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WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Margaret Thatcher
of Great Britain (U)

PARTICIPANTS: The President
James A. Baker, Secretary of State
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Henry Catto, Ambassador to the U.K.
Robert D. Blackwill, Special Assistant to the
President for National Security Affairs

Margaret Thatcher, Prime Minister
Sir Antony Acland, Ambassador to the U.S.
Charles Powell, Private Secretary to the
Prime Minister

DATE, TIME April 13, 1990, 10:44am - 3:30pm
AND PLACE: Bermuda

Prime Minister Thatcher: Welcome to Bermuda. (U)

The President: How do you wish to proceed? (U)

Prime Minister Thatcher: Please begin in any way you wish. (U)

The President: Let me make clear at the beginning how important I think it is that we stay on the same wavelength. We have so far, and we should continue to do so. I need your consultations and advice. I don't want us to stumble into accidental differences. Our relations are in good shape, but I want to keep it that way. (S)

Let me start with Germany and the Two Plus Four. The Two Plus Four discussions are off to a good start. I expect that official-level discussions will resume sometime after the new government in the GDR is in place, perhaps toward the end of this month. (S)

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I understand that the Two Plus Four will next be discussing their agenda. This is a very important subject, and I want to be sure you and I are seeing this in the same way. Before each Two Plus Four session, we should carefully make sure that our two countries, the French, and the FRG, have identical positions.

(S)

We think the Two Plus Four should concentrate on how to give up the existing Four Power rights and responsibilities for Berlin and Germany as a whole, so that a united Germany can be fully sovereign like other European states. I had good talks with Helmut on this, and on the issue of the Polish border. My worry is that the Soviets will want to use the Two Plus Four to interfere with Germany's sovereign rights and hosting Western forces in the current FRG. We're not on the same wavelength with the USSR yet on that topic. It is because we don't agree with the Soviets on this that the Allied talks, the One Plus Three, are so crucial. (S)

We need to be as clear as we can about the things the Two Plus Four should not decide, like: Germany's membership in NATO; the status of Western nuclear and conventional forces stationed in the current FRG; the size of the German armed forces; or dreaming up new discriminatory limits to place on German sovereignty -- a sure recipe for future instability. (S)

The Soviets have concerns about the disposition of the current territory of the GDR and we are ready to address them. Yet their interest in negotiating the size of the German army should be dealt with in follow-on conventional arms control talks. Their concern about U.S. nuclear weapons should be handled in the SNF arms control negotiations we have promised. These are not matters to be negotiated in the Two Plus Four. (S)

I feel real concern that our NATO allies be aware of what our countries are doing in the Two Plus Four talks -- to reassure them that their interests are being taken into account and to provide further support to Helmut Kohl. (S)

Prime Minister Thatcher: We must not let the Two Plus Four interfere with defense issues. I would rather see these matters handled in other forums. (S)

The President: Both of us see the need to have a united Germany remain a full member of the NATO Alliance, including its military structures. The meeting with Francois next week could be difficult because we are not on the same wavelength with France on NATO and some European issues. I am convinced we can persuade the Soviets that Germany staying in NATO is in the Soviet interest. Jim can tell you his discussions with Shevardnadze on this point. It was a different Shevardnadze, more pulled back. (S)

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It was very important that you gave so much attention to Germany remaining in NATO when Helmut visited you in England. That was terrific. I want to assure our public, and the German public, that NATO remains as vital as ever for protecting our collective security. I don't know what will happen in a unified Germany, given the political pressures. But we need to persuade the public that NATO shall remain vital. As force reductions and an undivided Europe become real possibilities, and as the Warsaw Pact loses its cohesion, we must consider how the Alliance can demonstrate its readiness to adjust to these changes and project a renewed Western vision for the future of Europe. Havel came to Washington talking about taking out all troops, U.S. and Soviet. But we talked at length about this and he came around a bit. (S)

I have an additional consideration. For the U.S., NATO represents our principal link to Europe. I think it is vital that the U.S. maintain itself in Europe, but without a vigorous NATO, I don't see how this can be done. Without highlighting any differences with France, they don't seem to understand this situation. (S)

