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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 June 1989

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

The Prime Minister had a long talk with President Bush this morning, lasting some 1³/₄ hours, concluding with a very brief plenary session with other members of the American delegation. The President was accompanied for the main part of the meeting by General Scowcroft. The discussion ranged very widely, in relaxed style and was evidently enjoyed by both the Prime Minister and the President. The President remarked afterwards that there was no-one else he could talk to in this totally uninhibited way, really getting into the substance of the issues. He wished there had been more time.

This letter records the main part of the discussion. I am writing separately about the plenary session and about a number of intelligence and personnel matters. It is very important that the confidence of the Prime Minister's exchanges with the President are closely protected and this letter should be seen by a very limited number of people only.

NATO/East West Relations and Defence

The Prime Minister began by congratulating the President on the success of the NATO summit and indeed on his whole European tour. It had been a triumph for him. The President said that it was he who should be thanking the Prime Minister. The very satisfactory outcome of the NATO summit could not have been achieved without her. She was the essential "anchor to windward". The President continued that his assignment now was to keep up pressure on the bureaucracy to ensure that his conventional force reduction initiative was worked up in detail, and the proposals fleshed out. The worst outcome would be for the initiative to be launched and then allowed to run into the sand. The Prime Minister suggested that verification would be one of the most difficult aspects. We had to be sure that the Russians actually destroyed the weapons which were withdrawn. The verification problem was equally acute with chemical weapons. President Bush agreed, adding that we had to keep trying.

The Prime Minister said there were still plenty of reasons to remain cautious about the Soviet Union.

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Gorbachev's recent revelation of Soviet defence spending was still only half the real figure. The President confirmed this was the American estimate too. He recalled that he had earlier made an "open books" proposal, but it had received little attention. The Prime Minister continued that the Soviet Union continued to dissemble about its chemical weapons. She had said this quite explicitly to Mr. Gorbachev. It had also been necessary to expel a number of Soviet spies from the United Kingdom recently. ("I loved the way you handled that" interjected the President). We had incontrovertible evidence of their activities. We had given them an opportunity not to retaliate, by promising to say nothing to the press. She had also written a personal letter to Mr. Gorbachev. But the reaction from the Soviet Union had been characteristically Pavlovian. Our impression was that the KGB's activities abroad were if anything expanding. The President asked whether Mr. Gates had been able to tell the Prime Minister about his recent tete-a-tete with Kryuchkov, the head of the KGB in Moscow. He seemed to be a new breed. The President agreed there was no let up in Soviet espionage activity, especially in the area of high technology.

Turning to more general matters, the Prime Minister identified a conceptual difficulty: how to welcome the prospect of change and reform in the Soviet Union without giving the impression that it had already occurred? There was too much of a tendency in the West to believe the best of the Soviet Union. The President's recent speeches, with their note of caution, had been very helpful in countering this. The fact was, we could only welcome change in the Soviet Union if our defence was secure. Too many of the NATO allies asked the wrong question: why don't we have more disarmament initiatives? They should be asking: what do we need for defence? The Comprehensive Concept agreed at the recent NATO summit had been a very useful restatement of NATO's basic philosophy of defence. President Bush said that he agreed wholeheartedly about the risk of euphoria. The American press tended to view all these issues from a naive and euphoric point of view. The Prime Minister said that she was generally rather less optimistic about the prospects in the Soviet Union and Eastern Europe than she had been a year ago. There was still no sign of real economic reform, and people in these countries seemed to find it hard to assimilate freedom. President Bush said that we should constantly remind people that things were moving the West's way and there was no need for precipitate initiatives.

The Prime Minister said this led on to the more general question of how to deal with Eastern Europe. The most pressing problem was the sort of economic help we ought to give to Poland. General Jaruzelski would be visiting Britain shortly and would certainly expect us to offer some practical help. We would stick to the line that Poland must conclude an IMF agreement before it could expect any substantial new help. But she found it hard to see how countries like Poland would ever be able to pay their debts. President Bush said that he shared the Prime Minister's analysis: there was no point in giving new loans unless there were far reaching reforms.

