new home, he or she sure looks like your average refugee.

Hong Kong and its British overseers are far from the only ones at fault, however. This would be a good moment for the U.S. to remind Sir David that free markets involve not only free movement of labor, but also of human capital. That means letting people come in and work. Vietnamese refugees penned up in camps are a burden. Vietnamese refugees given the chance to labor at building a new life, like the millions who fled China to build Hong Kong, can be great assets.

A good way for the U.S. to deliver this reminder would be to invite those economic migrants to move to America, rather than standing by while they are shoved back to Vietnam. The U.S. takes pathetically few boat people, even among those neatly labeled as refugees: it took only 687 in 1988, 1,814 in 1989. This year it's expected that America will take a mere 2,000. Taking far more could help save Sir David from shaming himself and Britain any further, and it would be a fitting way to honor the millions of economic migrants who established America as a haven of liberty.

Th

By Virginia J. Postrel

California will vote in November what may be the most significant piece of protectionist legislation in decades. But if voters will think of it in those terms.

The legislation is Proposition 128, the California Environmental Protection Act of 1990. Called "Big Green" by supporters and "the Hayden Initiative" by detractors, the omnibus initiative runs 39 single spaced typed pages of dense legalese, sprinkled with multisyllabic chemical names. Most radical provisions apply to pesticide and other agricultural chemicals, and it lists sections that imperil free trade.

Before one can grasp the free-trade implications, however, one must get handle on the legislation's faulty "science." Rejecting the toxicologists' fundamental principle that "the dose makes the poison," Prop. 128 proceeds from the unsupported assumption that a "toxic" is a "toxic" regardless of the dose.

Prop. 128 would prohibit California from using any pesticides demonstrated to cause cancer or reproductive harm in tests on either humans or two different animal species, regardless of dosage. The initiative would also require manufacturers of "high hazard" pesticides—those suspected of being carcinogenic—to prove that their chemicals do not cause cancer. Lacking support, these carcinogenic tests would be banned.

A Dangling Assignment

The National Resources Defense Fund and other Prop. 128 supporters adamantly maintain that the ban would apply initially to only 10 chemicals listed as known carcinogens or reproductive toxins by the Environmental Protection Agency. This narrow reading makes sense in public relations, but it doesn't hold up in the courts. Prop. 128 bans "any" agricultural chemicals "demonstrated" to understand why, you need to translate the esoteric language of the initiative's remaining assignment.

Prop. 128 would ban even those pesticides whose inert ingredients alone fail to meet the criteria. The proposition defines "inert" to include contaminants of inert ingredients, such as the chromium in clay used to deliver sulfur or the benzene in oil sprays. Ironically, sulfur is a staple of organic farming—as well as a fungicide essential to California's \$1.4 billion grape industry. And oil-based sprays are widely

For

By MARY BAEBLER

My husband, Phil, and I own Racing Strollers Inc., the manufacturer of the Baby Jogger, our patented stroller for runners. We are perhaps a parody of a U.S. entrepreneurial company; Phil had the proverbial "lightbulb" experience that gave him the idea for the stroller, and we started the business on our kitchen table. In the early years, we usually went about things the hard way. Our travels to sell

REVIEW & OUTLOOK

Wilson's Final Solution

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 For
 BY MARY BASTEN
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Mr Ingham
Press Secretary, PM

cc: HMCG
Mr Oakden, PS/HMA
Mr Cornish, W'ton
Mr Tissot, UKMIS

PRIME MINISTER'S CALL ON WALL STREET JOURNAL

- 1 I attach a brief and list of participants.
- 2 The editorial on Hong Kong which was published in the Asian edition this week has not so far been reprinted in the New York edition. But over the last two years the Journal has been strongly critical of our policies. We placed an op-ed by Sir Geoffrey Howe on 27 Jan 1989 and followed up with visits by Mr Major (29 Sept 1989) and the Foreign Secretary (21 Feb) who fully explained our policies. Two critical editorials have appeared this year (9 Jan and 24 May). These are attached.

David Snoxell

D R Snoxell

28 September 1990



Mr Powell

FROM: P M Tissot

DATE: 28 September 1990

BILATERALS: NEAR MISSES

1. Due to the Prime Minister's extremely busy programme it has been impossible to arrange suitable times for bilateral meetings with the following:

Mexico (but we await a revised proposal)

Poland

Bulgaria

Jordan

Zimbabwe

Chile

Brazil

James Grant (UNICEF Executive Director)

Margaret Anstee (UN Director General/Vienna)

2. As mentioned in your letter to Stephen Wall of 22 September we have indicated that the Prime Minister would hope to be able to chat to some of these briefly in the margins of the reception and dinner on the Saturday evening.

Philip M. Tissot

P M Tissot

PRIME MINISTER

HANS J. MORGENTHAU AWARD

You are to receive the Hans J. Morgenthau Award from the National Committee on American Foreign Policy at a short ceremony at the Waldorf Hotel on Monday afternoon.

I attach a background note about the Award and the National Council on American Foreign Policy. There have been seven previous recipients including Henry Kissinger, George Shultz and Jim Baker. You are the first Head of Government. The citation is very flattering. The presentation will be made by Jim Baker.

The National Council on American Foreign Policy is a predominantly Republican/Conservative organisation, with a particular interest in East/West relations, human rights and arms control.

You will be expected to say a few impromptu words of thanks, but definitely not a speech. You might concentrate on the United States' role in bringing about the overthrow of Communism, with particular mention for President Reagan and President Bush, and speak also about the Anglo/American partnership.

C. D. POWELL
28 September 1990

tmw a:\morgenth

N.B. The award takes
the form of a crystal
ball. You might make
something of that in
your remarks!

