

FILE 22(a-m) 9  
DA/MFJ  
ce PR

CC MASTER



10 DOWNING STREET

LONDON SW1A 2AA

25 November 1989

From the Private Secretary

Dee Stephen.

PRIME MINISTER'S MEETING WITH PRESIDENT BUSH  
AT CAMP DAVID ON FRIDAY 24 NOVEMBER

The Prime Minister had some four and a half hours of discussion with President Bush at Camp David yesterday. The President was supported by General Scowcroft, Mr. Lawrence Eagleburger, Deputy Secretary of State, and the US Ambassador in London. HM Ambassador Washington was also present. The talks ran from 1000 to 1200 and again from 1300 to 1430. The Prime Minister lunched alone with the President and Mrs. Bush. You will have received verbatim reports of the Prime Minister's press conference and interviews after the meeting. I enclose a copy of the statement put out by the White House Press Secretary.

This letter contains sensitive material and should receive a very limited distribution only to those with a strict need to know.

East/West Relations

The President said that his forthcoming meeting with Mr. Gorbachev in Malta was naturally very much at the forefront of his mind. There was no agenda for the meeting and no intention of reaching any specific agreements. He was aware that Mr. Gorbachev had a record of producing surprises at high level meetings, but was sceptical whether he would do so on this occasion. He had shown considerable restraint in the face of rapid change in Eastern Europe, and would not want a contentious encounter with the United States at this stage. Indeed there was plenty of evidence to suggest that he wanted the meeting to be a success. The President continued that he was doing a great deal of preparation for the meeting, but was quite relaxed about it. He was getting advice from many different quarters. But no-one had more experience in the front line of dealing with the Soviet Union than the Prime Minister. He would very much value her advice on the meeting and how he should play it. Although originally intended as little more than a general chat, the meeting was assuming ever more importance in the light of changes taking place in Eastern Europe.

The Prime Minister congratulated the President on his eve-of-Thanksgiving speech which had been first rate. He had spoken for all in the West. She agreed that Mr. Gorbachev was unlikely to come forward with surprises at the meeting in Malta, although he was a bit of a showman and one could never discount the

possibility that he would use the occasion to gain some tactical advantage. It was clear that he wanted a meeting very much and had for a time been rather grumpy about the delay in setting one up. Despite the difficulties which he faced at home, every report indicated that he was in excellent form and more self-assured than ever. There seemed no current threat to his position, although we probably would not know even if there was.

The Prime Minister said that she would like to set out what she thought should be the main lines of the West's approach to the enormous changes sweeping the Soviet Union and Eastern Europe. The first and overriding objective should be to see genuine democracy established throughout Eastern Europe and eventually the Soviet Union. Rather than just containing Communism, the West had in recent years taken its ideas and values on to the offensive and we were now reaping the rewards. The President interjected that the Prime Minister and President Reagan had done the heavy lifting on this. The Prime Minister continued that it would take a very long time to get democracy firmly rooted in Eastern Europe. It would need a background of stability in which no country felt threatened. This meant that we must plan on the basis that NATO and the Warsaw Pact would both remain in existence. We should also make clear that now was not the time to open up the question of borders in Europe. To do so would undermine Mr. Gorbachev's position and put our wider objectives in jeopardy. So German reunification did not arise at present. She would add that reunification was not just a matter of self-determination: the Four Powers had certain responsibilities. The question of borders also led to the problem of Estonia, Latvia and Lithuania. Like the United States we believed that they had been illegally annexed. But to pursue this question now would undermine Gorbachev and it was better to say nothing about it. Should Gorbachev be toppled and our larger vision of democracy in Eastern Europe vanish, then we might want to re-open the matter. President Bush interjected that it was a tough issue for the United States.

The Prime Minister continued that there had been a consensus at the meeting of EC Heads of Government in Paris on 18 November that the issue of borders should not be raised. She thought Chancellor Kohl had acted responsibly in not pressing the question of reunification. No-one could tell what would happen in ten or fifteen years time if we succeeded in our wider aim of seeing democracy established in Eastern Europe. But one had to realise that raising the issue of reunification would not only undermine Gorbachev, it would raise fears in Western Europe as well. To have a country of 80 million people at the heart of the European Community would fundamentally change its nature. Of course we could not prevent the issue arising eventually, if people in both the German States wanted reunification. But the sensible approach was to say that, if we eventually succeeded in getting full democracy in East Europe, then many of the fundamental differences between East and West would disappear and certain things could happen without raising the same fears which they would raise if they were proposed now.