Walesa had suggested that any help should be given to private bodies and not through the Polish government, but it was hard to see how this would work in practice. The Prime Minister said she had a more general worry: if reforms in these countries did not produce the economic results that people expected from freedom, within a reasonably short time, there would be a retreat back to hardline policies.

President Bush said that the Prime Minister's advice on the need for caution in East/West relations was absolutely right. The Prime Minister commented that Gorbachev was very clearly targeting opinion in Germany. She was worried what enticements he might offer the Germans during his visit there. It would be a pity if the good effects of the recent NATO summit were rapidly undone. President Bush suggested that Gorbachev was likely to propose that negotiations on SNF should proceed in parallel with conventional force reduction talks. This had already been foreshadowed in various Soviet statements. If that happened, NATO must stand absolutely firm on the collective decisions represented by the Comprehensive Concept.

The Prime Minister said that she suspected Herr Genscher's aim would still be to avoid modernisation of NATO's SNF. Nonetheless, the alternative to the present coalition in Germany was very unattractive. She very much hoped that Chancellor Kohl would win next year's elections. President Bush asked what impression the Prime Minister had of the SDP leader, Vogel. He thought him rather weak. The Prime Minister said that an SDP victory raised the spectre of a coalition with the Greens. She thought the President's visit to Germany had been a great help in keeping the country firmly anchored in the West. President Bush asked whether the Prime Minister feared German reunification as a threat to the stability of western Europe. The Prime Minister said that she did indeed, although she could not say so openly. More generally she was concerned by signs of resurgent German nationalism. In her heart she knew that we were at the end of the post-war period. The question was what direction Europe would now take. We had to find ways to keep Germany anchored in the West. She doubted whether Mr. Gorbachev wanted German reunification. President Bush suggested that Gorbachev might take a different view if he thought the result would be a neutral Germany. The Prime Minister said that one should certainly never forget the alliance of convenience formed by Germany and the Soviet Union in 1939. All these were worries at the back of her mind. But she was not suggesting that Chancellor Kohl was anything but a very strong and loyal ally. We should do everything to encourage him.

Austrian membership of the European Community

President Bush asked whether the Prime Minister thought that Austria would apply for membership of the European Community. The Prime Minister said that Chancellor Vranitzky was handling the issue very cautiously and leaving the Austrian Parliament a major role in the decision whether to apply. She thought the result would be positive, despite the

problem over neutrality. One effect of Austrian membership would be to increase German influence within the European Community. This might bring Britain and France closer together, to counterbalance a Germanic bloc. President Bush asked about other possible applications for membership. The Prime Minister thought it possible that Norway would seek membership under a Centre-Right government. Turkey had already done so but its application raised very difficult problems.

China

President Bush said he was fascinated by current developments in China. He had been criticised in the United States for not inciting the kids to man the barricades in Peking. But he thought it important to avoid rhetorical overkill. Britain and the United States both had very important strategic interests in China. Any direct interference in Chinese affairs would be resented. We did not want to drive the Chinese into the arms of the Soviets. The Prime Minister commented that if the President had encouraged the students, any subsequent clamp-down would be blamed on him. The President continued that he had talked to Wan Lin, who had been elevated by the students to the role of reformer. They had met alone and he had found Wan Lin very uncomfortable. He had urged him to use his influence to avoid any bloodshed, which would inevitably be a setback for relations with the western world. Wan Lin argued that the army loved the people and had shown restraint. The President commented that he had hoped Wan Lin would go back and support the reformers. Instead he had come out for Deng. The Americans could not figure out who was likely to come out on top. We just had to live with the Chinese and avoid interfering in their internal affairs. The Prime Minister commented that people in Hong Kong were much disturbed by developments in China which they feared could have implications for implementation of the Joint Declaration. But she agreed that the President's position was the only sensible one to take.

