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EXCISE



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DEPARTMENT OF STATE
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EO Citations: <u>9504381</u>
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Date: <u>5/29/97</u>

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# DECAPTIONED

FOR THE PRESIDENT AND THE SECRETARY OF STATE FROM CATTO

E.O. 12356: DECL: OADR  
TAGS: PREL, UK, US  
SUBJECT: YOUR MEETING WITH THATCHER IN BERMUDA

1. [REDACTED] - ENTIRE TEXT

2. PETER RODMAN AND I CALLED ON THATCHER'S ADVISER CHARLES POWELL ON APRIL 10 AND RECEIVED A PREVIEW OF THATCHER'S GOALS FOR BERMUDA THIS WEEKEND. I WILL HAVE A CHANCE TO FOLLOW UP WITH HER ON THE PLANE TO BERMUDA.

3. THATCHER HAS BEEN WORKING RECENTLY TO PATCH THINGS UP WITH HER EUROPEAN PARTNERS, PARTICULARLY GERMANY AND FRANCE. DOUGLAS HURD IS IN MOSCOW THIS WEEK TO COVER THE SOVIET ANGLE. SHE WANTS HER TIME WITH YOU IN BERMUDA TO DEMONSTRATE THAT THE HEART OF HER FOREIGN POLICY -- THE CLOSE RELATIONSHIP WITH WASHINGTON -- IS ALSO IN GOOD SHAPE.

4. A PRODUCTIVE MEETING WITH YOU WOULD BE A VERY WELCOME TONIC. HARDLY ANYTHING IS GOING RIGHT AT HOME. SHE IS IN POLITICAL TROUBLE OVER THE ECONOMY, A

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CONTROVERSIAL NEW LOCAL TAX AND OTHER REFORMS, THE

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RIGHT WING OF THE TORY PARTY IS REBELLING AGAINST LEGISLATION TO GIVE BRITISH PASSPORTS TO SOME 225,000 HONG KONG CITIZENS. A POTENTIALLY SERIOUS LEADERSHIP CHALLENGE IS BUILDING IN HER OWN PARTY. THE LABOR OPPOSITION IS PLAYING ITS CARDS JUST RIGHT AND WORKING HARD TO BUILD THE SORT OF STRUCTURE THAT CAN WITHSTAND THE PRESSURES OF A TOUGH ELECTION CAMPAIGN. ALL THIS HAS PUT HER MORE THAN 20 POINTS BACK IN THE OPINION POLLS. THE SLIDE ISN'T IRREVERSIBLE, BUT THE CLIMB BACK UP KEEPS GETTING STEEPER.

5. IN THESE CIRCUMSTANCES, THE TRAPPINGS OF THE BERMUDA MEETING ASSUME IMPORTANCE, SO THE BRITISH ARE PLACING GREATER STOCK THAN USUAL IN THE PAGEANTRY OF THE EVENT. THEY WANT THIS MEETING TO COUNTERACT INCESSANT PRESS STORIES HERE THAT THE AMERICANS NO LONGER CARE VERY MUCH ABOUT BRITAIN OR MAGGIE THATCHER. POWELL WAS PLEASED TO HEAR OUR ASSURANCES THAT YOU VALUED THE SPECIAL RELATIONSHIP -- NOW MORE THAN EVER -- AND HOPED FOR A SUCCESSFUL MEETING THAT DEMONSTRATED IT.

6. THE BRITISH CATCHWORD FOR BERMUDA IS CLOSE CONSULTATION AT A TIME OF GREAT CHANGE. THATCHER WILL WANT TO COVER A RANGE OF ISSUES. HER PREOCCUPATION IS EUROPE -- GERMAN UNIFICATION AND LITHUANIA IN PARTICULAR.

7. SHE ALSO WANTS THE SUMMIT TO HAVE SOME REAL BEEF. THE CUT SHE HAS IN MIND IS NATO'S NUCLEAR STOCKPILE, ACCORDING TO POWELL.

8. POWELL TOLD PETER AND ME THAT THATCHER WANTS THE "HARD STORY" OF YOUR MEETING TO BE A STATEMENT THAT YOU

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BOTH ENVISAGE "SOME FURTHER REDUCTION OF THE NUCLEAR STOCKPILE IN EUROPE, ALTHOUGH FORWARD DEPLOYED NUCLEAR FORCES MUST REMAIN". POWELL SAID THE STATEMENT MUST GO BEYOND CURRENT POSITIONS. HE NOTED THAT FUTURE REDUCTIONS SHOULD BE "BOTH IN NUMBER AND KIND".

9. THATCHER IS MORE COMFORTABLE NOW WITH THE PROCESSES, SUCH AS TWO-PLUS-FOUR, THAT WILL MANAGE GERMAN UNIFICATION. SHE WILL WANT TO TALK ABOUT HOW THEY DEVELOP. PETER SPOKE OF OUR DEEP CONCERNS OVER EUROPEAN

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[REDACTED]  
AMBIGUITY ABOUT THE FUTURE OF NATO AND THE U.S. ROLE IN EUROPE. POWELL UNDERSTOOD AND NOTED THAT THATCHER HAS BEEN VERY FORCEFUL IN STATING THAT AMERICA MUST REMAIN IN EUROPE. SHE HOPES THE DISCUSSIONS IN BERMUDA WILL ALSO MAKE CRYSTAL CLEAR THAT A UNIFIED GERMANY WILL REMAIN IN NATO. HE ADDED THAT SHE WILL MAKE A POINT OF EMPHASIZING TO THE AMERICAN PRESS THE NEED FOR NATO AND AMERICAN MILITARY INVOLVEMENT IN EUROPE.