C.D.P. 29/9



Foreign and Commonwealth Office

London SW1A 2AH

28 September 1990

Dear Charles,

Prime Minister's Visit to New York:
Receipt of the Morgenthau Award

I enclose background information on the Morgenthau Award and the National Committee on American Foreign Policy.

The organisers of the Presentation are hoping to receive a message from President Bush. They also expect that all past recipients of the award will attend. You will see that they are conservative rather than liberal American political figures.

The Managing Director of the Waldorf Hotel, Mr Per Hellman, plans to greet the Prime Minister on arrival.

Yours ever,

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

HANS J MORGENTHAU AWARD

Dr Hans J Morgenthau



Born 1904 in Coburg, Germany and died in 1980. Studied at a number of German universities before doing postgraduate work at the Graduate Institute for International Studies, Geneva (1932). After academic appointments in Frankfurt, Geneva and Madrid, Professor Morgenthau emigrated to the United States where his first post was as an Instructor in Government at Brooklyn College (1937-39). He held a number of academic appointments including Professor of Political Science and Modern History at the University of Chicago (1949-63), and was also a visiting Professor at Berkeley, Yale, Harvard, Columbia, Northwestern and Princeton. Professor Morgenthau was consultant to the Department of Defense (1961-65) and to the State Department from 1961.

He was author of numerous books including "Scientific Man Versus Power Politics" (1946) "Politics in the 20th Century" 1962, "A New Foreign Policy for the United States" (1969), "Truth and Power" (1970) and "Science: Master or Servant" (1971).

The Award

Dr Morgenthau founded the National Committee on American Foreign Policy (NCAFP) in 1974. It has made 7 awards in commemoration of its founder. The previous recipients were Secretaries of State James Baker (in May); Shultz, and Kissinger, former US Ambassadors Angier Biddle Duke, Sol Linowitz (former Ambassador to the OAS and President Carter's Middle East Envoy) and Jean Kirkpatrick; also David Rockefeller. The Award is a crystal globe by Cartier (the size of a grapefruit) mounted on an ebony stand with an engraved silver plate. The Prime Minister will receive the first international award. The citation reads:

"The Hans J Morgenthau Award is presented by the National Committee on American Foreign Policy in commemoration of the seminal contribution made by Professor Hans J Morgenthau to the theory and practice of American foreign policy. For her intellectual and practical contribution to the art of statesmanship, and her commitment to fostering freedom and democracy throughout the world the recipient of the first international award is Mrs Margaret Thatcher, FRS Prime Minister of the United Kingdom of Great Britain and Northern Ireland."



National Council on American Foreign Policy (NCAFP)

The NCAFP is a voluntary organisation of 2,000 members (former ambassadors, leaders in academia, finance, commerce, industry and communications) which seeks to stimulate informed interest in and concern for the problem confronting the US in its foreign relations. It presents "firm and reasoned positions" on foreign policy issues to the Administration, Congress, the media and the public. Its principal concerns are East-West relations, strengthening of open societies, furthering human rights, non-proliferation, arms control and energy problems (elaborated in its pamphlet "US Foreign Policy in the 1990's"). Former Ambassador Francis Kellog is the President; Vice Presidents are Professor George Schwab and Joanne Cummings.



Foreign and Commonwealth Office

London SW1A 2AH

28 September 1990

C 8720/9.

Dear Charles,

World Summit for Children/UNIFEM Award

/ In my letter of 24 September I promised to send you
// any further information about the UNIFEM award ceremony.
I enclose a list of invitees to the reception, a
// biography of David Rockefeller and a draft of his
introduction of the Prime Minister.

/ I also enclose the latest list of participants in
the World Summit for Children.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

PRIME MINISTER

cc Mr. Ingham

BILATERALS IN NEW YORK

The following bilaterals have been formally arranged, in chronological order:

Saturday

1120 - Crown Prince Hassan of Jordan
(Heathrow)

Sunday

0815-0845 - President Chamorro
1345-1415 - President Ozal
1515-1545 - Prime Minister Kaifu
1900-2100 - President Bush

Monday

0800-0830 - President Gayoom
0845-0930 - Prime Minister Mulroney
1000-1030 - Amir of Kuwait —
1145-1215 - Foreign Secretary
1230-1315 - UN Secretary General
1415-1500 - Prince Bandar and Prince Saud

We are still negotiating a time for:

President Salinas
President Collor (Brazil)
Eugenia Charles
President Mugabe
(President Mubarak has now dropped out)

Others with whom it will not be possible to fit in formal bilaterals (even though they have asked), but whom you will want to seek out in the margins of other meetings are:

CONFIDENTIAL

- 2 -

President Aylwin (Chile)
Prime Minister Carlsson
President Nujoma
President Ershad
Prime Minister Sandiford
President Jawara
Signor Andreotti
Prime Minister Masol (Ukraine)

You will find full briefs in the attached folder.

CHARLES POWELL

28 September 1990

c:\foreign\bilaterals

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TELNO 373
OF 272030Z SEPTEMBER 90
INFO PRIORITY UKMIS NEW YORK

*Copy Reg Copy me.
for P-S
mx.
28/9/90*

FCO PLEASE PASS TO NO 10 (POWELL)

