

SECRET

# 10 DOWNING STREET

THIS FILE MUST NOT GO OUTSIDE 10 DOWNING ST

FILE TITLE: <i>RELATIONS</i>		SERIES  <i>USA</i>
PART BEGINS: <i>25 JANUARY 2000</i>		PART:  <i>11</i>
PART ENDS:  <i>15 MARCH 2000</i>	CAB ONE:	

LABOUR ADMINISTRATION

*Part closed*

*PREM 49/1684*

SECRET

TSO.PLO.2/97.PAAS006914

**PART**

**CLOSED**

<b>DATE CLOSED</b>	15 MARCH 2000
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Series : USA

File Title : Relations

Part : 11

Date	From	To	Subject	Class	Secret
25/01/2000	FCO	FCO	Clinton visit to UK	R	0
01/02/2000	FA/PS	PUS/FCO	Transatlantic Problems: Planners' Paper	U	0
02/02/2000	Cab Off	Ch.Staff	US/UK Declaration of Principles: Letter to Minniti	U	0
03/02/2000	Ch.Staff		Letter to Minnit: US/UK Declaration	C	0
04/02/2000	PU	PM	The US economy and implications for euroland	R	0
04/02/2000			Season of Reform - Republican Politics	U	0
07/02/2000	US /HMA	FCO	US Politics: The Campaign	R	0
08/02/2000	Dep Ch Staff	H/PRESS	Ted kennedy visit to Britain	C	0
09/02/2000	FA/PS	FCO	EU/US relations	C	0
10/02/2000	DETR	EA/PS	draft letter from Pm to president clinton	C	0
10/02/2000	Telegram/IN		Washigton 192: US Defence Budget	U	0
10/02/2000	NIO	US /HME	US: Handling plan	C	0
10/02/2000	US /Ambo	PM	(H) Letter from President Clinton: BVRAAM	U	0
11/02/2000	Telegram/IN		Telno 212 Washingt: Foreign Secretary's visit to Washington	R	0
11/02/2000	FCS	PM	Visit to Washington	S	355
11/02/2000	PM	US /Pres	(H) US/UK aviation relationship - restore services between pittsburgh	C	0
14/02/2000	FA/PS	FCO	Foreign Secretary's visit to Washington	S	31
15/02/2000	FCO	FA/PS	Transatlantic Problem : Planners Paper	R	0
15/02/2000	US /HMA	FCO	Colin Powell/Jim Hoagland	U	0
16/02/2000	Ch.Staff		Letter to Michael McDowell	U	0
16/02/2000	US /HMA	FCO	The Bush campaign and security issues: Conversation with Condole	R	0
17/02/2000	Telegram/IN		Telno 245: US Economy: Fed Chairman's Congressional Testimony	U	0
23/02/2000	NIO	NIO	Dinner with Jim Steinberg	C	0
23/02/2000	FCO	Cab Off	EU/US Relations	R	0
23/02/2000	US /HME	FCO	EU/US relations	R	0
24/02/2000	US /HME	FA/PS	Al Gore	R	0
24/02/2000	US /Ambo	PM	(H) Letter from President Clinton: US/UK aviation relationship	U	0
24/02/2000	US /HME	FA/APS	President Clinton granting a pardon to Professor Preston King	U	0
24/02/2000	US /HME	FA/PS	Al Gore	R	0
24/02/2000	FCO	Cab Off	EU/US Relations	R	0
25/02/2000	US /HMA	FA/PS	Clinton's visit to Britain	R	0
28/02/2000	FA/PS	US /HMA	Clinton's visit to Britain	R	0
02/03/2000	FCO	FCO	Colin Powell	C	0
03/03/2000	US /HMA	FA/PS	UK/US : High Level visits	C	0
03/03/2000	US /HMA	MS/FCO	Gore and US Foreign Policy: Converstion with Leon Fuerth	R	0
06/03/2000	SOC	Cab Off	Sir Richard Wilson's Meeting with George Tenet - 2 march	S	549
06/03/2000	H/PU	FA/PS	EU/US Relations	U	0
08/03/2000	US /HME	FCO	Public diplomacy in the US: Best Practice Partnerships	U	0
10/03/2000	FCO	FCO	Visit of Gray Davies of California, to the UK: 15 April-18 April: Call on	U	0
14/03/2000	FA/PS	FCO	(T) Call to President Clinton	C	0
14/03/2000	FA/PS	PM	Clinton Call checklist	U	0
14/03/2000	FCO	FA/PS	India/ Pakistan - briefing for call to Clinton	R	0
15/03/2000	Telegram/IN		Oil and politics	C	0

UNCLASSIFIED  
OIL AND POLITICS  
From: WASHINGTON

TO PRIORITY FCO  
TELNO 360  
OF 152331Z MARCH 00  
INFO PRIORITY CABINET OFFICE, DTI, MODUK, US POSTS  
INFO PRIORITY OPEC POSTS

CABINET OFFICE FOR NO10: POWELL, SAWERS, MILIBAND, CAMPBELL  
SUMMARY

1. The US Administration, particularly Gore, have a political stake in keeping the oil price down.

#### DETAIL

2. The pump price of petrol is becoming a political issue in the US elections. In the run-up to the 27 March OPEC meeting, this telegram looks at the political consequences in the US of increasing oil prices.

3. Gas stations now charge \$1.60 a US gallon on average, 12 cents higher than two weeks ago, which is the fastest price rise ever. In the next few weeks, when the full effect of recent crude prices has worked through, gas should be \$1.75. Thanks to the lower tax rate, this is still only a third of the price in the UK and cheaper in real terms than it was 20 years ago (\$2.18 at today's prices).

4. But the perceived right to cheap gas is part of the American psyche. Americans drive further, faster, in less and less fuel-efficient cars than ever. So the gas price has become a political touchstone. If it goes over \$2 - not inconceivable this summer - it might significantly affect the November elections. The Administration have been using all possible channels to increase the pressure on Middle East producers to increase production, and may even allow increased flows from Iraq. They have not ruled out drawing on the US Strategic Petroleum Reserve.

5. There are a number of links to the elections:

(a) The economy. A strong economy is one of Gore's electoral aces. If rising gas prices are coupled with early signs of economic downturn, the Administration, particularly Gore, may suffer. Alternatively, if the economy is still surging ahead, higher energy prices might usefully take some of the steam out of the economy.

(b) Tax. Bush is considering challenging Gore to repeal the 4.3 cent per gallon tax introduced early in the Clinton Administration. This would fit with Bush's tax-cutting platform, but Congressional Republicans are backing away from it. Gore opposes.

(c) The environment. With higher standards of living, and with energy accounting for a much smaller proportion of household expenditure than 20 years ago, there is little chance of higher prices leading to significantly less consumption leading to a greener America. But it has allowed debate and draft legislation to reemerge calling for oil exploration in parts of Alaska where it is currently prohibited. Environmentalists strongly oppose.

(d) US relations with Middle East countries. Congressional Republicans did not like the look of Energy Secretary Richardson travelling round the region on behalf of all the



*Jean* (P)  
*David Miliband*

did for those countries in the Gulf War. The House of Representatives is close to agreeing legislation that would enable the President to withhold US assistance to countries deemed to be engaged in price-fixing.

(e) Running mates. Richardson is on Gore's short-list. He would be damaged by a gas crisis, but lauded if he tamed OPEC.

MEYER

Sent by WASHINGTON on 15-03-2000 23:31  
Received by No10 on 16-03-2000 01:13



**From: John Sawers**  
**Date: 14 March 2000**

**PRIME MINISTER**

**CLINTON CALL: CHECKLIST**

1. **Russia:** impression of Putin.
2. **Northern Ireland:** objectives for this week.
3. **Kosovo:** note attached.
4. **India-Pakistan:** note attached.

Clinton may also raise:

5. **IMF:** He told Schroeder yesterday the US would back Kohler. But Kohler needed to visit Washington to see Larry Summers, and make sure he won support from the developing world.
6. **A3XX:** note attached.



**JOHN SAWERS**

[F: Clinton call mrh]

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• KFOR has events  
 • all parties  
 - police

CLINTON CALL : KOSOVO.

1. SECURITY

Milosevic feeling stronger and stirring up trouble. Some Kosovar Albanians want more conflict too. KFOR managing to keep control for now. NATO must show Milosevic we're unified.

UK planning to fill some of the specialist gaps Wes Clark has identified - we're sending two more surveillance helicopters for use in Mitrovica; and Phoenix UAVs (un-manned aerial vehicles) for monitoring the border and neighbouring bits of Serbia; plus supporting troops.

MoD's judgment is that there are enough troops in Kosovo if they are all used flexibly. No constraints on the deployment of the British forces. Would be much better if all national restrictions removed.

[If pressed to provide more British troops]

Our numbers are lower. But we provide two battlegroups, as do Fr, Ge and It. Europe provides a total of 20 battlegroups; US provides three. Don't rule out more British troops, but not convinced they're needed now.

US and French sectors the most difficult. Mitrovica (French sector) calm for now, but could flare up again. Both Serbs and Albanians stirring up trouble. Need action with both:

- on the Serbs, to dismantle their parallel structures and prevent infiltration from the North;
- on the Albanians, whose provocations are playing into Milosevic's hands.

South East Kosovo (US sector) the new problem area. Ethnic Albanians stirring up trouble in Presevo Valley, across the border in Southern Serbia, trying to provoke a Serb backlash and draw NATO into a new conflict with the Serbs. Does the US need more help to stop the Albanian insurgency?

Kosovo Protection Corps (KPC) also a worry. The KPC Deputy Commander is organising the provocations in Presevo, and is also up to his neck in smuggling and organised crime. Have to deal with him and his followers.

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- 2 -

**2. CIVILIAN IMPLEMENTATION**

Need to make the case for what we have achieved in Kosovo. A million refugees returned home, and helped through the winter. 90% of children attending school. Most of Kosovo now normal.

UNMIK funding better. EU has now delivered \$30m of its 2000 commitment of \$45m. UK also paid \$10m of our commitment for this year of \$14m (part.

Police still below strength, despite over 800 from EU countries. We're doubling the UK contingent to 120 armed police (mainly RUC).

**WIDER BALKANS POLICY**

But very worried about the wider picture. Delivery on commitments is the priority – money, police, trade concessions.

Will be putting forward a new strategic approach to the Balkans at Lisbon Summit. Main elements:

- **kick-start the economies** through assymetric trade access, including agriculture if possible, so the people of the Balkans can make money, not war.
- A clear **vision of a European future**, using Croatia as an example of what can be achieved
- **Incentives for reform** and co-operation, including them in EU programmes, technical assistance to get them in shape for eventual EU membership.

Solana and Patten would be in charge. Right that the EU takes the lead. But US involvement remains essential.

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**CLINTON CALL: INDIA/PAKISTAN**

- Know your people share our assessment that there is a real risk of a limited war between India and Pakistan. Your visit (21-25 March) at a crucial time.
- Must do all we can to avoid another Kargil: will be much harder to persuade Musharraf to back down than Nawaz Sharif; doubt Indians will show so much restraint.
- Danger of miscalculation by both sides.
- We are doing what we can: sent Charles Guthrie to see Musharraf; urged restraint on Vajpayee several times. Not sure we've had much impact.
- Suggest we take stock after your visit on what more can be done. Worth appointing a personal envoy? Let me know if there is anything we can do.

fa-waps\clinton call india vlb

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**CLINTON CALL: AIRBUS A3XX (if raised)**

- Not a grant, but a repayable investment. Government will get its money back through levies on aircraft sales.
- Complies with 1992 EU/US agreement on government support for the manufacture of large aircraft.

**Breaches WTO rules?**

- Agreed in 1992 this sector would be covered by a separate agreement. Action in WTO should not be taken if this not breached.

**US Government gives less support to its industry?**

- Not sure this is right. Federal authorities give very generous indirect support, for example through NASA research grants. None of this is repayable.

fa-waps\clinton airbus vlb

Our pledge (UK).

£100m (\$160m)

over next 3 years.

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File

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

14 March 2000

SUBJECT  
VIASER

Dear Sherard,

Filed on:

## CALL TO PRESIDENT CLINTON

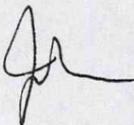
The Prime Minister spoke to President Clinton this evening for 30 minutes. The call would have gone on longer had the Prime Minister not had to leave to see The Queen.

We are writing separately on their discussion on Northern Ireland, Kosovo, Russia and India/Pakistan.

On the US Presidential elections, Clinton said that Al Gore was "doing great". Although he would have a long hard fight on his hands, he said that Gore was going to win as long as "we don't screw up". He referred to the Protestant majority as the key battle ground. He also thought the Democrats would win back the House. In all this Clinton was very upbeat.

At the end of the conversation, Clinton raised the dates of the Third Way Summit. He had told Schröder he did not want to hold it without the Prime Minister present. He was therefore looking to delay his visit to Europe until that was possible. He asked if the Prime Minister would be free around the time of the EU/US Summit on 5 June. The Prime Minister said that that should suit him well. (We are pursuing with the White House and the Germans.)

I am copying this letter to Christopher Meyer in Washington.

