

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

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You have a bilateral with the Foreign Secretary tomorrow evening. He will just have returned from his visit to Egypt and Jordan. The main subjects will be:

(i) The Middle East

He will obviously want to report to you on his visit and how he sees the prospects. Your message seems to have had a calming effect on King Hussein (the telegrams reporting the Foreign Secretary's discussions with him are in the hot box). The Foreign Secretary was able to tell the King that we would increase our aid to Jordan by some £5 million and that we would be able to make available the full £100 million credit for the Tornado deal, so the Jordanians would not have to give up other defence projects. This went down very well. On the wider issue, it seems likely that the King will be content if the focus can be turned back on to the international conference even though he realises that little progress is likely to be made until after the US and Israeli elections. I think that your intervention has helped prevent the King from going out of the control. But I am sure that he will continue to look to you for constant reassurance.

The Foreign Secretary will also want to let you have his views on the prospects in the Gulf. The Soviet Union seem to have made some ground in selling their idea of a United Nations force to the Jordanians and others in the Middle East. The Foreign Secretary has to some extent countered this.

(ii) Syria

You will have seen the reports to the effect that Al Khouli has been moved from his intelligence post to become Deputy Chief of Staff in

the Air Force and will apparently go from there to be Syrian Ambassador to Czechoslovakia. If this is confirmed you will need to consider whether we should look again at our restrictions against Syria. It is too early yet but you might ask the Foreign Secretary to do some contingency planning for a small relaxation.

(iii) The United States

You may want to discuss with the Foreign Secretary the arguments for and against a further message to President Reagan about the US budget deficit. We have had conflicting advice, with Treasury Secretary Baker pressing for a message and Frank Carlucci counselling that nagging about an increase in taxes will be counter-productive. Your inclination is to wait a while longer before deciding whether to intervene. If you do, it may be better to send a message saying that you would like to talk to the President on the telephone. You will need a good script for this.

You might also mention the resignation of Weinberger and the question whether we should propose him for an honorary award such as a CH.

(iv) Gorbachev's position

On Gorbachev's speech on the 70th anniversary of the October Revolution was less radical than many expected and he seems to have run into some serious squalls from the Politburo. It is not too fanciful to see his position at some risk although the Summit may be his insurance policy. You will want to consult the Foreign Secretary on whether we should revert to the idea of suggesting that Gorbachev might make a refuelling stop here on his way to the Summit and have a brief meeting with you. (I am seeing the Soviet Ambassador on Friday and could mention it then.)

(v) The European Community

You have agreed to go to Paris to see Chirac on

22 November. It is more difficult to pin down Kohl: one possibility is to see him in Copenhagen on the eve of the European Council itself. You may like to mention that I am intending to see Teltschik next week.

We have a time in the diary for the Foreign Secretary and David Hannay (with Mr. Lavelle) to talk you through the main issues on the future financing of the Community. This is better than a big meeting.

(vi) China

The outcome of the Party Congress and the election of the new Politburo are both quite encouraging. The reformers seem to be reasonably firmly in control but the basic problem still confronts them: how to implement reform without stopping ideology at the same time.

C.D.P.

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CHARLES POWELL

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