

SECRET AND PERSONAL

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10 DOWNING STREET
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15 April 1990

From the Private Secretary

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE PRESIDENT OF THE UNITED STATES
IN BERMUDA

The Prime Minister held some four hours of talks with the President of the United States at Government House in Bermuda on Friday 13 April. The President was supported by Secretary of State Baker, General Scowcroft, Governor Sununu, the US Ambassador in London and Ambassador Bob Blackwill. HM Ambassador, Washington was also present.

I have already summarised the atmosphere and main outcome of the talks in my telegram from Bermuda (Hamilton Telegram Number 83). This letter provides a fuller and more detailed record. The President in fact began by speaking for some forty-five minutes, setting out his views on all the main issues. The Prime Minister then replied, and this was followed by discussion. I have rationalised this in my note, so as to group the discussion under a number of clear headings. I am writing separately about the economic and trade issues covered in the talks.

This letter contains sensitive material and should be seen only by those with a strict need to know.

Introduction

The President said that he very much wanted to stay on the same wavelength as the Prime Minister on the main issues of the day. He attached great importance to close and regular consultation between them and to her advice. The United States and the United Kingdom must be united at the heart of the NATO Alliance. The Prime Minister warmly concurred, while commenting that the media would be doing everything possible to identify or invent divisions between her and the President.

German Unification

The President said that the Two plus Four Group was making quite good progress. The United States, Britain, France and Germany needed to co-ordinate their views carefully in advance of meetings. The main task of the group should be to concentrate on how to wind up existing Four Power rights and responsibilities for Berlin and Germany as a whole. The end result should be a united Germany which was treated in every way as a normal sovereign state, without any special limitations on its sovereignty. The Soviet Union clearly had a different concept of

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the work of the Group. They wanted to use the discussions there to interfere with Germany's right to remain in NATO and have a say over defence and others issues. There was a clear contradiction between Soviet and Western interests here. Germany's membership in NATO and defence matters, including the presence of nuclear weapons in Germany, were emphatically not for the Two plus Four Group. If there were to be any limits on the size of the German armed forces or armaments, they should be negotiated multilaterally. Anything else would be a guarantee of future instability. The Soviet Union had a right to express views about future defence arrangements for the territory of the former GDR and this would have to be dealt with. But other matters should be handled in NATO or in arms control negotiations as appropriate. The President added that he attached particular importance to keeping the rest of NATO informed about discussions in the Two plus Four Group, so as to reassure them that their interests were being taken into account. He could not understand why the French opposed this.

The Prime Minister said that she very much agreed that the Two plus Four Group must not provide openings for the Soviet Union to interfere with defence issues which were a matter for NATO. She was satisfied with the President's definition of the tasks of the Group. We should make clear to the Soviet Union that we did not envisage a Peace Treaty, but only a peace settlement, which would comprise a number of different instruments and agreements. She thought that the Germans could live with this. At the same time we must stand absolutely firm on the principle that a united Germany would be in NATO. Chancellor Kohl was completely sound on this and she thought the Russians would eventually agree. There were not many options for future defence arrangements for the GDR. Articles V and VI of the NATO Treaty should extend to the territory of the GDR and there would have to be some German forces there. But there should also be a transitional period, perhaps of five years, during which Soviet forces could remain. The President said he was personally sceptical on this last point and uncomfortable with the West acquiescing in a Soviet presence in countries where they were not wanted. His gut feeling was that they ought to go. He had discussed the matter with the Polish Prime Minister, who had been prepared to contemplate a continuing Soviet presence in Poland. Nonetheless, he remained very uncomfortable on this issue.

The President asked whether we were all now on the same wavelength as Chancellor Kohl on the subject of Germany's border with Poland. The Prime Minister said that it had been necessary to bring Chancellor Kohl to do the right thing. But he had now done so, by agreeing that the Parliaments of the Federal Republic and of the GDR should make separate statements accepting the existing border, and there should then be a Treaty to guarantee it as soon as possible after unification. The President agreed that we were all now totally together on this.