Yours ever,  


JOHN SAWERS

Sherard Cowper-Coles Esq  
Foreign and Commonwealth Office

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Foreign &  
Commonwealth  
Office

London SW1A 2AH

14 March 2000

*faxed  
already  
cc: PB  
JPO  
AC*

*Dear John*

India/Pakistan

... As requested, I attach some points on India/Pakistan,  
together with points on the UK/EU contribution to the  
international effort in Kosovo, for the Prime Minister to draw  
on in his telephone conversation this afternoon with President  
... Clinton. I am also enclosing an updated version of the  
Speaking Note on Kosovo, which I sent across with my letter of  
7 March.

*Yours ever  
Andrew Patrick*

(Andrew Patrick)  
Private Secretary

John Sawers  
10 Downing Street

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D R A F T

SPEAKING NOTE FOR THE PRIME MINISTER'S TELEPHONE CONVERSATION  
WITH PRESIDENT CLINTON: TUESDAY 14 MARCH

- Your visit to India (21-25 March) and Pakistan (25 March) comes at a crucial time. The US assessment, and ours, of the risk of a limited war (or worse) are very similar. FCO/State Department and intelligence community cooperation over this has been very close. Vital that this continues.

- No evidence that India has taken the political decision to attack across the Line of Control in Kashmir. But Vajpayee will find it harder now than he did at Kargil last year to restrain the hawks if Pakistan offers sufficient provocation.

- Danger that Pakistan does not know where the threshold lies. Intelligence suggests that Pakistan will further intensify militant violence in Indian-held Kashmir when the snow melts.

- Therefore hope that you will be able to use your visit to urge restraint. Our key messages are:

**For Pakistan:** you risk pushing India too far. Intensified insurgency and/or aggressive activity on the Line of Control will not solve the Kashmir problem, but could provoke a major war.

**For India:** a disproportionate response to increasing militancy in Kashmir, or to incidents along the Line of Control, would be highly dangerous. There can be no such thing as a "safe" limited war between two countries with

nuclear weapons.

For both: your (highly regrettable) acquisition of nuclear capabilities carries with it new responsibilities for the management of your bilateral relationship. Solving the Kashmir problem is the key. You both need to find the political courage to make concessions.

- I suggest that we **take stock after your visit**. I remain hopeful that you will succeed in persuading both countries that their real interests lie in reducing tension and finding ways of re-opening dialogue. They can be assured of wholehearted international support if they do.

- If you are successful, you will want to find ways of keeping up the momentum. Your ideas? Would you, for example, see merit in appointing a **"personal envoy"**. Your efforts will receive our full support.

## UK AND EU CONTRIBUTIONS TO KOSOVO: KEY FACTS

### Military

- UK initially deployed 10,500 troops, currently providing 3,300 to KFOR.
- Raw numbers misleading. UK contribution represents a Brigade Headquarters and two Battlegroups - the same as Italy, France, Germany. Have provided all that NATO has asked for. Currently considering providing extra specialist assets (unmanned aerial reconnaissance vehicles).
- Recognise US provides more - Brigade HQ and three Battlegroups. But US force protection requirements mean that many of these (up to 40%) are engaged on force protection. UK's contribution compares favourably with others. Our forces are regularly in the thick of things. Europe as a whole provides over 70% of KFOR troops.
- Europe also providing the KFOR Commander - first British, now German (and Spanish next).
- UK troops can be deployed flexibly throughout Kosovo, wherever the need is greatest. Many allies (including US) impose restrictions.

### Civilian

- UK has deployed 60 police. This number will double shortly. EU nations provide 28% of total police deployment. European nations as a whole provide 40% of the total (twice as many as US).
- UK was quick to provide financial support to Kosovo - £90 million pledged in 1999, £29 million more this year. Have just given \$2 million to support civil registration and \$8 million as UNMIK budgetary support.
- Other EU member states actively involved; total bilateral contributions by EU in 1999 came to 1.1 billion euro.
- Recognise that delivery of EU assistance has sometimes been slow. Chris Patten working energetically to improve things.
- UK actively supporting the Stability Pact. The two most successful initiatives so far - Media Charter and Investment Compact - both came from the UK. Working actively to make a success of the Regional Funding Conference. Have £30 million to spend in the region in the next twelve months. Some of this will go on Pact projects.

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SPEAKING NOTE FOR PRIME MINISTER'S TELEPHONE CALL WITH CLINTON

**KOSOVO: MITROVICA AND THE NORTH**

- Neither community blameless. Stabilising Mitrovica part of wider problem of Northern Kosovo.

- Need to balance:

- pressure on the Kosovo Albanians: their actions are pushing the Serbs towards cantonisation, which allows Belgrade to meddle. Up to them to create conditions for the return of displaced persons across Kosovo;

- efforts to dismantle Serb parallel structures in the North and preventing infiltration from Serbia.

- Our goal should be to build a fair society in Kosovo without conceding to extremist agendas on either side.

- UK forces have been actively involved in Mitrovica; have now rotated out but will serve there again if need be. Recognise political difficulties for US and others; but important for the KFOR Commander to be able to deploy his forces flexibly.

[Background: The local UK Commander has delegated authority to deploy his forces outside the UK Brigade area if necessary; his US counterpart does not.]

- Understand Kouchner has appointed US candidate to the Mitrovica Administrator post (Major-General Nash). He will have our full support.

- Resolving the Mitrovica problem an important step also in the preparations for local elections in Kosovo in

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September 2000.

- Need to be careful about discussing further steps with the Kosovars. Hope for elections to a province-wide body in 2001 - but only if locals show that they are mature enough for this.
- Should avoid being drawn into discussing Kosovo's final status at this stage. Kosovars would be bound to demand independence.
- Resources a key issue for UNMIK. UK committed £90 million to UNMIK in 1999, and a further £29 million for this year. We are sending more police to Kosovo and are looking to identify UK officials, judges and prosecutors.
- Very concerned at reports of Kosovo Albanians attempting to stir up trouble in ethnic Albanian areas in the Presevo Valley (southern Serbia) and Macedonia. Must send them a tough message. Look forward to a read-out on the recent visit to Kosovo by Hill (NSC) and Rubin (State).
- Quint Foreign Ministers in close touch. Valuable forum.

#### **CROATIA**

- Greatly encouraged by recent events in Croatia and new Government's focus on 'deeds not words'. Robin Cook just back from a visit. Will let your people have a report.

#### **MONTENEGRO**

- Remain concerned about situation around Montenegro. Our military are in close touch. Should continue current twin-track policy vis-a-vis Djukanovic and Belgrade.

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- Looking to see how we can speed up EU assistance. Patten has just visited.

**SERBIA**

- Will keep up the pressure in the EU to ensure that targeted sanctions are implemented vigorously.

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Received: 13/ 3/00 12:28;

-&gt; LINE 2; Page 2

13-MAR-2000 13:29 FROM PRIVATE OFFICE

TO

98399044 P.02

1. cc Tim Barrow, FCO

No appetite for this here.

2. file PRG

From: Julie Howells, NAD  
Date: 10 March 2000

14/3

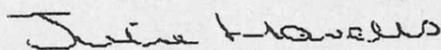
by fax 17- Barton No 10

cc: JS  
JPO  
AC

To: PS

VISIT OF GRAY DAVIES, GOVERNOR OF CALIFORNIA, TO THE UK: 15 APRIL -  
18<sup>TH</sup> APRIL: CALL ON THE PRIME MINISTER

1. Governor Gray Davies is planning to visit the UK from 15-18 April. The main purpose of his visit is to donate \$50m worth of art (from the Sir Arthur Gilbert Collection) to the Heather Trust for the Arts. Governor Davis has been asked to do this by Sir Arthur (who is a real estate tycoon).
2. The Prime Minister met Governor Davies last year and Post have suggested we ask if the Prime Minister would like to meet him again, although it is not essential.
3. We have already discussed the option of the Secretary of State meeting Governor Davies but this is not possible as the Secretary of State will be out of the country.
4. Copies of Governor Davies' biography and proposed itinerary are attached.



Julie Howells

Received: 13/ 3/00 12:28;

-&gt; LINE 2; Page 3

13-MAR-2000 13:29 FROM PRIVATE OFFICE

TO

98399044 P.03

## Biography

Joseph Graham Davis, Jr. (nicknamed Gray by his mother) was overwhelmingly elected the 37<sup>th</sup> Governor of California on November 3, 1998, winning 58 percent of the statewide vote. In the June primary election, Davis shocked political observers by not only handily defeating two better-funded Democratic opponents, but by finishing ahead of the unopposed Republican nominee. It was the continuation of an old tradition: In his successful campaign for Lieutenant Governor in 1994, he received more votes than any other Democratic candidate in America.

Described by the *San Jose Mercury News* as "perhaps the best-trained Governor-in-waiting California has ever produced." Governor Gray Davis has made improving public education his Administration's No. 1 priority. As his first official act as Governor he called a special session of the Legislature to address his proposals to ensure that every child can read by age 9, strengthen teacher training and education, and increase accountability in the schools.

As Lieutenant Governor, Gray Davis focused on efforts to keep jobs in California and encourage new and fast-growing industries to locate and expand in the state. He also led the fight to keep a college education affordable for California's middle class families, pushing through the largest student-fee reduction in California history. As the State's second-highest officeholder, he also served as President of the State Senate, Chair of the Commission for Economic Development, Chair of the State Lands Commission, a Regent of the University of California and a Trustee of the California State University.

Prior to becoming Lieutenant Governor, Gray Davis served as State Controller for eight years. As California's chief fiscal officer, he saved taxpayers more than half a billion dollars by cracking down on Medi-Cal fraud, rooting out government waste and inefficiency, and exposing the misuse of public funds. He was the first Controller to withhold paychecks from all State elected officials - including himself - until the Governor and the Legislature passed a long-overdue budget, and he found and returned more than \$1.8 billion in unclaimed property to California citizens, including forgotten bank accounts, insurance settlements and stocks.

From 1983-1987, Gray Davis served in the State Assembly from Los Angeles County and was Chief of Staff to Governor Edmond G. Brown, Jr. from 1975-1981. As Chair of the California Council on Criminal Justice in the 1970's, he started the statewide Neighborhood Watch program.

Gray Davis was born in New York City on December 26, 1942. As a cum laude graduate of Stanford University with a Columbia University Law School degree, he served as a U.S. Army Captain in Vietnam and was awarded the Bronze Star for meritorious service. He has been married since 1983 to the former Sharon Ryer of Santee, in San Diego County.

<http://www.governor.ca.gov/t/gray/govbio.html>

10/03/00

Received: 13/ 3/00 12:29;

-&gt; LINE 2; Page 4

13-MAR-2000 13:30 FROM PRIVATE OFFICE

TO

98399044 P.04



**GOVERNOR'S OFFICE OF FOREIGN AFFAIRS**  
Secretary Michael Flores

**CONFIDENTIAL****GOVERNOR DAVIS**

London, England  
April 15 - 18, 2000

**Saturday - April 15, 2000**

7:30 a.m. PST      Wheels up to London Heathrow

**Sunday - April 16**

1:50 p.m.      Wheels down London Heathrow  
5:50 a.m. PST      United Flight 134  
Passengers: GGD, FL, staff (TBD), 3 CHP

Clear customs - VIP

2:30 p.m.      Depart for 47 Park Street Hotel  
6:30 a.m. PST      RON - 47 Park Street Hotel

RON (Staff) - Britannia May Fair

7:30 p.m.      Cocktails  
11:30 a.m. PST      Location: 6 Hamilton Place  
(Off Park Lane)  
Mayfair, London  
Contact: Robbie Diamond, Sir Gilbert's Office  
(310) 247 - 2966

8:00 p.m.      Sir Arthur and Lady Gilbert Dinner  
12:00 p.m. PST      Location: 6 Hamilton Place  
(Off Park Lane)  
Mayfair, London  
Contact: Robbie Diamond, Sir Gilbert's Office  
(310) 247 - 2966

**Monday - April 17**

(5:30 p.m.)      (viewing of the Gilbert Collection)

Last updated by Holly Fraumeni 03/10/00 4:19 A3/P3

Received: 13/ 3/00 12:29;

-> LINE 2; Page 5

13-MAR-2000 13:30 FROM PRIVATE OFFICE

TO

98399044 P.05



GOVERNOR'S OFFICE OF FOREIGN AFFAIRS  
Secretary Michael Flores

**CONFIDENTIAL**

7:00 p.m.  
11:00 a.m. PST

Official opening of the Gilbert Collection  
Location: Lomoret House  
Contact: Robbie Diamond, Sir Gilbert's Office  
(310) 247 - 2966

8:00 p.m.  
12:00 p.m. PST

Dinner

**Tuesday - April 18<sup>th</sup>**

11:25 a.m.  
3:25 a.m. PST

Wheels up London Heathrow

2:35 p.m. PST

Wheels down LAX

Last updated by Holly Fraumeni 03/10/00 4:19 A3/P3

TOTAL P.05

Received: 10/ 3/00 19:44;

-&gt; LINE 2; Page 1

.03/10/00 14:40 FAX

001



British Embassy  
Washington

3100 Massachusetts Ave. N.W.  
Washington, D.C 20008-3600

Telephone: 202 588 6532  
Fax: 202 588 7859  
E-mail:  
rnpeirce@washington.mail.fco.gov.uk

Wednesday 8 March 2000

Peter Westmacott Esq  
Director Americas  
FCO

*Dear Peter,*

**Public Diplomacy in the US: Best Practice Partnerships**

1. We spoke on the telephone recently about an aspect of our work here which I am calling "best practice partnerships". What I mean by this is contacts and exchanges between the US and the UK in areas of public policy reform where either side, or both sides, might benefit from the ideas and experiences of the other. A lot of this goes on already as you know, in some cases now in a very proactive way. This is hugely appreciated in Whitehall, and the PIU for example are thinking of including an Embassy member on each project team. Most sections of this Embassy and our Consulates-General are able to provide examples of what is happening in their own areas; we are in the process of collecting information from all our posts to get a better overall picture of this activity. And of course there is a lot of bilateral contact that takes place without the help or involvement of diplomats, as I know from my own experience in the law enforcement field. In other instances, for example in the economic field, we set up a dialogue and continue in a caretaker fashion, helping as and when needed and resources permit.