Vietnamese Boat People

The Prime Minister gave the President an account of the difficulties being caused for Hong Kong by the influx of Vietnamese boat people. We simply could not let this continue. Unless the Geneva Conference on Refugees came up with a solution involving repatriation, we might simply have to prevent any further boat people from landing. The President asked a number of factual questions but made no other comment.

Middle East

President Bush said he would welcome the Prime Minister's advice on the Middle East. Shamir's visit to Washington had gone slightly better than he had expected, although he found Shamir himself to be a tense little man. His proposal for elections in the Occupied Territories had some potential. But

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he had been very irked by what Shamir had said about settlements on his return to Israel. This had lain behind some of Secretary Baker's recent forceful comments about Israel. The President continued that the Americans found Shamir very difficult. They had told him that his election proposal was not enough on its own and must be linked to negotiations and a final settlement. President Mubarak seemed prepared to work with Shamir's ideas. King Hussein had appeared generally optimistic during his visit to Washington, although it was hard to understand why. Meanwhile the United States would continue its contacts with the PLO, but would not raise the level of them. The President concluded that overall he was not optimistic about the situation and really did not know what the Americans could do. The United States did not want to be impotent. But there were times in international affairs when you could move forward, and times when there was really not much you could do. He feared that the Middle East fell into the latter category at present, although the Americans would of course keep on trying and would continue their dialogue with all the parties.

The Prime Minister said that it was certainly easier to pose the question what to do than try to answer it. She had told Mr Shamir that the only basis for a solution was territory for peace. The Arabs would fear that, although his election proposals were put forward as only an intermediate stage, they would in fact become the final solution so far as the Israelis were concerned. We recognised that the PLO had taken an important step forward by accepting Resolutions 242 and 338. But she herself would not see Arafat and would not want the Foreign Secretary to do so either. President Bush said that Mr Rabin appeared to see the election proposals as a vehicle to achieving wider negotiations, unlike Shamir for whom they were a way to avoid progress. Rabin might be the best hope of working something out. He appeared ready to do business with PLO people if they were chosen to represent the Palestinians in free elections in the Occupied Territories. The Prime Minister said that her conclusion, after talking to Mr Shamir, was that he was not capable of taking the steps necessary to bring about the settlement and we would have to wait for a successor. He simply could not bring himself to hand back territory. The Prime Minister added that, in her view, the only long term solution was a confederation between the West Bank and Jordan.

Lebanon

President Bush said that he felt very badly about the situation in Lebanon. He had known the country in much happier times. He was particularly struck by the great concern felt by the Catholic church about the situation there. This had been very evident during his meeting with the Pope. But he did not see what the United States could do. Relations with Syria were bad, although there were some in the Administration who wanted the US to get on side with Syria. He himself did not see any role for the United States, let alone a military role. The Prime Minister said that it was best to leave the Arab League to try to formulate a solution.

The only alternative would be to try to incite world opinion to exercise pressure on Syria. She was dubious about activity in the United Nations Security Council. Any action was primarily a matter for the Arabs. She very much agreed that there was no military role for the United States or the Europeans. The President commented that the United States would be very cautious.

The President asked whether the Prime Minister had any information on the hostage situation in Lebanon. He wished the United States could find a way to do more to help the hostages. He was less than happy with their sources of intelligence on the situation. He was casting round for some sort of intelligence initiative. There were reports that the Iranians were increasing their troop strength in Lebanon, although the intelligence agencies thought this was only a rotation. It would be helpful if British and American intelligence experts could compare their assessments. The Prime Minister agreed that this would be useful.

The Prime Minister said that there must be a risk that Israel would feel compelled to launch pre-emptive action against Syrian missiles and chemical weapons and the Iraqi nuclear development programme. President Bush agreed that this was a constant danger.

