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**SUBJECT.**

PRIME MINISTER'S TELEPHONE CONVERSATION WITH SECRETARY OF STATE FOR DEFENCE: MONDAY 11 MAY 1981

Secretary of State for Defence: I am just going to NATO for 3 days and I just had a awful thought and that is you are seeing your German colleague today and tomorrow, it is just that if my subject comes up at all - which I doubt if it will - but if it were to you will be given this coming weekend a first full report from me on the state of my review and there are people around me and no doubt elsewhere who are urging that we must go into a long period of consultation on all this and I think it will be quite impossible, assuming we can all agree what to do, if we go into long periods of consultation with everybody and I think what we ought to do is make a number of propositions to our Allies and then we can consult them on the basis of certain propositions which I think we will have to make acceptable to them. But I hope you can ensure that none of my options are processed in the next two days.

Prime Minister: I don't think they will be because I think there is another new uncertainty since yesterday.

S/S: Absolutely. I think in fact that the direction in which I will be recommending with options to you I think becomes all the more apposite in view of the result. But the only point that I am really trying to make is that of course the Foreign Office want to consult everybody in sight on everything and unless we can keep all our options open, at least until we have discussed it, I think we will be in a very difficult position.

PM: All right. John what was the origin of - there was a recent article or review by someone saying that all the Russian stuff is rotten anyway.

S/S: The origin of that is the Marxists and Trots in World in Action and it would be a typical Socialist plot if they put a television programme on saying that the Soviets are incapable of doing anything. I think it all fits in.

PM: Was it shown in the States?

S/S: I think it was a World in Action programme which said that they were all very inefficient. I wouldn't believe a word of that.

PM: No, no. It is obviously a subversive thing but I was horrified that - I had forgotten it was World in Action. I telephoned Peter yesterday because, you know, they had a meeting. I understand that our friends are in just as much difficulty as we are. But we are not going to close any options.

S/S: Just one thing that is worth contemplating but I think that probably it won't come up at all at your meeting today and tomorrow. There was, if you will allow me to say so, quite a good article in The Economist this week about the number 3 article and indeed that article is correct, that the whole thing needs rethinking but until we have had a look at our position, I think it is difficult for us to make a lead in that area.

PM: Well we tried last time we had this and got nowhere.

S/S: I am sorry to disturb your breakfast.

PM. All right. Bye John.