I need your advice on how to handle President Mitterrand and France. I have a funny feeling we've drifted apart a little. I want the visit next week to be constructive. (S)

Manfred Woerner has suggested a NATO Summit. I think this may be a good idea. There would be an awful lot of meetings, including the G-7 in Houston, but a NATO Summit would be timely after my meetings with Gorbachev. I want to consult with other Allies. We are interested in a Summit right after I see Gorbachev. I would rather it not be in Brussels. It would be good for NATO to hold it someplace else than Brussels. (S)

The NATO Summit could hear the results of your meeting and mine with Gorbachev. It could be a reasonably short meeting. Unfortunately, there is also Jim's meeting in Scotland. Maybe we could substitute a NATO Summit for it. The Bush view is that it would be great to go to Scotland. (S)

A NATO Summit declaration could include: (1) NATO's role in the new Europe; (2) NATO's post-CFE nuclear and conventional force objectives; (3) NATO's post-CFE and SNF arms control goals; and (4) the position of NATO on how it interacts with the future of the CSCE. We need to think about how the U.S. should interact with the CSCE. We need good solid thinking on this, with the East Europeans as players in Europe's future. It would be good to get a common NATO approach before a CSCE Summit. After a NATO Summit, the relevant NATO bodies would then proceed with a review to determine how the Alliance can best achieve the declaration's goals. (S)

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Another outcome of a NATO Summit could be a strong statement of support for continued German membership in NATO, along with the continued presence of militarily significant U.S. nuclear and conventional forces in Germany. I fear mounting pressures in a united Germany on U.S. nuclear and conventional forces. The U.S. public won't keep our kids in Germany if they are not wanted. But we must stay the course, keep a continued U.S. commitment.

(S)

On SNF, I was pleased that you recently singled out the presence of U.S. nuclear forces in Germany as an essential feature of European security. On FOTL, we have political realities at home. Later this month Congress will delete funding for this program. Therefore, in view of changed circumstances and the need not to appear to let Congress set the strategy, I would like to discuss the future of FOTL with you, what to do. I'd like to indicate our openmindedness on SNF.

(S)

I also want to hear from you about when to begin SNF arms control negotiations with the Soviet Union. Perhaps these could start shortly after a CFE treaty is signed.

(S)

Let's keep these FOTL and SNF matters privately between us. If we cancel FOTL, we will want to get something from the Germans. I have to weigh how we stay out in front while keeping the Alliance strong.

(S)

My main message to you, however, is that our commitment to keep nuclear weapons deployed in Europe, including in Germany, is strong. Jim and Brent can explain more about the realities we face on FOTL. I'd like to know more about your views on SNF.

(S)

I was briefed on your proposals for strengthening the CSCE. We see the CSCE as playing a critical role in overcoming the division of Europe. I would like to hear more about your ideas for its future.

(S)

We think it would be premature to begin preparatory meetings among the 35 about a CSCE Summit until the substantive issues in CFE have been resolved and we can be confident a treaty will be ready for signature. It would be difficult for me to attend a CSCE Summit without a CFE agreement to sign there.

(S)

On U.S.-Soviet relations, I'm worried about Lithuania. Gorbachev is on the horns of a real dilemma. I'm worried about Gorbachev being muscled from the right. When Shevardnadze was in Washington he was quite different than at Wyoming. I asked Shevardnadze if Gorbachev was getting pressure from the right, and he recoiled as if I had crossed the line. If Gorbachev doesn't get out of the Baltic dilemmas, I can't do business as usual. You and I are together on this, but it is getting more difficult.