2. That said, we could do a great deal more, particularly in promoting UK experience – the traffic to date tends to be UK learning from US. Where we are weak is in the integration of this work into our public diplomacy, as a core function of the embassy and our posts around the country. The UK/US conference on welfare to work put down an important marker here – and it is significant that Rockefeller were prepared to match the FCO funding, signalling their view that the US had much to learn from the UK. The traditional approach to public diplomacy has

Received: 10/ 3/00 19:45;

-&gt; LINE 2; Page 2

03/10/00 14:40 FAX

002



focussed more on selling our foreign policy than our domestic policy. Fair enough in times past. But now, at least in America beyond the Beltway, we are likely to find more interest in British experience of, say, pension financing or restorative justice than in our position on East Timor. It is of course an important foreign policy objective to highlight the innovative aspects of British life. Conversely there is a great deal of innovation in public policy here in the United States, especially at State and local levels, which should be of interest to our public policy reformers, not only in London but also in Edinburgh, Cardiff, Belfast and elsewhere. We could make more use of the US experience if we had more comprehensive coverage of what is happening and a more coordinated way of communicating this to the UK end.

3. I have discussed this with the White House and others in the US system. The response is enthusiastic. What we now need to do is to set up a system for improving our knowledge of the public policy reform agendas in both countries. As far as the US end is concerned, we have a plan and have started to put it in place. We are in touch with the White House Office of Intergovernmental Affairs, who are responsible for liaison with State and local officials and we are making contact with the National Governors Association, the Conference of US Mayors and several other organizations of this kind. As you know, we recently established a link with the Women Executives in State Government, and I have been doing business for several months now with the Police Executive Research Forum and the Association of Chiefs of Police (the two US organizations roughly comparable with ACPO). Sue Owen has generated many links – for example with the Manpower Development Research corporation who are now involved in a great deal of transatlantic work – in both directions. Through these connections and others we shall aim to keep abreast of the agendas of all these organizations. We shall also be in a position to respond quickly to enquiries from the UK about where in the US to find good examples of best practice in fields that are of interest to us.

4. I should be grateful for your help with the UK end. What we should like to receive, in a more systematic and comprehensive way than we do at present, is: information about the forward public policy agendas of HMG and the devolved administrations, if possible with indications of the areas where best practice examples from elsewhere would be of greatest interest; examples of success stories or interesting innovations in the UK which we can draw to attention here; and very early notice of published reports on public policy issues (with internet access details). Many of these have cross cutting agendas. From talking to Jonathan Powell and others, I imagine that Number Ten and the Cabinet Office would between them have a rather more comprehensive picture of the reform scene in the UK than the White House would have of US activity. David Miliband and Alistair Campbell and the Strategic Communications Unit may be able to help. But I hope we can get shopping lists from the devolved administrations too, and also, for example, the forward programme of the Audit Commission (whose excellent reports often refer to international examples). You may be able to think of other institutions that we should tap into.

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-&gt; LINE 2; Page 3

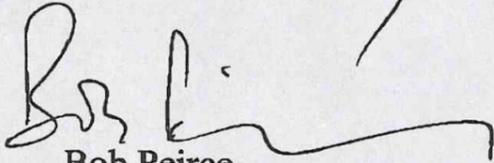
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5. I should be very grateful for your thoughts. I hope we can get some systems in place rapidly, and I think we shall get a great deal out of this – both in terms of profiling the UK and also substantive policy benefits – for a pretty modest investment. We have the PPA network, we have other relevant tools at our disposal such as scholarship and fellowship schemes and visit programmes. We just need, in my view, to get our assets hard-wired into the domestic public policy agenda.

6. As a codicil, I might mention that I mused about this with a journalist contact the other day and he commented that this could be useful for British journalists in the US looking for serious stories that had domestic UK appeal (this on a day when an American road rage dog death story was getting almost as much attention in the UK as Super Tuesday! – I exaggerate only slightly).

Yours sincerely  
  
Bob Peirce

CC: Jonathan Powell Esq, No10  
David Miliband Esq, No10  
Alistair Campbell Esq, No10  
Suma Chakrabati, Cabinet Office  
David Reddaway Esq, FCO  
Philip Priestley Esq, NAD, FCO  
Dr June Milligan, DAD, FCO  
US Consuls-General

*Nigel Featherstone*  
**FAKED**  
*David Boston*

**From: David Miliband**  
**Date: 6 March 2000**

**JOHN SAWERS**

*21/3/00*  
*(file)*

**cc: Jonathan Powell**  
**Roger Liddle**

**EU/US RELATIONS**

Many thanks for copying me the Simon Featherstone paper, which did have a bit more substance in it. However I think we need to think about:

1. A better definition of what problems are going to arise.
2. A top class deconstruction of the 'unilateralist' pressures on a US administration of any colour, which will warp their approach to multi-lateral institutions.
3. Look at some of the carrots that could be offered to induce participation in these multi-lateral fora, including things like a push on emissions trading to make them take the environment seriously.

*DM*  
*6/iii*

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From the Ambassador  
Sir Christopher Meyer KCMG

British Embassy  
Washington

3100 Massachusetts Ave. N.W.  
Washington, D.C. 20008-9600

Telephone: (202) 588-6612  
Facsimile: (202) 588-7870

3 March 2000

John Sawers Esq CMG  
No 10 Downing Street  
LONDON SW1A

*JS*  
As you know I am  
not against an autumn  
visit by Clinton. See to  
case for a TD visit to US

*JS*  
*e: JB*  
*PB*  
*AC*  
*KS*

*file 2*

*The UN Millennium Summit will happen in Sept.,  
and there will be a case for TB to go.*

*If our White House don't come back with June  
dates, an onward visit may not happen at all. Will*

*Dear John,*

**UK/US: HIGH LEVEL VISITS**

*need them to make do with Okinawa and  
New York. No tragedy, in my view.*

*JS*

1. You will have seen Michael Arthur's note of 2 March, recording the latest in a series of exchanges which we have all had with the White House and which have not got us much further forward.
2. The common thread is, I think, Northern Ireland and, as ever, domestic politics. If Clinton comes to Britain, he will go also to Belfast and Dublin. He will want the latter two to be as near as possible legacy - reinforcing celebrations of his contribution to the peace process. If Mrs Clinton comes - and all things being equal, I would expect her to do so - she will want to strengthen her position in the New York state Senate race through the further courting of the Irish-American vote (last December Sid Blumenthal tried to persuade me to persuade Peter Mandelson to join Mrs Clinton at an Irish-American campaign rally in New York, where he would say what a good egg she was).
3. The premise of the above is that the Clintons should have something to celebrate. The main reason it is so difficult to pin down the White House is that the political people are saying that, in a year when Clinton is doing a lot of travelling, it makes no sense to go to the UK and Ireland unless there are clear dividends to be reaped. A breakthrough in the peace process would unblock this impasse rapidly. Absent that, or an opportunity for Clinton himself to play deus ex machina, I suspect we will confront continuing procrastination, which is why the autumn option popped up (more on that below).
4. A sub-set of these considerations is heightening White House concern about St Patrick's Day. This, as much as the peace process itself, explains the Steinberg/Norland visit to Belfast next week, which in my view runs the risk of stoking expectations for 16/17 March.

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5. Against this background, we should look again at our thinking on a Clinton valedictory to the UK and/or a Blair visit here in 2000. To be frank, I am pretty agnostic now about either visit. A possible Clinton "State" visit this year has always been an event to be handled with care rather than to be unreservedly welcomed. The more the White House jerks us around on dates, the less they can hope for "State" trappings: they cannot expect The Queen to be available at the drop of a hat. The more a visit takes the form of a lower-key valedictory - at least as far as the mainland is concerned - the easier it will be for us to handle vis-a-vis the next President.

6. I think that we have now reached the point where if the White House plump, say, for early July or revert to the autumn, we should be clear that the "State" aspects will necessarily be limited. As to the autumn option, I note John Kerr's worries and what you said to Berger. But, if Clinton were to press, say, for September: we could justifiably reduce The Queen's role (they have only themselves to blame); we should have been able by then to have inoculated ourselves against any charge of political favouritism by having already received Governor Bush in London (McCain is looking dodgy as we go into the weekend); and Clinton will very much be a sunset personality. I rehearse these points only because I do not absolutely rule out the White House coming back to us about an autumn visit.

7. As to Tony Blair's coming here in 2000, it is not strictly necessary from a bilateral point of view, particularly as he has met Gore more than once and should see Bush in London this summer (though no harm in seeing more of both). A visit would have to compete with campaign background noise, or fall into the dead period between 7 November and the inauguration.

8. This is not to say that we could not turn a visit here to advantage. To our knowledge there are four invitations to the Prime Minister to which replies are outstanding:

(a) Appeal of Conscience Foundation; Jeremy Greenstock's letter of 30 July 1999;

(b) International Rescue Committee (IRC) Gala in New York, 14 June (Michael Arthur's letter of 1 November 1999 to Peter Westmacott);

(c) Economic Strategy Institute Annual Conference: 15-17 May (most recently discussed by Roger Liddle with Clyde Prestowitz) - the trade event of the Washington scene, and I gather they are now talking about a video link-up if the Prime Minister cannot visit;

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(d) MIT inaugural on 2 June - in particular given the MIT/Cambridge link-up.

9. If the Prime Minister intends to come to New York for the Security Council Summit/Millennium Assembly, (a) could be combined. In that event I would recommend also that he see the two candidates.

10. Finally, Sid Blumenthal told me today that the Germans have not come back to him about rescheduling the Third Way event. He said that they were in a foul mood about Koch-Weser.

*Yours ever,*

*Christopher Meyer*

Christopher Meyer

cc: Sir John Kerr KCMG, PUS, FCO  
Sherard Cowper-Coles Esq CMG LVO, PS, FCO  
Peter Westmacott Esq CMG LVO, Director (Americas), FCO  
Philip Priestley Esq CMG, MAD, FCO

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**RESTRICTED - PERSONAL**

From: Ambassador

Date: 3 March 2000

- cc: Mr Gooderham
- Mr O'Neill
- Mr Peirce
- Mr Rycroft
- PS/PUS, FCO )
- Sherard Cowper-Coles Esq CMG LVO, PS )
- Carl Newins Esq, PS/Baroness Scotland )
- Emyr Jones-Prydy Esq CMG, Pol Director )
- David Manning Esq CMG, DUSS, FCO ) by
- Peter Westmacott Esq LVO, Director ) fax
- Philip Priestley Esq CBE, NAD )
- John Sawers Esq CMG, No 10 )
- Sir Roderic Lyne KCMG, MOSCOW )

*JS*  
*crub*  
*15*  
*AC*

*(fle)*

Minister

**GORE AND US FOREIGN POLICY: CONVERSATION WITH LEON FUERTH**

1. Fuerth, the Vice President's National Security Adviser, came to lunch today.

Northern Ireland

2. Fuerth was unaware of the Irish-American event in New York tomorrow and was not pleased to have heard about it first from me. He called his office from the lunch table and asked to be briefed on return on what questions Gore was likely to face and the proposed answers. I went through the issues of concern to us. Fuerth appeared pretty clued up and claimed that Gore also was well briefed on Northern Ireland matters. He said that he would let me know if he needed further briefing. With his agreement I have faxed him a copy of Peter Mandelson's speech last week. Fuerth appeared sound on the main issues.

Russia/NMD

3. We discussed Putin. He agreed that reformer/non-reformer labels had outlived their usefulness in analysis of Russian politicians. Fuerth thought Putin's principal objective would be the resurrection of Russian power. If we were looking for an historical model Peter the Great was as good as anyone. He thought that the Russians would decide after 26 March that it would be in their interest to do an NMD deal with this Administration. There was, of course, a risk that a Republican president might tear up what had been agreed. But this should be a lesser danger for the Russians than allowing a Republican administration to start with a blank sheet of paper. Fuerth expected the Russians to negotiate in their typical hardball style. But their interest in securing a Start III deal at levels which they could afford would be a huge incentive to a negotiated outcome.

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Montenegro

4. Fuerth said he had two worries. The first was Montenegro and the risk of Milosevic moving against Djukanovic. I said that we shared the concern; but for most of the allies Montenegro seemed to fall into the too difficult box. Fuerth said that, in inter-agency discussion, his advice was to retaliate against any Milosevic move against Montenegro by "putting out the lights in Serbia" for the next three years. This could be done in one night and would be over before anyone had a chance to protest. We should have done this much earlier in the Kosovo campaign: he had had his heart attack after a day arguing for it. He agreed that it would be difficult to get inter-agency support for his option. I thought it fanciful that the allies would line up behind this, and God knew what the Russians would do. Fuerth did not demur.

