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ER 89-0011

OFFICE OF THE VICE PRESIDENT WASHINGTON

November 29, 1988

The Honorable William H. Webster Director Central Intelligence Agency Washington, D. C. 20505

Dear Bill:

The Vice President has asked me to forward to you a copy of the memorandum covering his meeting with Prime Minister Thatcher. It was prepared by Ambassador Price and has been sent to Secretary Shultz.

The Vice President will personally brief Brent Scowcroft, but the memorandum is being held very closely.

Sincerely,

Donald P. Gregg

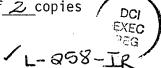
Assistant to the Vice President for National Security Affairs

Enclosure

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United States Department of State

Washington, D.C. 20520

November 25, 1988

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MEMORANDUM FOR DONALD P. GREGG OFFICE OF THE VICE PRESIDENT

Subject: Vice President's Meeting with Prime Minister Thatcher

Per our conversation, I am attaching a draft memorandum of conversation between the Vice President and Prime Minister Thatcher for your clearance.

Melvyn Levitsky Executive Secretary

Attachment:

London 25133 (NODIS)

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E.O. 12356: DECL: OADR TAGS: PREL, OVIP (THATCHER, MARGARET), US, UK SUBJECT: THATCHER-BUSH BREAKFAST MEETING, NOVEMBER 17

- 1. S-ENTIRE TEXT
- 2. SUMMARY. AT THEIR NOVEMBER 17 BREAKFAST MEETING, PRESIDENT-ELECT BUSH AND PRIME MINISTER THATCHER DISCUSSED A RANGE OF ISSUES: THE U.S. ECONOMY; EAST/WEST RELATIONS, INCLUDING ARMS CONTROL; A POSSIBLE NATO SUMMIT AND ITS RELATIONSHIP TO SNF MODERNIZATION; DEVELOPMENTS IN EASTERN EUROPE AND POLICY ON LENDING TO THE EAST; THE CW CHALLENGE; SDI; LATIN AMERICA; ENVIRONMENTAL ISSUES; SOUTHERN AFRICA; THE MIDDLE EAST; CAMBODIA; AND THE GATT MID-TERM REVIEW. THE MEETING WAS RELAXED AND BUSINESSLIKE. END SUMMARY.
- 3. ON NOVEMBER 17, VICE PRESIDENT BUSH HOSTED PRIME MINISTER THATCHER FOR A WORKING BREAKFAST AT HIS RESIDENCE, BEGINNING AT 8:45. THE PRESIDENT-ELECT WAS ACCOMPANIED BY VICE PRESIDENT-ELECT QUAYLE, SECRETARY OF STATE-DESIGNATE BAKER, AND AMBASSADOR PRICE. MRS. THATCHER WAS ACCOMPANIED BY CHARLES POWELL (HER PRIVATE SECRETARY FOR FOREIGN AFFAIRS) AND AMBASSADOR ACLAND.

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4. THE MEETING WAS RELAXED AND BUSINESSLIKE. THATCHER BEGAN BY WARMLY CONGRATULATING VICE PRESIDENT BUSH ON THE PERSONAL TRIUMPH OF HIS ELECTION VICTORY. THEY COMPARED NOTES ABOUT CAMPAIGN PRACTICES AND DISCUSSED THE MEDIA'S PERCEPTION THAT HIS CAMPAIGN HAD BEEN NEGATIVE. THE VICE PRESIDENT SPOKE ABOUT MEDIA ATTEMPTS TO CREATE THE IMPRESSION THERE WOULD BE HOSTILITY BETWEEN CONGRESS AND HIS ADMINISTRATION. THIS SIMPLY IS NOT TRUE -- HE AND SENATOR QUAYLE HAVE SERVED ON THE HILL, AND MR. BAKER HAD A LOT OF EXPERIENCE THERE. THEY WILL WORK TOGETHER WITH CONGRESS, NOT IN OPPOSITION.