The President said that he accepted the Prime Minister's broad analysis. But how would the West react if Gorbachev was

forced to crack down, either in the Soviet Union or in Eastern Europe? What if he asked the West to show forbearance while he used force? The Prime Minister said that if he really cracked down with force, then it would be the end of an era and our ambitions for democracy in the Soviet Union and Eastern Europe would have collapsed. But one would need to draw a distinction between a real crack down and the use of tear gas and other means of crowd control. He had shown considerable restraint so far in avoiding the use of force, at least since the demonstrations in Georgia. She recognised that the West could be confronted with a very difficult situation in the Baltic Republics. But what would we do if the Baltic Republics tried to secede and asked for Western help? We had not helped Hungary in 1956 and Czechoslovakia in 1968 and it would be cruel to raise false hopes. The President said that it would be very hard to mobilise any sort of military intervention, and indeed he would not want to do so. The Prime Minister interjected that we could not possibly do that. The President continued that the West would presumably just wring its hands as it had done over Tiananmen Square. Equally, we could not give Gorbachev carte blanche to do what he liked. The Prime Minister said she thought Gorbachev would let the Baltic Republics have considerable latitude internally provided they did not try to secede.

The President said he was also troubled about supporting continuation of the Warsaw Pact. He agreed that the West should not take any initiative to try to break it up. But what if pressure to leave it came from inside? The West could not assign countries to stay in the Warsaw Pact against their will. The Prime Minister said that she did not think the situation was likely to arise at this stage. The Eastern European countries were behaving very prudently and realised they could not afford to raise the issue of Warsaw Pact membership.

The President said that, if he was a television interviewer and asked the Prime Minister what was her position on German reunification, how would she reply? The Prime Minister said that she would say the question did not arise at this stage, that we must give priority to establishing genuine democracy in Eastern Europe and then see what happened. The President asked whether this line gave rise to difficulties with Chancellor Kohl. The Prime Minister said that Chancellor Kohl was being very sensible on the issue.

Turning to developments within the Soviet Union, the Prime Minister said that Gorbachev seemed to be increasingly daunted by the problem of moving away from socialism. She detected this in, for instance, the very sharp reaction to her own public comments about the failure of Communism. So great were the economic difficulties facing him, that he seemed to feel there was no alternative but to return to a command system of running the economy, at least for a time. There was also some echo of this in countries like East Germany and Czechoslovakia, where the emphasis was on preserving socialism. If this was correct, then political and economic change would be neither so sweeping nor so rapid as we had hoped. It would also be an extra obstacle to German reunification.

*temporarily retained 27/4/77 @ Wayland*

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

The President asked about economic aid for the Soviet Union and Eastern Europe. Poland's needs were urgent. He had not, however, been very impressed with Walesa's grasp of the problems or what needed to be done. The Prime Minister described the conclusions reached at the Paris meeting of EC Heads of Government. The Community would continue to give substantial economic help, while establishing a series of agreements with individual Eastern European countries to make them feel more related to Western Europe. She had underlined in her Bruges speech the need for a broader vision of Europe than just the Community.

The President commented that he expected Gorbachev to raise economic issues at Malta, in particular the question of most-favoured-nation treatment for the Soviet Union. All the information reaching him was that the Soviet economy was no better: indeed he had just viewed a briefing film which showed it to be in appalling shape. He wanted to find some way to help in this area without pouring money down the drain. What the Soviet Union really needed was good advice on how to run the economy. This was obviously a sensitive issue and he could not figure out how to put it to Gorbachev tactfully. He was practising. The real problem was that Gorbachev was just not prepared, or able, to extend economic reform far enough. It would be ironic if perestroika were to be challenged from within the Soviet Union while the West was supporting it from outside. The Prime Minister said that she agreed with the President's analysis and thought this was another reason why Gorbachev was so ratty about any criticism of socialism.

