



Prime Minister

Nothing to be done for the time being.

MI

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Pri:

Ref. A02538

PRIME MINISTER

You will remember that in the summer of 1978 Mr. Patrick Mayhew had an interview in the United States with a Czechoslovak Intelligence Service (CIS) defector, Josef Frolik, in which Frolik reiterated his belief that John Stonehouse had been an agent of the CIS. You discussed this with Mr. Callaghan on 18th July 1980.78

2. The conclusion which Mr. Callaghan reported to you and you accepted was that, while it was impossible now to accept that Stonehouse was not a security risk, there was no evidence that could be sustained in a court of law that he had been a paid agent of the CIS.

3. New information has now become available from a new CIS defector. According to first reports, he claims to have been Mr. Stonehouse's controller from March 1968 to some time in 1969, while he was stationed at the Czech Embassy in London; he claims to have taken over as Mr. Stonehouse's controller from Robert Husak (who was named by Frolik as a member of the CIS who had been ordered to contact Mr. Stonehouse) in Czechoslovakia in March 1968; and he says that it was clear from a file which he had read that Mr. Stonehouse was a conscious paid agent from about 1962, had after taking office in 1964 provided information about Government plans and policies and about technological subjects including aircraft, and had been paid over the years about £5,000 in all (though none of it by this defector).

4. The new defector has not yet arrived in this country. When he does, he will be further questioned. He hopes in due course to move on to North America and settle there. He will no doubt be extensively interviewed by the CIA. We have to assume that any information he has will be given to them; and we cannot assume that it will remain confidential.

5. Until the defector has been further questioned, it is not possible to say what course of action should be pursued. The first question must be whether the information which he can provide is suitable for use in evidence, and whether

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it is possible to mount a prosecution. If he were to be charged and found guilty, a reference to the Security Commission would have to follow. If Mr. Stonehouse could not be charged on the basis of the new information alone, the Security Service would have to consider whether to ask the police to interview him, without any offer of immunity from prosecution.

6. I am sending copies of this minute to the Home Secretary and the Foreign and Commonwealth Secretary, and will keep you and them informed.

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ROBERT ARMSTRONG

7th July, 1980

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