

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have a talk with the Foreign Secretary tomorrow afternoon. The main points which he is likely to raise are:

(i) Arab/Israel You will have seen Shultz's reply to the Foreign Secretary's recent message. It is not very encouraging. You will be seeing Peres next week and will want to ask him how he thinks we can help. But it is quite clear that the Americans are not prepared to face the Israelis down; and in the absence of that, it may be that all we can hope to do is to keep a process alive, without any real hope of achieving progress over the next twelve months.

(ii) Falklands We shall know the result of the Falklands vote at the UN by tomorrow. It will probably show very little change from last year. At the least there should be no further erosion of our support.

There is another aspect about which the Foreign Secretary will want to brief you. We are, apparently, trying to deliver an Islander aircraft to the Falklands. It has got as far as Punta Arenas. But on the final leg it has to cross part of the Argentine Flight Information Region and predictably the Argentines are making difficulties. The civilian pilots will not fly the final leg without permission from the Argentine flight controllers. We are either going to have to force the aircraft through, which may mean using RAF pilots, or back down. It is most unsatisfactory that we have got into this position without anyone seeming to know about it. But having got this far, we must surely ensure that the aircraft is now delivered.

(iii) GCHQ The Foreign Secretary has been talking to Sir Peter Marychurch about the damage which might result to

GCHQ from a prosecution of Duncan Campbell and others under the Official Secrets Act. He will want to report to you. I understand that he still does not feel able to judge how bad the potential exposure of GCHQ's activities from a prosecution would be. He wants to talk further to the Attorney General.

(iv) British Council Sir David Orr has been to see the Foreign Secretary to demand more funds for the British Council and has hinted that he will resign if he does not get them. He has asked to see you and we have given him a time in December. The British Council are constantly sniping at the Government and rallying their supporters to do likewise. In some ways, Sir David Orr's departure would not be a great loss. On the other hand there would probably be quite a public row, since the British Council lobby would make a great fuss about it. You will wish to consider tactics with the Foreign Secretary.

(v) Hong Kong The Foreign Secretary will want to brief you on the outcome of the most recent Joint Liaison Group, which dealt very satisfactorily with a number of defence and civil aviation issues. The Chinese apparently expressed some concern about the new link-up between Hong Kong & Shanghai Bank and the Midland and asked for more information. The Foreign Secretary is puzzled that the Chinese appear to know more about previous goings-on between the Hong Kong & Shanghai and the Midland than he had realised. You, of course, know the reason for this but there is no need to divulge it.

(vi) European Council I have arranged for David Hannay to continue the seminar session next Friday morning. You will also be seeing Mr. Williamson briefly then. I understand that the Foreign Secretary will not be in London that day.

C.D.P.

(C.D. POWELL)

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