YOUR TELNO 234: BILATERAL PRIME MINISTER/PRESIDENT SALINAS IN
NEW YORK

SUMMARY

1. CONTACT WITH PRESIDENT SALINAS' CHIEF OF STAFF AHEAD OF HIS
MEETING WITH THE PRIME MINISTER.

DETAIL

2. I ASKED DR JOSE (PEPE) CORDOBA, PRESIDENT SALINAS' CHIEF
OF STAFF, WHAT PARTICULAR ISSUES THE PRESIDENT MIGHT WISH TO RAISE
IN HIS MEETING WITH THE PRIME MINISTER. CORDOBA SAID HE HAD NOT
YET DISCUSSED THIS WITH THE PRESIDENT, BUT HE THOUGHT THAT NEAR
THE TOP OF HIS MIND WAS THE WISH TO SEE MORE BRITISH INVESTMENT IN
MEXICO AND THE NEED TO FOLLOW UP THE ROTHSCHILD MISSION (I TOLD
HIM THERE HAD ALREADY BEEN A SUCCESSFUL SEMINAR AT CANNING
HOUSE AND THAT ONE COMPANY IN THE MISSION, COMMERCIAL UNION, HAD
ANNOUNCED ITS INVESTMENT IN A LEADING MEXICAN INSURANCE COMPANY).
THE PRESIDENT MIGHT WELL REPEAT HIS HOPE TO SEE BRITISH
AIRWAYS RESUME AIR SERVICES TO MEXICO.

3. THE PRESIDENT WOULD ALSO, OF COURSE, BE INTERESTED IN THE
PRIME MINISTER'S VIEW OF THE GULF CRISIS. I TOLD CORDOBA THAT
YOU WELCOMED THE MEXICAN RESPONSES TO IRAQI AGGRESSION AND ASKED IF
ANY CONSIDERATION HAD BEEN GIVEN TO A MEXICAN CONTRIBUTION TO
REFUGEE RELIEF, THE POINT ON WHICH WE HAD JUST SPOKEN TO THE MFA
(MY TELNO 369).

4. I SAID YOU HAD BEEN SURPRISED AT MEXICO'S BLOCKING THE NPT
FINAL DOCUMENT AND THE PRIME MINISTER HAD BEEN BRIEFED ON THIS
SUBJECT. CORDOBA SOUNDED AS IF THE PRESIDENT MIGHT BE EXPECTING
HER TO RAISE IT.

5. I SAID THAT, IN THE CONTEXT OF OUR GROWING BILATERAL
COOPERATION IN TRADE AND INVESTMENT, THERE WERE TWO IMPORTANT

PENDING PROJECTS (ABOUT WHICH I HAVE SINCE SENT HIM NOTES):

MT for
PM. A) KCA'S BID TO PURCHASE THE SHIPYARD AT VERACRUZ (AUVER) - MEXICAN MINISTERS ARE EXPECTED TO TAKE A DECISION NEXT WEEK ON THE REVISED BID, WHICH THEY WILL PROBABLY WELCOME ON TECHNICAL GROUNDS BUT MAY CONSIDER ON THE LOW SIDE (STOP PRESS. WE HAVE JUST HEARD IN CONFIDENCE THAT KCA HAVE WON, THOUGH THIS HAS STILL TO BE CONFIRMED IN WRITING).

MT for
PM. B) DARWIN INSTRUMENTS' POUNDS 50 MILLION OFFER OF EDUCATIONAL EQUIPMENT - AGAIN WELCOME ON TECHNICAL GROUNDS (MANY TECHNICAL COLLEGES ALREADY USE BRITISH EQUIPMENT), BUT OTHER COUNTRIES ARE OFFERING BETTER FINANCIAL TERMS.

COMMENT

6. THE PROSPECT OF THIS MEETING IS OF COURSE MOST WELCOME. THE GULF CRISIS HAS HIGHLIGHTED THE COMPARATIVE RELIABILITY OF MEXICO AS AN OIL SUPPLIER - PARTICULARLY TO THE US (WHICH IS ACCELERATING MOVES TOWARDS NEGOTIATION OF A FREE TRADE AREA). LACK OF INVESTMENT IN THE INDUSTRY IN THE 1980S HAS MEANT THAT MEXICO CAN ONLY RAISE CURRENT OUTPUT (2.5M B/D) BY 100,000 B/D, BUT EVEN SO EVERY DOLLAR ON THE OIL PRICE GIVES IT ANOTHER US DOLLARS 40 MILLION PER MONTH. IT WOULD BE INTERESTING TO HEAR PRESIDENT SALINAS' COMMENTS ON THE PROSPECTS FOR THE OIL INDUSTRY IN MEXICO IN THE WAKE OF THE CRISIS, AND SEE WHETHER HE HAS ANYTHING MORE POSITIVE TO SAY ABOUT THE FUTURE OPPORTUNITIES FOR FOREIGN OIL COMPANIES THAN WE HEARD IN LONDON LAST JANUARY (AT PRESENT THE CONSTITUTION EFFECTIVELY BARS THEM FROM RISK INVESTMENT IN EXPLORATION OR PRODUCTION). I RECOMMEND THAT THE
X PRIME MINISTER RAISE THIS SUBJECT WITH SALINAS.

7. THE DEPARTMENT WILL NEED NO REMINDING THAT THE TWO IMMEDIATE ISSUES FOR THOSE MEXICANS MOST CONCERNED WITH THE UK ARE:-

A) BA'S RESUMPTION OF DIRECT FLIGHTS,

B) RAISING OF ECGD'S LIMIT ON MEDIUM TERM COVER.

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MR BEAMISH

ADDDITIONAL

MR POWELL(NO 10)

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CPM

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O 271017Z SEP 90
FM CABINET OFFICE LONDON
TO THE WHITE HOUSE
BT
S E C R E T AND PERSONAL
MESSAGE FROM CHARLES POWELL
TO GENERAL SCOMCROFT

DEAR BRENT,

THE PRIME MINISTER IS GREATLY LOOKING FORWARD TO HER MEETING WITH THE PRESIDENT ON SUNDAY EVENING, WHICH COMES AT A VERY IMPORTANT TIME. SHE WOULD BE VERY GRATEFUL IF IT COULD START WITH A RESTRICTED SESSION, ATTENDED ONLY BY YOU AND ME IN ADDITION TO THE TWO PRINCIPALS. THERE ARE MATTERS OF AN EXTREMELY SENSITIVE NATURE WHICH SHE WOULD LIKE TO DISCUSS, BEFORE EXPANDING THE PARTICIPATION. I HOPE THIS IS ALL RIGHT.