Future of NATO

The President said that he had read and admired the Prime Minister's Konigswinter speech. The crucial point was that a

united Germany must remain a full member of NATO and its integrated military structure, with American forces and nuclear weapons in Germany. He was very glad that the Prime Minister had said this so plainly in the presence of Chancellor Kohl. He would be discussing these issues with President Mitterrand shortly. He expected it to be a difficult meeting. The United States and France were not on the same wavelength on NATO and EC matters: indeed, he felt they were drifting apart. He would make sure the Prime Minister was informed of the outcome of the meeting. For his part, he was determined that, whatever the domestic pressures, the United States must stay in Europe. NATO was their principal institutional link with Europe and must be maintained. He feared that, following unification, there could be mounting pressure in Germany to qualify or weaken the NATO link. That could have dangerous repercussions in the United States. The mood would be: heck with it, if the Germany and others don't want us, why should we stay? There was already some tendency in this direction because of the difficulties being created in Germany over training and low flying.

The Prime Minister said she agreed absolutely with the President on the central importance of NATO. On defence, everything should be done through NATO, which had been the outstandingly successful organisation. The only weakness was France's absence from the integrated military structure. She had floated the idea of bringing WEU closer to NATO as a way of overcoming this problem, but the French had not responded. NATO's Comprehensive Concept remained an excellent statement of the Alliance's goals and strategy, and we should preserve it. The President said he was convinced that the Russians would in the end accept a united Germany's membership of NATO.

NATO Summit

The President said that the NATO Secretary General was keen to have an early NATO Summit, and the matter had also come up in his recent talk with Prime Minister Mulroney. He himself was in favour and thought the best time would be as soon as possible after his own meeting with Gorbachev in Washington and the Prime Minister's meeting with him in Kiev. They would both be able to report to NATO on these meetings and that would make a focal point for the Summit. Although Dr Woerner would like the meeting to be in Brussels, his own preference would be to go somewhere else. Scotland would be very agreeable: but he would be happy with London. The Prime Minister might like to consider proposing this.

The President continued that a Summit would need to discuss NATO's post-CFE nuclear and conventional forces, the implications for future strategy and various arms control issues. There was a need, too, for some good solid thinking on how NATO would relate to CSCE. But, most important of all, the Summit must have a strong statement on German membership of NATO and the continued presence of American nuclear and conventional forces in Germany.

The Prime Minister agreed that a NATO Summit would be useful. It should help Chancellor Kohl in the German elections and would be an opportunity to rally opinion in Western Europe

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behind the need for continuing defence. It should also settle the question of the continued presence of nuclear weapons in Germany. It was important that a Summit should be well prepared and in a position to settle matters which would arise at a subsequent CSCE Summit. This might point to a date in September or October rather than June. The President said Dr Woerner was set on June. Secretary Baker added that the Americans saw it as a German unification summit, to draw in those who were not members of the Two plus Four Group and launch some studies. Moreover, Congress was likely to take a decision fairly soon on FOTL which would have consequences for the debate on nuclear deterrence in Europe. It would be a mistake to have too long a gap between that and a Summit, during which the overall position on nuclear weapons in Europe could slip out of control. General Scowcroft added that the Americans would review the possibility of an autumn date.

The Prime Minister said that a Summit in June would need intensive preparation, particularly on the issue of SNF. She certainly did not rule it out. The President concluded that it would be better to avoid any direct reference to a NATO Summit at the press conference: he and the Prime Minister would need to talk to other NATO allies about it first, in particular to the French who might otherwise be difficult. If the Prime Minister did decide to offer London, it would be helpful if she would let him know before his meeting with President Mitterrand on 19 April.

Nuclear Weapons in Europe

The President said that the SNF issue was bound to resurface and he wanted to discuss it with the Prime Minister. The political reality was that Congress was likely to withhold funds for development of FOTL, and this decision could be taken as early as the end of April. This was a sensitive matter. If a decision were to be taken to cancel FOTL, he wanted to get something for it both at home and abroad. His commitment to keeping nuclear weapons in Germany was very strong. He wanted to be out in front of Congress on this issue. He noted that the Prime Minister had referred in her Konigswinter speech to the possibility of further reductions in SNF. He wondered what she had in mind.

