

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have a bilateral with the Foreign Secretary tomorrow afternoon. He has written the attached personal note about our foreign policy, and wants to make it the basis for your discussion tomorrow.

You will form your own conclusions. I find it a bit of a homily and in parts ensorious. It preaches full FCO orthodoxy on every issue. There is not an ounce of imagination or originality in it. Perhaps I am being too severe: but I really do not think it has the right tone for such a communication.

Taking the issues in order:

NATO

We are looking at the summit to give the right political signal about the Alliance and how it may change. You know better than anyone that we are not going to get a commitment to deploy TASM and hardly need to be told. It will probably be best to handle nuclear issues in as low a key as possible: but we are unlikely to get away without some general reference to the prospect of further reductions in short-range nuclear weapons once a CFE agreement is signed.

Two Plus Four

The FCO seem to be coming round to accepting a NATO/Warsaw Pact declaration. We shall have to offer Gorbachev some assurance that there will in future be limits on the size of the Bundeswehr. We shall also have to hold out the prospect of further Conventional Force Reduction negotiations in which ceilings are put on other forces (including ours) in the central zone. That should of course suit us quite well if we decide to go ahead with reducing BAOR and RAF Germany.

German Unification

It is probably right to suggest that we shall be asked by the Americans and Germans to contribute to a big scheme of credit for the Soviet Union. There was a trailer for that in the

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President's message to you about his meeting with Gorbachev: and you will see that Teltschik has also warned us of this. We shall need to think carefully about what we can afford to make available.

CFE

From discussions with the Americans today, it is clear that they expect aircraft to be excluded from a CFE I and kept for later. This is not ideal: it was after all the Russians who wanted to include aircraft in the first place. We should only concede postponement as a last resort, using the full leverage of a CSCE summit to persuade them to include aircraft this time.

CSE

You have always in your speeches underlined that CSCE cannot be a substitute for NATO.

Political Union

There are no great problems here.

EMU

The Foreign Secretary aligns himself firmly with the Chancellor in saying that we cannot head off Stage III Delors and should not allow the other Member States to go ahead without us. You have had this discussion with the Chancellor already and may need to go through it again with the Foreign Secretary. He also takes issue with your ideas for giving more substance to trade and economic relations across the Atlantic, seeing it as a distraction from the move towards greater European unity the whole point. He also claims that the Americans do not want it. There is a distinct lack of imagination here and unwillingness to consider new ideas.

The last paragraph sets out his general philosophy: you can be robust if you must, but we must always be in the middle of the pack. That didn't get us where we are today!

C.D. (C. D. POWELL)

12 June 1990

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