THE U.S. ECONOMY

- 5. THATCHER NOTED THAT SHE HAD MET NOVEMBER 16 WITH FEDERAL RESERVE BOARD CHAIRMAN GREENSPAN. HE DESCRIBED THE ECONOMY AS FUNDAMENTALLY HEALTHY, AND HE SAW NO SIGN OF A RECESSION. HE SAID THE BUDGET DEFICIT IS A SERIOUS PROBLEM BUT NOT ONE THAT CAN BE SOLVED OVERNIGHT. THATCHER AGREED WITH GREENSPAN'S STATEMENT ABOUT THE DEFICIT, BUT SAID THERE IS NOT A LOT OF TIME FOR THE U.S. TO DEAL REALISTICALLY WITH ITS DEFICIT PROBLEM.
- 6. THE VICE PRESIDENT AGREED THAT THE DEFICIT IS EXTREMELY IMPORTANT, AND HE INTENDS TO REDUCE IT. THE PRESIDENT WILL SUBMIT ONE MORE BUDGET BEFORE LEAVING OFFICE. THE VICE PRESIDENT IS DISCUSSING IT WITH HIM NOW. MR. BUSH ADDED THAT HE HAD TALKED TO MANY MEMBERS OF CONGRESS, AND IS CONVINCED THAT CONGRESS WILL NOT BE HOSTILE TO HIS EFFORTS TO DEAL WITH THE DEFICIT.

EAST-WEST RELATIONS/ARMS CONTROL

7. THE PRESIDENT-ELECT SAID HE WILL CONTINUE TO WORK TO IMPROVE EAST/WEST RELATIONS. HE IS UNPERSUADED THAT ALL

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PAGE Ø4 OF 10 LONDON 25133 ØØ OF Ø4 251839Z CØ4/10 ØØ5629 IS HARMONIOUS WITH THE SOVIET UNION; HIS APPROACH WILL BE WARY BUT FORTHCOMING. HE IS COMMITTED TO FURTHER PROGRESS ON ARMS CONTROL WITH THE SOVIETS. THERE WILL BE NO HAIRPIN TURNS. HE WILL NEVER NEGOTIATE ON BRITISH AND FRENCH NUCLEAR FORCES. THE VICE PRESIDENT SAID HE HAD MADE CLEAR TO THE SOVIETS HE WILL NOT BE READY TO TALK IN DEPTH WHEN HE SEES GORBACHEV IN DECEMBER. IT WILL NOT BE A SUMMIT.

- 8. BEFORE THERE IS A REAL SUMMIT, MR. BUSH SAID HE WILL SEND MR. BAKER TO CONSULT WITH NATO LEADERS AND THEN MEET WITH SHEVARDNADZE TO PREPARE THE GROUND. THE VICE PRESIDENT SAID HE WOULD AGREE TO A SUMMIT WHEN IT IS CLEAR THAT REAL PROGRESS COULD BE MADE. HE IS NOT INTERESTED IN A MEETING THAT IS ALL GLAMOR AND NO SUBSTANCE. HE PARTICULARLY VALUES MRS. THATCHER'S UNDERSTANDING AND LEADERSHIP ON EAST/WEST ISSUES AND WILL WANT TO CONSULT CLOSELY WITH HER.
- 9. THE PRIME MINISTER AND VICE PRESIDENT AGREED THAT THE CHANGES UNDERWAY IN THE SOVIET UNION ARE UNPRECEDENTED BUT THAT IT IS A TWO-EDGED SWORD, WITH UNCERTAINTIES AS WELL AS OPPORTUNITIES FOR THE WEST. SHE SAID THE PICTURE HAS CHANGED DRAMATICALLY, BUT THE REST IS HOW FAR REFORMS WILL REALLY BE IMPLEMENTED. GORBACHEV WILL ENCOUNTER CONSIDERABLE DIFFICULTIES. SHE SAID WE SHOULD SUPPORT HIM IN HIS EFFORTS WHILE KEEPING

OUR DEFENSES STRONG. SHE AND THE VICE PRESIDENT AGREED THAT THE MOST CRITICAL AREA FOR GORBACHEV IS AGRICULTURE. WITHOUT BEING SPECIFIC, THATCHER SAID WE SHOULD "SUPPORT" GORBACHEV IN THE AREA OF AGRICULTURAL REFORM.