The Prime Minister said that she very much agreed that we should not give up FOTL or accept negotiations on SNF without securing firm assurances about future stationing of nuclear weapons in Germany, in particular TASM. We should get explicit agreement from the Germans on that. With that assurance, there might be scope for some unilateral reductions in NATO's nuclear stockpile in Europe. We could also agree to start preparations for the eventual SNF negotiations foreseen by the Comprehensive Concept. She had found Chancellor Kohl quite resolute on the question of nuclear weapons in Germany, but Genscher appeared much less so.

Secretary Baker said he was sceptical whether we could extract much of a price for cancelling FOTL: the Germans knew that it was dead. They would be looking for an earlier start to SNF negotiations, for instance agreement to link the opening of

such negotiations to conclusion of a CFE Agreement rather than implementation of it. The President said that he had only just begun to turn his mind to these issues (General Scowcroft said separately that he and Secretary Baker had only broached them with the President a few days ago) and wanted to avoid any public statement until we had worked out a position. He agreed with the Prime Minister that the essential objective was to secure German agreement to a basing of TASM in Germany, although he wondered whether the Germans would be prepared to say anything publicly about this during their election campaign. He thought that British and American views were close.

The Prime Minister said that we agreed on the objective: the only question was how to achieve it. She accepted, rather reluctantly, that there would not be a FOTL, although if there were to be a deterioration of relations with the Soviet Union over Lithuania, it would not necessarily be wise to announce cancellation. She also thought there was scope to reduce NATO's artillery. She was not convinced that now was the right moment to bring forward SNF negotiations. She preferred her earlier suggestion that we might begin preparations for them. The starting point in all discussions on this issue should be that the United States and Britain were determined to maintain effective and up-to-date weapons, including nuclear weapons, in Europe and that any reductions were subsidiary to this basic objective. She agreed that it was better not to say too much publicly at present. (At her subsequent press conference the Prime Minister said: "We both believe NATO will continue to need a mix of conventional and nuclear weapons and they must be kept up-to-date. Whether we can make further reductions in the overall number of NATO nuclear warheads in Europe is something which will need to be considered by NATO as a whole.")

Soviet Union

The President said that there had been a clear stiffening of Soviet attitudes during Secretary Baker's recent meeting with Shevardnadze. The Americans found this rather disturbing. Indeed, he was considerably more concerned than he had been on this. Gorbachev was on the horns of a real dilemma over Lithuania. More generally, there were disturbing signs that he was being captured by more conservative forces. The mood during the Shevardnadze visit had been very different to the spirit of Wyoming, and the military had played a much bigger role in the official talks. The President continued that he had tried to tackle Shevardnadze directly about this, but he had simply refused to discuss whether Gorbachev was under pressure. There was something very different here. Gorbachev obviously could not see how to get round the situation in the Baltic Republics: but it would be difficult to have business as usual with the Soviet Union unless he did. Britain and the United States should stay in close touch on how to handle the Lithuanian situation, particularly if Gorbachev intensified the pressure. What would this mean for arms control negotiations and so on? He faced political difficulties on this issue in the United States. At the same time, he was determined not to put everything which had been achieved at risk, and slide back into the dark ages in United States/Soviet relations.

Secretary Baker confirmed that the Soviet mood had changed distinctly, even compared with the Moscow meetings in February. In Washington, the Soviet side had taken positions on START which ran directly counter to the specific language which they had agreed in Moscow. The Soviets had produced new representatives at the negotiating table. Karpov had been noticeably absent and Akromeyev had been very much in charge. The Russians were backsliding on commitments which they had undertaken in full knowledge of their implications. On the other hand, Gorbachev had told American Senators only the day before that agreement would be reached on substantive issues in START at the May Summit. It was difficult to read the signals.

The Prime Minister agreed that there were changes in Soviet positions. The Foreign Secretary had found this in his own talks in Moscow. She thought that the nationalities problem was at the heart of the difficulties and that the Soviet military were increasingly concerned about the danger of the Soviet Union breaking up. They were also finding it difficult to absorb the reductions in forces and weapons to which Gorbachev had committed them. She was sure that Gorbachev still hoped to avoid use of force in Lithuania: and he had given the Foreign Secretary the impression that he would not cut off essential supplies. She agreed with the President that a great deal was at stake and that we must try to avoid seeing the achievements of the last few years in East/West relations put at risk. The only answer was to continue to urge dialogue and discussion.

