



Foreign and Commonwealth Office

London SW1A 2AH

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23 November 1988

Dear Charles,

Cyprus: Call by President Vassiliou on the
Prime Minister, 25 November

President Vassiliou is to call on the Prime Minister on Friday 25 November, to brief her on his meetings with the UN Secretary-General and Mr Denktash to review progress in the intercommunal talks. He is due to arrive the previous evening and to depart for Athens immediately after the call. He will be accompanied by George Iacovou, his Foreign Minister, and Tasos Panayides, the Cypriot High Commissioner in London. As the Foreign Secretary will be attending the Foreign Affairs debate in the House, Humphrey Maud, the High Commissioner in Nicosia, will be present on our side.

The Intercommunal Talks

There has been little movement in Vassiliou's one-to-one talks with Denktash (in the presence only of Oscar Camilion, UN Special Representative in Cyprus) since he last briefed the Prime Minister on 4 October. The talks have continued to address head-on the central issues: freedom of movement, property and settlement for all Cypriots throughout the Republic ("The Three Freedoms"); bi-zonality; the powers of the eventual federal government versus those of the federated states or zones; the presence of foreign troops; external guarantees; and the policing of a settlement.

Vassiliou wants "The Three Freedoms" to be unrestricted in principle, leaving regulation in practice to be left for further negotiation; accepts that the south will be predominantly Greek Cypriot and the north predominantly Turkish Cypriot, but will not accept the concept of "bi-zonality" if this means denial of the freedoms of property and settlement to his community;

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proposes a strong federal government deriving its powers from his "legitimate" Government and allocating powers to the federated states; wants Turkish and Greek troops withdrawn, thus "de-militarising" the Republic; rejects renewal of the Turkish guarantee in favour of multilateral guarantees; and wants a beefed-up UN Force (UNFICYP) to police the eventual settlement. Denktash seems prepared in principle to allow freedom of movement, but proposes to dispose of the other two freedoms by mutual settling of property claims and has been unwilling so far to concede the principles of unrestricted exercise of those rights; insists on "bi-zonality" as vital for the Turkish Cypriots' security; proposes that "the existing two states in Cyprus" retain most of their present powers, allocating some to a weak federal government; insists on a residual Turkish military presence and maintenance of the Turkish guarantee; and rejects the retention of UNFICYP, which he believes would not guarantee his community's security. Denktash has been reinforced in his view of UNFICYP by recent events: the Greek Cypriot security forces failed to prevent violent demonstrators penetrating the UN Buffer Zone on 14 November (but prevented a further serious incident the following day, the fifth anniversary of the declaration of the "Turkish Republic of Northern Cyprus"). UNFICYP contingents were hard-pressed to keep the demonstrators away from the Turkish lines. Vassiliou has since read the riot act to Kyprianou, his predecessor, and other politicians who promoted the demonstrations.

Perez de Cuellar held separate meetings with Vassiliou and Denktash on 21 November. The joint meetings were to be held in the afternoon of 22 November and over lunch on 23 November, with a possible further session in the afternoon. The Secretary-General's aim is to secure agreement by the two leaders to a programme of work for the next few months, ending in a further review with him in February or March. He may not propose that formal negotiations should start during that period, but instead a further thorough exploration of the main issues. Denktash would almost certainly be happy with that. But, in the absence of an agreement to get down to negotiations on substance, Vassiliou might propose an interruption of the talks for a month or two for

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reflection by the two sides. He might then consider "internationalisation" of the dispute, through eg recourse to the General Assembly, which the Turks and Turkish Cypriots would find provocative. On the other hand, he has told us that the period of reflection would provide time for pressure by the Prime Minister and other Western leaders on the Turks. But Vassiliou has yet to realise that what he sees as Denktash's "intransigence" on the central issues, particularly "The Three Freedoms" has Turkish backing. Denktash has concerted positions and tactics in the talks closely with the Turkish Government, receiving their public blessing during a visit to Ankara on 16-18 November. The Turks will not respond to pressure to move Denktash off those positions in the face of what both they and he see as Vassiliou's defence of his predecessor's positions, unless perhaps he can offer Denktash something in return. For his part, Denktash appears to recognise that his unwillingness to budge has put Vassiliou in great difficulty with his own constituency, with Kyprianou in particular increasingly critical of his handling of the talks; and may be prepared to offer Vassiliou some sop in New York.

After listening to Vassiliou's account of the New York talks the Prime Minister may wish to tell him that we are following the progress of the talks closely and remain ready to use our influence when we judge that the time for this is right. If he has already publicly announced that he wants a lengthy period of reflection, she might wish to urge him to make this as short as possible, to guard against the danger that:

(a) he would lose the momentum already achieved, giving the chance that positions would harden and easing the pressure on Denktash, thus playing into his hands; and

(b) once broken down, it might be very difficult to get the talks going again in the foreseeable future, thus entrenching the partition of Cyprus and allowing Denktash to tout for wider recognition of his "state", having successfully pinned the blame for the break-down on Vassiliou.