LOOK FORWARD TO SEEING YOU,
YOURS,
CHARLES

BT

NNNN

SECRET AND PERSONAL

Following personal for General Scowcroft from Charles Powell,
No.10 Downing Street.

Dear Brent,

The Prime Minister is greatly looking forward to her meeting with the President on Sunday evening, which comes at a very important time. She would be very grateful if it could start with a restricted session, attended only by you and me in addition to the two principals. There are matters of an extremely sensitive nature which she would like to discuss, before expanding the participation. I hope this is all right.

Look forward to seeing you,

Yours,

CHARLES

CAD
- 27/9.

jd c:\wpdocs\foreign\scowcroft

SECRET AND PERSONAL

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TO CABINET OFFICE LONDON
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Ric Ansite

mt

*CAN
27/9*

PLEASE DELIVER THE FOLLOWING MESSAGE TO MR. CHARLES POWELL
FROM BRENT SCOWCROFT, ASSISTANT TO THE PRESIDENT FOR NATIONAL
SECURITY AFFAIRS.

BEGIN TEXT:

DEAR CHARLES,

THE PRIME MINISTERS SUGGESTION OF A RESTRICTED SESSION
PRECEDING AN EXPANDED MEETING IS PERFECTLY AGREEABLE TO THE
PRESIDENT. WE LOOK FORWARD TO SEEING YOU IN NEW YORK.

SINCERELY,

BRENT

END TEXT

DECL: OADR
£0034

NNNN



10 DOWNING STREET

Professor Guttes

From your knowledge of
education - to US do you
recognise either

(i) The Public Trust for US
Education

(ii) Sage Analysis

(iii) failure avoidance
technology {

AT
27/9

Strategic Research



Strategic Research Europe Ltd.
Talgarth House
181 Upper Chobham Road
Camberley
Surrey GU15 1EH

telephone 0276 26303
facsimile 0276 24475

26th September 1990

Mr. A. Turnbull
Principal Private Secretary to the Prime Minister
10 Downing Street
London SW1A 2AA

Dear Mr. Turnbull

Thank you for forwarding my earlier facsimile communication to the Prime Minister. This proposal includes the contents of the facsimile.

As you will see from the enclosures, it would be very timely if the Prime Minister can raise the subject of *failure avoidance* with President Bush in the context of U.S. education reforms. Perhaps then the Prime Minister can relate to our proposals on how the technology can be applied to so many areas of present day concern; from defence scenarios to education, health-care and environmental crises.

The essence of the proposal is that a new U.K. based charitable foundation is to be formed to apply a strategic technology called *failure avoidance* to social problems exemplified by the UNICEF World Summit. *Failure avoidance* is a well ; roven U.S. technology for navigating through a morass of potential causes of failure in any mission; whether a defence mission or a social mission.

The term *fail safe* has been used. This is technical term used in reliability engineering where it is important to ensure that disasters such as Chernobyl and Three Mile Island do not happen due to human failures. The systems must fail in a safe mode rather than a critical mode - hence the term *fail safe*.

But the term is not restricted to defence, nuclear or aerospace missions. Complex economic reform missions such as the Shatalin Programme must also *fail safe* in the interests of world peace and harmony.

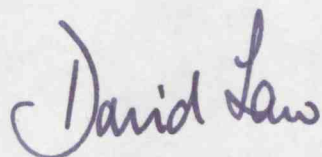
Thus, the *failure avoidance* technology extends beyond analysis of equipment failure to analysis of inter and intra group relationships, by analysis of different opinions, conflicts and misunderstandings which can cause mission failure. It is in fact entering the frontiers of human interaction with complex missions and organisations; whether a defence system or a national educational system.

This is why the technology is proving its worth in people related projects such as school and hospital communities. It is a consensus building tool and navigation aid through a minefield of possible causes of failure.

Our principal goal is to create a charitable trust for its application to many causes such as UNICEF and Eastern European programmes. We will need the support of the Prime Minister.

Thank you again for your kind support.

Yours sincerely

A handwritten signature in blue ink that reads "David Law". The signature is written in a cursive, flowing style.

David Law CEng MIEE

Chairman
Strategic Research Europe Ltd.

Director
MIDAS
subject to registration as a charitable body

ANNEX

PRIVATE TRUST FOR PUBLIC EDUCATION IN U.S.

The Private Trust in the United States has been formed by some of the foremost educators, public officials, and business leaders to improve public schools throughout the U.S.

Chairman of the Trust is Dr. Terrel H. Bell, who served in the U.S. President's Cabinet as Secretary of the U.S. Department of Education. He has been a school teacher, Principal Superintendent, State Superintendent of Public Instruction, Commissioner of Higher Education, and U.S. Commissioner of Education.

President of the Trust is Dr. Frank A. Rose, who has been an adviser on education to U.S. Presidents since John F. Kennedy, with whom he planned and implemented school de-segregation in the country. At the age of 32 he became President of the University of Alabama, previously being President of Transylvania University. He has raised \$2.25 billion for education improvement.