Shortly before the end of the meeting, the President was handed a Reuter's piece quoting about the letter from Gorbachev and Ryzhkov to the Lithuanians, appearing to threaten limited economic sanctions. He and the Prime Minister discussed its significance and agreed that, in the absence of more detailed information and assessment, they should not be drawn at the joint press conference. They would say only that the latest development underlined the need to avoid escalation and proceed by dialogue and discussion.

CSCE

The President said he had been brief on the Prime Minister's proposals, in her Konigswinter speech, for strengthening CSCE. He liked them. The United States was ready to attend a CSCE Summit later this year but only if agreement had first been reached on an agreement to reduce conventional forces. Secretary Baker added that, while endorsing the idea of strengthening CSCE, the United States also wanted NATO to take on a more political role. NATO was the United States' main ticket as a European power and CSCE could not be a substitute.

The Prime Minister said that she certainly did not envisage CSCE as taking on any sort of defence role or as a substitute for NATO, although this did seem to figure in the thinking of Herr Genscher and others. She wanted CSCE to be an instrument to strengthen democracy, human rights and free market principles right across Europe as a whole. Moreover, CSCE was the only forum where the free world and the Soviet bloc could talk on general issues affecting Europe as a whole. But she readily

agreed that the most important task was to strengthen political co-operation within the Atlantic community as a whole.

COCOM

The President said the United States accepted the need for some restructuring of COCOM and the core list approach proposed by the United Kingdom seemed a good one. Britain and the United States should get together to work out the details. He wanted a reaffirmation by all the allies at the June meeting of COCOM of the need to protect sensitive technology, on the basis of a shorter list. He would explain to American officials the need to "lighten up" in some areas. The Prime Minister welcomed the President's acceptance of the core list approach which could provide a good basis for resolving the differences at the June meeting.

CFE

The President and the Prime Minister reaffirmed the aim of reaching a CFE Agreement by the Autumn, but noted that the Russians continued to make difficulties over stationed forces and aircraft.

Soviet Chemical and Biological Warfare Capability

The Prime Minister said that we were very concerned by evidence that the Soviet Union was still not telling us the whole truth about its stocks of chemical weapons or about its biological warfare capability. Secretary Baker said that he had raised the latter point with Shevardnadze recently but had not obtained any satisfactory response.

Anglo-French Defence Co-operation

The Prime Minister said that we were looking at possibilities for extending our defence co-operation with France, including in the nuclear area. Unfortunately, the French tended to make a decision by the United Kingdom whether to buy their air-to-ground missile the test of our intentions. Our decision on TASM would be reached on strictly military and financial grounds. But we would persist in our efforts at better co-operation. The President and Secretary Baker did not make any specific comment, although General Scowcroft and Ambassador Blackwill separately expressed satisfaction.

UK Defence Policy

The Prime Minister told the President that we were looking at various options for Britain's defence policy in the light of a CFE Agreement. We might wish to reduce our forces in Germany and give more weight to maritime and air defence, and to an out-of-area capability. She thought it unlikely that the net result would be any significant reduction in defence expenditure. As the Soviet threat in Europe reduced, new potential threats to the West's security were emerging, not least in the Middle East. We had to bear in mind that the West would be more dependent than ever on Middle Eastern oil as we went into the next century. The

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President made no direct comment but General Scowcroft observed that he hoped that we did not envisage very deep cuts in British forces in Germany.

Trident

The Prime Minister said that we were, as always, very grateful for the United States' help with Trident and for the firm position which they were taking in the START negotiations on preservation of existing patterns of co-operation. Secretary Baker noted that some progress had been registered on this point recently.

Middle East

The Prime Minister gave an account of her recent discussion with Prince Bandar about Iraq. The Iraqis were professing to want better relations with the West, but their behaviour made this very difficult. We now faced the matter of an apparent attempt to export components of a massive gun, although the experts had not finally reached a view on this. The President commented that he was very suspicious of Iraq.