(S)

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If Gorbachev uses more force, this would create enormous difficulties for us. It would cloud everything -- arms control, regional issues like Africa, human rights -- everything. We have come so far, but there is a danger we could slide back into the dark ages. But I have real domestic political constraints. The Soviets have backed up on ALCMs and SLCMs. (S)

Secretary Baker: We noticed a change between Wyoming and Washington, but also between Moscow -- in February -- and Washington. When we ran aground on ALCMs and SLCMs, and they backed away from the joint statement reached in Moscow, I suggested to Shevardnadze that we discuss this over dinner. He was very reluctant. He said he couldn't do it. Karpov was out. There were new faces -- Akhromeyev and that Major General -- that produced backsliding. (S)

We met two days after a difficult plenum, when Gorbachev and Shevardnadze were criticized about losing Eastern Europe and Germany. They can't lose the Union. It seems Douglas Hurd has the same impression. But Gorbachev told Senator Mitchell's delegation that he could finish the work in START. (S)

The President: I'd like to talk about COCOM for a moment. We agree with your conclusion that it needs imaginative restructuring to continue to fulfill its mission. Your 'core list' approach seems like the right plan of action and we want to work with you to develop the details. (S)

The outcome of the June COCOM meeting must be a reaffirmation by the Allies of the need, in principle, to protect our lead over the Soviets in defense technology, but based on a much shorter list of controlled goods and technologies. I'll try to see we don't protect unreasonably. We should get our people to look at what is needed, and what is just bureaucratic history. I want to move here. I'll move our bureaucracy. (S)

On the Summit in Houston, four major issues have arisen from the Sherpa talks so far: First, East-West developments. Second, the environment. We're having a high-level conference in Washington on Tuesday. I'm worried about extreme environmentalists throwing people out of work. I want to get cost and science in there. We need study, expertise. We can't deal just with pure emotion. I'm trying to find the proper balance. That's the point of view I will bring to the Houston Summit -- to get control of the emotions. Third, international trade and the Uruguay round. I had a chance to unload on your Ambassador while coming down here. Fourth, the West's approach to developing countries. I have reservations about North-South dialogue. (S)

We need to work together to make the Uruguay round a success. Compromise will be needed by all involved. In addition, I would like to talk about narcotics at the Summit, building on the money

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laundering initiative of the 1988 Toronto Summit. At Cartagena in February, I promised to seek commitments to greater economic assistance to Latin America, and I hope you will join me in Houston in encouraging this. We are reviewing U.S. legislation on commodities like sugar and coffee. (S)

On the matter of the Soviets and fiber optics, I am glad your team's April 9 visit to Washington was successful and that our officials are now engaged in close consultations about this issue. We are agreed that neither of our countries will take any final action on this project without consulting the other. (S)

It grieves me that we haven't been more helpful on the problem of refugees in Hong Kong. It is one of the few places where we are not totally in sync. (S)

On China, I am still disappointed with progress on human rights and reform. They have not responded as I had hoped. (S)

You should be aware that we are headed for new difficulties with the Chinese over trade. Under present circumstances, the Jackson-Vanik waiver that grants most favored nation status to China is not likely to be renewed. If the situation in China and our relations do not improve soon, U.S. bilateral trade with China, including trade through Hong Kong, will be reduced. (S)

I believe I was right in trying to preserve U.S.-China bilateral ties, but it is getting harder. This is troubling me. I hoped for more from the Chinese leaders when I delivered with the Congress. But we are hung up now. (S)

With respect to South Africa, we are fairly well together. I have never been for sanctions, but we are locked in by our law. Dellums and Gray led a Congressional delegation to South Africa who came back with the advice that we should leave our sanctions position where it is. I am determined that De Klerk can come. I'm a little more worried about Mandela. (b) (1)

(b) (1) (S)

I appreciate your effort to provide assistance to the new government of Nicaragua. Violetta is doing the right thing, getting the Contras out of her hair. I am battling with Congress over aid to Nicaragua and their efforts to attach extraneous spending on the aid bill. I've taken some criticism from Carlos Andres Perez over neglecting our own hemisphere, and I don't want that. As much involvement as we can do -- that's my agenda. (S)

Prime Minister Thatcher: I'd like to begin with a broad overview. In the area of European defense, all defense matters should be done through NATO, which has been fantastically successful. This has been made a bit fuzzy because France is not in the military side of NATO. That's why CSCE is being done in

the EC. CSCE is the only big East-West forum where we meet with the East Europeans and Soviets, who need increased opportunities for dialogue. Thus, we should heighten the CSCE as an East-West forum for discussion. It took a long time to get the Comprehensive Concept decided. Things are changing beneath our feet, but not NATO. (S)