Members of a National Board of Advisers feature other major leaders:

- o Dr. David Mathews, President of the Kettering Foundation and former Secretary to the U.S. Department of Health, Education and Welfare;
- o Dr. Peter Muirhead, formerly U.S. Commissioner of Education who directed the Ford Foundation study of Greater City Schools;
- o Mr. Richard Pearson, former Chairman of Trans World Airlines and now Senior Vice President of American Airlines;
- o Dr. Elvis J. Stahr, former Secretary of the U.S. Army and President of Indiana University.
- o Mr. Rawleigh Warner Jnr., former CEO of Mobil
- o Mr. John Akers, IBM Chairman and CEO
- o Mr. David Kearns, Chairman, Xerox Corporation
- o Mr. Kay Whitmore, Kodak Corporation.

The Trust was organised in 1990 with headquarters at:

655 Fifteenth Street
N.W. Washington, D.C.
United States

telephone International +1 202 639 4011.

Executive Director is Mr. Mardi de Veave, a 20 year veteran in school improvement programmes.

The Trust approaches school improvement with a comprehensive *failure avoidance* system pioneered in education by Sage Analytics International Inc. Dr. Kent Stephens, Sage Founder, was a mathematician and university professor who has helped pioneer the research and development of *failure avoidance* technology.

The Sage Analysis system is applied to local schools with the involvement of parents, students, teachers, administrators and community leaders. It applies decision support technology, incorporating a unique integration of operations research and action research procedures which have been the essence of fail safe technology utilised by defence and aerospace industries.

The Sage system pinpoints obstacles to success in each school. Utilising opinions and data collected from a sample of the school community, local data is incorporated into the technology to prioritise actions that will remove obstacles to school success and reduce failure potential. Generally, improvements are made without significant changes in budgets, staff, student composition or facilities.

With local commitment, the positive outcomes of the Sage school improvement process generally are evidenced in academic test scores, drop-out and attendance rates, and turnaround in violence and drugs abuse.

The Trust helps school districts to become self reliant in using the improvement system. The process is applied first to pilot "demonstration schools" to build local support, and then in "training schools" to build capabilities within the school system. The remaining schools in a district are analysed internally, utilising the expertise developed through the training schools. Continuing technical assistance and field support are provided to each school over a five year period.

Initial implementation of the programme in demonstration and training schools is supported by Trust funds contributed by the private sector. Thereafter, the nominal operating and technical assistance costs can be included in school budgets or financed with assistance from the Trust.

The Trust includes a strong research, development, quality assurance, and evaluation capability to ensure that the school improvement system is perfected and its delivery is most successful. This is headed by the Trust Founder, Dr. V. Dallas Merrell, who for many years advised the U.S. Department of Education, the White House, the Reagan/Bush Transition Team, and industry on human resource and management matters.

The programme of the Trust has been tested for over a decade in a large number of schools throughout the United States and Canada, but applied most extensively in Californian elementary and secondary schools. Full scale applications are underway in Chicago, Washington D.C., and Miami under sponsorship of Citicorp with a \$7.2 million grant. Procter and Gamble has spearheaded school applications in the greater Cincinnati area.

The Trust works with other national leaders and institutions to build awareness of school performance issues and to promote restructuring of education policy and practices to improve school performance. A primary goal of the Trust is to make its programme available to all U.S. schools within this decade.

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INFO IMMEDIATE MEXICO CITY

FCO TELNO 234 TO MEXICO CITY REFER: WORLD SUMMIT FOR CHILDREN:
BILATERAL PRIME MINISTER/PRESIDENT SALLINAS

SUMMARY

1. DIFFICULTIES OVER TIMING OF OF PRIME MINISTER'S BILATERAL WITH
PRESIDENT SALINAS.

DETAIL

2. WE HAVE TOLD THE MEXICANS AS INSTRUCTED IN TELECON TISSOT/POWELL
THAT 0720 ON SUNDAY 30 SEPTEMBER IS TOO EARLY FOR THE PROPOSED
BILATERAL WITH PRESIDENT SALINAS. THE MEXICANS, WHO HAD SUGGESTED
THIS TIME, HAD ALSO PROPOSED THAT THE BILATERAL SHOULD BE HELD IN
THE PRIME MINISTER'S SUITE AT THE UN PLAZA HOTEL.

3. THE MEXICANS HAVE NOW TOLD US THAT OWING TO HIS COMMITMENTS AS
ONE OF THE SIX INITIATORS OF THE SUMMIT THIS IS THE ONLY TIME OPEN
TO PRESIDENT SALINAS. UNLESS YOU WISH TO CHANGE THESE INSTRUCTIONS
WE THEREFORE SUGGEST THAT WE SHOULD TELL THE MEXICANS THAT WE REGRET
THAT A BILATERAL MEETING WILL NOT BE POSSIBLE ON THIS OCCASION.

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With the compliments of

LATIN AMERICA DEPARTMENT

Michael Seal.

27/9/90.

FOREIGN AND COMMONWEALTH OFFICE
LONDON, SW1



Foreign and Commonwealth Office

London SW1A 2AH

25 September 1990

Dear Charles,

Prime Minister's Visit to New York: 29 September -
1 October *with copy?*

Thank you for your letter of 20 September about bilateral meetings which the Prime Minister might undertake during her visit to New York. We have received two further requests: one from President Chissano of Mozambique; the other from President Callejas of Honduras.

President Chissano has taken the major step of opting for a multi-party democracy in Mozambique (for which he received a personal letter of appreciation from President Bush). He has also, at our urging, signed the NPT. It would be helpful if the Prime Minister could express our commendation of these steps directly to him, in the margins of the reception and dinner on Saturday evening if there is no time for a bilateral meeting. If there was time for a meeting (and we imagine he would not come very high up among the reserves listed in your letter) it might also be useful to discuss with him wider developments in Southern Africa.

While there are no pressing topics to discuss with President Callejas he is the Vice President (Latin America) of the International Democratic Union.

Prime Minister Rocard will attend the World Summit for Children in place of President Mitterrand. We see no particular reason for a meeting.

