

PRIME MINISTERMEETING WITH PRESIDENT VASSILIOU

You are to have a working lunch with President Vassiliou on Tuesday. He is on his way to address the UNGA in New York, and wants to brief you on progress in the intercommunal talks.

You will see from the Ambassador's telegram that no real progress has been made and that Vassiliou is beginning to lose patience with Denktash (understandably enough). The latter continues to take a very hard line, insisting that Northern Cyprus be a no-go area for Greek Cypriots.

Vassiliou has so far followed your advice to a gratifying degree. But it has not got him very far yet, and he is likely to look to you to weigh in with the Turks, in the hope of getting Denktash to negotiate more realistically. He also still wants to meet Ozal. I think you should send a further message to Ozal following the lunch. But it will need to be specific if it is to have any effect. What are the key points in this current phase of talks on which Vassiliou wants you to press the Turks? It will be no good just throwing in all the old shopping list about demilitarisation and so on: he must select issues on which progress is possible in the short term. Nor will it be worth while his renewing his proposal for a quadripartite meeting: he must grit his teeth and register some progress in the direct talks with Denktash first.

Another aspect which Vassiliou is likely to raise is Cyprus membership of the EC. He will probably seek a promise that you will in principle support Cyprus membership once a settlement is achieved (Genscher has already conceded this). You might turn it round by saying that Cyprus' membership can not even be considered until there is a settlement. But you will not want to be as negative as the FCO brief suggests if you wish to keep some influence over Vassiliou on the crucial issue of a settlement.

CDP

30 September, 1988.



Foreign and Commonwealth Office

London SW1A 2AH

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30 September 1988

Dear Charles,

Prime Minister's Lunch with the President of Cyprus:  
4 October

The Prime Minister is hosting a working lunch for the President of Cyprus at 12.45 for 1.00pm on Tuesday, 4 October. President Vassiliou will be accompanied by his Foreign Minister, George Iacovou, and the Cypriot High Commissioner in London, Tasos Panayides. On our side, the Foreign Secretary will be present, as will Humphrey Maud, the new High Commissioner in Nicosia.

The meeting has been arranged at Vassiliou's request, so that he may give the Prime Minister a first hand account of the intercommunal negotiations so far. It will provide an opportunity to confirm our support for the UN Secretary-General's initiative and our readiness to help promote the dialogue; and to discourage Vassiliou from any step which might give Denktash a justification for suspending the negotiations. Essential background is contained in the Annex.

Cyprus Problems

In welcoming Vassiliou to Britain again, the Prime Minister might wish to say that she is grateful that he has stopped off on his way to the UN General Assembly (he will be leaving for New York a few hours after the meeting) to give her an account of the negotiations to date and to say how he sees the way ahead. Does he believe Denktash is earnest in moving towards a settlement? Does he need any help from us at this stage? We remain ready to help in any way possible, including with the Turks. If Vassiliou reverts to the possibility of a meeting with Özal, the Prime Minister may wish to advise him not to complicate things by renewing his call for that at this preliminary stage of his dialogue with

/Denktash

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Denktash; he should give the inter-communal talks a chance to get somewhere. She might also note that the idea of a quadripartite meeting (Vassiliou/Denkash/Özal/Papandreou) could still be expected to be rejected by the Greeks, who are against "legitimising" Denktash, at least until further progress has been made in his talks with Vassiliou.

The Prime Minister might observe that Vassiliou seems to be playing his hand skillfully, and congratulate him on having got a Cyprus resolution through the recent Non-Aligned Foreign Minister's conference, without upsetting Denktash. He will, she knows, bear continually in mind the need for caution in public statements and actions. His forthcoming address to the UN General Assembly will give him the opportunity to recapture the diplomatic high ground and show that, if the talks with Denktash fail, it will not be through any lack of will on his (Vassiliou's) part. We are sure he will not wish to give Denktash an excuse for withdrawing from the dialogue by threatening to call for a General Assembly debate on Cyprus. If Vassiliou says he has a General Assembly debate in mind as a fallback in case the negotiations stall, the Prime Minister might advise him strongly against saying anything about his intentions at this stage; the option will remain open to him if the current dialogue fails.

