

SUBJECT

cc Mark



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10 DOWNING STREET

From the Private Secretary

28 July 1981

Dear Brian,

CALL BY PRESIDENT KYPRIANOU

President Kyprianou of Cyprus called on the Prime Minister this morning. He was accompanied by his High Commissioner and three officials. Mr. Bullard was also present.

Cyprus Problem

After an exchange of courtesies, the Prime Minister asked about the present state of play in the negotiations on the Cyprus problem. President Kyprianou said that he was awaiting proposals from the Turkish side. They had been promised for 5 August, but there was now talk that there might be a delay until 12 August. The future of the dialogue depended on the nature of the Turkish proposals. The dialogue could not continue indefinitely without producing a result. It was said that the Turkish proposals would be constructive and realistic. The Greek Cypriot side were always prepared to do their best to promote a solution. They attached great importance to the territorial aspect. If this were reasonable, it would be possible for a large number of Greeks to return to their property. The remainder of the refugees could return to the area under Turkish Cypriot administration without upsetting the balance of the population there. Similarly, some Turks would, no doubt, return to the Greek Cypriot-administered area. There had to be freedom of movement within the island.

The constitutional aspect was, of course, also important. There were some elements about which the Greek Cypriot side were prepared to be flexible. It was a question of degree. They wanted to ensure the unity of the State but were prepared to discuss the nature of the autonomous regimes in the two regions. Their proposals were already on the table. Assuming the Turkish Cypriot side's proposals on the territorial aspect were reasonable, the Greek Cypriots would be flexible on the constitution. However, the approach had to be reasonable. The Greek Cypriots were already being accused of having abandoned their policy of internationalising the issue and of letting the Turks get away with a fait accompli.

/The Prime Minister

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The Prime Minister commented that this seemed to be a good moment to make progress. President Kyprianou said that this depended on whether or not the Turks had the political will. He had learned that Denktash had been upset by comments about his negative attitude made in Ankara during his recent visit there. If a negotiable position on the territorial issue could be got on to the table, this could be taken together with the constitutional aspect. Much would depend on the nature of the territorial concessions on offer.

The Prime Minister asked if the UN Secretary General had been helpful. President Kyprianou commented favourably on Mr. Waldheim's role in pressing the Turks to put forward constructive proposals on the territorial issue. Mr. Bullard said that we regarded Mr. Gobbi as a gifted and energetic negotiator. President Kyprianou said that he had urged that Mr. Gobbi should not take an initiative just now. To do so would give the Turks an alibi for inaction. If the Turkish proposals were positive, Mr. Gobbi would no doubt have an active role. If, on the other hand, their ideas were negative, this would demonstrate an absence of political will and there would then be no point in Mr. Gobbi putting forward his own ideas. Mr. Bullard observed that the Turks might be willing to be pushed in the right direction even if they were unwilling to produce sensible ideas of their own. President Kyprianou said that, in his view, Mr. Gobbi's usefulness would be destroyed if he were to take the initiative. "I do not think a plan of his own will work." The Prime Minister asked whether the Turks did not in fact want a solution. Mr. Bullard said that those in Ankara did and President Kyprianou confirmed that this was his information - though much depended on what sort of solution they wanted. The Prime Minister said that each side must compromise. President Kyprianou observed that the Greek Cypriots felt they had already given a great deal. Cyprus was not made to be a Federal State but the Greeks had conceded the point. Now they had to be very careful lest they create a new round of trouble and end up with partition. The Greek Cypriots had the will to find a viable solution. The Prime Minister agreed that partition would solve nothing and that there had to be a workable solution if the island was not to be left with a new set of problems.

The Economy

In response to a question from the Prime Minister, President Kyprianou said that, given the general recession, the economy of the Greek Cypriot region was doing as well as could be expected. But the situation might get worse next year if the Government did not take measures now. The tourist industry was in a healthy state. As regards relations with the Community, Cyprus was experiencing difficulties with the Italians in the new round of talks on the temporary arrangements preceding the full customs union. The Italians wished to cut down imports from Cyprus into

/ the Community.

the Community. The political repercussions, if they succeeded, would be serious. The High Commissioner commented that Britain had been supporting the position of Cyprus. President Kyprianou said that it was important for his Government to be able to show that it paid to be associated with the Community.

Aid to Cyprus

President Kyprianou referred to the Sovereign-base areas. The Prime Minister said that HMG regarded their legal obligation to give aid to Cyprus as fulfilled. We would be offering nothing more. However, if, for political reasons, it would be useful to President Kyprianou to have further meetings, this would be acceptable. President Kyprianou said that he would like to exhaust the political process. His Government had a different view to that of HMG. The Prime Minister repeated her willingness to see further meetings take place. What mattered was that at the end of the process there should be an amicable agreement. President Kyprianou agreed.

CHGM

In response to a question from President Kyprianou about the likely Agenda for the CHGM, the Prime Minister referred to the world economy, Gleneagles, the problems of the Pacific islands and the Mexico Summit. In regard to Gleneagles, the Prime Minister said that she felt very sorry for Mr. Muldoon. He had taken the right decision (President Kyprianou agreed). As a result, he now found himself in a very difficult situation, more particularly since he was facing an election.

Yours ever

Nicholas Alexander

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