### European Community

The President asked the Prime Minister to imagine that she was President of the United States. Would she then have reservations about the European Community? The Prime Minister said that she was all for Europe but did not want a more centrally-controlled and bureaucratic Europe, nor one that was protectionist. Some of the proposals at present on the table created real risks that the Community would go down this path. For instance the Social Charter could, if implemented, lead the Community towards protectionism because the extra costs involved would price goods produced in the Community out of world markets. The Delors proposals for economic and monetary union sought to take away powers from national parliaments and transfer them to a body which would not be democratically accountable. She was a passionate European, but she wanted a free Europe and would fight for it. The President commented that perhaps the United States ought to speak out on some of these issues, from the point of view of its own interests. He did not want to see increased barriers. The Prime Minister repeated that she was already fighting this battle and would not object to some help. The key was to keep Europe outward-looking, on the side of free enterprise, and open to the rest of the world. It would not be easy: there was now a socialist majority in the European Parliament. The President said that he would give further thought to this and asked Mr. Eagleburger to discuss it with Secretary Baker.

China

The President said that the United States' relations with China continued to be delicate. He had to demonstrate American outrage at what had happened in Tiananmen Square. But this could not last for ever and it would soon be time to find ways to move forward with China. He intended to let the Chinese know that he would not be using his meeting with Gorbachev in Malta in ways which would adversely affect Chinese interests. He did not wish to push China into the arms of Li Peng who was an "inner kingdom guy". Deng Xiaoping had made clear that Jiang Zemin was his man and needed support. The President added that he was determined to keep a relationship with China. The Prime Minister said that we also had a particular interest because of Hong Kong. We faced a particularly delicate issue over the number of directly-elected seats in the Hong Kong legislature and would need to make direct contact with the Chinese outside normal channels to discuss this issue. The President said that he could not see that it served Chinese interests to be difficult. The United States had major interests in Hong Kong and would be prepared to lend its support if we wished. The Prime Minister said there was a careful balance to be struck between making the contacts necessary to conduct essential business, while not appearing to condone Chinese behaviour. The President said that the Chinese Government was still mad at the United States, but time would take care of that. He did not want Gorbachev to think that current bad relations between the United States and China were a factor which could be exploited.

Cambodia

The Prime Minister observed that the situation in Cambodia and the recent successes of the Khmer Rouge were another factor requiring contact with the Chinese. They were the only ones in a position to be able to restrain the Khmer Rouge. The President said the United States was not happy with the present situation. In particular, he thought the Thais were getting too close to the Hun Sen Government. The Prime Minister said that we would not deal with them: many of them were past members of the Khmer Rouge. The President said there was really no-one on whom the West could rely. Prince Sihanouk was a broken reed, a "real flake", an absurd man whose behaviour at the Paris Conference had been incomprehensible.

Arab/Israel

The President said that he had recently met Mr. Shamir who was a most unreasonable little man. He had been very tough on him, saying that Israel's relationship with the United States was becoming rapidly less special because of Israel's behaviour on the West Bank, their new settlements and their refusal to move towards dialogue. Unfortunately he had made no impact. Shamir had gone out and told the press that there had been an excellent discussion and all was well in US/Israeli relations. The President added that he really did not know what to do next. The Egyptian points seemed to offer the best chance of progress. The Prime Minister said she doubted whether anyone would ever move Shamir on the crucial issue of territory for peace. She

commented on the fact that King Hussein seemed to be playing no significant role. She had been worried by the results of the elections in Jordan and the advance of the Muslim Brotherhood. The President said he had spoken to King Hussein who was putting a brave face on the results. The President continued that the Jewish community in the United States was much less militant in backing Israel than previously. They feared Sharon and thought Shamir ought to be more forthcoming. The Prime Minister acknowledged this was encouraging, but warned that the Jewish community would always support Israel when it appeared under threat. The President wondered whether the Soviet Union would have anything to contribute on the Middle East. They might at least help with the radical countries. The Prime Minister said that she thought the Russians were too pre-occupied with their own problems and developments in East Europe. They did not seem to have much current interest in the Middle East.

The President lamented the assassination of the Lebanese Prime Minister. The Saudis had done well to make progress towards a political settlement. They had bought Syria, but experience suggested it was unlikely that Syria would stay bought.