If Vassiliou speaks of the demilitarisation of the Republic and the total withdrawal of Turkish troops, the Prime Minister might say that for him to press for this would almost certainly kill the negotiations stone dead. We know he genuinely wants a settlement; that is not the way to reach it. The Turkish Cypriots seem bound to insist on a residual Turkish military presence, at least initially; even the 1960 Treaty of Alliance provides for some Greek and Turkish forces (in fact 950 Greeks and 650 Turks). The Prime Minister might enquire exactly what Vassiliou means by "demilitarisation" and what future military arrangements he foresees. How is the new Federal Republic to defend itself? Would he abolish the Greek Cypriot National Guard? What international guarantees for a settlement does he have in mind? What

/arrangement

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arrangements would he envisage for policing the zonal boundary? We assume that Vassiliou would not contemplate any steps to upset the present military balance within the territory of the Republic. The Prime Minister might say she knows the Turks are suspicious of any actual or alleged Greek Cypriot purchases of new hardware. For her own information only, we know that the Cyprus Government are contemplating buying 13 artillery pieces from the Austrians. Such a move would be doubly damaging, in that, as well as provoking Denktash and the Turks, it would create trouble for UNFICYP, whose Austrian Commander's position was publicly condemned by Denktash following incidents in the UN Buffer Zone last summer, in which Turkish Cypriots were killed.

If, as is possible, Vassiliou urges renewal of the British guarantee, giving a specific role to the SBA's in its exercise, the Prime Minister might say that, at the appropriate time, we would be willing to consider any proposal which the two sides wished to make. We continue to value the facilities offered by the Bases (and the Retained Sites in the Republic) and would wish to have their use indefinitely. But she might warn him that we shall need time to consider the implications of his ideas. We mean to do what we can to help make a new settlement stick. But we would have to be sure that any guarantee involving the Bases would be workable in practice. Has he yet covered this ground with Denktash?

If Vassiliou suggests that our continued tenure of the SBAs after a settlement should be tied to financial aid for reconstruction, the Prime Minister might say that we make no such linkage. We should, however, be willing to consider an appropriate level of aid to the reunified Republic, once the parameters of a settlement become clear.

EC/Cyprus

Vassiliou may also raise the question of a Cypriot application for EC membership. Whilst there is as yet no firm consensus in Cyprus on an application, there has been increased interest in this under the Greek EC Presidency. Vassiliou himself has said that, whilst EC membership is not an immediate issue, it is central to his vision of Cyprus' future.

/Whilst

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Whilst assimilation of Cyprus into the Community would not be too difficult economically, an application from Cyprus would not be welcome. It would be impossible to admit Cyprus while the intercommunal dispute is unresolved, and without also admitting Turkey. And a Cypriot application would further add to the pressure on the Community to look seriously at further enlargement.

The Prime Minister may therefore wish to say that we welcome Cyprus' wish for closer links with the Community, but that we agree with the Commission that the Community's current priority must be consolidation (the absorption of Spain and Portugal, and the completion of the Single Market), not expansion. We believe there is much scope within the existing Association Agreement for further development of relations with Cyprus. The conclusion of the Customs Union protocol last year was also a significant development, and the relationship seems now very much on the right track. We look forward to the Association Council meeting in November.

Press handling

The Prime Minister will wish to agree a press line with Vassiliou. We suggest this be confined to a brief statement that Vassiliou had briefed the Prime Minister on the progress of the intercommunal negotiations and urged her to support the process in any way she could; and that she had welcomed the progress made so far and expressed our readiness to support the talks in any way necessary.

New motorway

Finally, it is possible that Vassiliou will raise the question of a British contribution to the cost of new motorway construction passing through the SBA's. This is likely to be considered by the Defence Secretary at the weekend. We shall submit supplementary briefing, agreed with MOD, on Monday 3 October.