(b) (1)

So the Soviet Union has changed because the nationalities problems are constraining Gorbachev, and because of the growing strength of the military. This also affects their policy on Germany, CFE, and START, but I don't get the feeling they are interested in further retractions. Gorbachev is a sensible politician, but he has been hardening his position over the last six weeks. (b) (1)

(b) (1)

(S)

NATO would handle the defense responsibilities. The CSCE would be a political forum. Gorbachev is not as free under the new situation. Where does that take us? On NATO, we like the Comprehensive Concept, but we are considering some changes. But we have to be sure where we are going. We could keep the Comprehensive Concept as we go to a transitional period. We don't want to give up anything on SNF without getting something. (S)

Helmut's statements on keeping the whole of united Germany in NATO are fine, both in your press conference with him and in mine. (b) (1)

(b) (1)

(b) (1)

Secretary Baker: It's going to be hard to maintain FOTL because the Congress is going to cancel it. To get where you want to go, perhaps we could suggest a commitment to TASM in exchange for startup of SNF negotiations on signature of a CFE treaty, not after implementation of the treaty is underway. (S)

Prime Minister Thatcher:

(b) (1)

(b) (1)

(b) (1)

By the way, we aren't going to let the Soviets use the Two Plus Four for such defense matters. (S)

(b) (1)

If we have a NATO Summit before the German election it would help Helmut, so that his commitment would be settled. I do think a NATO Summit is vital for public opinion. But what about doing it in September, with the NPG doing some of the work first? (S)

The President: But if you are right that Lithuania is causing public opinion to shift, the argument is that we should act, and act soon. (S)

Prime Minister Thatcher: We must go to a NATO Summit with all the details worked out. We want to keep the British Army of the Rhine, but the Germans don't like exercises. (S)

The President: Is there much pressure to bring the BAOR home? (S)

Prime Minister Thatcher: A bit, but we can handle it. (S)

(b) (1)

(b) (1)

General Scowcroft: What about a NATO Summit in June to launch the studies the President mentioned? (S)

Prime Minister Thatcher: We would have to have a reaffirmation of Kohl's position on the key security issues. If the Summit was in June, we would have to work jolly hard to be sure everyone was on board on the important positions before we get there, including France -- which is arguing the Europeans should do more. (S)

(b) (1)

Secretary Baker: Can Helmut hold to the 2-1 exchange rate in monetary union? (S)

Prime Minister Thatcher: Pöhl is trying to pull Kohl back from 1-1. I don't think they can have 1-1 exchange for everything. (S)

The President: Lots of money is involved. (S)

Secretary Baker: It's a big leveraged buyout. (S)

The President: Are you and Helmut on the same wavelength on the Polish borders issue? (S)

Prime Minister Thatcher: Yes.

(b) (1)

(b) (1)

The Germans won't accept a peace treaty to resolve the external issues surrounding unification. But a peace settlement is possible. The Soviets will try to use Berlin to veto NATO defense arrangements. (b) (1)

(b) (1)

The President: I don't agree. I want the Soviets to go home. But the Polish Prime Minister has another view. Is Helmut's approach on the Polish border problem satisfy you now? (S)

Prime Minister Thatcher: When Helmut came out with his new proposal, we thought that went a long way. I wrote Mazowiecki commending Helmut's approach. (S)

The President: We then are totally together. (S)

General Scowcroft: Some of the tension is going out of this issue. (S)

The President: I am grateful for your understanding on the Trident and non-circumvention issue in START. (S)

Secretary Baker: We made progress on non-circumvention at the Ministerial. (S)

Prime Minister Thatcher: Thanks for your help with Trident. It keeps our nuclear deterrent sound. (b) (1)

(b) (1)

Even if we get a CFE treaty, there will not be much reduction in the UK defense budget. We have substantial out-of-area responsibilities, with troops in thirty countries. The U.S. must understand that the world is an unsafe place. In twenty years we will all be back to the Middle East for oil supplies, a Middle East unstable with Islamic fundamentalism. (S)

