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PRIME MINISTER

TELEPHONE CALL WITH PRESIDENT BUSH

I have spoken to Bob Gates in the White House to say that you would like to talk to the President on the telephone, if convenient, before Chancellor Kohl's visit. Gates thought the President would be enthusiastic and promised to ring back to suggest a time. While waiting for that, you might find it useful to have the following notes of points you might make.

You might start by thanking the President for his messages about the talks with Argentina and South Africa. You might also congratulate him on the drugs summit in Columbia.

On Argentina, you are very satisfied with the outcome but steadily more worried about Menem's position, which appears very precarious. On South Africa, you will want to explain that we have lifted some small voluntary sanctions, and propose to lift more when the State of Emergency is ended. You expect some other EC countries to follow suit at that stage. It is vital to give de Klerk encouragement. You are a bit disappointed in Mandela's performance so far.

You might then say that we shall be watching very closely the conduct and results of the Nicaraguan elections on Sunday. Our observer reports that, so far, the campaign has been reasonably fair. If Mrs. Chamorro wins, we shall welcome the result enthusiastically. If - as must be more likely - the Sandinistas win, we shall be a good deal more cautious, and say that we await a full report from the international observers. We shall also say that the Sandinista Government must continue to allow the opposition parties to operate freely.

You could go on to say that you know that the President will be seeing Chancellor Kohl on Saturday and Sunday and Signor Andreotti on 6 March. You have been very active in contacts with European leaders over the last week or so. You thought it might be useful to pass on some thoughts. These are:

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- the frenetic pace of the West German approach to unification of a few weeks ago has cooled down a bit. There is now less talk of the imminent collapse of the GDR. There seems a fair prospect that the GDR will in fact get through to the elections on 18 March: and thereafter will wish to negotiate with the FRG, rather than just be subsumed;
- the outcome of the elections is not easy to predict, but most people expect the Social Democrats to do well. This could have far-reaching implications for the future political balance within a united Germany, increasing the prospect of an eventual left-wing government. That would be a major worry. But presumably Helmut Kohl has made his own calculations about this;
- your main concern over these past few weeks has been to ensure that the wider consequences of unification are fully and properly considered - whether it be for NATO, for the EC and for the rights of the Four Powers. In all your discussions with other European governments, you have found this to be the major preoccupation over German unification: that the process was going too fast and that there was no established procedure for examining the consequences for the rest of us;
- the decision in Ottawa to set up the Four plus Two framework was a great step forward, and you are most grateful for the President's efforts over this. In your view, it ought to start work at official level as soon as possible and not wait until the elections on 18 March. You know that the French and Russians share this view. You hope the President will urge Chancellor Kohl to agree;
- we have also agreed a special meeting of the European Council to consider the consequences for the EC. You welcome the American initiative to have a discussion in NATO. This will help allay the concerns of those like the Italians and Dutch who do not like being excluded from the Four plus Two framework, and fear that their interests will be overlooked;

- so we now have established a good framework for consultation. But there are some very important points to be resolved. You hope the President will raise them with Chancellor Kohl:

- i). Poland's border. The Polish Prime Minister is very exercised about this. He wants a Treaty to regulate it: and wants negotiation to start now, so that the Treaty can be signed as soon as Germany is unified. You think he is fully justified in seeking this and the Germans should agree;
- ii) Germany and NATO. Helmut Kohl has been admirably robust in saying that Germany must remain in NATO, with the continued presence of American troops and nuclear weapons. We shall need to consider what should happen about the former GDR. We must take account of Gorbachev's security concerns, and you believe we should allow the Russians to continue to station some troops there for a transitional period, which need not have a fixed end-date. You believe that, on this basis, Gorbachev can be brought to accept German membership of NATO, provided there is also progress on building up the CSCE;
- iii) The CSCE framework. You think we should give some substance to the CSCE and talk in terms of building a new framework for the future. You will be working up some more ideas on this. The CSCE is the European forum which brings together also the Soviet Union and the United States. We need to reinforce it with a commitment to democracy and a market economy: and perhaps establish some permanent machinery, which could become the nucleus for a par-European security organisation (but not replacing NATO). It is important not to give the Soviet Union the feeling that Europe is trying to exclude them: we shall want gradually to incorporate them more and more into Europe, as democracy takes root.

iv) Arms Reductions. You are very grateful to the President for his firm commitment to the 225,000 figure as a floor not a ceiling: you congratulate him on bringing the Russians to accept this figure. We shall now need to consider in NATO how the reductions resulting from the CFE negotiations should be distributed among member states. We don't want a mad rush to pull out forces;

- you might go on to tell the President in strict confidence that we are beginning to look at the consequences of all this for the future structure of our Armed Forces. We have not yet reached any decisions. You will keep the President closely informed. You are determined to keep up a strong defence for the United Kingdom, with our independent nuclear deterrent, but the shape and structure of our conventional forces is likely to change over time, with greater emphasis on a capacity to intervene in different parts of the world;
- you will want to wish the President well in his talk with Chancellor Kohl and ask him to give Kohl your best wishes. You look forward to seeing Kohl in London at the end of March: your meeting then will come at a crucial time, right after the East German elections. You continue to attach the highest priority to helping Chancellor Kohl's re-election.
- finally, you may like to mention to the President your intention to visit the Aspen Institute in Colorado on 3-4 August, to receive an award and make a major speech.

You will no doubt ask after Barbara Bush. You will have noticed that she had a minor operation recently to remove a small cancerous growth from a lip.

C. D. P.

CHARLES POWELL

23 FEBRUARY 1990

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