*How's evr, L Parker*

(L Parker)  
Private Secretary

C D Powell Esq  
10 Downing Street

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*R. Austin*  
*You are*  
*to see*  
*President Vassiliou*  
*on Tuesday.*  
*cm.*

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MY TELNOS 398, 408, 409 AND 412: THE CYPRUS PROBLEM

SUMMARY

1. NO BREAKTHROUGH IN THIS WEEK'S SESSIONS AND NEGOTIATIONS YET TO BE JOINED. ADJOURNMENT TILL 16 AND 17 OCT. PERSONAL RELATIONS TOLERANT RATHER THAN WARM, BUT NO GIVE IN EITHER SIDE'S POSITIONS. VASSILIOU CONVINCED CYPRUS NEEDS A SETTLEMENT BUT BEGINNING TO SHOW SIGNS OF IMPATIENCE. NEEDS ENCOURAGEMENT TO SUSTAIN THE DIALOGUE. VASSILIOU WILL SEEK MRS THATCHER'S AGREEMENT TO LEAN ON ANKARA AND TO SUPPORT CYPRUS' MEMBERSHIP OF THE EUROPEAN COMMUNITY AT THE RIGHT MOMENT.

DETAIL

2. I HAVE SEEN VASSILIOU, DENKTASH AND CAMILION IN THE LAST 24 HOURS. IT IS CLEAR THAT THE TWO BEASTS ARE CONTINUING TO STALK EACH OTHER, WITH DENKTASH PROFESSING READINESS 'TO GO ON LISTENING' AND VASSILIOU'S INITIAL FASCINATION INCREASINGLY REPLACED WITH MISTRUST, EVEN CONTEMPT. NEITHER MAN IS YET READY TO DISPLAY FLEXIBILITY OVER SPECIFICS, STILL LESS TO STRIKE A DEAL. VASSILIOU SAID THAT HE CONSIDERS HIMSELF THE LEGITIMATE PRESIDENT OF A MODERN STATE WHOSE CITIZENS SHOULD BE ENTITLED TO EXERCISE THEIR RIGHTS FREELY THROUGHOUT THE ISLAND. HE DESCRIBED DENKTASH AS A TRIBAL CHIEF GIVEN TO PRIMITIVE DEMANDS FOR THE STATUS OF 'HIS PEOPLE', ALMOST AMOUNTING TO RACISM. DENKTASH DISMISSES VASSILIOU AS KYPRIANOU WITH A SMILE. HE IS DISAPPOINTED THAT VASSILIOU IS NOT READY TO RECOGNISE THE NEW 'FACTS' CREATED BY THE EVENTS OF 1963, 1974 AND SINCE. IN DENKTASH'S VIEW THESE MUST SEVERELY LIMIT THE THREE FREEDOMS (OF MOVEMENT, PROPERTY AND SETTLEMENT) ON WHICH VASSILIOU INSISTS: JUSTIFY HIS INSISTENCE ON TURKISH GUARANTEES: AND RULE OUT COMPLETE TURKISH MILITARY WITHDRAWAL.

3. THUS THE MAIN ISSUES HAVE BEEN IDENTIFIED AND THERE HAS BEEN FRANK SPEAKING, PARTICULARLY OVER THE RESTITUTION OF GREEK PROPERTY IN NORTH CYPRUS OCCUPIED BY TURKISH CYPRIOTS AND TURKISH SETTLERS. CAMILION FEARS THIS COULD YET CAPSIZE THE TALKS. BOTH VASSILIOU AND DENKTASH HAVE DRAWN VERY GLOOMY CONCLUSIONS FROM THE POSITIONS EACH HAS STAKED OUT.