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If Vassiliou is uncertain about continuing, the Prime Minister might urge him to keep talking; the last thing he should want is for international opinion to hold him responsible for the failure of the talks. If the New York meetings have agreed a time-table for further talks, she might congratulate him for sticking to his last.

Whatever the New York outcome, Vassiliou will almost certainly plead again for the Prime Minister to intervene with the Turkish Prime Minister. She may wish to reiterate her willingness to do so at the right time - and on the right issue. We believe the Turks are genuinely interested in seeing a settlement in Cyprus. They could thus be expected to bring pressure to bear on Denktash if they thought he was merely stalling. But Vassiliou should realise that, in our judgement, the Turks support Denktash on the key questions of "The Three Freedoms", bi-zonality, powers of the federal government, presence of Turkish troops and the Turkish guarantee. We therefore see little prospect of convincing Özal that he should press Denktash for concessions in those areas unless Vassiliou himself can offer some of his own. What does he believe he could concede? What could his constituency be brought to accept? The Prime Minister might say she does not wish to enter into the detail of the central issues. But could she tell Özal, for example, that Vassiliou might agree to a residual Turkish (and Greek) military presence after a settlement in return for some explicitly circumscribed right to exercise "The Three Freedoms" and on adjustment of the boundaries of the two zones which would allow large numbers of Greek Cypriot refugees to return to their former homes? A deal of this nature might provide the basis for an approach to the Turks.

The Prime Minister may not wish to give Vassiliou any commitment on the spot to specific action (unless Vassiliou seems genuinely able to offer real concessions). She may prefer to tell him that she will consider carefully what he has said and let him have a considered view after an interval on what we might do to promote progress in the intercommunal talks, avoiding gestures fore-doomed to failure. She might also draw Vassiliou's attention to our concern about recent

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incidents in the UN Buffer Zone. Not only could such events be exploited by Denktash if he so chose, but there is also the risk that public opinion in the nations contributing troops to UNFICYP might resent the fact that "their boys" were being exposed to needless danger because his security authorities could not control hotheads in his community. Neither of us would wish to see UNFICYP's future called in question in that way. She might add that she was reassured to learn from Mr Maud that the President is well aware of the dangers and has taken a tough line with the party leaders concerned.

Highways through the Sovereign Base Areas (SBAs)

The Cyprus Government's plans for development of their road transport system include motorways crossing both SBAs. They have asked us to bear the full capital and maintenance costs of those sections within the boundaries of the Bases. Initial estimates suggest that the construction costs may be as much as £37 million. Unlike the present roads in the SBAs (which are maintained at HMG's expense), the motorways would not primarily serve the Bases themselves and would make for some operational inconvenience. MOD are discussing the different route options with the Cypriot Ministry of Works in an attempt to ensure the minimum effect on security at the Bases. But at this stage, we can make no commitment, explicit or implicit, to meeting any of the construction costs.

If Vassiliou mentions his Government's request, the Prime Minister might say that she cannot make any commitment on costs, but he will know that we have already agreed that the new roads should pass through the SBAs. Officials are assessing the information obtained in the first 3 meetings with the Cypriot negotiating team and will be in touch with his officials again in due course.

EC/Cyprus

Should EC/Cyprus relations be raised, the Prime Minister will wish to reiterate her advice, already given to President Vassiliou on 4 October, that any

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application for EC membership should follow agreement on a unified Cyprus, rather than precede it. Even if an application were made now, we doubt whether any action would be taken on it until there had been major progress towards settlement of the political problem. There is a strong feeling within the Community that at least until 1992 the Community must concentrate on consolidation, not enlargement.

The Prime Minister might go on to say that nevertheless we warmly welcome Cyprus' desire for closer links with the Community. We should work together to make maximum use of the existing Association Agreement and Customs Union arrangements. We valued the EC/Cyprus Association Council on 21 November. If President Vassiliou were to raise the Third EC/Cyprus Financial Protocol, the Prime Minister could say that agreement appears close. We believe the Commission's proposals are generous give Cyprus' prosperity relative to many other Mediterranean states. This fully reflects the closeness of EC/Cyprus relations.

Crisis Management Seminar

The Prime Minister will wish to be aware that a team from the FCO, Home Office, MOD, Security Service and the police will hold a Crisis Management seminar with Cyprus Government Ministers and officials in Nicosia on 29/30 November. President Vassiliou is expected to lead the Cypriot delegation at the plenary session. The main aim of the seminar is to tighten up Cypriot command and control in handling terrorist incidents by illustrating to them our crisis management machinery. It was decided at the time of the hijack of the Kuwaiti airliner to Larnaca last April that we should offer assistance of this nature to the Cypriots.

Supplementary Briefing

We shall let you have further briefing on the intercommunal talks on Thursday, in the light of reports on the outcome of the New York meetings.

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

Yours ever,

A handwritten signature in dark ink, appearing to read 'L. Parker', with a flourish underneath.

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

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