The Noel Foundation have told us that President Bush has indicated he will not be able to introduce the Prime Minister at the UNIFEM award ceremony. Instead David Rockefeller will do so. Mr Rockefeller is the Honorary Corporate Chairman of the event.

You may like to know that Lord Bridges has been invited to attend the Summit, as an observer, on behalf of UNICEF UK.

Yours ever, *Richard Gozney*

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

PM TOURS: Vinton New York, Oct 89.



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INFO PRIORITY EC POSTS, MIDDLE EAST POSTSUNITED NATIONS GENERAL ASSEMBLY: 1990

1. THE UNITED NATIONS WHICH YOU AND THE PRIME MINISTER WILL BE VISITING NEXT WEEK HAS BEEN PROFOUNDLY SHAKEN AND AFFECTED BY THE SHOCK WAVES OF THE MAIN EVENTS OF 1989/90 (THE COLLAPSE OF COMMUNISM IN THE SOVIET UNION AND EASTERN EUROPE, THE WINDING DOWN OF THE COLD WAR, THE BIRTH OF HOPE FOR A POLITICAL SOLUTION IN SOUTH AFRICA). FOR THE LAST SEVEN WEEKS IT HAS BEEN AT THE CENTRE OF THE MAJOR CRISIS IN THE GULF AND, SOMEWHAT TO ITS AND TO EVERYONE ELSE'S SURPRISE, IT HAS FOUND ITSELF PLAYING AN UNUSUALLY EFFECTIVE ROLE.
2. THE ENDING OF THE SUPER-POWER CONFRONTATION HAS BROUGHT MAJOR BENEFITS TO THE UNITED NATIONS BOTH IN TERMS OF OPENING THE WAY FOR IT TO BROKER SOLUTIONS TO A NUMBER OF REGIONAL CONFLICTS AND IN THE FUNCTIONING OF THE ORGANISATION ITSELF. THE WITHDRAWAL OF THE SOVIET UNION FROM AFGHANISTAN HAS ADMITTEDLY BEEN ONLY A HALF-SOLUTION. BUT THE SUCCESS IN BRINGING NAMIBIA TO INDEPENDENCE, THE SHARP REDUCTION IN EXTERNAL INVOLVEMENT AND WARFARE IN CENTRAL AMERICA AND THE STEADY DEVELOPMENT OF A PEACE PLAN FOR CAMBODIA ARE MAJOR ACHIEVEMENTS IN HANDLING HITHERTO INTRACTABLE PROBLEMS. WESTERN SAHARA COULD BE ANOTHER SUCCESS IN THE OFFING.
3. THE FUNCTIONING OF THE ORGANISATION, IN PARTICULAR OF THE SECURITY COUNCIL, HAS BEEN TRANSFORMED. THE MEETINGS OF THE AMBASSADORS OF THE PERMANENT FIVE, AT FIRST RATHER LIKE A VICARAGE TEA PARTY WITH ALL THE GUESTS ON THEIR BEST BEHAVIOUR AND SITTING ON THE EDGE OF THEIR CHAIRS, HAS NOW SETTLED DOWN INTO A FULLY OPERATIONAL PATTERN, WITH SEVERAL MEETINGS EVERY WEEK UNDERPINNED BY THE GROUP OF POLITICAL COUNSELLORS, CAPABLE OF HAMMERING OUT DETAILED COMMON POSITIONS ON COMPLEX AND SENSITIVE ISSUES. SO FAR AT LEAST THE PERMANENT FIVE HAVE PROVED PRETTY WELL IRRESISTIBLE IN THE FULL COUNCIL WHEN THEY ARE UNITED.
4. THE UN HANDLING OF THE GULF CRISIS HAS BEEN THE HIGH POINT OF

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THIS NEW FOUND UNITY. THE RUSSIANS IN PARTICULAR HAVE COOPERATED FULLY AND EFFECTIVELY WITH THE WESTERN THREE. THE CHINESE HAVE MANAGED TO SWALLOW THEIR DOUBTS AND TO LOOK THE OTHER WAY WHEN THINGS OF WHICH THEY DO NOT REALLY APPROVE ARE BEING PROPOSED. HOW FAR THIS UNITY CAN BE SUSTAINED AND WHETHER IT COULD EVER SUPPORT THE WEIGHT OF ARTICLE 42 MILITARY ACTION IS THE BURNING QUESTION OF THE HOUR HERE. IT IS AT THE MOMENT UNANSWERABLE. EXPERIENCE WOULD POINT TO A NEGATIVE JUDGEMENT. BUT, IN A YEAR WHEN SO MANY OTHER UNTHINKABLE THINGS HAVE HAPPENED, I THINK IT WOULD BE UNWISE TO DRAW THAT CONCLUSION.

5. THE EMERGENCE OF THE PERMANENT FIVE AS THE ENGINE ROOM OF THE SECURITY COUNCIL HAS OF COURSE SET UP PLENTY OF TENSIONS, BETWEEN THEM AND THE REST OF THE SECURITY COUNCIL, BETWEEN THEM AND THE NON-ALIGNED MOVEMENT AS A WHOLE, AND WITHIN THE EPC TWELVE. THESE TENSIONS NEED CAREFUL HANDLING IF THE LEADING ROLE OF THE FIVE IS TO BE CONSOLIDATED AND WE ARE TO AVOID A BACKLASH. THE NON-ALIGNED ARE NOW A MOVEMENT WITHOUT A ROLE BUT THEY REMAIN CAPABLE OF MUCH TROUBLE-MAKING IN THEIR FRUSTRATION.

