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PRIME MINISTER

MEETING WITH PRESIDENT BUSH

You are to have a bilateral with President Bush in Paris. We have not finally fixed the time. It is likely to be either on Thursday from 1650-1740 at the US Embassy or over breakfast on Saturday.

You will want to compliment him on his visits to Poland and Hungary and discuss how assistance to Poland should be handled at the Summit. You will want to repeat your view that longer-term rescheduling must be based on prior agreement with the IMF, and that premature help will only reduce the incentive for reform. We are ready to urge the EC to agree to provide emergency food supplies.

Other Economic Summit issues you will want to cover are the need to block any French attempt to resurrect a North/South dialogue or to have a new allocation of SDRs to guarantee payments on reduced debt. Talk of further public money will only discourage the commercial banks from reaching agreements.

You promised President Vassiliou that you would raise Cyprus and ask the President to join you in a joint or co-ordinated approach to the Turkish Government. The point to make is that Vassiliou can accept the UN Secretary-General's draft outline agreement and his opening statement: its up to the Turks to get Denktash aboard.

You will want to have a word about China and Hong Kong. We want a robust Summit statement on China, but we would oppose trade sanctions (the President is coming under increased pressure from Congress to have them). We shall also be looking for a statement of Summit countries willingness to help Hong Kong in extremis. This would give a great boost to confidence.

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On the Middle East, you need to discuss the implications of the latest Likud statement. It is hard to see how Shamir's plan can recover from this incubus. How are the Americans going to handle this? Do we go on as though the plan were unchanged? Or do we make clear to the Israelis - publicly or privately - that the new limitations effectively sabotage it?

You will want to mention arms control and in particular the Conventional Force Reduction initiative. We are glad the new negotiating position has been agreed. If we sometimes seem tiresome on the details, its because we want to be as sure as possible that NATO's defence remains secure. But we are thoroughly committed to the US initiative.

You should mention South Africa and thank him for his reply to your message. You too have met Mrs Sisulu. You hope he will see de Klerk. You are reasonably optimistic that South Africa will not be a major issue at CHOGM. The most important thing is to keep pushing de Klerk privately towards early release of Mandela - if Botha doesn't do it first - and a commitment to negotiations.

You need to decide whether to mention the possibility of your paying a visit to the US early next year.

A fuller note is in the folder.

C D P

Charles Powell

12 July 1989

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