NATO SUMMIT/SNF MODERNIZATION

10. MR. BUSH NOTED THAT HE CONSIDERS CONSULTATIONS WITH



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CØ4/10 ØØ5629 PAGE 05 OF 10 LONDON 25133 00 OF 04 251839Z THE ALLIES TO BE ONE OF THE MAJOR ACHIEVEMENTS OF THE REAGAN ADMINISTRATION, AND IT WILL BE CONTINUED UNDER HIS PRESIDENCY. THATCHER THANKED HIM FOR THIS FIRM STATEMENT. SHE SAID WE MUST SHOW THE WARSAW PACT THAT NATO IS UNITED. SYG WOERNER HAD SUGGESTED TO HER THAT THE JUNE NAC IN LONDON BE A NATO SUMMIT. SHE COULD SEE ADVANTAGES TO THIS. IT IS CRUCIAL TO PUSH THROUGH DECISIONS ON MODERNIZING NATO'S SHORT-RANGE NUCLEAR WEAPONS. IT WILL BE EASIER TO DO THIS WITH KOHL IN THE GERMAN CHAIR THAN GENSCHER. KOHL IS SOLID AND KNOWS MODERNIZATION IS NEEDED, BUT GENSCHER CANNOT BE TRUSTED AND EXERTS INFLUENCE FAR BEYOND HIS LIMITED POLITICAL SHE ASKED THE VICE PRESIDENT TO REFLECT ON THE HE ASKED WHEN THE ECONOMIC SUMMIT WOULD BE HELD. THATCHER SAID JULY 14 IN PARIS. SHE CONCLUDED THAT A NATO SUMMIT WAS "A MOVEABLE FEAST" WHICH COULD BE ARRANGED TO MEET HIS CONVENIENCE.

EASTERN EUROPE

11. MR. BUSH SAID THERE IS ENORMOUS POTENTIAL FOR CHANGE IN EASTERN EUROPE. THATCHER BRIEFLY RECOUNTED HER RECENT VISIT TO POLAND, WHICH IS IN A MESS. IT WILL BE VERY HARD FOR THE GOVERNMENT TO CHANGE THE ECONOMIC SYSTEM WITHOUT REFORMING THE POLITICAL SYSTEM IN ORDER TO GAIN POPULAR SUPPORT. SHE IS OPPOSED TO AN IMF STANDBY AGREEMENT FOR POLAND. MR. BUSH SAID HE DOES NOT THINK MUCH OF RAKOWSKI, BUT HAS MORE SYMPATHY FOR

JARUZELSKI. THATCHER CONCURRED.

LENDING TO THE EAST

12. MR. BAKER EXPRESSED HIS CONCERN THAT THE WEST NOT MAKE COMMERCIAL LOANS TO THE USSR THAT ARE NOT TIED TO SPECIFIC PROJECTS. HE RECALLED THE DISCUSSION OF THIS AT THE TORONTO ECONOMIC SUMMIT, AND SAID THE WEST SHOULD



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HAVE A CONCERTED APPROACH. HE ALSO VOICED CONCERN OVER
THE LONGER-TERM IMPACT OF MASSIVE LENDING TO THE SOVIETS
AND THEIR ABILITY TO PAY BACK THE LOANS SHOULD
GORBACHEV'S REFORMS FAIL. HE CITED THE POSSIBILITY OF
THE USSR (AND OTHER EAST BLOC COUNTRIES) SUPPLANTING
LDC'S AS AN ECONOMIC PROBLEM FOR THE WEST'S BANKS. MR.
BAKER ADDED THAT PARTICULAR ATTENTION NEEDS TO BE PAID
TO THE LENDING PRACTICES OF THE FRG AND JAPAN.

- 13. THE PRIME MINISTER REITERATED HER WELL-KNOWN VIEWS ABOUT THE WEST NOT PAYING FOR THE USSR'S MISGUIDED ECONOMIC POLICIES. SHE ADDED THAT THERE SHOULD NOT BE ANY "MARSHALL PLAN" FOR THE USSR. WHEN ASKED ABOUT THE RECENT ONE BILLION POUND UK COMMERCIAL LINE OF CREDIT TO THE USSR, SHE SAID IT IS A COMMERCIAL LOAN AND CERTAINLY MET THE OECD GUIDELINES ON LENDING TO THE SOVIETS.
- 14. SHE SAID WE SHOULD ALSO BE WARY OF RUSHING TO HELP THE GOVERNMENTS OF EASTERN EUROPE. IF WE MAKE IT TOO EASY FOR THEM, THEY WILL SIMPLY CARRY ON AS THEY HAVE. IT IS IMPORTANT TO TIE FINANCIAL AND ECONOMIC HELP TO REAL POLITICAL AND ECONOMIC REFORM.