Southern Africa

The Prime Minister said that the situation in Southern Africa was rather promising. The agreement on Namibia had been a great step forward and we were grateful for the United States leadership. President Bush interjected that it was entirely thanks to the Prime Minister that the Namibia settlement had been saved. The Prime Minister continued that she feared all our hopes for Southern Africa would disappear if we were not able to keep the Namibia settlement on course. There also appeared to be prospects for reconciliation in Angola. She was glad that the United States was continuing to support Savimbi. She had received a message from him recently and was considering how to reply. Savimbi had said that he would not insist on taking part in negotiations provided he was able to stand as a candidate in eventual elections. President Bush said that he was quite optimistic about reconciliation. The United States would certainly continue to support Savimbi.

The Prime Minister continued that, against the background of progress in Namibia, it was important not to put any additional sanctions on South Africa. Moreover there was a changing of the guard there, with President Botha retiring and De Klerk succeeding him. She would be meeting De Klerk shortly. His statements about constitutional reform were rather promising. We had made the mistake in the past of isolating South Africa's leaders. The President expressed interest in when the meeting would take place, but did not say anything about seeing De Klerk himself. The Prime Minister continued that the more sensible South African politicians recognised the danger of allowing Mandela to die in jail. But

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they did not feel able to release him until after the elections in September. She continued to urge the importance of Mandela's release and of discussions between the Government and black representatives. Generally she found a better understanding among the Heads of Government to whom she talked for South Africa's problems and did not expect much trouble over sanctions at the Commonwealth Heads of Government meeting in October. President Bush said that it would be very helpful in American politics if the Prime Minister were able to hold the line against sanctions. He saw the issue bearing down on him like a freight train down the tracks. He did not want more sanctions, but he could see big pressure building up. He had been impressed by Pik Botha's recent comments to Secretary Baker about ending white domination. The President recalled that he had recently met Archbishop Tutu - for whom he had very limited respect - and had been interested that he no longer pushed for sanctions. But the black caucus in the United States was very active on the subject.

Argentina

The Prime Minister said that she foresaw difficulties with President Menem. He appeared something of a firebrand and had made some unfortunate statements about the Falklands during the election campaign. She hoped the President could get a message to him to avoid any rash or provocative action. Speaking very deliberately, the President said that the United States would not surprise us over Argentina. They would stay in close touch and abide by the common policy agreed under the last Administration. He shared the Prime Minister's worries about Menem. Menem wanted to visit Washington soon, which was not at all welcome since he would only ask for help with Argentina's debts.

SDI

The Prime Minister said that she was glad to see the President remained committed to SDI. President Bush said that there was no question of trading it away. The Administration would stay with it.

Environmental Questions

In response to a question from the Prime Minister the President said that the Americans were thinking of convening an expert level conference on global warming. But he was a bit worried about proliferation of conferences in this area. However, there was no doubt that the ozone layer conference in the United Kingdom had been a great success.

I am copying this letter to Brian Hawtin (Ministry of Defence), Alex Allen (HM Treasury) and Trevor Woolley (Cabinet Office).

Charles Powell

Stephen Wall Esq
Foreign and Commonwealth Office.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 June, 1989.

Dear Sir,

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH:
PLENARY SESSION

The Prime Minister's meeting with President Bush this morning concluded with a brief plenary session. I enclose a list of participants. The Prime Minister gave an account of the subjects which she and the President had covered in their earlier talk. She added that they had not had time to discuss Central America, where we fully supported the United States position on Panama. She hoped that the United States had appreciated the expression on her face when she had received President Ortega of Nicaragua at No.10.

The Foreign Secretary reported on his discussions with Secretary Baker, of which you will be making a separate record.