6. SOME PREVIOUS MAJOR FOCUSES OF UN ACTIVITY, SOUTH AFRICA AND THE MIDDLE EAST PEACE PROCESS HAVE MOVED OFF CENTRE AS THE GULF CRISIS HAS GROWN IN ITS EXTENT AND ITS IMPLICATIONS, BUT THEY HAVE NOT GONE AWAY. SOUTH AFRICA IS TEMPORARILY ON THE BACK BURNER, AS LAST WEEK'S LACKLUSTRE DEBATE ON APARTHEID SHOWED. BUT IT COULD COME BACK TO THE BOIL IN A TRICE IF THE CONSTITUTIONAL TALKS OR LAW AND ORDER BROKE DOWN IN SOUTH AFRICA. OUR OWN POSITION IN THESE CIRCUMSTANCES, WITH LITTLE SUPPORT AMONG THE TWELVE AND THE AMERICAN TRUMPET MAKING AN UNCERTAIN SOUND, WOULD BE UNCOMFORTABLE TO PUT IT MILDLY. THE ARAB-ISRAEL PROBLEM WILL CLEARLY NEVER BE THE SAME AGAIN, WHATEVER THE OUTCOME IN THE GULF. THE "NO PEACE NO WAR" SITUATION OF RECENT YEARS IS HIGHLY UNLIKELY TO BE SUSTAINABLE IN THE AFTERMATH OF THE EVENTS IN THE GULF. IT WILL NOT BE DEFENSIBLE FOR THE FIVE TO HOLD BACK FROM A SERIOUS EFFORT TO BRING A SOLUTION TO THE ARAB-ISRAEL PROBLEM TOO.

7. THE WHOLE WIDER AGENDA OF THE UN, THE ENVIRONMENT, DRUGS, THE WIDENING GAP BETWEEN THE RICH AND THE ECONOMIC BASKET CASES HAS NOT OF COURSE GONE AWAY, DWARFED THOUGH IT TEMPORARILY IS BY EVENTS IN THE GULF. ON THE ENVIRONMENT IN PARTICULAR WE HAVE A HEAVY TASK ON OUR HANDS IF THE 1992 CONFERENCE IS TO BRING INTO THE WORLD AN EFFECTIVE AND OPERATIONAL CONVENTION ON CLIMATE CHANGE.

8. THE FACT THAT WE ARE AT THE TOP TABLE WHICH IS NOW FURTHER ABOVE

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~~THE OTHER TABLES, AND THAT WE ARE MAKING A MAJOR DIPLOMATIC AND
MILITARY CONTRIBUTION IN THE GULF CRISIS HAS CLEARLY STRENGTHENED
OUR POSITION HERE AND OUR ABILITY TO INFLUENCE EMERGING UN ACTION.
WE PROBABLY HAVE AS BIG A VESTED INTEREST AS ANYONE IN THE NEW FOUND
UNITY OF THE FIVE AND IN THE NEW FOUND DYNAMISM OF THE UN. WE
CANNOT, NATURALLY, SUSTAIN EITHER BY OUR OWN EFFORTS ALONE BUT WE
MUST DO ALL IN OUR POWER TO BUTTRESS THEM.~~

9. PLEASE FORWARD ADVANCE COPIES TO PS/NO 10 AND PRIVATE SECRETARY.

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INFO PRIORITY EC POSTS, MIDDLE EAST POSTS

UNITED NATIONS GENERAL ASSEMBLY: 1990

1. THE UNITED NATIONS WHICH YOU AND THE PRIME MINISTER WILL BE VISITING NEXT WEEK HAS BEEN PROFOUNDLY SHAKEN AND AFFECTED BY THE SHOCK WAVES OF THE MAIN EVENTS OF 1989/90 (THE COLLAPSE OF COMMUNISM IN THE SOVIET UNION AND EASTERN EUROPE, THE WINDING DOWN OF THE COLD WAR, THE BIRTH OF HOPE FOR A POLITICAL SOLUTION IN SOUTH AFRICA). FOR THE LAST SEVEN WEEKS IT HAS BEEN AT THE CENTRE OF THE MAJOR CRISIS IN THE GULF AND, SOMEWHAT TO ITS AND TO EVERYONE ELSE'S SURPRISE, IT HAS FOUND ITSELF PLAYING AN UNUSUALLY EFFECTIVE ROLE.
2. THE ENDING OF THE SUPER-POWER CONFRONTATION HAS BROUGHT MAJOR BENEFITS TO THE UNITED NATIONS BOTH IN TERMS OF OPENING THE WAY FOR IT TO BROKER SOLUTIONS TO A NUMBER OF REGIONAL CONFLICTS AND IN THE FUNCTIONING OF THE ORGANISATION ITSELF. THE WITHDRAWAL OF THE SOVIET UNION FROM AFGHANISTAN HAS ADMITTEDLY BEEN ONLY A HALF-SOLUTION. BUT THE SUCCESS IN BRINGING NAMIBIA TO INDEPENDENCE, THE SHARP REDUCTION IN EXTERNAL INVOLVEMENT AND WARFARE IN CENTRAL AMERICA AND THE STEADY DEVELOPMENT OF A PEACE PLAN FOR CAMBODIA ARE MAJOR ACHIEVEMENTS IN HANDLING HITHERTO INTRACTABLE PROBLEMS. WESTERN SAHARA COULD BE ANOTHER SUCCESS IN THE OFFING.
3. THE FUNCTIONING OF THE ORGANISATION, IN PARTICULAR OF THE SECURITY COUNCIL, HAS BEEN TRANSFORMED. THE MEETINGS OF THE AMBASSADORS OF THE PERMANENT FIVE, AT FIRST RATHER LIKE A VICARAGE TEA PARTY WITH ALL THE GUESTS ON THEIR BEST BEHAVIOUR AND SITTING ON THE EDGE OF THEIR CHAIRS, HAS NOW SETTLED DOWN INTO A FULLY OPERATIONAL PATTERN, WITH SEVERAL MEETINGS EVERY WEEK UNDERPINNED BY THE GROUP OF POLITICAL COUNSELLORS, CAPABLE OF HAMMERING OUT DETAILED COMMON POSITIONS ON COMPLEX AND SENSITIVE ISSUES. SO FAR AT LEAST THE PERMANENT FIVE HAVE PROVED PRETTY WELL IRRESISTIBLE IN THE FULL COUNCIL WHEN THEY ARE UNITED.
4. THE UN HANDLING OF THE GULF CRISIS HAS BEEN THE HIGH POINT OF

