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PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

The points which the Foreign Secretary is likely to raise are:

(i) East/West Relations

He will want to tell you about Shultz' debriefing of NATO Foreign Ministers following his visit to Moscow. The likelihood seems to be that Gorbachev thinks he can extract a further price for agreeing to a Summit and can get Western public opinion to put pressure on the President over the SDI. We must remain firm and encourage the Americans to do so.

The Foreign Secretary has himself been kept on a string by the Russians over his own visit to Moscow. His inclination is anyway not to go in present circumstances and put off a visit until the Spring.

(ii) Hong Kong Stock Market

He may want to brief you on the measures taken to stabilise the Hong Kong Futures Market. It is notable that the Bank of China has been playing a helpful role.

(iii) Arab/Israel

King Hussein has briefed our Ambassador on the latest US initiative, making clear that he wants no part of it.

(iv) Franco/German Defence Cooperation

You have asked the Foreign Office for a more sophisticated

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analysis. You have subsequently seen the account of my talk with M. Bujon, and the Foreign Secretary has himself just come back from a WEU meeting. We need now to work on the Germans to get them to realise the risk of allowing themselves to be lured too far down the French path.

e.d.

(C. D. POWELL)

27 October 1987

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