Let's keep up the momentum in CFE. (b) (1)

(b) (1)

(b) (1) I think we will be asked about nuclear issues in the press conference. What should we say about SNF? (S)

Secretary Baker: We might trade commitment to TASM from the Germans for earlier SNF discussions. (S)

Prime Minister Thatcher: (b) (1)

(b) (1)

(S)

(There was a discussion of whether to announce a NATO Summit and on what to say about SNF to the press.) (S)

(b) (1)

The President: What about Iraq? It's been on our mind. (S)

Prime Minister Thatcher: On CSCE, I haven't given up the dream of using CSCE to help democratize the USSR. CSCE can help politically, and CSCE can help with the East Europeans. (S)

Secretary Baker: CSCE gives Gorbachev some cover at home. This is one of the merits of a CSCE Summit, if we can also sign a CFE agreement. (S)

The President: It's OK as long as it doesn't cut the other way and we don't get outvoted on Western security interests at a CSCE Summit. (S)

Secretary Baker: On the question of whether CSCE can handle the politics while NATO works on defense. NATO's defense role is clear, but we don't want all political functions in the CSCE. We need to keep some political functions in NATO. We can't leave it all to the CSCE or NATO will look too military. (S)

Prime Minister Thatcher: I want to strengthen transatlantic political consultation. We need to talk about a U.S.-EC free trade agreement. (S)

Back to your question about Iraq, (b) (1)

(b) (1) Then we learned about the gun barrel issue, and our people went in. We stopped the export. It was a gun barrel, not steel pipe. (S)

So where are we now? Our ambassador is still in London. So Saddam Hussein is sending messages that he wants to get back on the side with the West, then there is evidence to the contrary. (b) (1)

The President: We had a group of Senators over there, led by Senator Dole, and they went to Iraq. In the Jewish community, Iraq is the greatest enemy. I look forward to hearing about their talks there in Baghdad. I'm trying to keep relations in some kind of decent shape, but it is hard. I am under considerable domestic pressure. (S)

Prime Minister Thatcher: On COCOM, we need a 'core list' applied to all East European countries, including the GDR, of about 40

things. [REDACTED] (b) (1)

[REDACTED] (b) (1)

Secretary Baker: But how do we stop others? (S)

Prime Minister Thatcher: [REDACTED] (b) (1)

[REDACTED] (b) (1)

[REDACTED] (b) (1)

(S)

Governor Sununu: We could paste the two consortiums together and try to delay, keep control of the issue. (S)

General Scowcroft: Eastern European intelligence people are still cooperating with the Soviets. (S)

- First meeting ended at 12:58pm -

- Working lunch began at 12:59pm -

Prime Minister Thatcher: The Germans are confident that the GDR can be modernized economically in seven years. Then they will dominate Europe with the most modern equipment. (S)

The President: Poland is doing well, at least so far. It's strange, Lech Walesa wanting to be President. (S)

Prime Minister Thatcher: He wants to claim the prize for all he's done. Solidarity's staunchness stopped the Russians from going into Poland. [REDACTED] (b) (1)

[REDACTED] (b) (1)

But he wants

recognition for his achievement. (S)

The President: [REDACTED] (b) (1)

[REDACTED] (b) (1)

(S)

Prime Minister Thatcher: Mazowiecki has been vague. He wanted five British banks to loan Poland money, then said he had put the UK down for a billion. (S)

On China, the Chinese ambassador in London hopes things are going to improve, but he's not sure. We are worried about it. (S)

The President: It's discouraging. (S)

Prime Minister Thatcher: You don't have to, but we have to keep in touch with the Chinese because of Hong Kong. [REDACTED] (b) (1)

[REDACTED] (b) (1)

The World Bank has released some money for humanitarian needs. The Japanese are also moving back into China. (S)

General Scowcroft: They are itching to do so. (S)

Prime Minister Thatcher: Hong Kong is divided about 50/50 about how much democracy they really do want. On the matter of Vietnamese refugees, the time is coming when they will start coming again. We have no room in the camps, where they are fighting anyway. I can't allow this issue to inflame the situation in Hong Kong. (S)

