

NOTE FOR THE RECORD

The Foreign Secretary telephoned the Prime Minister at 0745 this morning to ask whether he and the Chancellor could come together to see the Prime Minister today. The Prime Minister said that she saw no need for this. She would of course be seeing the Chancellor in the course of the day to discuss the situation in the markets. But if they all three met, it would increase speculation about difficulties. The best thing which the Foreign Secretary could do would be to keep quiet. The present difficulties were occurring because people were saying too much.

The Foreign Secretary replied that he had said nothing in his speech at Perth which he had not said before. Other speakers had referred to the EMS and he was bound to reply. He had used a formulation which he had employed before. The Prime Minister said that he should have known that the timing of his remarks and the fact that they were not in his published text was bound to cause trouble. He had succeeded in making life very difficult. She would see the Chancellor. That apart, the best thing was to keep quiet.

The Foreign Secretary said that he still thought a meeting between the three of them to try to settle the semi-public dispute would be useful. The Prime Minister said that she had nothing to do with any disputes. The row was a trumped-up one and had been caused quite unnecessarily. The EMS had not been on the agenda. The Foreign Secretary had been the one to put it there.

The Foreign Secretary started to explain why he thought we would be better off within the EMS. The Prime Minister said that it would simply bring us down to Germany's rate of growth. We were not going in at present. The Foreign Secretary had caused havoc over the weekend by his remarks and created the problem. The key thing now was to keep quiet.

She would be talking to the Chancellor and the Foreign Secretary could do so too if he wished. But there should be no meeting of the three of them.

The Foreign Secretary said that anyway he would be seeing the Prime Minister tomorrow (in fact he is not) and could continue their discussion. The Prime Minister did not dissent.

C.D.P.

C. D. POWELL

16 May 1988

SLHAWH