Bosnia

5. I said that one way of restraining Milosevic would be to move against Karadzic.

China

6. Fuerth's other worry was China: getting the WTO agreement and Permanent Trading Nation status through Congress. I asked him whether he favoured trying sooner or later to push these through on the Hill. The sooner the better, was the reply. The longer things were left, the more likely the Chinese would do or say something which inflamed Congressional opinion. I told Fuerth that Sweeney, head of the AFL-CIO, had told me at the end of last year that he did not want the President to go down to defeat and that there ought to be a way of working this which allowed Congress regularly to review Chinese performance. Fuerth noted this with interest and said that this was what the administration were working on.

Gore

7. I asked Fuerth about Gore's foreign policy priorities. He referred me to a speech Gore had made on 10 January at the UN (which I have not read) that set out a mixture of new global themes alongside the more traditional foreign policy concerns. Fuerth expected Gore to make a major foreign policy speech once Bradley had been driven out of the primary race. I asked Fuerth whether Gore had travel plans for the summer. Fuerth said that nothing was scheduled and that unlike, say, Bush, the Vice President could not go abroad simply as a Presidential candidate. He would have to have a reason deriving from his office as Vice President. Otherwise, foreign travel would be prohibitively expensive. I got the impression from Fuerth that he did not see much benefit in the Vice President's travelling outside the United States, given his known expertise in foreign policy.

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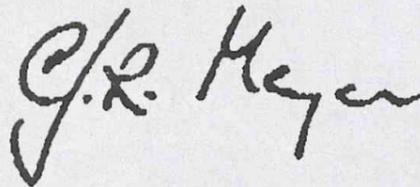
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8. We did not talk much about the campaign although Fuerth, like just about everybody else, expected Gore to knock out Bradley on 7 March. But Fuerth expressed himself very worried about the guilty verdict for Maria Hsia in the campaign finance trial. He doubted that Bradley would try to make use of the video footage showing Gore and Hsia at the Buddhist temple. But the republicans would surely use it in the general election.

**Fuerth**

9. I asked Fuerth whether he expected to be Gore's National Security Adviser. After a long hesitation, Fuerth said he would wait and see what was offered him. But he had, in a sense, been preparing for this job for the last seven years. He was all too aware of its crushing responsibility and, when thinking about it, always worried that he would make the right judgements. My impression from this exchange was that he really wanted the job, but wondered whether he was up to it and be offered it.

**Christopher Meyer****RESTRICTED - PERSONAL**

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Ms Minshall, NADPrime MinisterTop JS  
cc: JP

Robin had a full exchange with  
Colin P on the issues - worth  
a read.

JP  
3/3

PB/M7  
file

Colin Powell

The Secretary of State was grateful for the briefing which you supplied for his meeting over lunch on 2 March with General Colin Powell, in the margins of the Active Community Convention at the Wembley Conference Centre.

**Mr Powell spoke frankly: the Secretary of State would be grateful if his confidence could be strictly protected.**

US Politics

The Secretary of State attended the Prime Minister's brief meeting with Powell before lunch, during which most of the conversation was about the Presidential election. Powell thought that George W Bush would knock out McCain, but that Gore was likely to win in the general. He spoke of the centrist pressures and the lack of significant policy differences between the parties, against the background of rising prosperity. Real political activity and innovation were now focused at State level.

UK/US Relationship

Powell started the lunch by speaking warmly, and in terms, of the United States' Special Relationship with Britain. He recalled that, when the Iranian airbus had been shot down over the Gulf, and he had been National Security Adviser, Charles Powell had rung immediately from Downing Street to ask what the Americans wanted the British Government to say. Colin Powell commented - without apparent irony - that America could count on no other government to behave like that.

Bush Campaign

Powell made clear that he had extensive contacts with the Bush campaign. He thought Bush's knowledge of foreign policy rather shallow, but was not disparaging about Bush personally. He claimed that one could detect in each of Bush's foreign policy pronouncements the adviser behind it. He confirmed that, once Bush had secured the nomination, he was likely to undertake some overseas travel.

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Foreign Policy

The conversation then turned to the Western Balkans. The Secretary of State briefed Powell on Croatia, Bosnia, Kosovo and Serbia, with Powell asking a series of intelligent questions.

That led naturally to European security, with the Secretary of State describing the European Security Initiative, particularly the Headline Goal. Powell expressed great interest in all this, and seemed impressed and surprised by what the Europeans were planning to do.

That, in turn, led to a discussion of Congress, with the Secretary of State asking for advice on lobbying the Hill. Powell's view was that the greatest single problem in recent years had been that the Clinton Administration had not had a firm line on many issues on which they needed support from Congress. In his judgment, Congress responded to a clear line from the Administration, especially on foreign policy, as had been the case under the Reagan Administration. It was dangerous for foreign policy to twist and turn every time CNN carried an awkward broadcast.

The Secretary of State briefed Powell on his impressions of Putin and Shevardnadze, with Powell expressing great interest. He and the Secretary of State agreed that only time would tell on Putin.

Powell suggested that he thought China was of more strategic significance than Russia.

Powell asked the Secretary of State what advice he would give an incoming US President on foreign policy. Powell himself said that he thought the priorities should include ending the ridiculous stalemate on Cuba, and a more rational and balanced approach to Iran.

Powell also agreed strongly with the Secretary of State about the risks of the present policy in the No Fly Zones. If the object was to dispose of Iraqi anti-aircraft capacity, then we were going about it in much too timid a fashion. A single mistake or technical failure could result in the loss of a pilot. Nor was the present policy achieving its stated objective of protecting the Marsh Arabs, who had largely left. Powell told the Secretary of State of a cartoon in a US paper of two Iraqis trailing a toy anti-aircraft missile on a wooden truck, knocking on the door of a Bedouin hut and asking the inhabitants where they wanted the hole for the swimming pool.

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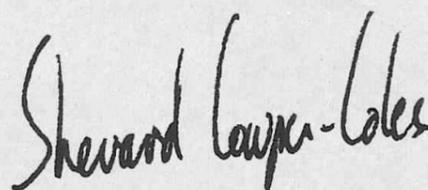
NMD

The Secretary of State described the British position in cautious terms, referring to the awkward politics of agreeing to an X-band radar being sited in the UK without any degree of protection in return. He was surprised when Powell responded that he could not understand what the Administration were trying to do on National Missile Defence. He thought the proposed approach entirely the wrong way of dealing with North Korea and Iran, who had only a handful of missiles to lob at the United States. The fact that the Americans were planning to construct a huge shield suggested that they were running scared of the North Koreans and the Iranians. In his view, the right message should be to scare the North Koreans and Iranians by making clear that, if they dared to attack the United States, they would be hit very hard indeed. Powell continued that part of the problem was that many Republicans in Congress favoured abandoning the AMB Treaty altogether. They would regard its loss, as a result of NMD, as a bonus.

Comment

The Secretary of State found Powell a congenial and highly intelligent interlocutor, with whose views he was in broad sympathy. Although the realities of American politics would change some of Powell's views in office, the Secretary of State found him someone with whom it would be easy to work. He and Powell agreed to meet again in Washington.

In the Secretary of State's view, Powell spoke extraordinarily well at the Convention itself, with his speech a well-judged mixture of light and shade, and of serious points about active communities, mixed with humour. He thanked the Secretary of State for his gracious introduction, and made a lighthearted reference to being called "Sir" Colin (because of his honorary KBE) when he was in the United Kingdom. He also referred to his British/Jamaican antecedents, mentioning that all his aunts had British citizenship.



(Sherard Cowper-Coles)

2 March 2000

cc: PS  
PS/Baroness Scotland  
PS/PUS  
DUSs  
Mr Westmacott  
Mr Ricketts

Mr Plumbly  
Mr Wright  
Heads: News Dept  
Sec Pol Dept  
Mr Sawers, No 10  
Mr Cooper, Cabinet Office  
Sir C Meyer KCMG, Washington

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**FAXED**  
to all 28/2

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

28 February 2000

*Dear Christopher,*

**CLINTON'S VISIT TO BRITAIN**

Thank you for your letter of 25 February. I discussed this with Berger today. I told him that we remained keen for Clinton to come to the UK this summer. But it would be awkward to host such a visit in the autumn, given the political party conferences and then the imminence of the US presidential elections. We had been attracted to a visit in early June, after the EU/US summit in Portugal, and that remained our favourite date. But if the Americans were having second thoughts could they come back with alternatives in June or July?

Berger did not press for keeping open the autumn option, and understood why we might have difficulties hosting Clinton in the weeks before the US presidential election.

Please do keep in touch with the White House on this. It would be awkward for the visit to slip into the autumn and for us to be left with a visit either going ahead on awkward dates, or not happening at all.

You will also be interested to know that the dates of the Third Way Summit in Berlin are being looked at again, given the Prime Minister cannot attend on 1/2 May because of the impending local elections, including that for the mayor of London. At Sydney Blumenthal's instigation, Berger has suggested 4/5 May and I have put those to the Germans on the basis that the Prime Minister could be able to agree. We are encouraging Blumenthal to speak to the Germans as well.

I am copying this letter to Sherard Cowper-Coles, Sir John Kerr, Peter Westmacott, Philip Priestley (Foreign and Commonwealth Office) and Sebastian Wood (Cabinet Office).

*Yours ever,*

**JOHN SAWERS**

Sir Christopher Meyer KCMG

DS

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From the Ambassador  
Sir Christopher Meyer KCMG

25 February 2000

By Fax

John Sawers Esq CMG  
No 10 Downing Street  
LONDON SW1A 2AA

*Handwritten initials: Jle*

*Handwritten initials: PUS*

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Washington

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Washington, D.C. 20008-3600

Telephone: (202) 588-6512  
Facsimile: (202) 588-7870  
www.britain-info.org

1. cc Mr Westmacott.

2. ~~Mr Sawers~~

**JOHN KERR**

I think the autumn would be very dodgy, for "US election interference" reasons. (And there now solid the autumn slot to Jordan.)

I really wish Steinberg should be held in pre-summer, or never; and that we therefore need early news. The indecision is ridiculous.

*Handwritten notes: JS, C: PB, MC, KG, AC, Jle*

*Dear John,*

**CLINTON'S VISIT TO BRITAIN**

1. I asked Steinberg when he came to dinner with Peter Mandelson how White House thinking was moving on Clinton's visit (I had been told last week by Blumenthal that Podesta had been resisting a visit at all to the UK this year).
2. Jim said that three dates were swirling around: late June, after the Feira European Council, but Clinton was in fact more likely to visit Africa after Portugal; an early July date; or the autumn. He apologised for the continuing lack of precision. He thought that the autumn option was gaining ground. I said that, depending on the exact timing, I could see advantages to this. We agreed to stay in touch.
3. As you probably know, Clinton plans to go to Moscow after the Berlin Third Way/Aachen Charlemagne Prize trip at the beginning of May.

*Yours,*

*Matthew Gurr*

*CM* Christopher Meyer

- cc:
- PS, FCO
  - PS/PUS, FCO
  - Peter Westmacott Esq LVO, Director (Americas), FCO
  - Philip Priestley Esq CMG, NAD, FCO

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Washington, D.C 20008-3600

Telephone: 202 588 6335  
Fax: 202 588 7859  
E-mail:  
mrycroft@washington.mail.fco.  
gov.uk

Top-JS  
cc JPs  
DM  
MT  
AC

*Jonathan*  
*This letter is the first result of our planning w/our threat message. But*

*John*  
*cc DM*  
*This is a lot less impressive than what I'd like to see. I will speak to the briefing we have had for weeks. I will speak to the way we do work with a few Christopher again and his people.*

24 February 2000

John Sawers  
No 10

Dear John,

AL GORE

1. One of the beneficiaries of the increasingly bloody battle between George W Bush and John McCain for the Republican nomination is Al Gore. The more the two Republicans pull each other to the right and damage each other with personal attacks, the better for Gore in the general election. Bradley has done something similar to Gore, pulling him to the left on trade, healthcare and race. But Gore looks set to knock Bradley out on or soon after 7 March. His sole focus then would be the general election. He has already made up ground against Bush. If McCain were to be the nominee, he might unite the Republican party and continue to attract independents and some Democrats, a strong general election coalition. Gore's ideal outcome, and still just about the most likely, is to face a weakened Bush.
2. Since the Prime Minister met him last year, Gore has had a roller-coaster ride, down until the autumn and now up. It is striking how comfortable in his own skin he now looks at town-hall meetings, in debates with Bradley, and on the campaign trail. Since winning Iowa and particularly New Hampshire, his tail is up. This letter, agreed with Sir Christopher Meyer and Embassy colleagues, speculates on what a Gore administration might look like.

PRIORITIES

3. Eight years in the House, eight in the Senate, and eight as Vice President - Gore would be the most prepared President in history. But a President Gore would not necessarily follow the same priorities as Vice President Gore or candidate Gore. The opportunities and responsibilities of the office would shape him as much as he would shape it. We should not read too much into the current campaign, where Gore's aggressive stance is aimed at knocking out Bradley rather than setting out his vision of government. The current focus on healthcare and education will remain central, not least because these issues top the voters'

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agenda. Gore will have some debts to pay off, particularly to the labour unions, teachers and perhaps to African Americans. But these would not define a Gore presidency.

4. As President, Gore would retain his personal interest in:

- (a) The environment.
- (b) New technology.
- (c) Reinventing government.
- (d) In foreign affairs, Russia and arms control, on which he is hawkish, as he is on the Middle East. But there is little Gore form on Europe, NATO, defence etc, and none on Northern Ireland. On trade, his instincts are pro-free trade, but election politics push him towards protectionism – the AFL-CIO's hold over him explains his occasional divergence from the agreed White House line on China/WTO.