The President: Are you encouraged that the numbers are down? (S)

Prime Minister Thatcher:

(b) (1)

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(b) (1)

(S)

Ambassador Acland: On Hong Kong, what do you think are the prospects for the Solarz idea of giving some Hong Kong residents contingent rights to settle in the U.S., should conditions in Hong Kong become intolerable? (S)

The President: I don't know. (S)

Prime Minister Thatcher: We have a duty to take the core of the top and most loyal Hong Kong Chinese and give them UK passports. Conservatives in my party don't like it. A bill will go before the House of Commons next week, and my party is split. (S)

Secretary Baker: How many passports would you issue? (S)

Prime Minister Thatcher: 225,000 passports altogether. (S)

The President: Are you caught up in the issue of direct flights from the Soviet Union to Israel? (S)

Prime Minister Thatcher: Our Jewish groups are lobbying, and more Jews want to leave the Soviet Union because of rising anti-Semitism there. (b) (1)

(b) (1)

(S)

Secretary Baker: It is a shame that Peres failed. A real tragedy. (S)

Prime Minister Thatcher: A very big shame. (S)

The President:

(b) (1)

(S)

Prime Minister Thatcher: I got a call that the EC negotiations going on about fixing agricultural prices for next year have broken down. (S)

The President: I'm very worried about agriculture. As we look more and more for the EC to take on an expanded role, agriculture looms for any U.S. President or Congressman or Senator as an enormous problem. We are all impure on this one, but we need to get toward a more open market. It is a terribly important problem for us. (S)

Prime Minister Thatcher: It is for everyone but, in Europe, they deliberately subsidize the small farmer. (b) (1)

We have to deal with this or world prices will stay up. We agreed with you; we want to get these subsidies down over time. At the moment it is holding up the whole of the Uruguay round. (S)

Secretary Baker: In order to get our farmers' cooperation, we need to show them that Japanese and EC direct subsidies are necessary. (S)

Prime Minister Thatcher: (b) (1)

The President: I wouldn't be pessimistic about our ability to clean up export enhancements and subsidies if others came along. I think we can do this politically. (S)

Prime Minister Thatcher: But you can't do that if others subsidize. (S)

The President: Right. (S)

Prime Minister Thatcher: We have to succeed in the Uruguay round. (b) (1)

(b) (1) We need to enlarge the area of free trade, rather than moving toward blocs. (S)

On EC political union, the words come out with little meaning and we, of course, have the oldest parliament on earth. I will be in Aspen in early August; perhaps I will give a big internationalist, "Bruges II," speech. (S)

- Working lunch ended at 2:03pm

- Second meeting began at 2:15pm

Prime Minister Thatcher: Returning to the subject of South Africa, I want to tell you how immensely important it is that you see De Klerk. (S)

The President: It is all set. (S)

Prime Minister Thatcher:

(b) (1)

(b) (1)

(b) (1)

We have removed a voluntary ban on investment, but nothing statutory. But it is crucial that you see De Klerk. (S)

The President: A date has been set in June. But Mandela wants to put his trip off until the fall. I like Mandela's more recent statements. But I worry he may get caught up in ANC politics, (b) (1) As for our sanctions, I think we should just leave them for the present and see what happens. (S)

Secretary Baker: I saw De Klerk after Namibia and he said he didn't care whether he came to Washington first or if it was Mandela, but he did want some space between the two visits. I think the ANC is thinking of giving up the armed struggle but is saving that concession for trading bait with De Klerk. I'm sort of optimistic, and so is our Ambassador in South Africa. (S)

Prime Minister Thatcher: I had the impression the ANC is not ready to negotiate. (S)

Secretary Baker: They certainly weren't when Mandela got out of jail. Then they had the violence in the townships. But I think they are getting ready to move. (S)

The President: Buthelezi is impressive. (S)

Prime Minister Thatcher: Anyway, events are moving forward in South Africa. The EC is looking at lifting sanctions but I think they will wait until more happens. I think they really need more investment. (S)

Secretary Baker: And they need to get back into the IMF. (S)