#### Nicaragua

The President thanked the Prime Minister for having seen Senora Chamorro. Her prospects in the elections in Nicaragua seemed quite good. He would be telling Gorbachev how strongly the United States felt about Soviet meddling in Nicaragua. He would make clear that this could cause real difficulties in US/Soviet relations and that they really ought to stop propping up the terrible little Ortega. He also intended to raise the subject of Cuba, pointing out that it was a glaring exception to the general trend towards more democratic governments within the Soviet sphere of influence.

#### Afghanistan

The President continued that some of his advisers expected Gorbachev to say that he would lay off Nicaragua if the Americans ceased support for the resistance in Afghanistan. That was not a deal he was prepared to contemplate. Nonetheless he was disappointed with the situation in Afghanistan. The Administration had always been told that Najibullah would fall once the Soviet Union withdrew, but that had not happened. Prince Sadruddin had recently suggested to him that the United States had become too closely involved with fundamentalist groups supported by the Saudis.

The Prime Minister said that the Soviet Union continued to pour large quantities of arms into Afghanistan and she thought the President ought to confront Gorbachev openly with this. Her advice was that we should both go on supporting the resistance. We could not accept that the Russians could just impose a puppet regime. The President said that he was inclined that way too. The key was to get Najibullah out, but the Soviets still seemed to think they could win. He wondered whether Gorbachev would say that the Russians would stop helping Najibullah if the Americans

stopped helping the resistance. The Prime Minister said that would be no deal. The resistance had been fighting for Afghanistan's freedom and should not be equated with Najibullah who had been installed by the Russians. Anyway the Russians had already given Najibullah so much military equipment that an undertaking to cease supply in future would have little significance.

### Iran

The President said that the United States was still on a tight-rope over Iran. They kept trying to find ways to send subtle little signals to Rafanjani, but realised that he could not move yet. He was too boxed in by the radicals.

### Cyprus

The Prime Minister said that she recently discussed the Cyprus situation both with President Vassiliou and with the United Nations Secretary-General. Vassiliou had compromised quite a lot but Denktash was just not prepared to negotiate seriously. Both Vassiliou and Perez de Cuellar wanted Britain and the United States to intervene with Turkey. Now that Ozal was President there might be some future in that, although it was too soon to take any action. She recognised that President Vassiliou could sometimes be irritating, particularly by his insistence on raising Cyprus in every possible international forum. But she hoped she and the President might in due course join forces to persuade the Turks to make Denktash negotiate.

The President said that he agreed with the Prime Minister's assessment of Vassiliou and the United States had no problems with him. The encouraging feature was that Perez de Cuellar was willing to get engaged directly once more in the negotiations. The trouble was that the United States had virtually no influence at present over Turkey, because of the problem with the Genocide Resolution in Congress. As a result of this, relations with Turkey were in a cocked hat. The Turks had totally over-reacted: there wasn't even a Resolution yet and there probably would not be one. If the Prime Minister saw an opportunity in due course for joint action with the Turks, he would be ready to join in. But we should not expect the American voice to carry much weight. The main thing was to welcome Perez de Cuellar's renewed efforts.

### Argentina

The Prime Minister said that our talks with the Argentinians in Madrid had gone well and commercial relations were being restored. There would be a further meeting early next year. The President said that he had been much impressed with President Menem, despite his Peronist past. He was an extraordinary man who dressed like a Mod., so that you wondered where he had left his guitar. He was proud of his Syrian background and aspired to play a role in the Middle East. He was doing his best to solve Argentina's debt problem. He was about as reasonable an Argentinian leader as we were likely to get. Indeed he was impressed by everything about him except his tennis. The President added that he was pleased with the progress which had

been made in the talks in Madrid. The Prime Minister said that we were continuing to proceed cautiously. Not all the signs were good. We had disturbing information about Argentina's intention to continue with covert development of the Condor missile.

### Defence Spending

The Prime Minister thanked the President for the efforts which the Administration were making to ensure the necessary funding for the Trident D5 missile programme. This was absolutely crucial to us. The President said there was nothing in the agreement which he had reached with Congress on this year's defence budget which would interfere with this. The United States fully understood the importance of Trident to the United Kingdom. There would be no problems.

