

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have a bilateral with the Foreign Secretary tomorrow. He is in New York today attending the United Nations Special Session on Disarmament so I have not been able to consult him on the subjects which he wants to raise. But I think they are likely to include the following:

- EC Commissioner. He will want to remind you that you said you would speak to Leon Brittain who is coming to the dinner for the Tanzanians on Thursday.

- Sowan Affair. The Foreign Office are anxious about the revelations which are going to come out at the Sowan trial which starts today, both about the PLO activities in this country and those of the Israeli intelligence service. They are likely to recommend, in the light of the outcome of the trial, some expulsions both from the PLO office here and from the Israeli Embassy. The latter would be quite a considerable step. The Israelis have been on to David Wolfson to claim that people hostile to them in the Foreign Office and the Security Service are using this whole matter to imply that they were directly involved in supporting acts of terrorism by Palestinians in the United Kingdom. We shall need to look very carefully at what evidence adjured at the trial shows. Meanwhile, we are entitled to ask why on earth our own people have allowed identified members of the PLO's Force 17 to operate here for several years (and one still appears to be doing so).

- Communications equipment for Syria. There is a difficult decision to be taken here. I have asked the Foreign Office to set out the line we would take in public if we were to agree to the sale and it

became known, so that you can test the quality of our defence before reaching a decision.

- Financial and Monetary Co-operation. You will want to discuss how you should handle this subject in your talks with President Mitterrand on Friday. We do not want to let the French off the hook on free movement of capital: equally we do not want to get stuck with the study of the fairly barmy idea of a European Central Bank. Are we prepared to settle for a procedural solution on a study of the European Central Bank, in the hope that such a study will bring out all the difficulties and effectively bury the idea? Or is it something we need to choke at birth, even if that means we do not get the movement on some of the internal market issues which we are hoping to achieve at Hanover? You might also suggest that you discuss these issues with Kohl in the margins of the Economic Summit.
- Iran. You might ask him why the Foreign Office chose this moment to have negotiations with the Iranians on compensation for damage at our respective embassies.
- Arms for Argentina. I understand he may want to raise this. I am not entirely clear why. But I think he is debating whether we are better off concentrating on persuading the present US Administration to continue to exercise restraint of arms sales, with uncertainty about what would happen thereafter or whether we should concede some flexibility now in return for assurances about the longer term. It does not seem to me a very real choice since we would have no effective assurance about what happens after November.

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- House of Fraser. The Foreign Secretary wants to discuss how we can best prepare Brunei for the outcome of the House of Fraser Inquiry. He will propose sending an emissary later this month.

C.D.I

C. D. POWELL

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