CHEMICAL WEAPONS (CW)

15. THE VICE PRESIDENT STRESSED HIS PERSONAL INTEREST IN MOVING AHEAD ON A CW BAN. HE WILL DO NOTHING TO TAKE

HMG BY SURPRISE. HE RECALLED EARLIER DISCUSSIONS WITH THATCHER IN WHICH SHE HAD EXPRESSED HER RESERVATIONS ABOUT VERIFICATION. HE IS CONCERNED ABOUT PROLIFERATION OF CW CAPABILITIES TO COUNTRIES LIKE LIBYA. THATCHER SECONDED MR. BUSH'S CONCERNS ABOUT PROLIFERATION. SHE EXPRESSED DEEP MISGIVINGS ABOUT THE SOVIETS' ROLE. HER CONCERNS ABOUT VERIFICATION REMAIN, AND GORBACHEV'S DECEITFULNESS OVER SOVIET STOCKPILES HAS

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16. SHE ADDED THAT WE MUST FIND A WAY WITHOUT COMPROMISING SOURCES TO INFORM OUR PUBLICS ABOUT THE CW

CAPABILITY OF COUNTRIES LIKE LIBYA AND SYRIA. THEY NEED TO BE AWAKENED TO THE DANGER, INCLUDING THE FACT THAT THE WEST LACKS AN EFFECTIVE CW DETERRENT. SENATOR QUAYLE SAID IT WOULD BE RELATIVELY EASY FOR THE U.S. TO DEVELOP ONE, BUT THE EUROPEANS WILL NOT AGREE TO DEPLOY IT. BOTH SIDES AGREED THAT FURTHER BILATERAL CONSULTATIONS ARE NEEDED.

SDI

17. MR. BUSH RECOUNTED THE SIGNIFICANT ADVANCES MADE IN SDI TECHNOLOGY IN A SHORT TIME AND THE CHANGES IN ARCHITECTURE THAT WILL ENABLE A SYSTEM TO BE FIELDED AT A MUCH LOWER COST THAN ORIGINALLY PROJECTED. MRS. THATCHER EXPRESSED HER FIRM SUPPORT FOR SDI RESEARCH.

IT IS VITAL FOR THE WEST TO KEEP THE TECHNOLOGICAL EDGE. SHE RECALLED THAT THE SOVIETS HAVE BEEN DOING SDIRESEARCH SINCE THE 1960S AND ALREADY HAVE THE WORLD'S ONLY FUNCTIONING ABM SYSTEM, WHICH THEY ARE CONSTANTLY IMPROVING. SHE DREW AN ANALOGY TO THE NAZI EFFORTS TO DEVELOP AN ATOMIC BOMB DURING WORLD WAR II, AND ASKED RHETORICALLY WHERE THE ALLIES WOULD HAVE BEEN IF THEY HAD AGREED TO FOREGO DEVELOPMENT OF THE A-BOMB.

LATIN AMERICA.

18. THE VICE PRESIDENT AND SECRETARY-DESIGNATE BAKER TOLD MRS. THATCHER IN CONFIDENCE THAT THEY WILL MEET

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PAGE Ø8 OF 10 LONDON 25133 ØØ OF Ø4 251839Z CØ4/10 ØØ5629 NOD918 WITH THE NEW PRESIDENT OF MEXICO BEFORE HE TAKES OFFICE. TOPICS ARE TO INCLUDE REFORM OF THE MEXICAN ECONOMY, NARCOTICS SUPPRESSION, MEXICO'S SUPPORT FOR CUBA AND NICARAGUA, AND THE SITUATION IN CENTRAL AMERICA.

19. MRS. THATCHER SPECULATED ABOUT THE PURPOSE OF GORBACHEV'S VISIT TO CUBA. HE MIGHT BE PLANNING TO REDUCE SOVIET INVESTMENT OF POLITICAL CAPITAL IN CUBA AND CENTRAL AMERICA. MR. BUSH SAID HE WOULD HAPPILY PAY GORBACHEV'S FARE IF THAT WAS THE CASE. IT WOULD BE A MAJOR BREAKTHROUGH TO HAVE A MORE MODERATE CUBA.

ENVIRONMENTAL ISSUES

20. THE VICE PRESIDENT EXPRESSED INTEREST IN AN INTERNATIONAL CONFERENCE ON ENVIRONMENTAL ISSUES, PARTICULARLY THE "GREENHOUSE" PROBLEM. THE PRIME MINISTER DID NOT COMMENT DIRECTLY ON THE VICE PRESIDENT'S REMARKS, BUT EXPRESSED CONCERN OVER A FRENCH PROPOSAL FOR A DECLARATION AT THE NEXT ECONOMIC SUMMIT THAT EVERYONE WAS ENTITLED TO A "PROPER HUMAN"

ENVIRONMENT." SHE ASKED WHAT THIS MEANS. HOW COULD YOU ACHIEVE SUCH A THING FOR EVERYONE ON EARTH WHEN NATURAL CONDITIONS ARE SO DIFFERENT WORLDWIDE?