4. DESPITE THIS CAMILION THINKS THE TALKS HAVE PRODUCED SOMETHING BETTER THAN A DIALOGUE OF THE DEAF. THE TWO MEN ARE VERY MUCH ON SPEAKING TERMS - NOT WITHOUT DIFFICULTY IN VASSILIOU'S CASE (GIVEN REPEATED PROVOCATION, HE SAID), THOUGH DENKTASH REFERRED TO 'MY FRIEND GEORGE'. VASSILIOU HAS DISARMED DENKTASH BY HIS READINESS TO ASK AND ANSWER PRACTICAL QUESTIONS WHICH DENKTASH HAS OFTEN CHOSEN TO EVADE. BUT THE MIND-SET OF EACH MAN REMAINS VERY DIFFERENT AND CAMILION (WHO IS SEEING VASSILIOU TODAY) WILL ENCOURAGE HIM TO TAKE MORE ACCOUNT OF 14 YEARS OF TOTALLY SEPARATE ADMINISTRATION BACKED BY A DE FACTO FRONTIER AND TURKISH MILITARY MUSCLE. HE WILL ALSO BE SEEING DENKTASH AND WILL DOUBTLESS SPEAK IN SIMILARLY PRAGMATIC TERMS.

5. VASSILIOU STRESSED HIS ABSOLUTE CONVICTION THAT THERE WOULD BE NO CYPRUS SETTLEMENT WITHOUT THE GREEN LIGHT FROM ANKARA. HE WILL TRY TO PERSUADE MRS THATCHER THAT DISCREET BUT SUSTAINED PRESSURE ON ANKARA WILL BE NEEDED AND THAT TURKEY'S EUROPEAN ASPIRATIONS OFFER READY LEVERS. HE WILL ALSO POINT TO GENSCHER'S ENDORSEMENT OF CYPRUS' DESIRE TO JOIN THE EUROPEAN COMMUNITY ONCE SETTLEMENT HAS BEEN ACHIEVED, AND ASK THAT WE TOO GIVE HIM AN ASSURANCE THAT WE WOULD IN PRINCIPLE SUPPORT AN APPLICATION FROM CYPRUS AT THE RIGHT MOMENT. HE SEES CLOSE LINKAGE BETWEEN A SETTLEMENT AND EC MEMBERSHIP. HE KNOWS THAT NO EC MEMBER WOULD ACCEPT CYPRUS WHILE THE ISLAND REMAINS DIVIDED, BUT SEES EC MEMBERSHIP AS A MEANS OF ENTRENCHING A SETTLEMENT ONCE ACHIEVED. I ASKED WHETHER THE PROMISED REFERENDUM ON AN INTER-COMMUNAL SETTLEMENT WOULD ATTRACT STILL MORE SUPPORT IF IT WERE SEEN AS THE KEY TO CYPRUS' MEMBERSHIP OF A STILL BIGGER COMMUNITY. HE SAID IT WOULD.

6. THE PRIME MINISTER WILL FIND VASSILIOU BUOYANT AND DETERMINED TO ACHIEVE A SOLUTION. HE HAS FOLLOWED THE ADVICE SHE GAVE HIM TO GET ON TERMS WITH DENKTASH THANKS TO PEREZ DE CUELLAR'S INITIATIVE. BUT HE STILL WANTS TO MEET OZAL. I THINK HE HAS BEEN SOMEWHAT TRAUMATISED BY THE EIGHT MEETINGS THAT HAVE TAKEN PLACE SINCE 16 SEPTEMBER. HE HAS FOUND DENKTASH

OBSTINATE, ARROGANT AND REPETITIOUS AND TOLD ME THAT HE  
WOULD BE QUITE READY TO BREAK OFF THE DISCUSSIONS IF DENKTASH  
CONTINUED TO INSIST THAT NORTH CYPRUS SHOULD REMAIN IN PRACTICE  
A NO-GO AREA FOR GREEK CYPRIOTS. BUT HE HAS INVESTED MUCH  
POLITICAL CAPITAL IN THE SUCCESS OF THE TALKS AND THOUGH I  
BELIEVE HE HAS MADE CONTINGENCY PLANS FOR THEIR FAILURE  
(MIFT, NOT TO ALL), HE WILL WELCOME ENCOURAGEMENT TO PERSIST.

MAUD

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