5. But what philosophy of government would underpin a Gore presidency? In particular, would he be a Third Way fan? He is not an instinctive Third Wayer, and rarely talks in Third Way terms. He would certainly seek to maintain the centre-left coalition. But he is much more partisan and divisive than Clinton, so he would find it hard to compromise with Congressional Republicans to pass legislation (which he would almost certainly have to do – while Democrats could well retake the House of Representatives, the Senate is almost certainly out of reach).

6. There is some truth to Bill Bradley's charge that Gore does not think great thoughts, does not really believe in anything, has no vision. His instinct would be a plethora of mini-initiatives, not one grand overarching project.

### PERSONALITIES

7. It is too soon to predict with any confidence who his key people might be. There may be little overlap between people working for him as Vice President and candidate and those who get the top jobs in a Gore White House. The key people in Gore's campaign are Bob Shrum, Tony Coelho and Carter Eskew: it is hard to see any of them in the Administration. The smart money at the moment is on the following:

- (a) Vice President. Bob Graham, a centrist Senator from Florida, is careful and reliable rather than high profile, but he would be a natural fit with Gore in office and could help Gore win the election by putting Florida in play. Other possibilities include: Evan Bayh (Senator from Indiana, a Gore clone, not yet ready), Gray Davis (Governor of California, but if Gore needs help to win California he is not going to win the White House), Diane Feinstein (Senator from California, Gore hates her), Kathleen Kennedy Townsend (Lt Governor of Maryland, Third Way aficionado, not yet ready), Jeanne Shaheen (Governor of New Hampshire), Bill Richardson (Energy Secretary, a Hispanic from the South West), even Andrew Cuomo (HUD Secretary, but he wants to run for Governor of New York). Gore will make his

A woman (should be or not?)

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decision shortly before the August convention, after the Republican decision at their convention. The further behind he is in the polls, the more dramatic his choice might be; if he is ahead, expect him to play safe.

- (b) Chief of Staff. There is no obvious person. Gore's current chief of staff, Charles Burson, is *None of these.* a low-key Tennessean. There are several of Gore's ex-chiefs of staff around town who might do it, but none of them is exactly right: Jack Quinn and Roy Neel are both now lobbyists, Peter Knight has too much campaign finance scandal baggage, Ron Klain is too lightweight (but would make a good White House counsel). Gore's best friend is Tom Downey, but it is easier to see him as an adviser on healthcare than as chief of staff. Carol Browner has been a key Gore adviser on a key Gore issue, the environment, and might be in with a shout. So too might Katie McGinty, who worked with Gore in the Senate.
- (c) Secretary of State. Dick Holbrooke is everyone's favourite. He is desperate for the job, has the experience both from the Balkans and now at the UN, has scored points for his handling of Congress on UN issues, and set up a good platform for Gore to speak on Africa last month. Outsiders include George Mitchell. There is even talk that Madeleine Albright might want to stay on.
- (d) National Security Adviser. Gore's current national security adviser is Leon Fuerth. He thinks the job would be his by rights, having served Gore for years. But he had a minor heart attack last year, and he is not that impressive. He is a pro-Israeli hawk. Jim Steinberg wants out of the White House, but if he were made an offer he could not refuse ... Other possibles from the State Department include Greg Craig (who helped Clinton out over impeachment), Deputy Secretary Strobe Talbott, and Tom Donolon (Warren Christopher's right hand man).
- (e) Economic team. Larry Summers would probably stay as Treasury Secretary for the time being. Gene Sperling would also stay somewhere crucial. Stu Eizenstat might be Commerce Secretary. At the Fed, Alan Greenspan has been renominated for the period to 2004 - it is unlikely he would stay that long, but equally he would not want to risk instability by leaving in the first few months of the next President's term. *→ Boss. He's good*
- (f) Domestic policy team. Gore's top campaign adviser is Elaine Kamarck, centrist New Democrat, the force behind Reinventing Government. She should be chief domestic policy adviser. If not, Bruce Reed, in the job now for Clinton, could stay on, or he may move to the Education Department. David Beier is currently the Vice President's domestic adviser, and would expect to stay on in some role. ✓
- (g) Others. Gore may want some continuity with the Clinton Administration. He may also want to pick a Senator or two (Joe Lieberman at defence?). He may even choose a Republican, as Clinton did with Cohen, despite - or because of - his reputation for fierce partisanship.



### CONTACTS WITH THE UK

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*Yours,*

*Matthew*

Matthew Rycroft

Cc: Jonathan Powell, No10  
David Miliband, No10  
Sherard Cowper-Coles, PS/Foreign Secretary, FCO

Received: 24/ 2/00 13:09;

0171 270 3514 -&gt; LINE 2; Page 2

24-FEB-2000 13:20 FROM EUD(E) FCO LONDON TO  
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Telephone: 0171 270 2288  
Facsimile: 0171 270 5796/3546  
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Top: FAIPS

"COS  
FAIPS(MT)  
AC/Press

24 February 2000

David Bostock Esq CMG  
CABINET OFFICE

Dear David

1. cc David Miliband, Roger Liddle  
Have the lots of paper we  
were looking for. But no silver  
bullet.

BTM  
John Simon

(file)

**EU/US RELATIONS**

1. Further to my letter of 23 February, we have agreed that, rather than asking copy recipients to comment in writing on the draft paper, the Cabinet Office will convene a meeting, in restricted session, after Wall/Bostock next Friday (3 March) in your room.
2. In addition to the points raised in the paper, there is plenty of other material we can discuss. I am attaching a thought-provoking letter from Michael Arthur which raises a number of wider issues. I know that you would also like to consider how the US now perceives the EU, how EU/US relations are changing etc. We might also touch on how economic/monetary cooperation is likely to develop, and the implications of that for the UK while we remain outside the euro. So it should be an interesting, and wide-ranging, discussion.

Yours ever  
Simon

Simon Featherstone

cc: Ivan Rogers Esq, HMT  
John Alty Esq, DTI  
Tony Hutton Esq CB, DTI  
John Sawers Esq, No 10  
Robert Cooper Esq, Cabinet Office  
John Robbs Esq, MAFF  
Nick Westcott Esq, Washington  
Dominick Chilcott Esq, UKRep Brussels

fi: PS/PUS  
Mr Budd  
Mr Sheinwald  
Mr Westmacott  
Mr Roberts, CFSPD  
Mr Lyall Grant, EUD(I)  
Mr Priestley, NAD  
Mr Bye

SKP 24/2/00

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TO

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**From The Minister  
M A Arthur CMG**

23 February 2000

Simon Featherstone Esq  
EUD(E)  
FCO

**EU/US RELATIONS****Summary**

1. Wrong to expect a trouble-free relationship. Absence of clear-cut institutional framework is only part of the problem. Problems are as much at the US end as the EU. Solution is top level commitment – both sides – to a strategy for managing the key policy issues over a 3/4 year period. Brussels institutions only part of that. The UK must be *de facto* at the crux, but not *de jure*. We share that crux with the Commission, Solana, and to a lesser extent, France and Germany.

**Detail**

2. We were grateful to receive a copy of John Sawers' letter of 9 February and of your draft FCO paper for David Bostock's meeting. While we do not disagree with a lot in your (second) draft, I sense that the Prime Minister wants this looked at more broadly.

3. The problem for Britain is that there is no integrated institutional structure which handles the full range of our (Britain and Europe's) policy relationship with the United States. We can have simultaneously a bananas/hushkit argument; a wholly unconnected (by the operators) debate about ESDI; a fraught (secret) debate about NMD; and a public row about Monsanto's use of GM crops. The EU/US dialogue, in its strict sense, does not cover the defence-related issues. Ultimately, all these issues only come together on the desk of Clinton, the Prime Minister, Chirac/Jospin, and Schroeder. Actually, that may be no bad thing for British interests. But No 10 has asked us to think how we can improve things.

4. There is a paler version of this problem here too. The US Administration can be quite compartmentalised right up the level where Albright/Barshevsky/Cohen are negotiating separately with the Europeans (singly or together) on these issues, without

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much cross-co-ordination. When things hit the White House, Clinton's domestic political advisers tend to trump the other teams (eg following, not leading, Hill opinion on bananas or NMD). European problems here are compounded by the Hill/Administration separation of power – exemplified by Clinton's lack of Fast Track, or European battles with Congress over ILSA and Helms-Burton.

5. Leaving aside the beams in American eyes, their familiar complaints about European deficiencies (procedure not substance) are:

- a) often no single, serious, European interlocutor;
- b) when there is, that negotiator can't necessarily deliver (eg Commission can't deliver Council and Parliament; Council can't always out-vote recalcitrant Member States);
- c) the pillar-to-post problem of six-monthly Presidencies; compounded by the pillar-to-twig factor of small country presidencies;
- d) slow European procedures, even under good circumstances;
- e) absence of political will to deliver even when headline commitments have been given (defence capability, CAP reform);
- f) general mistrust of the French (Lamy, so far, excepted);
- g) burdensome and often unproductive six-monthly EU/US summits.

6. I sense a tendency in Whitehall to think that if we get the machinery for EU/US dialogue right, the problems will go away. Not true. On trade issues, the machinery is not bad, and got better under the British Presidency (Transatlantic Economic Partnership, early warning system, etc). The fact is that, although we share an interest in free trade, we are direct competitors in both domestic and third country markets. There will always be conflicts. The question is how we manage that reality.

7. In the past we have tried to insulate the trade battles from the wider policy relationship. I think that is no longer sensible, partly because it is intrinsically difficult (how can we talk about Khatami's Iran in isolation from ILSA?); largely because of the scale of the "trade related" agenda – Foreign Sales Corporations, the GMO controversy, the next WTO Round. So we have to integrate these issues into a wider policy framework. At the same time we should of course make the institutional improvements suggested in your paper; and build on the Solana factor (eg strengthening his impact here, perhaps through some local office, or having his representative seconded to the Presidency embassy for a four-year period).

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8. Timing is important. As you rightly say, the year 2000 is the wrong time to take action – US election and French Presidency. But it is the right time to make preparations.

9. We should start from the policy issues likely to dominate the transatlantic relationship for the first three or four years of the new US Presidency. In our view the main topics will be:

- > the core trade disputes, dominated for now by FSC;
- > the wider cause of free trade, the new WTO Round, handling China, possibly NAFTA extension;
- > European defence, [but NB US sensitivities about handling this in a non-NATO context];
- > the Balkans, in particular possible Congressional pressures for Kosovo/Bosnia withdrawal;
- > Russia handling (Europe and America may well not see eye to eye);
- > handling new humanitarian crises, the role of the UN (including UN finances);
- > environmental issues.

10. There will be plenty of other topics. NMD is an obvious one, but has to remain off-stage in any exercise focussing on EU/US. Anyway, if the list is too long, the exercise becomes meaningless. Given these seven key areas of policy debate we need to ensure that at top level (US President, heads of government in Europe, and the Prodi/Patten/Lamy/Solana quartet) there is a commitment that as problems arise we have a shared interest in a co-operative solution, the whole transatlantic relationship being that much more important to both sides than the sum of its parts.

11. How do we then manage these policy debates? John Sawers' letter hankers after some institutionalisation of the serious players. I do not suppose the Americans would mind if the Europeans were prepared to go down this path. But it seems to me unrealistic, politically, in Europe to think of any new super Troika/big Member State machinery to have formal responsibility for this. So we have to do it *de facto*, not *de jure*. First base will be getting acceptance by all the key participants that individual policy problems have to be seen in this wider framework. Your idea of a political declaration is a good one. We would need to agree on the key issues – to prevent

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minor disputes being bounced up for adjudication. Second, we would need a variety of mechanisms for reviewing problems/progress. One element would be the traditional bilateral machinery. We might also change the EU/US summit from its six-monthly (and normally pedestrian) nature, to an annual event with a more strategic purpose. At the start of the US presidency it could set out a programme. Could we quietly get quint Foreign Ministers, aided by Solana and a Commission representative, to look beyond the Balkans to this wider agenda, say six-monthly? In short, we should work at a variety of ways to strengthen the European/US links on Pillar 2 business. Before discussing ideas with partners, perhaps HMG might nominate someone to take soundings of what the US would find useful machinery. We must always bear in mind that as the Solana/Washington link strengthens so there may be less scope for the UK alone to play a pivotal role as first European port of call.

12. We must also work for wider recognition of positive lessons to be learned, in both directions, from our respective experience on modernising the economy, tackling new societal challenges (immigration, drugs etc). This is a commonplace in the modern UK/US relationship, but not EU/US. The Lisbon European Council may help. These issues are probably not specific enough to feature in the proposed action plan, but might find a reflection in any political declaration.

13. The two key points in all this would be that:

- a) there would be a top level, agreed, framework of key priorities (not individually ranked) which would serve as a reference point, to keep minor issues in perspective; and
- b) the UK would be somewhere at the centre of the spider's web of transatlantic machinery with, to hand, a policy framework with which to corral either our EU colleagues, or recalcitrant bits of the US Administration, on individual policy items.

