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PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have a bilateral with the Foreign Secretary tomorrow. The subjects which should be covered are:

(i) European Council

You will want to discuss the prospects. There is no doubt that you have wide public and parliamentary support here for holding a firm line. Your problems will arise only if we make concessions. The imminence of the French elections must make it unlikely that the French will be ready to compromise sufficiently to meet our needs. But there are several issues on which we have quite wide support and it ought to be possible to avoid ending up with the UK alone in the dock (although it does not matter much if we do).

Nonetheless, you will want to consider with the Foreign Secretary the points on which we should stand firm and those where we might show some flexibility. The points on which we should stand firm (in order of importance/cost to us) are:

- the Fontainebleau abatement
- the 27 bn écu guideline and 60% slope (although we might consider the Dutch idea of a one-off 27.5 bn in 1988)
- cumulative price reductions for cereals within a ceiling higher than 3%
- lower MGQs for rape-seed
- remove discrimination in cereals co-responsibility levy
- limiting the growth of the structural funds and reduction in UK share
- keeping down the increase in own resources to 1.15% GNP (with our abatement excluded).

You will also want to consider the handling with Ministerial colleagues. The Foreign Secretary should set out the negotiating position to Cabinet on Wednesday morning. But I doubt another paper is needed: there was a paper and a full

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discussion in December. Your summing up noted that you would take a firm stand on control of agricultural expenditure, but that an increase in own resources would probably be required going beyond 1.6% VAT, which might mean an increase in our net contribution to the tune of £150 million. The position has not altered substantially since then.

(ii) Middle East

You are briefed on the new American initiative. The Foreign Secretary will be able to give an account of his discussion in Brussels with King Hussein. You might say that you would like to see a very early assessment of the American proposals and whether they offer real scope for progress.

(iii) Angola

You have seen my separate notes (attached). We ought seriously to consider raising the level of our contacts with UNITA, to increase pressure on the Angolan Government to seek a negotiated settlement.

(iv) World TV

The Foreign Secretary may revert to his proposal to give some funds to the BBC to finance external TV broadcasting. You are firmly opposed to this. I think the Foreign Secretary realises that there is little hope. One more push from you will persuade him to drop it.

C.D.P.

(C. D. POWELL)

8 February 1988