RESTRICTED PS TO PRIME MINISTER 105406 NO 10 DOWNING ST MDLIAN 5128 RESTRICTED FM NICOSIA TO ROUTINE FCO **TELNO 308** OF 260735Z JULY 88 INFO ROUTINE UKMIS NEW YORK, WASHINGTON, ATHENS, ANKARA INFO ROUTINE CBF CYPRUS UKMIS NEW YORK TELNO 875 TO YOU: CYPRUS: UN SECRETARY-GENERAL'S INITIATIVE 1. PRESIDENT VASSILIOU HAS EXPRESSED CAUTIOUS OPTIMISM FOLLOWING THE ANNOUNCEMENT BY THE UN SECRETARY GENERAL OF THE FORTHCOMING MEETING BETWEEN VASSILIOU AND DENKTASH IN NEW YORK ON 24 AUGUST. VASSILIOU SPEAKING ON CYPRUS TELEVISION, HOPED THAT THE MEETING WOULD BE THE FIRST OF A SERIES AIMING AT AN OVERALL SETTLEMENT OF THE CYPRUS PROBLEM. THE DIALOGUE WOULD BEGIN, HE ADDED, WITHOUT PRECONDITIONS. VASSILIOU SAID THAT MANY COUNTRIES AND GROUPINGS HAD STRESSED THE IMPORTANCE OF SUBSTANTIVE DIALOGUE, INCLUDING THE USA, BRITAIN, SOVIET UNION, THE NON-ALIGNED, THE EC AND RAJIV GHANDI. 2. FOR THIS PART, DENKTASH ISSUED A STATEMENT WELCOMING VASSILIOU AS A NEW GREEK-CYPRIOT LEADER WITH A BROADER OUTLOOK. HE WAS A REALIST WHO ACCEPTED BIZONAL FEDERATION. DENKTASH ADDED THAT VASSILIOU RECOGNISED THAT GREEK-CYPRIOT REFUGEES WOULD NOT RETURN TO THE NORTH, AND SAID THAT THE TURKISH-CYPRIOTS HAD BEEN RECEIVING MESSAGES (FROM PERSONS UNKNOWN) THAT VASSILIOU WOULD ACCEPT TURKEY AS A FUTURE GUARANTOR POWER. VASSILIOU, DENKTASH SAID, COULD THUS OPEN THE ROAD TO AGREEMENT WHICH KYPRIANOU HAD BLOCKED FOR 10 YEARS. 3. AS A FOOTNOTE, DENKTASH POINTED OUT THAT THE TURKISH-CYPRIOTS WERE NO LONGER BOUND BY CONCESSIONS THEY HAD MADE IN THE 1986 DRAFT FRAMEWORK AGREEMENT, SINCE THE GREEK-CYPRIOTS HAD NOT ACCEPTED IT. 4. COMMENT FROM THE GREEK-CYPRIOT PRESS AND PARTIES ON THE AGREEMENT TO MEET IS CAUTIOUSLY POSITIVE. ONLY KYPRIANOU AND HIS PARTY'S NEWSPAPER (''ELEFTHEROTYPIA'') CRITICISED THE GOVERNMENT FORTH-RIGHTLY FOR SELLING OUT TO TURKISH DEMANDS. ''ELETHEROTYPIA'' ALSO CLAIMED THAT IACOVOU HAD BEEN EXCLUDED FROM THE GOVERNMENT'S RECENT DECISION-MAKING: A CHARGE QUICKLY DENIED BY THE GOVERNMENT SPOKES-MAN. 5. AKEL AND THE DEMOCRATIC RALLY BOTH WELCOMED THE FORTHCOMING PAGE 1 RESTRICTED

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INTER-COMMUNAL DIALOGUE. AKEL'S STATEMENT RECALLED THAT AN INTER-NATIONAL CONFERENCE SHOULD DEAL WITH THE INTERNATIONAL ASPECTS. MATSIS (RALLY) WARNED THAT THE GRAVEST DANGER FACING CYPRIOTS WAS STILL THAT OF TURKISH IMMIGRATION TO THE NORTH.

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