The Prime Minister continued that Prince Bandar had reported King Fahd as optimistic about the prospects for progress in the Middle East, assuming that Mr Peres were able to form a Government. He expected this to lead to early talks between the Israelis and the Palestinians, and had urged that the United States link this to movement towards an international conference. President Bush noted only that Peres had, of course, failed to form a Government so far: the Israelis were, in any case, deeply opposed to an international conference.

The President asked how the Prime Minister saw the problem of emigration of Jews from the Soviet Union. The Prime Minister said that we had been very active in encouraging the Soviet authorities to permit emigration but were strongly opposed to any attempt to settle Soviet Jews on the West Bank, including East Jerusalem and its suburbs. She had made clear to the Israelis that we regarded such steps as deeply unfair to those of us who had fought hard for the freedom of Soviet Jewry. President Bush said that he had also taken a firm line on this, including a reference to East Jerusalem which had got him into hot water. The United States was insisting on guarantees from Israel that loans to help with the settlement of Soviet Jews would not be used in the Occupied Territories.

The President said that he could not account for the recent euphoria about the prospects for release of the hostages in Lebanon. He wanted to assure the Prime Minister that, while the United States remained deeply concerned about all the hostages, there was no secret agenda and no secret talks, although some freelancers were active. Secretary Baker added that there had been some indirect contacts with Iran about the possibility of unofficial Government to Government talks.

Central America

The President said that he was appreciative of Britain's readiness to extend support to the new Government of Nicaragua. He was very excited about the developments there. There were several new, dynamic and democratically-elected leaders in Central and Latin America and he thought the prospects there were encouraging. The United States must itself do more for the hemisphere.

The Prime Minister said that we had been delighted by Mrs Chamorro's election and would give what help we could. We maintained our forces in Belize. We had also just announced additional assistance to President Barco of Colombia. The President said that the United States was considering what further assistance it could provide to Colombia, particularly in the field of commodity agreements and agricultural exports. Secretary Baker reported that the Colombian courts had just ruled that assets seized from drug traffickers must be returned to them. The President and the Prime Minister agreed that this was a very serious retrograde step.

China

The President said that he was very disappointed by the Chinese response to his efforts to keep open channels to them. There had simply been no give on their part. He had taken considerable flak from Congress and had expected some more positive response from the Chinese. He now faced a very difficult decision on MFN treatment for China.

Hong Kong

The Prime Minister and Sir Antony Acland asked about various proposals being discussed in Congress to enable Hong Kong people to obtain American citizenship while remaining in Hong Kong. The President indicated that he was unaware of these. The Prime Minister explained what we were doing for Hong Kong over citizenship and stressed the need to do everything possible to maintain confidence in Hong Kong.

Vietnamese Boat People

The President said that it grieved him that the United States could not be more co-operative with the United Kingdom over the Vietnamese boat people. The Prime Minister said that the situation remained just as difficult as ever. The season for new arrivals was just starting and the need for compulsory repatriation of non-refugees was no less than it had been. She wondered whether the United States could not help by establishing a camp for some of the non-refugees in the Pacific, perhaps on Guam. They could wait there until the United States judged the conditions right for them to return to Vietnam. The President seemed nonplussed by this and commented that only the Guamese would not like it.

South Africa

The President said he thought that Britain and the United States were fairly well together on South Africa. He fully understood the position taken by the Prime Minister. He had never been for sanctions, but the Administration was locked in by law. A Congressional delegation had recently visited South Africa, and had recommended no change in the position on sanctions for the time being. At the same time, he was determined to go ahead with President de Klerk's proposed visit, despite some opposition. He was not very happy with some of Mandela's public statements.

The Prime Minister said she was glad that the President would be seeing de Klerk. That would be a great boost for him. The President said that he thought dates had been proposed in June. Some people were saying he ought to see Mandela first, but Mandela himself seemed to prefer to wait until the autumn. Secretary Baker said that President de Klerk had indicated he did not much mind whether he came to Washington before or after Mandela, so long as there was a reasonable interval between the two visits. No final decision on dates had yet been taken.

