

RELEASE IN FULL

CONFIDENTIAL

May 7, 2010

For: Hillary
From: Sid
Re: Latest on UK (5:15 pm, Friday, London); plus Euro and Tony

Everyone has their favorite scenario, but it seems fairly obvious that it will be almost impossible for Gordon to hang on. This process may take some days. Jonathan, who knows Clegg, says he's basically not who his voters think he is but a pro-Europeanist Tory. When Clegg was contemplating a political career he consulted Jonathan. Clegg comes from a Tory family. Jonathan told him to become a Tory, join a real political party rather than the Lib Dems, but Clegg thought he would advance further with LDs. So several theories: 1. Clegg makes an outright deal with Cameron, including for some form of proportional representation (giving LDs more seats in future elections) and cabinet positions. Clegg might become foreign secretary under this scenario. This is the scenario Jonathan believes may well happen. 2. Clegg supports Cameron to form a minority government, but doesn't go into a coalition. Instead his deal involves Cameron dropping almost the whole Tory program but a joint program on financial recovery to be proposed in the Queen's Speech (equivalent of State of the Union). I find this far-fetched. But who knows? 3. Clegg supports Cameron to form government, makes no deals. Jonathan Freedland, who spent last week with Clegg, told me today that Clegg told him a deal with Gordon would appear dirty. Yet making a deal with Cameron would also make Clegg to be a dealmaker, even without a deal on program. These are the convolutions people are going through waiting for resolution. Then, Gordon: Gordon is trying to figure out how to form a coalition. Clegg is refusing him. Gordon may propose Clegg's maximum demands to him to see if he will publicly refuse them. Hard to know when this comes to a head and if and when Gordon departs. Jonathan told me that Tony's view is that Gordon will go but that he couldn't see how Gordon would understand it or exactly how he would go. Barring any clear process, skipping ahead, David appears to be frontrunner for successor as leader of opposition. He would be well positioned to be the future PM if he plays it right under these circumstances. More to come...

Also:

1. You might consider making a statement on Europe and the financial crisis, not a detailed policy statement but a general statement, a little music to position support for Merkel, which she

would greatly appreciate, especially facing a harsh regional election in North Rhineland. I would make it short and sweet, simply something about the US commitment to the European project, there from the beginning, is as strong and steadfast as ever; that the US supports Merkel's efforts (and mention Sarkozy) to stabilize Europe and the Euro, etc. Timing TBD, but soon.

2. Tony says he ready and willing to do more on the Middle East if you want to use him.