**M A Arthur**

cc: N E Sheinwald Esq CMG, Director (European Union), FCO  
D Bostock Esq, Cabinet Office

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- 4 -

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TOTAL P. 06

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*Prime Minister**Interesting analysis of Gore**- see especially paras 4-6  
over the page.**Michael...*British Embassy  
Washington3100 Massachusetts Ave. N.W.  
Washington, D.C. 20008-3600Telephone: 202 588 6335  
Fax: 202 588 7859  
E-mail:  
mrycroft@washington.mail.fco.  
gov.uk*Top-JS  
cc JPo  
DM  
MT  
AC*

24 February 2000

John Sawers  
No10*Dear John,*

AL GORE

1. One of the beneficiaries of the increasingly bloody battle between George W Bush and John McCain for the Republican nomination is Al Gore. The more the two Republicans pull each other to the right and damage each other with personal attacks, the better for Gore in the general election. Bradley has done something similar to Gore, pulling him to the left on trade, healthcare and race. But Gore looks set to knock Bradley out on or soon after 7 March. His sole focus then would be the general election. He has already made up ground against Bush. If McCain were to be the nominee, he might unite the Republican party and continue to attract independents and some Democrats, a strong general election coalition. Gore's ideal outcome, and still just about the most likely, is to face a weakened Bush.
2. Since the Prime Minister met him last year, Gore has had a roller-coaster ride, down until the autumn and now up. It is striking how comfortable in his own skin he now looks at town-hall meetings, in debates with Bradley, and on the campaign trail. Since winning Iowa and particularly New Hampshire, his tail is up. This letter, agreed with Sir Christopher Meyer and Embassy colleagues, speculates on what a Gore administration might look like.

PRIORITIES

3. Eight years in the House, eight in the Senate, and eight as Vice President – Gore would be the most prepared President in history. But a President Gore would not necessarily follow the same priorities as Vice President Gore or candidate Gore. The opportunities and responsibilities of the office would shape him as much as he would shape it. We should not read too much into the current campaign, where Gore's aggressive stance is aimed at knocking out Bradley rather than setting out his vision of government. The current focus on healthcare and education will remain central, not least because these issues top the voters'

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agenda. Gore will have some debts to pay off, particularly to the labour unions, teachers and perhaps to African Americans. But these would not define a Gore presidency.

4. As President, Gore would retain his personal interest in:
  - (a) The environment.
  - (b) New technology.
  - (c) Reinventing government.
  - (d) In foreign affairs, Russia and arms control, on which he is hawkish, as he is on the Middle East. But there is little Gore form on Europe, NATO, defence etc, and none on Northern Ireland. On trade, his instincts are pro-free trade, but election politics push him towards protectionism – the AFL-CIO's hold over him explains his occasional divergence from the agreed White House line on China/WTO.
5. But what philosophy of government would underpin a Gore presidency? In particular, would he be a Third Way fan? He is not an instinctive Third Wayer, and rarely talks in Third Way terms. He would certainly seek to maintain the centre-left coalition. But he is much more partisan and divisive than Clinton, so he would find it hard to compromise with Congressional Republicans to pass legislation (which he would almost certainly have to do – while Democrats could well retake the House of Representatives, the Senate is almost certainly out of reach).
6. There is some truth to Bill Bradley's charge that Gore does not think great thoughts, does not really believe in anything, has no vision. His instinct would be a plethora of mini-initiatives, not one grand overarching project.

#### PERSONALITIES

7. It is too soon to predict with any confidence who his key people might be. There may be little overlap between people working for him as Vice President and candidate and those who get the top jobs in a Gore White House. The key people in Gore's campaign are Bob Shrum, Tony Coelho and Carter Eskew: it is hard to see any of them in the Administration. The smart money at the moment is on the following:
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*Yours,*

*Matthew*

Matthew Rycroft

Cc: Jonathan Powell, No10  
David Miliband, No10  
Sherard Cowper-Coles, PS/Foreign Secretary, FCO

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PAGE 1/4



British Embassy  
Washington

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*cc JS*  
*WPO*  
*AC*  
*JB*

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24 February 2000

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Facsimile: (202) 588-7870

Michael Tatham Esq  
Private Secretary  
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*file*

*Mr Michael,*

**PROFESSOR PRESTON KING**

1. We spoke earlier this week about the good news that President Clinton granted a pardon to Professor Preston King in time for him to attend his brother's funeral.
2. Neither the White House nor the Department of Justice were willing to expand on their public comments about how the President reached his decision, though the Counsel to the Deputy Attorney General confirmed the obvious point that the timing was dictated by the death of Clennon King. Given that pardon cases are politically sensitive, and that we are content with the outcome in this case, I doubt it would make sense to probe more deeply at this stage.
3. I attach cuttings about the case from the New York Times, the Washington Post and USA Today which give more background and describe Professor King and his daughters' return to the US.

*ys lw,*

*RLD*

Robert Chatterton Dickson

# Pardon Lets Black Exile Come Home

## Draft Board's Slight Set Off Rights Stand

By PHILIP SHENON

WASHINGTON, Feb. 21 — President Clinton granted a pardon today to a 63-year-old political scientist who went into self-imposed exile almost four decades ago after his draft board in Georgia, learning that he was black, refused to address him as "mister."

The pardon for the man, Preston King, a professor at the University of Lancaster in Britain, overturns Mr. King's 1961 conviction for draft evasion and allows him to return to the United States for the funeral of his oldest brother later this week.

Mr. King had said at the time of his conviction that he was willing to report for an Army physical and serve in the military so long as the draft board in Albany, Ga., referred to him as "Mr. King" instead of "Preston."

The board, which had used "mister" in earlier correspondence to Mr. King but stopped after its members learned of his skin color, refused. Mr. King was convicted of draft evasion by an all-white jury and sentenced to 18 months in prison. He fled the country while out on bail.

Among those who had recently called for a pardon was the trial judge in the case, William A. Bootle of Federal District Court in Macon, Ga. In a letter to President Clinton last year, Judge Bootle, who is now in his 90's, said Mr. King had "followed his conscience just as Rosa Parks had followed hers."

A White House spokesman, Jim Kennedy, said President Clinton had "considered the facts, the law and all the circumstances involved here and decided that clemency was appropriate."

He said that the White House had a policy of not discussing the details of the president's reasoning in clemency cases but that the decision-making process was speeded up for Mr. King "because of humanitarian concern" given his brother's death.

"Preston King was one of the first people who stood up against government discrimination," said one of his lawyers, Elizabeth Holtzman, the former Democratic congresswoman and Brooklyn district attorney.

draft deferment because of his race," Ms. Holtzman said in an interview. "He was addressed in a demeaning fashion because of his race. He was convicted by a totally segregated jury. In a way, this case reflects not just Preston King coming home, but this country coming home."

She said Mr. King, who was traveling tonight to London from his home in Lancaster and was not available for an interview, would return to the United States on Wednesday, for the first time in 39 years.

Clennon L. King, a television journalist in Jacksonville, Fla. who is a nephew of Mr. King, said that the family was "thrilled" by news of the pardon "although these are very sober circumstances because of the death of his brother."

Mr. King's oldest brother, also named Clennon, a civil rights leader who was committed to an insane asylum for a time because he had the temerity to try to enroll at the all-white University of Mississippi in the 1950's, died last week at the age of 79. He is scheduled to be buried on Thursday.

Mr. King graduated magna cum laude from all-black Fisk University in Nashville in 1956 and received a deferment from military service that allowed him to study for a master's degree at the London School of Economics.

He has said the draft board refused additional deferments and began to refer to him simply as "Preston" in letters, dropping the "mister" that was routine for white students when he appeared in person at their offices in 1958 and the board's members realized for the first time that he was black.

In his letter to the White House, Judge Bootle said that Mr. King "has paid a big price" and that "to lock him up today would amount to overkill."

While he insisted that the trial had been "error free," the judge suggested that Mr. King was right, in fact, heroic, to stand up to the draft board and insist that he be addressed as "mister." "Mr. King was deeply sensitive to what he recognized as this long-lasting, deeply rooted method of racial discrimination," the judge said.

He noted that a new federal courthouse in Albany was being named for another of Mr. King's brothers, C. B. King, a prominent civil rights lawyer. "If Mr. King can be allowed to attend the dedication of this building," the letter said, "many of us who are familiar with the facts will be comfortable and happy that this little tragedy has ended."

NEW YORK TIMES  
FEB 22 2000

# Man who defied draft comes home

## Clinton pardons fugitive who refused Army after board's unequal treatment

By Larry Copeland  
USA TODAY

ATLANTA — Preston King came home Wednesday. Nearly four decades after refusing to report for an Army physical because the draft board refused to call him "Mister" — as it did for whites — the black Georgia native flew from London to Atlanta for a tearful reunion with his family.

King, 63, was pardoned Monday by President Clinton so he could attend the funeral today of his eldest brother. King said he refused to enter the Army because the all-white draft board began referring to him as "Preston" instead of "Mr. King" once his race became known.

Sentenced to 18 months in prison for draft evasion, King fled Albany, Ga., for England in 1961 and has been a federal fugitive ever since.

Back on American soil for the first time in 39 years, a teary-eyed King walked Wednesday night into the embraces of dozens of relatives. They had eagerly awaited his arrival in a large room near Hartsfield Atlanta International Airport.

"This is a wonderful homecoming," said King, speaking with a touch of a British accent. "The expression of warmth and welcome is felt very intensely. It's not quite the homecoming I had banked on after 39 years because I'm here for only a short time, and I'm here to attend my eldest brother, Cleanor's, funeral. So this is a welcome occasion, and it's also a sad one."

King, a political science professor at Lancaster Uni-



Long-awaited journey: Preston and Oona King wait Wednesday at a London airport for their flight to Atlanta.

versity in England, was flanked by his daughter, Oona, 31. She is a member of the British Parliament and said she got word of the presidential pardon just 48 hours

earlier while traveling with a parliamentary delegation in Africa.

"It feels amazing, overwhelming," she said, smiling radiantly. "I am so grateful from the bottom of my heart. I've never been able to imagine what I would do if I was banished from Britain when I was 23, and never saw my family, never saw my friends."

In the late 1950s, Albany, about 175 miles south of Atlanta, was a bastion of racial segregation, with "Colored" and "White" signs marking water fountains, restrooms and bus station waiting rooms.

Preston King was a member of a family that was prominent in the black civil rights movement that was trying to end that system in southwest Georgia.

King had been granted a draft deferment to study for his master's degree at the London School of Economics. He was turned down in 1958 when he sought time to pursue his doctorate.

The Albany draft board, which had learned King's race by then, had stopped addressing him as "Mr. King" and begun calling him "Preston."

King told the draft board he would report for military duty if the board went back to using the honorific. It did not, and he was convicted. "The simplest thing would have been for the board to say, 'OK, we will address you as we did before we saw you,'" King said.

He acknowledged that his home state underwent major change while he was away.

King also thanked the judge who sentenced him in 1961 for "moral courage" for supporting his request for a pardon today.

"He has paid a big price. To lock him up today on this sentence or for this bond jumping would amount to an overkill," wrote former U.S. District Judge William Bootle, 97, in his letter to Clinton.

"It's a joyous day," said Marion Jackson, 67, King's sister-in-law. "Even though one family member leaves us, we have a homecoming for another."

USA TODAY  
FEB 24 2000  
DATE \_\_\_\_\_

Received: 24/ 2/00 23:11;  
FE 24-00 18:23 FROM BRITISH EMBASSY

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ID: 2025887860

PAGE 4/4

## Black Who Fled Draft Board Slight Returns to U.S.

*Associated Press*

ATLANTA, Feb. 23—A black man who refused induction into the Army in the 1960s because the all-white draft board would not address him as "Mister" returned to the United States for the first time in 39 years today after receiving a presidential pardon.

With tears streaming down his face, Preston King greeted 20 members of his family at Atlanta's Hartsfield International Airport.

King, 63, fled his hometown of Albany, Ga., in 1961 after being sentenced to 18 months in prison. Over the years, he made a life for himself as a professor in England.

On Monday, President Clinton granted King a pardon so he could return to Albany for the funeral Thursday of his oldest brother, Clennon W. King Jr.

"This is a wonderful homecoming," King said at the airport. "This is my turf. These are my folks. I feel a great sense of love for this terrain."

King's daughter Oona, a member of Britain's House of Commons, accompanied her father.

"He thought he would die without ever seeing his home again," she said.

In 1958, King, who had been granted time by his draft board to pursue a master's degree at the London School of Economics, was told to report for induction.

The draft board addressed him as "Mr. Preston King" before learning he was black and "Preston" after that. He refused to report for an Army physical until the board addressed him as "Mister," as they did white draftees. He was eventually convicted of draft evasion.