Prime Minister Thatcher: Yes. And they need investment back in to raise the black standard of living. If it's going to work, we need to support De Klerk. Whether the whites or even the blacks can accept a country with a system of one-man one-vote, or will

attempt some Swiss model, is unclear. (S)

The President: We had good talks with Chissano. I was impressed. He's trying hard. RENAMO has right-wing support in the U.S., but Chissano seems to be doing reasonably well. (S)

Prime Minister Thatcher: (S)

(b) (1)

Secretary Baker: (S)

(b) (1)

Prime Minister Thatcher: It is a tragic country. (S)

On the subject of Kashmir,

(b) (1)

(b) (1)

The President: You mean, telling them don't fight. Rajiv Gandhi and Benazir had good relations but that's not the case with Singh. All we can do is try to keep things calm. (S)

Prime Minister Thatcher: Right. The situation in Afghanistan is not improving at all. (S)

Secretary Baker: We have told the Soviets we can support free and fair elections in the context of a ceasefire, and perhaps even a negative symmetry approach on the question of military assistance. We've come quite a ways and we don't pretend to be able to deliver a ceasefire. The Soviets seemed a little interested in Washington. (S)

Prime Minister Thatcher: As with Cambodia, the key is getting and holding a ceasefire. (S)

The President: My view is that Afghanistan is a real loser. There is rampant drug running and banditry. We were wrong about Najibullah's capacity to hold on. We do not have fundamental interests in Afghanistan. We are frustrated. We need a face-saving way out. (S)

Prime Minister Thatcher: (S)

(b) (1)

(b) (1)

On Central America, we are doing what we can to help on Nicaragua. We will stay in Belize. I'm thrilled with Chamorro. We've given four million pounds to Barco, to help with countering terrorism. Barco is an impressive man. (S)

The President: We are trying to open up our markets. (S)

Prime Minister Thatcher: I'm very wary of these international commodity agreements. They are meant to produce higher prices than the market would produce. (S)

The President: Barco's approach on drug consumerism is good, and we may be making a little headway. (S)

Prime Minister Thatcher:

(b) (1)

(b) (1)

Turning to Cyprus,

(b) (1)

(b) (1)

The President:

(b) (1)

(S)

General Scowcroft: We have very little leverage with Ozal. (S)

Prime Minister Thatcher: It is popular in Turkey to support Denktash. (S)

I'm going down to Turkey for the 75th anniversary of Gallipoli.

(b) (1)

On Argentina and the Falklands, our improved relations with Argentina are going quite well.

(b) (1)

(b) (1)

General Scowcroft:

(b) (1)

(b) (1)

Prime Minister Thatcher:

(b) (1)

(S)

Secretary Baker: They have no money anyway. (S)

Prime Minister Thatcher: At home, I am working to win support for my position on the poll tax and my efforts to bring down inflation. (S)

With respect to the environment, the panel on climate change has concluded that the temperature is going to change, will go up, and that the water level will rise. (S)

Governor Sununu: The body of the text for that report doesn't support the summary of conclusions. It appears that some who are anti-growth use the environmental issue for anti-growth objectives. (S)

Prime Minister Thatcher: I have said I won't put a higher tax on carbon or petrol for environmental purposes. (b)(1)

(b)(1) I am already incurring very great extra costs because of our environmental improvements. (S)

On the matter of the EBRD, you support Prague as the site. The EC won't support Prague and, if it's not Prague, we hope it will be London, which is the best banking center. (S)

The President: We committed ourselves to Havel to support Prague. (S)

Secretary Baker: We thought that a bank to serve Eastern Europe ought to be in Eastern Europe. (S)

Prime Minister Thatcher: France already has the OECD, the IMF, the Council of Europe, and the European Parliament. (S)

For the Presidency of the Bank, we are supporting Ruding. (S)

Secretary Baker: So are we. (S)

(There was then a brief discussion of Attali's hopes to be President of the Bank while remaining counselor to President Mitterrand.)

Prime Minister Thatcher: There is a lot of horsetrading going on. (S)

- Second meeting ended at 3:30pm -

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