The ensuing discussion covered a number of subjects. The President raised Cambodia. Prince Sihanouk was a weak reed, but the only reed in town. Prime Minister Chatchai seemed to be playing his own game. Gorbachev and Deng did not appear to have made significant progress on Cambodia at their recent meeting. The United States viewed the proposed four-party coalition with some trepidation, given the risk that the Khmer Rouge would emerge on top. But there seemed no alternative to support for it. Secretary Baker added that the West should continue to support the non-Communist resistance. He hoped that the United Kingdom would help discourage those European governments who were considering recognition of Hanoi.

The Prime Minister and the Foreign Secretary gave an account of Hong Kong's problems over Vietnamese Boat People, repeating the points made in their earlier discussions. The Prime Minister emphasised that means must be found to exert pressure on Vietnam.

Secretary Baker raised Nicaragua, saying that the United States were grateful for the sceptical reception

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which President Ortega had been given by the British Government. The Bush Administration had changed previous policy on Nicaragua, and needed the support of its friends.

Secretary Baker expressed appreciation for the Prime Minister's help over Namibia.

The Prime Minister reverted to the difficult situation in Lebanon, wondering whether there was some way in which world opinion could be mobilised against Syria. Secretary Baker said that the United States had given support to General Aoun, and took the view that Syria was the major aggressor. Iraq was now providing military help to General Aoun: the Americans had suggested that the Iraqis should not encourage Aoun to destabilise the situation. The Prime Minister commented that we must not let General Aoun go under.

There was a brief replay of the recent NATO Summit. The Prime Minister repeated our gratitude for the President's leading role there and for his speeches on East/West relations.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

*Your sincerely,
C.D. Powell*

C.D. Powell

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

United Kingdom

The Prime Minister

The Foreign Secretary

HM Ambassador, Washington

Sir Robin Butler

Sir Percy Cradock

Mr. Charles Powell

Mr. Bernard Ingham

United States

The President

Secretary of State

United States Ambassador

Governor Sununu

General Scowcroft

Mr. Fitzwater

Mr. Zoellick

Mr. Blackwill

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 June 1989

Dear Stephen,

**PRIME MINISTER'S MEETING WITH PRESIDENT BUSH:
INTELLIGENCE CO-OPERATION**

President Bush volunteered to the Prime Minister this morning that he greatly valued the United States' intelligence relationship with Britain right across the board. As President he would have no other aim but to strengthen it further. He would appreciate any proposals which the Prime Minister had for this, particularly in the field of improving collection of intelligence. An area of special concern was intelligence on terrorism. The Prime Minister said she was grateful for the President's words. We fully shared the wish to continue our unique co-operation in this area.

I am copying this letter to Colin Walters (Home Office), Trevor Woolley (Cabinet Office), 'C', the Director General of the Security Services, the Director of GCHQ and to Sir Percy Cradock.

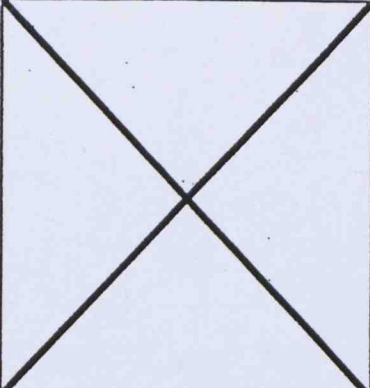
yours in auct.
Charles Powell

CHARLES D. POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

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cc Mr Whittingdale

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 June 1989

IDU

The Prime Minister mentioned to President Bush this morning the suggestion that Vice-President Quayle might succeed Mr Willoch as Chairman of the IDU. It was very important to keep the IDU as a strong force and the Centre-Right's answer to the Socialist International. President Bush said that he had not previously heard the idea mentioned but had absolutely no objection to it. He thought that Vice-President Quayle would be interested.

The President continued that he had been intending to suggest that former President Reagan should represent the Republican Party at the IDU Conference in Toyko, since he was due to be in Japan about then anyway. The Prime Minister commented that this was a lovely idea, but not of course a substitute for the proposal that the Vice-President should take over a leading role in the IDU.

Charles Powell

The Right Honourable Peter Brooke, M.P.