

PRIME MINISTER

MEETING WITH PRESIDENT VASSILIOU

Since dictating the main brief for this meeting, I have seen the attached telegrams from New York recounting Vassiliou's meeting with Denktash there. Clearly Vassiliou allowed himself to be outflanked by Denktash who came forward without warning with proposals, setting out the Turkish Cypriot approach to important issues such as the Three Freedoms, the presence of foreign military forces, guarantees, the federal structure and so on. The UN Secretary General sees these as a significant and positive step, for instance the reference for the first time to troop reductions in Northern Cyprus. Moreover, Denktash made clear that the proposals had the endorsement of the Turkish Government.

Vassiliou seems to have been completely taken by surprise and to have reacted angrily, although to have subsequently calmed down and agreed to a second round of talks to start in Nicosia on 19 December.

You will want to underline the message to Vassiliou that he must come up with some new thinking of his own otherwise the Greek Cypriots are going to find themselves badly wrong-footed. For instance the suggestion in your main brief that he might consider an interim package deal under which the Greek Cypriots would agree to a residual Turkish military presence after a settlement in return for some circumscribed right to exercise the "Three Freedoms" and an adjustment to the boundaries to allow substantial numbers of Greek Cypriot refugees to return home, now looks all the more apposite.

C.D.P.
(C.D. POWELL)24 November 1988

DCAAPQ

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

24 November 1988

Dear Charles

Call by President Vassiliou on the Prime Minister, 25 November

In my letter of 23 November I promised supplementary briefing for President Vassiliou's call tomorrow, in the light of reporting on the UN Secretary-General's talks with Vassiliou and Denktash over the last 2 days.

As announced in an official communiqué yesterday, the two leaders have agreed to Perez de Cuellar's suggestion that they hold a second round of talks, beginning on 19 December, devoted to exploring the options for each of the issues that make up the Cyprus problem. They also accepted the Secretary-General's invitation to hold a further review with him in the first half of March.

Denktash surprised Vassiliou by producing at the first session on 22 November six papers setting out the Turkish Cypriot approach to the main issues. Vassiliou was initially angry, choosing to see Denktash's move as deliberately unhelpful (the Secretary General has commented to us that Denktash had "opened a door but the Greek Cypriots did not know how to cope"). He was more relaxed later and agreed the joint communiqué without difficulty. Denktash's papers contain proposals which are more concrete than anything he has come up with hitherto, particularly:

(a) on troop levels - a balance should be established between non Cypriot and Turkish Cypriot forces in the north and non Cypriot and Greek Cypriot forces in the south on the day the transitional federal government is formed; and after that, non Cypriot forces would be brought to "the level necessary for ensuring adequate effective guarantees", according to a previously agreed timetable; and

(b) on "The Three Freedoms" - the principle of respect for all three Freedoms would be provided for in the federal constitution; there should be an 18 year moratorium on implementation of the freedom of settlement (with an interim review after 9 years), after which each federated state would determine a ceiling of Turkish Cypriots and Greek Cypriots in its respective territory; all claims in respect of property ownership up to 1974 would be settled by a mixed commission before the establishment of the federation; and thereafter there would be an 18-year moratorium on the acquisition of property rights by members of one community in the territory of the other.

/Perez de Cuellar

CONFIDENTIAL



Perez de Cuellar has said he wants the Prime Minister to know that he believes the new Turkish Cypriot approaches represent the first significant move forward since the talks began in September. Our initial reaction is to agree with the Secretary General, with the proviso that we shall need to read Denktash's small print in order to assess correctly how much of an advance has been made on foreign troop levels. But he appears to have made a genuine concession on the principle of "The Three Freedoms". Perhaps even more important is the fact that it is the first sign there has been on the Turkish Cypriot side of a genuine interest in reaching a settlement. Further progress would seem to depend on Vassiliou's considered reaction to the proposals.

In the light of this new information, the Prime Minister may wish to speak generally on the lines of pages 4 and 5 of my letter of 23 November. She might also say that the Secretary General has briefed us in some detail on the New York meetings. We understand Vassiliou's initial irritation that Denktash should have produced his new ideas without warning him in advance. Nevertheless, at first sight they seem to show some advance in Turkish Cypriot (and probably Turkish) thinking. We shall need to explore the detail lying behind his proposals on achieving a military balance, to judge how much of an advance they really amount to. But we are encouraged that Denktash has at last shown some sign that he is genuinely interested in a settlement. We hope Vassiliou will exploit this. Meanwhile, she would, of course, be interested in his considered views, perhaps after his return to Nicosia. In the light of these, we will consider whether the time has come for her to send a further message to the Turkish Prime Minister. Meanwhile, FCO officials will be seeing Denktash next week; is there anything in particular Vassiliou would wish them to raise with him?

How ever
lighter

(L. Parker)
Private Secretary

C D Powell Esq
No 10 Downing Street