WASHINGTON POST

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BRITISH EMBASSY WASHINGTON

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CONFIDENTIAL

From: Bill Jeffrey  
Political Director  
23 February 2000

CC: Mr Pilling  
Mr Watkins  
Mr Kelly  
Mr Stephens  
Mr Brooker  
Mr Sawers No10  
Sir Christopher Meyer, Washington  
Dr Milligan, FCO

PS/Secretary of State

### DINNER WITH JIM STEINBERG

1. The Secretary of State, the Ambassador and I dined with Jim Steinberg at the Residence in Washington yesterday evening. Steinberg had just returned from China, had not attended Sandy Berger's meeting with David Trimble on Monday, and appeared to use the discussion with us mainly to get his bearings.
2. On the events of 11 February, Steinberg appeared generally supportive, and to acknowledge that the Secretary of State had been left with no choice but to suspend the institutions. He did not attempt to mount an argument that the IRA's last move had represented a break-through. He admitted that he would like to know what the IRA contact had said to de Chastelain that the Commission had not been able to use but which had nevertheless supported the positive second report. When I asked him whether he thought the accompanying set of proposals – the outline of an agreement to be reached after six weeks' discussion – was real, he said that he was 60-70% sure that it was, but no more. Overall, the sense I took from the discussion was that he regarded 11 February as a bit of Sinn Fein brinkmanship that had gone wrong, and was genuinely unsure how significant the IRA move had been.
3. For some reason that I did not completely follow, he thought that yesterday's IRA statement was intended to be helpful, by dampening damaging speculation.
4. On Trimble's position, Steinberg's approach was, perhaps not surprisingly, more subtle than Norland's had been when I spoke to him earlier in the day. He acknowledged that Trimble had no choice but to undertake to seek the agreement of his party Council before re-entering the Executive. But this did create a real handling problem which would somehow have to be surmounted. The Secretary of State gave a good account of the changing face of the UUP. Middle of the road people were leaving. There was an influx of young, university educated people who tended to be harder line. The composition of the Ulster Unionist Council was likely to change to Trimble's disadvantage in the coming weeks.

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5. This led to a discussion of timing. The Secretary of State said that he regarded it as essential that we should try to break through the impasse before the UU Council AGM on 25 March, both because delay was likely to make the general situation worse, and because Trimble's room for manoeuvre could well reduce sharply after the AGM. Steinberg agreed. In his view, it was important that, as soon as we knew the outcome of Irish officials' discussion with Sinn Fein tomorrow, the two Governments should get together and make some tough decisions on how to restore the situation. He would speak to McGuinness when he reached Washington later today and encourage him to re-engage. We should bear in mind the possibility of using the St Patrick's day celebrations in Washington for discussions away from the pressures of Belfast, as had happened in 1998. He was scaling down the Northern Ireland guest list for the main White House reception, which could give the key players a bit more space. In his view, we also needed to create the conditions of near-complete confidentiality that characterised both the run-up to the Good Friday Agreement and the Mitchell review, and perhaps to recapture some of the creative ambiguity of Mitchell. The Secretary of State agreed strongly about confidentiality. The last week or so had seen too much public speculation about ideas which could only gain ground if they were pursued privately. He noted what Steinberg had said about St Patrick's Day.

6. There was much discussion of relations with the Irish Government, with the Secretary of State giving a pretty open account of recent developments, his disappointment at the Irish attitude to suspension and the behaviour of some Irish officials, and his uncertainty about the prospect for an effective partnership with Cowen. The pressures of the period up to 11 February had been intense, and Irish officials had worked hard to get a result. But he was not convinced that all the effort was as controlled or well-directed as it might be. On the face of it, Steinberg's reaction was sympathetic. It was a pity that Irish officials had got ahead of their British partners - he has reminded them of the need to keep us closely in touch. He had not yet met Cowen, but had for some time hoped that there could be a working political relationship that would take some of the stress from the Prime Minister.

**COMMENT**

7. A low key but generally helpful exchange. Steinberg was on something of a charm offensive but his relatively hard headed sceptical approach was a refreshing change from Irish hype on and after 11 February. We may get a clearer, less congenial account of where he is coming from at the White House this afternoon.

*Bill Jeffrey*

Bill Jeffrey

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23 February 2000

David Bostock Esq CMG  
CABINET OFFICE

Dear David,

JS  
cc: JPO  
PB  
AC

### EU/US RELATIONS

1. Your letter of 11 February to Nigel Sheinwald (not to all) asked us to produce a paper for discussion at a Cabinet Office meeting, as suggested by John Sawers in his letter of 9 February.
2. I attach a first draft of such a paper, drawn up after discussion with several departments. I would be very grateful if copy recipients could send Adam Bye in my department, copied to John Fiennes (Cabinet Office), any comments on the paper by close of play on Tuesday, 29 February.
3. In the light of the written comments, I understand that the European Secretariat will convene a meeting to discuss the paper further.

Yours ever,

Simon

Simon Featherstone

cc: Ivan Rogers Esq, HMT  
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 Tony Hutton Esq CB, DTI  
 John Sawers Esq, No 10  
 Robert Cooper Esq, Cabinet Office  
 John Robbs Esq, MAFF  
 Nick Westcott Esq, Washington  
 Dominick Chilcott Esq, UKRep Brussels

fi: PS/PUS  
 Mr Budd  
 Mr Sheinwald  
 Mr Westmacott  
 Mr Roberts, CFSPD  
 Mr Lyall Grant, EUD(I)  
 Mr Priestley, NAD  
 Mr Bye

JS  
cc: JPO  
PB  
AC

**RESTRICTED****EU/US RELATIONS: TOWARDS A NEW STRATEGY**Existing Structures

Since 1990 a Summit has been held every six months, involving the Commission and Presidency only. Below this is a Senior Level Group, tasked with responsibility for oversight of EU/US relations. There are also numerous US-EU second pillar working groups, involving the Troika. During the UK Presidency in 1998 the Transatlantic Economic Partnership was established, including a Task Force and working groups on specific trade and investment issues. Since 1999 there has been an embryonic early warning mechanism in an attempt to avoid further trade disputes. (Annex 1 gives further details of the development of these structures.)

Problems

- \* Some in the EU regard the relationship with the US as primarily combative rather than cooperative.
- \* The core of the relationship has traditionally been trade – which immediately gets both sides on to combative turf. On US side, Congress and USTR both tend to adopt a hard line, responding to powerful industrial interests. For the EU, DG Trade also take, and probably need to take, an adversarial approach.
- \* Political relations (pre-Solana) have been much less developed. Summits have tended to be low profile, with an overloaded agenda, and poor preparation.

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Member states not holding the Presidency feel uninformed and excluded from proceedings.

- \* Frequent rotation of EU Presidencies means different personnel every six months. In preparing for Summits, the US finds it frustrating to deal with smaller Presidencies. The larger ones often bring too much baggage to the party. Unless and until we move towards Team Presidencies it will be difficult to get round the problem.
- \* The Senior Level Group has become unwieldy in size, too formal with an overloaded agenda and meeting too infrequently.
- \* Representatives from most second pillar expert groups meet with US counterparts on a regular basis, and there are regular meetings between the US and the Political Directors' Troika. But this is essentially a transparency arrangement, which has not yet delivered a conspicuous alignment of policies in key areas.
- \* Following a UK initiative, early warning systems have been introduced. Whitehall has also improved its procedures. But there is still a need to prevent trade disputes further upstream, by avoiding regulatory mismatches with new laws and rules designed by technical experts for non-trade purposes.
- \* A UK proposal for WTO-compatibility fiches for all new Commission proposals has met resistance from Commission Legal Service who are understandably unwilling simultaneously to sign off on proposals and flag up potential WTO incompatibility.
- \* Several civil society dialogues are up and running, but not yet living up to their full potential.

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- \* While the UK can contribute significantly to better EU/US relations behind the scenes, we can't run them. There is no chance of making headway if we suggest involving only larger member states in EU/US structures.
- \* 2000 is a bad year – with the US elections and a French Presidency – to launch a new initiative.

### Possible Solutions

- \* Work towards a relaunch of EU/US relationship in 2001 with new Administration (after French Presidency). Possible Special Summit during Swedish Presidency, involving all EU Heads of Government, agreeing overarching Political Declaration and a series of substantive initiatives (see Annex 2).
- \* Consider promoting holding simultaneously with the Summit a Transatlantic IT Summit bringing together (either in person or "virtually") leading IT entrepreneurs from both sides of the Atlantic.
- \* Cut down on number of ordinary Summits to one per year and only produce a joint text if there is something significant to say. Focus agenda on a handful of issues, rather than a laundry list.
- \* Promote the idea that the Commission might set out in the GAC a couple of months before a Summit what they hope to achieve, and to report back what happened afterwards, to encourage longer range planning.

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- \* Enhance role of Solana by giving him material for more proactive and operational agenda, and greater involvement in the Summits. The more the US sees the UK influencing the EU agenda, the more this will reinforce our influence in Washington. Try to ensure that the EU looks and behaves more like a global player.
- \* Thicken the content of existing transatlantic exchanges across all pillars eg:
  - Pillar One – the multilateral and bilateral trade agendas, development aid (avoiding duplication and ensuring fewer gaps on coverage), links between the new European Food Safety Agency and the FDA (including peer review arrangement).
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  - Pillar Three – drugs and crime
- \* Limit the size of SLG to five people on each side, possibly with varied attendance depending on subject. Need for more frequent and less formal structure eg monthly videoconferences (already very successfully used eg for biotechnology discussions) and/or electronic chat rooms. Possibly best achieved by abolishing existing machinery and starting again?
- \* Privately suggest to the US that they hold a one-off brainstorming event between officials (including member states) to try to develop new approaches to transatlantic trade differences.
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- \* Improve the focus and effectiveness of the various transatlantic dialogues and other people to people contacts.
- \* Sharpen up our (and the Commission's) lobbying and influencing capability on the Hill, with business, State and Commerce.
- \* Encourage the Council Legal Service to flag up potential WTO inconsistencies in new EU legislation at an early stage in the negotiating process.

**Conclusion**

This is a good moment to be planning, talking to the Commission and partners and preparing for a renewed effort next year. In particular we need to discuss with the Swedish Presidency whether they would be interested in making the first Summit of the new US Administration a grander affair than usual. We should also be feeding Solana and his advisers with concrete policy ideas for developing the EU/US relationship. But we need to bear in mind the central role that Brussels has in the process now – (post-Solana) more than ever.

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## **ANNEX 1**

### **Development of Transatlantic Structures**

#### **President Kennedy in Philadelphia 1962)**

"The US would be ready to discuss with a united Europe the ways and means of forming a concrete Atlantic partnership, a mutual beneficial partnership."

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"The US looks forward to a Europe united and strong, speaking with a common voice, acting with a common will, a world power capable of meeting world problems as a full and equal partner."

Baker in Berlin (1989) proposed a "significantly strengthened set of institutional and consultative links" between the US and the EC.

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#### **New Transatlantic Agenda (Dec 1995)**

Main themes: to promote peace and stability; to respond to global challenges; to contribute to closer world trade and economic relations; and to build bridges across the Atlantic. Now several dialogues have been established: Trans Atlantic Business

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Designed to give new impetus to EU-US cooperation in field of trade and investment and intensify efforts to eliminate EU/US barriers to trade. Action Plan agreed in November 1998. Task Force and working groups established which have discussed, *inter alia*, mutual recognition in services, biotechnology, food safety, environment and multilateral issues.

Declaration on Early Warning (June 1999)

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23 February 2000

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CABINET OFFICE

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European Union Department (External)  
King Charles Street  
London SW1A 2AL

Telephone: 0171 270 2288

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cc ✓  
2. B77. RC  
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- fi: PS/PUS
- Mr Budd
- Mr Sheinwald
- Mr Westmacott
- Mr Roberts, CFSPD
- Mr Lyall Grant, EUD(I)
- Mr Priestley, NAD
- Mr Bye

Thanks. I wonder if it would not be better to start w/ substance rather than process - trade, defence, environment, int'l rat economy will all be key - the next ten years. Talk toward possible scenarios + start to gauge contribution to match. Institutional tinkering will never create answer.

DM

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Declaration on Early Warning (June 1999)

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From The Minister  
M A Arthur CMG

23 February 2000

Simon Featherstone Esq  
EUD(E)  
FCO

EU/US RELATIONS

Summary

1. Wrong to expect a trouble-free relationship. Absence of clear-cut institutional framework is only part of the problem. Problems are as much at the US end as the EU. Solution is top level commitment – both sides – to a strategy for managing the key policy issues over a 3/4 year period. Brussels institutions only part of that. The UK must be *de facto* at the crux, but not *de jure*. We share that crux with the Commission, Solana, and to a lesser extent, France and Germany.

Detail

2. We were grateful to receive a copy of John Sawers' letter of 9 February and of your draft FCO paper for David Bostock's meeting. While we do not disagree with a lot in your (second) draft, I sense that the Prime Minister wants this looked at more broadly.
3. The problem for Britain is that there is no integrated institutional structure which handles the full range of our (Britain and Europe's) policy relationship with the United States. We can have simultaneously a bananas/hushkit argument; a wholly unconnected (by the operators) debate about ESDI; a fraught (secret) debate about NMD; and a public row about Monsanto's use of GM crops. The EU/US dialogue, in its strict sense, does not cover the defence-related issues. Ultimately, all these issues only come together on the desk of Clinton, the Prime Minister, Chirac/Jospin, and Schroeder. Actually, that may be no bad thing for British interests. But No 10 has asked us to think how we can improve things.
4. There is a paler version of this problem here too. The US Administration can be quite compartmentalised right up the level where Albright/Barshvsky/Cohen are negotiating separately with the Europeans (singly or together) on these issues, without

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much cross-co-ordination. When things hit the White House, Clinton's domestic political advisers tend to trump the other teams (eg following, not leading, Hill opinion on bananas or NMD). European problems here are compounded by the Hill/Administration separation of power – exemplified by Clinton's lack of Fast Track, or European battles with Congress over ILSA and Helms-Burton.