The President continued that he faced a very difficult problem over the future of the defence budget. In absolute terms, defence spending was at a very high level. Because of the overall pressure on the budget, Secretary Cheney had recently asked the Pentagon to consider a number of options for reducing defence spending. No decisions had yet been reached and he was upset that the matter had become public just before his own meeting with Gorbachev. If the United States was going to make reductions in defence, he wanted to get something for them. There would be no question of undermining the American commitment to NATO. The Prime Minister could be assured of that. But the political reality in the United States was of growing challenge to the scale of military effort which the United States had hitherto undertaken. He was legally bound to reduce the deficit and defence had to take its share of reductions. The end result might be fewer men and fewer carrier groups than he would wish. But there was no question of the United States withdrawing from the world or becoming more isolationist. Whatever the Americans had to do for budgetary reasons, they would maintain very large armed forces with sophisticated weaponry. If there was dramatic progress in the various arms negotiations with the Soviet Union, there was no inherent reason why the United States should not go for more realistic levels of defence spending. But he was most anxious not to give the impression of pulling the rug out from under NATO.

The Prime Minister said that the right approach was to link reductions firmly to the results of negotiations rather than to pre-empt them. She could understand the pressures on the United States budget. What had worried her more was the reason given for cuts, namely that the threat from the Soviet Union was much reduced. There were plenty of countries within Europe already dashing to grab their share of future force reductions.

The President continued that he saw a need for a broader approach to this problem. If the Soviet economy was in as bad shape as we thought, we should be in a strong position to press the Soviet Union for substantial further reductions in its own defence effort, which would enable the West in turn to make reductions. We needed to consider where we wanted to be in five years time. The Prime Minister said that we should not assume



that the Soviet Union would simply go on reducing its defence spending indefinitely. They were bound to want to keep a reasonably strong military position. It was also evident that they had difficulty in destroying equipment and reducing military personnel. At the same time NATO would need to preserve flexible response: and we should implement a CFE agreement before considering further reductions. This would probably take a considerable time. The President said that if conditions in the Soviet Union and Eastern Europe really changed, there must surely be scope for the West to reduce its defence spending. The START talks were an example of what he had in mind. He was always being told that he could not make this or that reduction because of the requirements of targeting. It seemed that targets determined the levels of strategic weapons. But surely the levels ought to be driven by what the Soviets were prepared to do by way of reducing their strategic forces. It should not be necessary to spend "jillions" of dollars to modernise United States strategic weapons if the Russians were seriously prepared to reduce theirs.

The Prime Minister said there would always remain the unknown threat which had to be guarded against. Defence spending was like home insurance in that respect. The President repeated that it was hard to believe that, if the Soviets made significant reductions in their defences, NATO could not come up with a sound military game plan that would allow it to operate below present levels of defence spending. Otherwise what was peace about? The Prime Minister suggested that peace was about keeping the peace. In any event nuclear weapons were not really very expensive measured by the deterrence which they gave you. The savings came from reductions in conventional forces. The problem here was that the United States had a world to police. What if new conflicts broke out for instance in the Middle East? We had to face up to the proliferation of missiles and indeed nuclear weapons as well. The President acknowledged this but pointed to Soviet withdrawal from some areas of the world. If they pulled out of the Horn of Africa, did we really care what happened there?

The Prime Minister said that surely the US defence budget should not be driven by Mr. Gorbachev but by United States' defence interests. The starting point should be what was necessary to keep America safe and maintain its world-wide interests. The President commented that the United States simply could not operate at ever increasing levels of defence spending. It just was not on. The Prime Minister said that the United Kingdom did not see much scope for cuts in its own defence spending. We were close to the minimum. We had Treaty commitments to specific force levels in Germany. If we were to make reductions, there would be a domino effect. Were it not for this fact we might prefer to devote our resources to different defence roles. The President repeated that he saw a need to discuss how NATO could remain a viable entity in the new situation. The Prime Minister said there would always be a minimum defence effort which the United States would have to maintain and it would be a high minimum. The President said gloomily that he was already losing ground in Congress on this issue, even before anyone seriously began to consider a peace

dividend. He expected terrible problems next year. The Prime Minister said once again that she did not think the United States could afford to reduce its defence spending that much.

