

SECRET

16(A-E)

file

SUBJECT  
ccmaster



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 November 1988

Dear Stephen,

**PRIME MINISTER'S MEETING WITH VICE PRESIDENT BUSH  
AT THE VICE PRESIDENT'S RESIDENCE IN WASHINGTON  
ON THURSDAY 17 NOVEMBER**

The Prime Minister had a meeting lasting an hour and a half with the Vice-President over breakfast this morning. The Vice-President was accompanied by Senator Quayle, Mr. Jim Baker and Ambassador Price. HM Ambassador, Washington was also present.

The Prime Minister began by congratulating Vice-President Bush warmly on his election victory. It was a great personal triumph.

US Economy

The Prime Minister continued that she had talked the day before to Dr. Alan Greenspan, Chairman of the Federal Reserve Board, about the economy. She had found him reasonably optimistic. But action was clearly needed on the Federal deficit. VicePresident Bush said that he viewed the deficit with great seriousness and intended to get it down. "I want you to know we are going to do something about the deficit". He was not one of those who believed the deficit did not matter. He was already engaged in discussion with President Reagan over the preparation of the next Budget, and the extent to which it should be a Bush Budget. He had talked widely to members of Congress and was convinced that Congress was not hostile to the action he envisaged.

East/West Relations

Vice-President Bush said that his Administration would continue to work towards improved East/West relations. He was unpersuaded that all was harmonious in the Soviet Union. His approach would be wary but forthcoming. He would continue with the arms control process as it had been mapped out earlier: there would be no hairpin bends. He could give an assurance that he would never negotiate on British and French nuclear forces. As to the proposed meeting in December with Mr. Gorbachev, he had made clear to the Soviets that he would not be ready to talk in depth. It would not be a Summit. Before there was a real Summit, he would send Jim Baker to consult with

SECRET

NATO leaders and then meet with Mr. Shevardnadze to prepare the ground. He would agree to a Summit when it was clear that concrete progress could be made. He was not interested in a 'snowblower' job, which was all glamour and no substance. He particularly valued the Prime Minister's understanding and leadership on East/West issues and would want to consult closely with her.

The Prime Minister said that it was a time of great change and therefore great uncertainty in East/West relations. The picture had changed dramatically over the last eight years. The text would be the extent to which reforms would really be implemented. She thought Mr. Gorbachev would encounter very considerable difficulties. But we should support him in his efforts while keeping our defences strong. She was grateful for the Vice-President's firm statement on consultation with NATO. This was important in presentational terms: we had to show the Warsaw Pact that NATO was united. It had been suggested to her by Dr. Woerner, the Secretary-General of NATO, that the NATO Ministerial Meeting in London in the first half of 1989 might be converted into a Heads of Government meeting. She could see certain advantages in this. It was crucial to push through decisions on modernisation of NATO's shortrange nuclear weapons, and it would be easier to do this with Chancellor Kohl in the German chair than Foreign Minister Genscher. Kohl knew that there must be modernisation. The Vice-President might like to reflect on the idea of such a Summit. VicePresident Bush enquired when the Economic Summit would be held. The Prime Minister said that it would be on 14 July in Paris. The NATO meeting was something of a moveable feast and the date could be arranged to meet the Vice-President's convenience.

Vice-President Bush said that there was enormous potential for change in Eastern Europe. He had recently talked to Dr. Kissinger about this. The Prime Minister said that she had recently visited Poland which was in a bad mess. They wanted the advantages of economic reform without making political changes. Vice-President Bush said that he did not think much of Prime Minister Rakowski, but had more sympathy with Jaruzelski. The Prime Minister concurred.

Mr. Baker asked about the position on untied loans to the Soviet Union. He recalled there had been some inconclusive discussion of this at the Toronto Economic Summit. He thought the West should have a concerted approach. Otherwise we might face in Eastern Europe and the Soviet Union the same problem we already had with Latin American debt. The Prime Minister said that we should be wary of rushing to help the East-European governments. If we made it too easy for them, they would simply carry on as they were. It was important to tie financial and economic help to real political and economic reform.