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THIS NEW FOUND UNITY. THE RUSSIANS IN PARTICULAR HAVE COOPERATED FULLY AND EFFECTIVELY WITH THE WESTERN THREE. THE CHINESE HAVE MANAGED TO SWALLOW THEIR DOUBTS AND TO LOOK THE OTHER WAY WHEN THINGS OF WHICH THEY DO NOT REALLY APPROVE ARE BEING PROPOSED. HOW FAR THIS UNITY CAN BE SUSTAINED AND WHETHER IT COULD EVER SUPPORT THE WEIGHT OF ARTICLE 42 MILITARY ACTION IS THE BURNING QUESTION OF THE HOUR HERE. IT IS AT THE MOMENT UNANSWERABLE. EXPERIENCE WOULD POINT TO A NEGATIVE JUDGEMENT. BUT, IN A YEAR WHEN SO MANY OTHER UNTHINKABLE THINGS HAVE HAPPENED, I THINK IT WOULD BE UNWISE TO DRAW THAT CONCLUSION.

5. THE EMERGENCE OF THE PERMANENT FIVE AS THE ENGINE ROOM OF THE SECURITY COUNCIL HAS OF COURSE SET UP PLENTY OF TENSIONS, BETWEEN THEM AND THE REST OF THE SECURITY COUNCIL, BETWEEN THEM AND THE NON-ALIGNED MOVEMENT AS A WHOLE, AND WITHIN THE EPC TWELVE. THESE TENSIONS NEED CAREFUL HANDLING IF THE LEADING ROLE OF THE FIVE IS TO BE CONSOLIDATED AND WE ARE TO AVOID A BACKLASH. THE NON-ALIGNED ARE NOW A MOVEMENT WITHOUT A ROLE BUT THEY REMAIN CAPABLE OF MUCH TROUBLE-MAKING IN THEIR FRUSTRATION.

6. SOME PREVIOUS MAJOR FOCUSES OF UN ACTIVITY, SOUTH AFRICA AND THE MIDDLE EAST PEACE PROCESS HAVE MOVED OFF CENTRE AS THE GULF CRISIS HAS GROWN IN ITS EXTENT AND ITS IMPLICATIONS, BUT THEY HAVE NOT GONE AWAY. SOUTH AFRICA IS TEMPORARILY ON THE BACK BURNER, AS LAST WEEK'S LACKLUSTRE DEBATE ON APARTHEID SHOWED. BUT IT COULD COME BACK TO THE BOIL IN A TRICE IF THE CONSTITUTIONAL TALKS OR LAW AND ORDER BROKE DOWN IN SOUTH AFRICA. OUR OWN POSITION IN THESE CIRCUMSTANCES, WITH LITTLE SUPPORT AMONG THE TWELVE AND THE AMERICAN TRUMPET MAKING AN UNCERTAIN SOUND, WOULD BE UNCOMFORTABLE TO PUT IT MILDLY. THE ARAB-ISRAEL PROBLEM WILL CLEARLY NEVER BE THE SAME AGAIN, WHATEVER THE OUTCOME IN THE GULF. THE "NO PEACE NO WAR" SITUATION OF RECENT YEARS IS HIGHLY UNLIKELY TO BE SUSTAINABLE IN THE AFTERMATH OF THE EVENTS IN THE GULF. IT WILL NOT BE DEFENSIBLE FOR THE FIVE TO HOLD BACK FROM A SERIOUS EFFORT TO BRING A SOLUTION TO THE ARAB-ISRAEL PROBLEM TOO.

7. THE WHOLE WIDER AGENDA OF THE UN, THE ENVIRONMENT, DRUGS, THE WIDENING GAP BETWEEN THE RICH AND THE ECONOMIC BASKET CASES HAS NOT OF COURSE GONE AWAY, DWARFED THOUGH IT TEMPORARILY IS BY EVENTS IN THE GULF. ON THE ENVIRONMENT IN PARTICULAR WE HAVE A HEAVY TASK ON OUR HANDS IF THE 1992 CONFERENCE IS TO BRING INTO THE WORLD AN EFFECTIVE AND OPERATIONAL CONVENTION ON CLIMATE CHANGE.

8. THE FACT THAT WE ARE AT THE TOP TABLE WHICH IS NOW FURTHER ABOVE

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THE OTHER TABLES, AND THAT WE ARE MAKING A MAJOR DIPLOMATIC AND MILITARY CONTRIBUTION IN THE GULF CRISIS HAS CLEARLY STRENGTHENED OUR POSITION HERE AND OUR ABILITY TO INFLUENCE EMERGING UN ACTION. WE PROBABLY HAVE AS BIG A VESTED INTEREST AS ANYONE IN THE NEW FOUND UNITY OF THE FIVE AND IN THE NEW FOUND DYNAMISM OF THE UN. WE CANNOT, NATURALLY, SUSTAIN EITHER BY OUR OWN EFFORTS ALONE BUT WE MUST DO ALL IN OUR POWER TO BUTTRESS THEM.

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