The Prime Minister explained our position on sanctions. We had kept on those measures which were embodied in law and taken off only the voluntary measures. We believed that de Klerk must receive some encouragement for the steps which he had taken. Mandela was evidently much more constrained than we had hoped by ANC dogma. The ANC were trying to exercise a dominating role in contacts between black South Africans and the South African Government. Talks would start in May and she hoped some progress could be made. Otherwise de Klerk would lose out. Secretary Baker said that de Klerk had told him that he was prepared to lift the state of emergency and discuss the question of political prisoners. Equally, Mandela had led him to think that the ANC would renounce armed struggle. But he agreed with the Prime Minister that negotiations were likely to be difficult. The President said that he thought the United States would probably keep its measures in place until he had talked to both de Klerk and Mandela and had established how the United States could make a constructive contribution. They might eventually be able to offer good offices, but had no plans at present to do so. Secretary Baker added that the United States' Ambassador in South Africa had predicted that the next South African President would be black.

Mozambique

The President commented that President Chissano had paid a successful visit to Washington and seemed to be doing reasonably well. The Prime Minister said that it was hard to persuade him to take decisions on negotiating with Renamo.

Kashmir

The President commented that a very dangerous situation was developing between India and Pakistan over Kashmir. The Prime Minister agreed that there was a lot of brinkmanship. She found

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it hard to imagine that Pakistan would go to war. The Kashmir issued was very sensitive for India and there was little that the rest of us could do except urge both Governments to keep calm. The President agreed, adding that there was not the same good relationship between the new Indian Prime Minister and Ms Bhutto as there had been with his predecessor.

Afghanistan

Secretary Baker said that the United States was showing considerable flexibility in an attempt to reach agreement in Afghanistan. They could support a ceasefire and UN-supervised elections, provided Najibullah stepped down (although he could campaign in the elections). They could also accept a negative symmetry approach on external assistance. The Americans felt they had come a long way, although they could not, of course, deliver a ceasefire. The Russians had seemed interested in their latest approach. The Prime Minister said it would indeed be essential for Najibullah to step down. If he stayed, the Russians would in effect have won. The President said that the truth was that the United States had got it wrong over Afghanistan. They had expected Najibullah to fall following Soviet withdrawal but he had not. The Resistance were all at odds with each other. Meanwhile, there were continuing problems over drugs, fundamentalism and refugees. The face-saving mechanism proposed by Secretary Baker seemed to be the only way forward.

Cyprus

The Prime Minister said that she feared President Vassiliou was almost at the end of the road over negotiations with the Turkish Cypriots, in the light of Denktash's performance at the recent talks in New York. The truth was that partition suited Denktash and so long as the Turkish Government supported him, there would be no progress. The only way to get Denktash to negotiate was by working on President Ozal and convincing him that Turkey's own interests would best be served by a settlement. They were unlikely to ever have a better opportunity than with Vassiliou. She would speak to Ozal when they met at Gallipoli shortly. She hoped that the President would take action in support.

The President said that the United States' influence with Turkey remained at a low ebb because of the Armenian Genocide Resolution in Congress. He was sorry to sound so feeble about it. The Prime Minister said that she would go ahead anyway: we could not let Vassiliou down. Fortunately, the UN Secretary General was also determined to continue his efforts and would be putting some fresh proposals to the Security Council for endorsement.

Argentina/Falklands

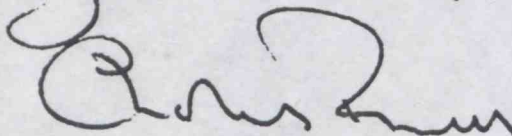
The Prime Minister reported that we had succeeded in restoring diplomatic relations with Argentina. But we would be very grateful if the United States maintained restrictions on arms sales to Argentina. There were signs that the military

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were again becoming a restive. Things could change rapidly for the worse. General Scowcroft said that it was sometimes argued that the best way to keep the military under control was at least to talk about possible arms sales. In practice, the Argentinian armed forces did not have the funds to buy any significant weapons. The Prime Minister said that the Argentinian performance over the Condor missile showed how duplicitous they could be. General Scowcroft said the Argentinians claim to have suspended all work on the Condor. The President said that he had noted the Prime Minister's concerns.

You will have received separately the transcripts of the Prime Minister's and the President's statements and answers to questions at their press conference.

I am copying this letter to John Gieve (HM Treasury), Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Yours sincerely,


C. D. POWELL

Stephen Wall, Esq.
Foreign and Commonwealth Office