Arms Control

Vice-President Bush recalled his earlier discussions with the Prime Minister about a chemical weapons convention and her reservations about the problem of verification. He was committed to trying to achieve a convention to eliminate chemical weapons, but promised that the US would not do anything to take us by surprise. He found the proliferation of these weapons to countries like Libya very alarming. Mr. Gorbachev appeared sincere in his wish for an agreement. The Prime Minister said that she remained very concerned about the difficulties of verifying an agreement. There was also the fact of Gorbachev's deceit over Soviet activities in this area, which made her very suspicious. She had not yet worked out how to tackle him about this when they met in December but would like to confront him directly. We must find a way to let people know about the chemical warfare capability of countries like Libya and Syria if we could do so without compromising sources. That would awaken them to the dangers. It might induce a recognition that the West lacked an effective chemical deterrent. Senator Quayle said that it would be relatively easy for the US to develop one. But the Europeans would never accept storage of US binary weapons in Europe.

SDI

The Prime Minister said that she very much hoped that research on SDI would go ahead. It was vital for the West to keep the technological edge. Vice-President Bush confirmed that the programme would continue. There had been some very promising break-throughs recently, which held out the prospect of a reasonably effective system at a much lower cost than had been foreseen.

Latin America

Vice-President Bush said he wanted the Prime Minister to know in strict confidence that he and Mr. Baker were planning to meet the new Mexican President before he took office. The meeting would probably take place soon in Houston. One aim would be to persuade the Mexicans to be more helpful towards the United States on Western hemisphere issues. The Prime Minister said that she very much welcomed the idea of such a meeting.

The Prime Minister speculated about the purpose of Mr. Gorbachev's visit to Cuba. It might be that he was planning to reduce the Soviet Union's investment of political capital in Cuba and Central America. Vice-President Bush said that he would happily pay Mr. Gorbachev's fare if that was the case. It would be a major break-through to have a more moderate Cuba.

Southern Africa

The Prime Minister welcomed the progress made in the negotiations over Angola/Namibia. Meanwhile, we were constantly trying to encourage more progress in getting rid of apartheid in South Africa. She wanted to tell the Vice-President in strict confidence that she and Chancellor Kohl were planning to send an emissary to see President Botha privately to encourage

him to take further steps. Her views on sanctions remained unchanged: and although it might be tempting providence, she thought that the argument on sanctions had been won. Vice-President Bush said that he was enthusiastic about the idea of an emissary. The Congress continued to treat sanctions as an emotional issue. There was an influential group which favoured taking further measures, and he expected the issue to come back.

#### Middle East

The Prime Minister said it would be very important to launch a fresh drive early in the life of the new Administration to take forward Middle East peace efforts. Vice-President Bush said that he could not agree more. The question was how to do it. We should not read too much into the Palestinian National Council's recent statement. There was a lot of backing and hedging. The Prime Minister said that equally we should not reject it out of hand. It represented a modest advance on which we should try to build. She thought in a way it was a justification of King Hussein's attempt to make the PLO adopt more realistic attitudes. But there were many dangers in the area, above all proliferation of missiles and chemical weapons, and we could not just do nothing. The Vice-President commented that the area was a powder keg.

#### Cambodia

The Prime Minister said that she was fairly sceptical of early progress towards a solution in Cambodia. Prince Sihanouk was an irrepressible balloon of words but not much else.

#### GATT Negotiations

The Prime Minister said that it would be very important to make a success of the GATT Mid-Term Review meeting in Montreal. We would do our best to persuade the other European governments to adopt more reasonable positions on agriculture. Vice-President Bush said that he very much agreed on the importance of the Montreal meeting. He would shortly appoint a new United States Trade Representative. The United States would also soon modify its utopian proposal to abolish all agricultural subsidies by the year 2000. The President was planning to make this clear in a speech very shortly.

#### Intelligence and nuclear relationship

The Prime Minister took the opportunity at the end of the meeting to have a private word with the Vice-President about our special intelligence and nuclear relationship. It was very important that this should continue undisturbed. She proposed that the Cabinet Secretary should come out to Washington early on in the life of the new Administration to confirm the various agreements and understandings, including those about the use of US bases in the United Kingdom. The Vice-President said that he wished the present relationship to continue undisturbed and the necessary procedural steps should be taken.

SECRET *W*

- 5 -

I am copying this letter to Alex Allan (H M Treasury), Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office). It contains sensitive material and should be given a very limited distribution only.

*your draft,*

*Charles Powell*

C. D. POWELL

Stephen Wall, Esq.,  
Foreign and Commonwealth Office

SECRET