

mf 20(a-d)

PRIME MINISTER

MEETING WITH PRESIDENT BUSH

The main themes for your meeting with President Bush will be the developments in Eastern Europe: his own forthcoming meeting with President Gorbachev: and how to cope with any surprise initiatives which Gorbachev may launch. There will be a separate note on that following your meeting with Foreign and Defence Secretaries tomorrow. But there are quite a substantial number of other issues which you will want to raise. They are dealt with at length in the attached note. In summary they are as follows:

Arms Control

Good progress is being made in the Conventional Force Reduction talks, although the problems over Soviet air defence aircraft and their wish to limit European (not just US) stationed manpower have not yet been solved. The Americans are pressing for a verification regime which we find too rigorous and intrusive. They are proposing inspectors in European arms factories and listing of ^{destruction} destruction of all equipment produced in them, which would be intrusive and unacceptable to the private sector (US and Soviet factories would not be affected since they are not in the area covered by CFE). More generally the negotiations will be rendered more difficult on the western side by recent US statements on defence cuts, which imply much larger reductions in US forces in Europe than those currently on the table. This could start off a scramble among European members of NATO to make pre-emptive cuts in their own forces. It would be helpful if the President could reiterate - preferably in public - that reductions should take place only in the context of a negotiated CFE agreement and not unilaterally.

There is less recent activity on START, although we have secret evidence of greater Soviet flexibility on some key issues. In our judgement the basic defence/space issue is still not resolved, although the recent heavy cuts in SDI expenditure will have reassured the Russians (unfortunately). You will want to remind the President of the over-riding importance for us of Trident and thank him for the way in which the US continues to

safeguard our interest in the START negotiations. It is also a relief that the Administration's request for funding for the D5 missile has been restored by Congress.

On SNF the position is less happy. Formally we are all bound by the NATO Summit conclusions: but most American officials are writing off the chances of ever getting the Germans to agree to deploy a successor to LANCE. You will want to stress the very great importance of preserving the nuclear element of flexible response and refer to the hints which Gorbachev gave you that the Soviets might be ready to agree to equal ceilings above zero (there is some evidence in Soviet military writings that they are developing their own flexible response doctrine). The President might explore this with Gorbachev.

On chemical weapons there has been no particular advance since President Bush launched his proposals at the UN General Assembly. The next step is a US/Soviet data exchange. The Russians must be pressed very hard to clarify the position on their stocks.

You might suggest to the President that, when he briefs NATO on 4 December, he should propose that Heads of Government reaffirm the conclusions of the last NATO Summit (both on defence and arms control). This would give a helpful signal of NATO's continuing importance and of constancy in defence amid the changes in Eastern Europe.

Regional Issues

You will probably want to run through a large number of regional issues in fairly short order. In very summary form, the main ones are:

- Vietnamese Boat People We are going to start non-voluntary repatriation in early December. It is the only solution: we see no hope of other countries taking non-refugees. We have assurances from the Vietnamese on treatment of returnees, will be monitoring that treatment ourselves (and hope eventually to persuade UNHCR to do so) and will be

giving modest aid to the villages to which they return. We hope at the least that the US Administration will not publicly oppose or criticise us - especially as they have nothing better to offer;

- Cyprus You promised Perez de Cuellar that you would raise this with the President and urge him to agree to a concerted action by the US and UK with Turkey in due course. It is still too early for this: it needs to be done when the talks between Greek and Turkish Cypriots resume. There will be no progress without it. There is some disposition on the part of American officials to argue that Vassiliou must make more concessions: in due course he will, but he has actually gone a long way, while Denktash has just sat tight;

- South Africa There is the prospect of real progress (the President will have seen the same intelligence as you). If Mandela is released in the first part of next year and is free to carry out political activities, some of the emergency restrictions are lifted and the conditions for negotiations created, we ought to be thinking of a start to relaxing measures against South Africa. They need an incentive to go further. We don't like the idea being pushed by US officials for a multilateral consultative group on South Africa: it will rapidly become a forum for pressure for increased sanctions;

- Central America You share American concerns about Nicaragua and El Salvador and support their policy. You recently saw Mrs. Chamorro. You assume the President will raise the issue of arms supplies very firmly with Mr. Gorbachev;

- Arab/Israel The Americans are plugging away at getting the Israelis to agree to preliminary talks with the Palestinians from inside and outside the Territories and Shamir has recently been to Washington. But their attempts hang in the balance and may collapse. The FCO want you to leap in with a suggestion of informal Five Power Talks on the Middle

East: but this will irritate the Americans and is unlikely to have much effect apart from that (except to allow the UK and France to feel they are back at the table). Meanwhile we have heard very little from King Hussein: indeed I cannot remember such a protracted period of silence. You might ask the President to tell you how he sees the way forward;

- Cambodia The Americans are worried about our (so-called) change of policy, and in particular worry that we may be moving towards recognition of the PRK regime in Phnom Penh (I don't blame them). You might say that, as far as you are concerned, we continue to keep the lot in Phnom Penh at arms length, and are concerned mainly to step up humanitarian aid to those affected by the fighting. But we shall all face a difficult problem if the Khmer Rouge begin to get the upper hand in the war. We need to urge the Chinese to hold them back;
- China You will want to ask the President how he envisages normalisation of relations between the US and China (of which he has spoken). The key question is whether the Chinese recognise that this involves changes/concessions by them as well. You will want to consider whether to tell him in strict personal confidence of Sir Percy Cradock's mission. The most helpful step the US could take on Hong Kong would be to devise a scheme to allow a limited number of Hong Kong people to become eligible for permanent residence in the US without being obliged to leave Hong Kong;
- Japan The President may raise the US idea for a Summit Seven for political consultation with Japan, which we support. You can tell him of the strong backing which you gave to the US Structural Impediments Initiative during your visit to Japan in September. The Americans and Japanese are negotiating against a deadline of March next year: if the negotiations fail the US intends to apply the sanctions envisaged in Super 301.

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I do not think you need raise any of the EC points which are being adequately dealt with at other levels.

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Finally you may like to say how much you appreciate your regular meetings with Judge Webster and the very close intelligence links we enjoy. You attach the highest priority to continuing these.

There is a fuller note by the FCO in the folder.

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(CHARLES POWELL)

21 November 1989

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