10. LITHUANIA IS ALSO HIGH ON HER LIST. HURD'S VISIT TO MOSCOW SHOULD ENABLE THATCHER TO GIVE YOU AN UP-TO-DATE ACCOUNT OF THE MOOD IN MOSCOW. THATCHER IS NOT UNDER THE SAME SORT OF DOMESTIC POLITICAL PRESSURE ON LITHUANIA THAT WE ARE, BUT THIS COULD CHANGE IF GORBACHEV CRACKS DOWN, AND SHE WANTS TO WORK OUT A COMMON LINE WITH YOU. SHE DOUBTLESS WILL WANT SOME ASSURANCE THAT A SETBACK IN LITHUANIA WILL NOT DERAIL THE EAST-WEST PROCESS (POWELL EXPLICITLY ASKED IF A CRACKDOWN WOULD COMPEL US TO CANCEL THE SUMMIT). POWELL DESCRIBED THATCHER'S LATEST PHONE CONVERSATION WITH

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E.O. 12356: DECL: OADR  
TAGS: PREL, UK, US  
SUBJECT: YOUR MEETING WITH THATCHER IN BERMUDA

1. SECRET - ENTIRE TEXT  
GORBACHEV AS ALARMING. GORBACHEV SOUNDED "LIKE A MAN  
WHOSE FATHER HAD JUST DIED", AND THREE TIMES EVADED  
THATCHER'S EFFORTS TO ELICIT A COMMITMENT AGAINST THE  
USE OF FORCE.

11. SHE WILL WANT TO DISCUSS THE FUTURE OF EUROPE.  
POWELL SAID THE NOTION THAT BRITAIN "IS GOING TO FALL  
OFF THE EDGE OF EUROPE IS NONSENSE." THE UK STRONGLY  
FAVORS EUROPEAN UNITY, IF THAT MEANS GREATER COOPERATION  
AMONG EUROPEAN NATIONS. SUCH TERMS AS "INTEGRATION" AND  
"UNIFICATION" ARE ANOTHER MATTER, SINCE THEY COME TO  
MEAN SOMETHING MORE THAN THE CREATION OF THE SINGLE  
MARKET IN 1992. IN THATCHER'S VIEW, POWELL SAID, "A  
BATTLE IS UNDER WAY FOR THE SOUL OF EUROPE". SHE WANTS  
AN OPEN, FREE-MARKET, DIVERSE EUROPE, NOT THE CLOSED,  
PROTECTIONIST, BUREAUCRATIC MODEL SERVED UP BY THE  
EUROPEAN COMMISSION. SHE IS UTTERLY CONVINCED HER

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CONCEPT BEST SUITS BRITISH AND EUROPEAN INTERESTS -- AND  
OURS.

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[REDACTED]  
12. OTHER MATTERS THAT MIGHT COME UP:

-- VIETNAMESE BOAT PEOPLE IN HONG KONG. POWELL DID NOT THINK SHE WOULD SPEND MUCH TIME ON THIS. THE NUMBER OF NEW ARRIVALS IS DOWN DRAMATICALLY; VOLUNTEER RETURNEES ARE UP; AND THERE IS NO PRESSURE AT THE MOMENT FOR ANOTHER ROUND OF FORCED REPATRIATIONS. STILL, THE BRITISH ARE WORRIED THAT A NEW FLOOD WILL MATERIALIZE. THATCHER MAY ASK IF WE WOULD TAKE NEW ARRIVALS OFF HONG KONG'S HANDS, FOR EXAMPLE, BY DIVERTING THEM TO GUAM FOR THE SCREENING PROCESS.

-- GATT. THE BRITISH WANT TO SEE THE URUGUAY ROUND COMPLETED BY THE END OF THE YEAR. (ALSO, THEY ARE WORRIED ABOUT THE POTENTIAL IMPACT OF U.S.-JAPANESE TRADE FRICTIONS ON GATT, AND POINT OUT THAT A HIGHER PERCENTAGE OF THEIR GNP IS INVOLVED IN TRADE THAN IS OURS).

-- CYPRUS. HER RECENT MEETINGS WITH VASSILIOU AND PEREZ DE CUELLAR MAY MOVE HER TO ASK FOR NEW AMERICAN EFFORTS WITH THE TURKS AND DENKTASH.

-- MIDDLE EAST. SHE WILL WANT TO TOUCH BASE ON PROLIFERATION CONCERNS AND ON THE ARAB-ISRAELI PEACE PROCESS.

13. IN VIEW OF YOUR MEETING NEXT WEEK WITH MITTERRAND, YOU MAY WANT TO TALK WITH THATCHER ON ANGLO-FRENCH RELATIONS AND THE GENERAL PROBLEM OF FRENCH POLICY.

[REDACTED]  
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POWELL NOTED THAT UK DEFENSE SECRETARY TOM KING WAS IN PARIS. DEFENSE COOPERATION SEEMS TO BE PROCEEDING, AT LEAST AT THE TECHNICAL LEVEL, THOUGH POWELL SUGGESTED THERE WERE IMPORTANT DIFFERENCES OF APPROACH ON THE PROPOSED NEW JOINT AIR-TO-SURFACE MISSILE.

[REDACTED]


14. FINALLY, I HOPE YOU WILL THANK THATCHER FOR

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BRITAIN'S SPONSORSHIP OF THIS WEEK'S MEETING IN LONDON OF THE WORLD MINISTERIAL SUMMIT ON THE COCAINE THREAT AND DEMAND REDUCTION. THE BRITISH WENT TO GREAT LENGTHS TO ACCOMMODATE A LARGE AMERICAN DELEGATION HEADED BY LOUIS SULLIVAN. AS YOU KNOW, THE THATCHER GOVERNMENT HAS BEEN DOWN THERE IN THE TRENCHES WITH US IN THE FIGHT AGAINST NARCOTICS.

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