

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have your first bilateral with the new Foreign Secretary tomorrow. You will probably want to use it for a general discussion. The only piece of specific business is the Conference on Cambodia in Paris at the week-end. The Foreign Secretary will meet the Chinese Foreign Minister in the margins and intends to make three points: the Chinese face a huge task of restoring confidence in Hong Kong and need to set about it quickly and effectively: we need real consultation about the Basic Law, in which they take account of Hong Kong points: and we shall need to resume the work of the Joint Liaison Group shortly.

On more general themes, you might like to steer him towards some general priorities. For you, the Anglo-American Alliance remains central. We face some problems, because of a tendency in the State Department - possibly stemming from Baker personally - to devalue our role and upgrade the Germans. We must not let ourselves be riled by this, but work quietly and patiently to preserve the substance of the relationship - and above all defence and intelligence links - until the Americans rediscover in some crisis who their real friends are.

We have also forged a very special place for ourselves with the Soviet Union, based on your personal relationship with Gorbachev. This has considerable political value to us. It is based on demonstrating that you can be firm with the Soviet Union and yet have a good relationship.

Relations with France and Germany are problematical. They are obsessed with each other and sometimes try to shut us out. But on the French side at least there is much insincerity. The French worry about Germany and would like to be closer to us. Mitterrand's views on defence are sound. We are both determined to keep our independent deterrents. All this we can exploit, but at the end of the day you can never rely on

them. They will do us down if it suits them. The Germans are a real worry. They are losing their backbone on defence, while reasserting themselves on European issues. They are becoming an uncomfortable partner. Japan is particularly inscrutable at present.

The problem areas on which he ought to focus most are:

- the European Community. We have just completed a phase which has been a success for the UK - our budget contribution, reform of the CAP, focus on the Single Market. Now the supporters of far-reaching integration are trying once again to seize the initiative, with the Delors plan for economic and monetary union. We have got to divert that movement towards much more modest goals, and put forward our own alternative ideas, without giving the impression of being anti-European.
- Soviet Union and East Europe. Communism is sliding, but this creates its own dangers. Gorbachev could go and the whole process be put into reverse. Or the pressures for rapid change in East Europe could get out of hand. We have to help manage change, while making sure that the East Europeans are not enabled to avoid hard choices on economic reform.
- NATO. After 40 years of success, it is beginning to slip. The urge to assume the best, reduce weapons and abandon our nuclear defences is growing. We have got to hold the line, but have precious few allies.
- China/Hong Kong. We have a potential catastrophe on our hands. Somehow we have to restore confidence without creating new problems for ourselves, e.g. over immigration.
- Southern Africa offers the best prospects for constructive British diplomacy. We are the only ones

who carry real weight down there. There is a real chance of getting rid of the whole apartheid/sanctions issue. But we, i.e. the FCO, have got to be hard-headed.

- Middle East. Always the most dangerous spot and very little we can do to influence it. All we can do is to keep on giving encouragement and support to our friends particularly in the Gulf, while keeping up the appearance of progress on Arab/Israel so that they don't lose heart.
- Resources and diplomacy. You hope he will cast a Chief Secretary's eye on how and where the FCO spends its resources and whether they can be better applied.
- No. 10 and the FCO. You want regular bilaterals with him and the closest possible working together, so that the FCO is an instrument for carrying out Government policy not FCO policy.

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