Arms Control

The Prime Minister said there were signs that the Germans might try to reopen the SNF issue. In her view that had been settled in the Comprehensive Concept adopted by NATO last May and could not be tampered with. The President said that he had found it necessary to raise the matter with Herr Genscher a couple of days previously, after his spokesman had described the prospects of NATO adopting FOTOL as "laughable". Genscher had subsequently made a satisfactory statement. But he was under no illusion that the Germans would not return to the issue. The Prime Minister said that, in her talks with Mr. Gorbachev in September, he had appeared ready to accept equal ceilings on SNF. We should explore this further.

The President said that he was still agonizing over a CW Convention and the difficulties of verification. He very much wanted an agreement and thought the only solution was to extend implementation over a large number of years, so that it would be possible to check on compliance at every stage. At the same time he was being attacked at home for upgrading a small number of United States chemical weapons, even though this was necessary on safety grounds. He had to say he thought it was unlikely the Administration would ever get the money for this from Congress.

The Prime Minister referred to difficulties with Germany over training and low flying. The President said this issue "burns me up". The United States was over there at great expense, yet the Germans wanted to restrict activities which were an essential part of defence. He did not see how the Germans could have it both ways: insist on an American presence yet make it impossible for American forces to fulfil their role properly.

The Prime Minister said that she continued to be worried by the Soviet position on SDI. In her view they remained determined to constrain it unacceptably. The President said that the real difficulties were with Congress: he had fought hard for adequate funding for SDI but had lost.

South Africa

The Prime Minister said that President de Klerk was doing quite well and seemed to be working up to the release of Mandela. If that was accompanied by the unbanning of the ANC, it should be possible to get negotiations going. Her main concern was that de Klerk did not seem to have any very clear idea of what he wanted to achieve in such negotiations. Meanwhile at the recent Commonwealth Heads of Government meeting, she had opened up discussion of the need for carrots as well as sticks. We should begin to think about which of the measures against South Africa we would relax if the South Africans took the right steps. Obviously it would make sense to start with some of the smaller ones rather than go straight for lifting the UN arms embargo.

THIS IS A COPY

- 11 -

THIS IS A COPY. THE ORIGINAL IS

RETAINED UNDER SECTION 3 (4)

PUBLIC RECORDS ACT

The President said that he agreed de Klerk seemed to be doing the right things. He had just been reading a report by Bruce Gel of USIA which reported Archbishop Tutu as urging no more sanctions. That was a step forward.

The trouble was many in Congress did still want more sanctions. Although the Administration was not under particular pressure at the moment, the pressure would resume in the spring if there was no real progress in South Africa. The President added that he was uncomfortable about not seeing President de Klerk, particularly given the number of "crazy people" he was required to see.

### Vietnamese Boat People

The Prime Minister said there was enormous pressure in Hong Kong over the Vietnamese boat people and we would have to take some action. So far a number - she thought about 500 - had returned voluntarily. But we should now have to go to non-voluntary repatriation of those who were not genuine refugees. We would try to monitor what happened to them, and hoped that in due course the UNHCR would take on this task. We would also make available modest amounts of aid for the villages to which they returned. We really could not delay action any longer. The President said that he hated to be at odds with the United Kingdom on this. He did not know how our respective positions could be accommodated. The Prime Minister recalled that the United States returned illegal immigrants to Haiti and Mexico. The President said there was no political oppression in either country to match that in Vietnam. The United States did not send people back to Cuba. The Prime Minister said that those concerned were not really refugees and were not subject to particular oppression: they were economic migrants. The fact was that Hong Kong simply could not take any more and we would have to act. It was not that we relished doing it, but there wasn't any alternative. Until some were sent back, more would just keep on coming.

### India/Pakistan

The President and the Prime Minister both hoped that Mr. Gandhi would win the elections in India, but without much optimism. The President asked how the Prime Minister saw the prospects for Benazir Bhutto. The Prime Minister thought she had done remarkably well but she remained vulnerable. The President commented that the combination of Ms. Bhutto and Rajiv Gandhi was a stabilising factor in the sub-continent.

### Sri Lanka

The Prime Minister gave the President a brief account of her recent talk with former President Jayawardene.