5. Leaving aside the beams in American eyes, their familiar complaints about European deficiencies (procedure not substance) are:

- a) often no single, serious, European interlocutor;
- b) when there is, that negotiator can't necessarily deliver (eg Commission can't deliver Council and Parliament; Council can't always out-vote recalcitrant Member States);
- c) the pillar-to-post problem of six-monthly Presidencies; compounded by the pillar-to-twig factor of small country presidencies;
- d) slow European procedures, even under good circumstances;
- e) absence of political will to deliver even when headline commitments have been given (defence capability, CAP reform);
- f) general mistrust of the French (Lamy, so far, excepted);
- g) burdensome and often unproductive six-monthly EU/US summits.

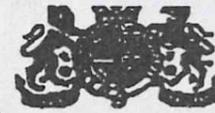
6. I sense a tendency in Whitehall to think that if we get the machinery for EU/US dialogue right, the problems will go away. Not true. On trade issues, the machinery is not bad, and got better under the British Presidency (Transatlantic Economic Partnership, early warning system, etc). The fact is that, although we share an interest in free trade, we are direct competitors in both domestic and third country markets. There will always be conflicts. The question is how we manage that reality.

7. In the past we have tried to insulate the trade battles from the wider policy relationship. I think that is no longer sensible, partly because it is intrinsically difficult (how can we talk about Khatami's Iran in isolation from ILSA?); largely because of the scale of the "trade related" agenda – Foreign Sales Corporations, the GMO controversy, the next WTO Round. So we have to integrate these issues into a wider policy framework. At the same time we should of course make the institutional improvements suggested in your paper; and build on the Solana factor (eg strengthening his impact here, perhaps through some local office, or having his representative seconded to the Presidency embassy for a four-year period).

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8. Timing is important. As you rightly say, the year 2000 is the wrong time to take action – US election and French Presidency. But it is the right time to make preparations.

9. We should start from the policy issues likely to dominate the transatlantic relationship for the first three or four years of the new US Presidency. In our view the main topics will be:

- the core trade disputes, dominated for now by FSC;
- the wider cause of free trade, the new WTO Round, handling China, possibly NAFTA extension;
- European defence, [but NB US sensitivities about handling this in a non-NATO context];
- the Balkans, in particular possible Congressional pressures for Kosovo/Bosnia withdrawal;
- Russia handling (Europe and America may well not see eye to eye);
- handling new humanitarian crises, the role of the UN (including UN finances);
- environmental issues.

10. There will be plenty of other topics. NMD is an obvious one, but has to remain off-stage in any exercise focussing on EU/US. Anyway, if the list is too long, the exercise becomes meaningless. Given these seven key areas of policy debate we need to ensure that at top level (US President, heads of government in Europe, and the Prodi/Patten/Lamy/Solana quartet) there is a commitment that as problems arise we have a shared interest in a co-operative solution, the whole transatlantic relationship being that much more important to both sides than the sum of its parts.

11. How do we then manage these policy debates? John Sawers' letter hankers after some institutionalisation of the serious players. I do not suppose the Americans would mind if the Europeans were prepared to go down this path. But it seems to me unrealistic, politically, in Europe to think of any new super Troika/big Member State machinery to have formal responsibility for this. So we have to do it *de facto*, not *de jure*. First base will be getting acceptance by all the key participants that individual policy problems have to be seen in this wider framework. Your idea of a political declaration is a good one. We would need to agree on the key issues – to prevent

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minor disputes being bounced up for adjudication. Second, we would need a variety of mechanisms for reviewing problems/progress. One element would be the traditional bilateral machinery. We might also change the EU/US summit from its six-monthly (and normally pedestrian) nature, to an annual event with a more strategic purpose. At the start of the US presidency it could set out a programme. Could we quietly get quint Foreign Ministers, aided by Solana and a Commission representative, to look beyond the Balkans to this wider agenda, say six-monthly? In short, we should work at a variety of ways to strengthen the European/US links on Pillar 2 business. Before discussing ideas with partners, perhaps HMG might nominate someone to take soundings of what the US would find useful machinery. We must always bear in mind that as the Solana/Washington link strengthens so there may be less scope for the UK alone to play a pivotal role as first European port of call.

12. We must also work for wider recognition of positive lessons to be learned, in both directions, from our respective experience on modernising the economy, tackling new societal challenges (immigration, drugs etc). This is a commonplace in the modern UK/US relationship, but not EU/US. The Lisbon European Council may help. These issues are probably not specific enough to feature in the proposed action plan, but might find a reflection in any political declaration.

13. The two key points in all this would be that:

- a) there would be a top level, agreed, framework of key priorities (not individually ranked) which would serve as a reference point, to keep minor issues in perspective; and
- b) the UK would be somewhere at the centre of the spider's web of transatlantic machinery with, to hand, a policy framework with which to corral either our EU colleagues, or recalcitrant bits of the US Administration, on individual policy items.

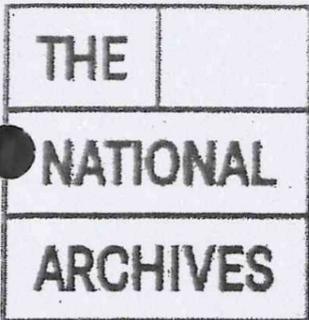
M A Arthur

cc: N E Sheinwald Esq CMG, Director (European Union), FCO  
D Bostock Esq, Cabinet Office

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SUBJECT: US ECONOMY: FED CHAIRMAN'S CONGRESSIONAL TESTIMONY  
SUMMARY

1. GREENSPAN SEES LITTLE SIGN OF SLOWDOWN IN THE BOOMING US ECONOMY. WARNS OF GROWING IMBALANCES IN STOCK MARKET, TRADE DEFICIT AND LABOUR MARKET, AGAINST BACKGROUND OF UNCERTAINTY AS TO WHETHER PACE OF ADOPTION OF NEW TECHNOLOGY CAN CONTINUE AT SUCH RAPID LEVELS AS RECENTLY. SUPPORTS USE OF FISCAL SURPLUS TO PAY DOWN DEBT. TESTIMONY CONFIRMS OUR VIEW THAT THE QUARTER POINT TIGHTENING IN THE FEDERAL FUNDS RATE TO 5.75 PERCENT ON 2 FEBRUARY WILL BE FOLLOWED BY TWO FURTHER RISES OF SIMILAR SIZE BY MID YEAR.

DETAIL

2. IN HIS BI-ANNUAL 'HUMPHREY-HAWKINS' TESTIMONY TO CONGRESS CHAIRMAN GREENSPAN DESCRIBED HOW THE RECORD 9-YEAR LONG EXPANSION IN THE US ECONOMY HAS BEEN UNDERWRITTEN BY A CONTINUING ACCELERATION IN PRODUCTIVITY, HELPING KEEP COSTS AND INFLATION AT BAY. HE HAD LITTLE DOUBT THAT SIGNIFICANT FURTHER TECHNOLOGICAL BREAKTHROUGHS LAY AHEAD, BUT COULD NOT BE CERTAIN THESE WOULD CONTINUE AT SUCH RAPID RATES AS RECENTLY, ALLOWING PRODUCTIVITY TO CONTINUE ACCELERATING.

3. GREENSPAN REITERATED HIS VIEW THAT THE SUBSTANTIAL GROWTH IN SUPPLY EFFECTED BY STRONG INVESTMENT IN THE NEW ECONOMY WAS NOW BEING OUTSTRIPPED BY RAPID GROWTH IN CONSUMER DEMAND FUELLED BY THE WEALTH EFFECT THAT A BOOMING (AND, IMPLICITLY, OVERPRICED), STOCK MARKET GENERATES. THIS IMBALANCE COULD NOT BE CUSHIONED MUCH LONGER BY SUPPLIES OF GOODS AND LABOUR FROM ABROAD (IMPORTS AND IMMIGRATION). AT SOME POINT WAGE GROWTH MUST RISE ABOVE THAT OF PRODUCTIVITY.

4. EXCESS DEMAND IN THE GOODS MARKET WAS REFLECTED IN EXCESS DEMAND FOR FUNDS IN THE FINANCIAL MARKETS, WITH MARKET INTEREST RATES RISING STEADILY. BUT HE NOTED THAT SO FAR, NORMALLY INTEREST SENSITIVE SPENDING HAD REMAINED ROBUST, AND THE FED WOULD NEED TO REMAIN ALERT TO SIGNALS THAT REAL INTEREST RATES HAD NOT YET RISEN ENOUGH.

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5. THE HUMPHREY HAWKINS TESTIMONY IS THE OCCASION WHEN THE FED PRESENTS ITS ECONOMIC FORECAST. REAL GDP GROWTH IS EXPECTED TO SLOW SLIGHTLY IN 2000, TO 3.5-3.75 PERCENT, AGAINST AN ESTIMATED OUT-TURN FOR 1999 OF 4 PERCENT. THIS COMPARES WITH A FED. FORECAST AT THE JULY 1999 HUMPHREY HAWKINS TESTIMONY OF 3.5-3.75% FOR 1999, AND 2.5-3% IN 2000. INFLATION, AS MEASURED BY THE PERSONAL CONSUMPTION DEFLATOR (BROADER THAN THE CONSUMERS PRICE INDEX, AND MORE IN LINE WITH CURRENT SPENDING PATTERNS) IS EXPECTED TO BE 1.75-2PERCENT IN 2000, A BIT BELOW THE RATE FOR 1999 WHICH WAS ELEVATED BY RISING OIL PRICES. UNEMPLOYMENT IS EXPECTED TO REMAIN FLAT AT AROUND 4-4.25 PERCENT. THESE FORECASTS ARE PRETTY MUCH IN LINE WITH THE LATEST WALL STREET CONSENSUS.

6. ONCE AGAIN, GREENSPAN EMPHASISED TO CONGRESS THAT THE OUTLOOK REQUIRED PRUDENT FISCAL POLICY AS WELL AS SENSIBLE MONETARY POLICY. HE NOTED SOME EROSION IN FISCAL DISCIPLINE BY THE CREATIVE ACCOUNTING USED TO RAISE SPENDING ABOVE THE AGREED CAPS IN THE DECEMBER 2000 BUDGET RESOLUTION. HE SET OUT, IN RELATIVE DETAIL, THE UNCERTAINTIES IN PROJECTING BIG SURPLUSES AS FAR A TEN YEARS AHEAD, EMPHASISING THE DOWNSIDE RISK. BY FAR THE BEST OPTION WAS TO USE SURPLUSES THAT DID MATERIALISE TO PAY DOWN DEBT. BUT IF THIS PROVED POLITICALLY INFEASIBLE TO DEFEND, IT WAS BETTER IN ECONOMIC TERMS TO LOWER TAX RATES THAN TO RAISE SPENDING.

## COMMENT

7. GREENSPAN WAS GENERALLY ABOUT AS HAWKISH AS WE EXPECTED. HOWEVER, HIS REMARKS SUGGEST THE FED ARE SUFFICIENTLY ANXIOUS ABOUT THE STRAIN ON LABOUR RESOURCES, THAT THEY WILL BE INCLINED TO TIGHTEN RATES IN RESPONSE TO ANY SIGNS OF INCREASED NOMINAL WAGE GROWTH, WHETHER OR NOT PRICE ADVANCES ALSO ARE GAINING.

8. OVERALL, THE SESSION CONFIRMED OUR VIEW THAT THE QUARTER POINT TIGHTENING IN THE FEDERAL FUNDS RATE TO 5.75 PERCENT ON 2 FEBRUARY WILL BE FOLLOWED BY TWO FURTHER RISES OF SIMILAR SIZE BY MID YEAR. THE FEDERAL OPEN MARKETS COMMITTEE MEETS NEXT ON 21 MARCH (UK BUDGET DAY).

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~~Prime Minister~~

NB manage on NMD,  
and also Rice's comment  
on Britain in Europe.

JL

From: Ambassador

Date: 16 February 2000

- cc: Minister
- Mr O'Neill
- Mr Peirce
- Mr Rycroft
- PS/PUS, FCO
- Sherard Cowper-Coles Esq CMG LVO, PS)
- Carl News Esq, PS/Baroness Scotland )
- Emyr Jones-Parry Esq CMG, Pol Director )
- David Manning Esq CMG, DUSS, FCO ) by fax
- Peter Westmacott Esq LVO, Director )
- Philip Priestley Esq CBE, NAD )
- John Sawers Esq CMG, No 10 )
- Richard Hatfield Esq, MOD )
- Sir John Goulden KCMG, UKDel NATO )
- Sir Roderic Lyne KCMG, MOSCOW )

Mr Gooderham

**THE BUSH CAMPAIGN AND SECURITY ISSUES: CONVERSATION WITH CONDOLEEZA RICE**

1. Condi Rice, the leader of Bush's team of foreign policy advisers, stopped by this morning for coffee. We covered the campaign, Northern Ireland (not recorded), NMD and European Defence.

THE CAMPAIGN

2. Rice said that, as a political scientist, she was thoroughly enjoying the tightening race between Bush and McCain. It was possible that the duel would go all the way to the Convention: if so, the first time since the 70s. Then it would be smoke-filled rooms which settled it.
3. She confirmed that planning for Bush's foreign tour was firmly on the back-burner. It would remain there until it was clear Bush had seen off McCain. But we could take it that as soon as a European trip became a practical possibility, London would be the first port of call. She was grateful to me for not pressing to see the Governor while he was so embattled.
4. She agreed that Bush still did not look entirely comfortable but had acquitted himself quite well last night in the Republican debate. McCain had helpfully been below par (he had). With hindsight Bush should have started debating much earlier, "before people were watching". He had very little experience of televised debates; it was a terrifying experience. He was learning.

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