SOUTHERN AFRICA

- 21. THE PRIME MINISTER WELCOMED RECENT PROGRESS IN THE ANGOLA/NAMIBIA NEGOTIATIONS. SHE SUGGESTED THAT THE REASON FOR THE SOVIETS' RECENTLY MORE HELPFUL APPROACH IS THEIR NEED TO STOP POURING SCARCE FUNDS DOWN THIS NON-PRODUCTIVE HOLE.
- 22. THATCHER SAID IT WOULD BE COUNTERPRODUCTIVE FOR THE

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PAGE 09 OF 10 LONDON 25133 00 OF 04 251839Z C04/10 005629 NO WEST TO PRESSURE BOTHA. SHE REITERATED HER WELL-KNOWN OPPOSITION TO SANCTIONS AND CITED THE GERMANS AS A PARTICULAR PROBLEM WITHIN THE EC DUE TO THEIR "GUILTY CONSCIENCE." MR. BUSH AGREED SANCTIONS ARE NOT THE WAY TO DEAL WITH PRETORIA AND POINTED TO INCREASING U.S. PUBLIC AND MEDIA AWARENESS THAT SANCTIONS ARE NOT THE ANSWER -- EVEN THOUGH SOME INFLUENTIAL AMERICANS CONTINUE TO TREAT THIS ISSUE EMOTIONALLY.

MIDDLE EAST

23. THATCHER SAID IT WOULD BE VERY IMPORTANT TO LAUNCH A FRESH DRIVE EARLY IN HIS ADMINISTRATION TO MOVE MIDDLE EAST PEACE EFFORTS FORWARD. THE VICE PRESIDENT AGREED; THE QUESTION IS HOW. WE SHOULD NOT READ TOO MUCH INTO THE PNC STATEMENT; THERE IS A LOT OF BACKING AND HEDGING. THATCHER SAID THE PNC DECISION ON UN RESOLUTION 242 IS NOT PERFECT BUT IT IS A STEP FORWARD AND SOMETHING TO

BUILD UPON. IN A WAY IT JUSTIFIES HUSSEIN'S ATTEMPT TO

MAKE THE PLO ADOPT MORE REALISTIC ATTITUDES. BUT THERE ARE MANY DANGERS IN THE AREA, ABOVE ALL MISSILE AND CW PROLIFERATION, AND WE MUST DO SOMETHING. THE VICE PRESIDENT SAID THE AREA IS A POWDER KEG. HE ADDED THAT WE SHOULD NOT GIVE UP ON HUSSEIN. THE NORMALIZATION OF UK-IRANIAN RELATIONS WAS TOUCHED UPON AS WAS THE INCREASED BRITISH PRESENCE IN IRAO.

CAMBODIA

24. THATCHER SAID SHE IS SKEPTICAL ABOUT EARLY PROGRESS. SIHANOUK IS AN IRREPRESSIBLE BALLOON OF WORDS BUT NOT MUCH ELSE. SHE THINKS THE SOVIETS GENUINELY WANT THE VIETNAMESE OUT OF CAMBODIA IN ORDER TO USE RESOURCES NOW



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GATT

25. THATCHER SAID IT IS VERY IMPORTANT TO MAKE THE MONTREAL GATT MID-TERM REVIEW SUCCEED. SHE AND THE VICE PRESIDENT AGREED THAT AGRICULTURAL REFORM IS THE KEY ISSUE FOR THE URUGUAY ROUND. SHE SAID THE UK WILL TRY TO GET THE OTHER EUROPEAN GOVERNMENTS TO TAKE REASONABLE POSITIONS ON AGRICULTURE, BUT REMARKED THAT IT WILL BE FAR TOUGHER TO GET THE CONTINENTALS TO AGREE TO FURTHER AGRICULTURAL REFORM THAN THE UK. THE VICE PRESIDENT SAID HE DOES NOT THINK THAT THE PRESIDENT'S PROPOSAL TO GET RID OF ALL AGRICULTURAL SUBSIDIES BY THE YEAR 2000 CAN BE ACCOMPLISHED, AND IT MAY NEED TO BE RECONSIDERED.

PRICE