### Japan

The Prime Minister referred to her visit to Japan in September. She had spoken strongly in support of the United States' Structural Impediments Initiative. The Japanese had

listened politely, but she fully expected them to carry on as before. There were considerable similarities between Japan and Germany: both had high levels of savings and colossal balance of payments surpluses.

The President asked whether there was much anti-Japanese feeling in the United Kingdom. The Prime Minister said that Japanese investment was very welcome. The President said there was rising anti-Japanese sentiment in the United States, especially in Congress, driven mostly by the feeling that there was not a level playing field in trade and economic relations between the United States and Japan.

Czechoslovakia

The Prime Minister and the President were given news at this point of the resignation of the Communist leadership in Czechoslovakia, which they both heartily welcomed.

Australia/New Zealand

The Prime Minister and the President noted that despite the change of Prime Minister in New Zealand there had been no change in the anti-nuclear ships policy. Both thought that Mr. Hawke was likely to be re-elected in Australia, mainly because of the lack of an effective alternative.

El Salvador

The President said the Administration had full confidence in President Cristiani, but the left in the United States were fascinated by the FLMN cause. There had been a whole new wave of anti-government feeling after the killing of the priests in El Salvador. The United States was helping with the investigations. The Prime Minister said she had met President Cristiani and been impressed by him.

The meeting ended shortly after 1430.

The Prime Minister will want to send Mr. Gorbachev a message about her talks with the President. I should be grateful if you could provide me with a draft as soon as possible.

I am copying this letter to Brian Hawtin (Ministry of Defence), John Gieve (HM Treasury) and Trevor Woolley (Cabinet Office). I should be grateful if you could also arrange for Sir Antony Acland to receive a copy on a personal basis.

*Your sincerely,  
Charles Powell*

Charles Powell

Stephen Wall, Esq.,  
Foreign and Commonwealth Office.

M

STATEMENT BY THE WHITE HOUSE PRESS SECRETARY

President Bush and Prime Minister Thatcher met for approximately four and one-half hours today at Camp David, discussing a broad range of issues related to East-West Relations and European stability. They had frank and substantive discussions in the relaxed atmosphere of the Camp.

President Bush summarised plans for the Malta Meeting and the two leaders discussed a number of possible subjects to be considered in that meeting. A primary focus was on Eastern Europe. The President and the Prime Minister discussed reforms underway in the Soviet Union and agreed on support for glasnost and perestroika. They both emphasised the pursuit of democracy as the first step in the reform process.

The two leaders agreed on the need for European stability as NATO faces the changes in Eastern Europe.

The Prime Minister emphasised her commitment to the Common Market, and emphasised her vision of a free and open trading system in Europe. President Bush agreed with her view of a European future that avoids protectionism.

The Prime Minister briefed President Bush on the recent Paris Summit of European Community Leaders at which it was agreed that all countries should promote democracy as a part of the Eastern Europe reform process.

The two leaders discussed a number of regional issues, including the mid-east peace process, recent events in Lebanon, China, Cambodia, Central America, Afghanistan, and others.

Their examination of these issues produced very close accord.

Attending today's meeting were General Brent Scowcroft, Deputy Secretary of State Lawrence Eagleburger, Ambassador Catto, British Ambassador Acland, Private Secretary to Mrs Thatcher, Charles Powell.

The Prime Minister departed Camp David at approximately 1445.



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

1. THOROUGH  
INTERESTING  
RELAXED  
INFORMAL

4½ hours including  
lunch alone with President  
& Mrs Bush

GENERAL SCOWCROFT  
MR. EAGLEBURGER.

2. MAIN DISCUSSION ON  
DEVELOPMENTS IN EASTERN  
EUROPE AND PREPARATION  
FOR PRESIDENT'S MEETING IN MALTA



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

ALSO DISCUSSED

- DEFENCE ISSUES
  - NATO
- ARMS CONTROL
  - FORCE REDUCTIONS
- EUROPE : YOUR VISION
- REGIONAL ISSUES
  - : CHINA, CAMBODIA, VIETNAMESE BOAT PEOPLE
  - : CENTRAL AMERICA
  - : SOUTHERN AFRICA
  - : MIDDLE EAST : LEBANON
  - : CYPRUS
  - : ARGENTINA